AUSTRALIA & NEW ZEALAND BANKING GROUP LTD
Form 6-K
September 28, 2005

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

PURSUANT TO RULE 13A-16 OR 15D-16 OF

THE SECURITIES EXCHANGE ACT OF 1934

For the Month of September 2005

Australia and New Zealand Banking Group Limited

ACN 005 357 522

(Translation of registrant s name into English)

Level 6, 100 Queen Street Melbourne Victoria 3000 Australia

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ý Form 40-F o

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes o No ý

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):

This Form 6-K may contain certain forward- looking statements, including statements regarding (i) economic and financial forecasts, (ii) anticipated implementation of certain control systems and programs, (iii) the expected outcomes of legal proceedings and (iv) strategic priorities. Such forward- looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond our control and which may cause actual results to differ materially from those expressed in the forward-looking statement contained in these forward- looking statements. For example, these forward-looking statements may be affected by movements in exchange rates and interest rates, general economic conditions, our ability to acquire or develop necessary technology, our ability to attract and retain qualified personnel, government regulation, the competitive environment and political and regulatory policies.

There can be no assurance that actual outcomes will not differ materially from the forward-looking statements contained in the Form 6-K.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Australia and New Zealand
Banking Group Limited

(Registrant)

By: /s/ John Priestley
Company Secretary
(Signature)*

Date 26 September 2005

* Print the name and title of the signing officer under his signature.

ANZ National Bank

June 2005 GDS

Discussion Pack

ANZ National Bank Limited

Underlying performance maintained

Item	Jun-05 (NZ$m)	Jun-04 (NZ$m)	Change (%)	Commentary
Net Interest Income	470	469	0	NII flat due to growth in lending and deposit volumes offset by continuing decline in margins. Margin decrease driven by price competition, funding cost increase and unfavourable product mix
Other Operating Income	203	198	3	Improved capital markets earnings (FX and trading) due to increased spot volatility; reasonable other income growth offset by implementation of ANZ Retail fee initiative.
Operating Expenses*	296	293	1	Operating costs stable due to tight cost control
Provision for Doubtful Debts	31	38	-18	Lower ELP charge, reflecting growth in mortgage lending and improved credit quality
Tax Expense	111	99	12	Increase in effective tax rate due to non- assessable revenue recorded in June 2004 quarter, not repeated in June 2005.
NPAT*	235	237	-1	Underlying result flat - excludes impact of goodwill and integration costs

*pre goodwill and integration costs

Reconciliation to underlying result

	QUARTER To Jun-05 $m	QUARTER TO Jun-04 $m
Headline profit after tax	169	192
Add back: Goodwill amortisation	45	40
Integration costs (post-tax)	21	5
Underlying profit after tax	235	237
Headline operating expenses	373	339
Add back: Goodwill amortisation	45	40
Integration costs	32	6
Underlying operating expenses	296	293

The business has achieved a strong strategic position

ANZ National holds strong positions in all core banking markets

Market share of customers is close to 40% across all major segments

No. 1 position in Rural banking (lending and deposits FUM)(1)

No. 1 position in the home lending and household deposits markets(2)

Highest main bank customer share(3)

No. 1 in the corporate(6) and Institutional(4) markets on key measures

The National brand is No.1 for customer service rating amongst major banks(5)

ANZ brand is at a 7 year high for service rating(5)

Market Share Segment

	Share
Retail Banking	
Customers(5)/ Deposits(2)	37%
Mortgages(2)	33%
Small Business Customer(6)	37%
Rural Banking(1)	41%
Corporate & Commercial(6)	41%
Institutional (estimated)	45%

Sources: (1). RBNZ C5 table and ANZN. (2). General Disclosure Statements and Key Information Summary for all major banks for quarter ending June 2005. (3). ACNielsen© Consumer Finance Monitor - share of main bank customer Q1 2005. (4). Peter Lee Associates Large Corporate and Institutional Relationship Banking 2005/ Foreign Exchange and Interest Rate Derivatives 2004; Insto; Basis Point (5). ACNielsen© Consumer Finance Monitor. Q105 (Customers rating overall service as Excellent or Very Good)(6). TNS Business Finance Monitor;

The impact of our investment is reflected in our customer service ratings

Better Customer Experience

We have launched a number of new products in the last 12 months:

- First Home Option product in the retail market (National Bank)
- Streamlined Mortgage Settlement Services (National Bank)
- Online call account (ANZ)
- Low interest rate credit card (ANZ)

Between our two brands we have opened 7 new branches since June 2003

ANZ customer service ratings hit a 7 year high in the first quarter of 2005

The National Bank brand continues to lead the major banks in Customer Service

***Source:** ACNielsen © Consumer Finance Monitor. Sample size is 2500 per quarter; excludes Don t Know/Refused & No Bank Accounts

4

A focus on our customers has protected our customer base

The focus since acquisition has been on maintaining our customer franchises and building the business.

The ANZ brand is clearly showing signs of a turnaround. Customer attrition has slowed by 65% over 2004.

The National Bank maintains its share of main bank customers.

We have retained our share in the competitive deposit market.

The ANZ on-line call account product has been a major success since launch in December 2004

***Source:** ACNielsen© Consumer Finance Monitor. Sample size is 2500 per quarter; excludes Don t Know/Refused & No Bank Accounts ; **Based on ANZNational SSR and RBNZ aggregate SSR for registered banks

A small loss of share in mortgages, but both brands improving

Mortgage market share and share of growth*

The gradual erosion of home loan market share has improved since integration

Alignment of our credit policies resulted in an improvement in our share of growth in September 2004.

* Share of growth based on share of increase in balances over past 12 months

In Institutional, we have strengthened our position following distraction of integration

#1 domestic lead bank share (45%)

#1 in Trade share (48% lead bank) and satisfaction

#1 in FX share (51% lead dealer) and relationship

#1 in Interest Rate Derivatives share (59% lead dealer) and relationship

#1 in cross sell of syndications and bond originations.

#2 Transactional Lead Bank (32%)

#1 NZ Mandated Arrangers Syndicated Loans Basis Point, Jan to June 2005

#1 Public corporate domestic bonds Issuance- Insto, 1 Jan to 12 Aug 2005

Institutional Bank of the Year 2005 Institute of Finance Professionals industry awards

---

Source: Peter Lee Associates Large Corporate and Institutional Relationship Banking 2005/ Foreign Exchange and Interest Rate Derivatives 2004; Insto; Basis Point

Improvement has been based on excellent customer relationships and improvements in relationship strength

Improved Relationship strength by 7% above 2004 ANZ score and 16% above NBNZ 2004 score.

Gains have been made **without leading the market down on price.**

Source: Peter Lee Associates Corporate and Institutional Relationship Banking 2005 Relationship Strength Index based on a measure of all qualitative questions from 0 = lowest to 1000 = highest

Summary of forecasts New Zealand (bank year)

New Zealand

	2003-04	2004-05	2005-06	2006-07
Real GDP	4.7	2.7	2.0	2.8
Unemployment (a)	3.8	3.6	4.5	4.5
Inflation	2.5	3.2	3.2	1.8
Housing credit (b)	16.6	14.6	10.0	8.4
Personal credit (b)	6.6	9.6	8.5	8.6
Business credit (b),(e)	9.8	16.1	10.9	8.6
90-day bills (c)	6.6	7.0	6.2	6.2
10-yr bonds (c)	6.2	6.0	6.0	6.3
NZ$/US$(d)	0.66	0.67	0.56	0.56
A$/NZ$(d)	1.07	1.11	1.16	1.22

**Please note that all data and forecasts are on a bank year (ie, ended 30 September) basis*

(a)% of labour force, end September. (b) Year ended September quarter. (c) % per annum, end September.
(d) End September. (e) Includes rural lending

For further information visit

www.anz.com

or contact

Stephen Higgins

Head of Investor Relations

ph: (613) 9273 4185 fax: (613) 9273 4899 e-mail: higgins@anz.com

10

ANZ NATIONAL BANK LIMITED GROUP

General Short Form Disclosure Statement

for the nine months ended 30 June 2005

Number 38 Issued August 2005

ANZ National Bank Limited

ANZ NATIONAL BANK LIMITED AND SUBSIDIARY COMPANIES

GENERAL SHORT FORM DISCLOSURE STATEMENT for the nine months ended 30 June 2005

Contents

ANZ NATIONAL BANK LIMITED AND SUBSIDIARY COMPANIES

GENERAL DISCLOSURES

This Short Form Disclosure Statement has been issued in accordance with the Registered Bank Disclosure Statement (Off-Quarter - New Zealand Incorporated Registered Banks) Order 2005 (the Order).

In this Short Form 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 (Off-Quarter 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) and Norway Funds Limited (incorporated in New Zealand), a wholly owned subsidiary of ANZ Funds Pty Limited.

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.

Directorate

There have been no changes in the Bank s Board of Directors since the publication date of the previous Disclosure Statement on 18 April 2005.

ANZ NATIONAL BANK LIMITED AND SUBSIDIARY COMPANIES

CONDITIONS OF REGISTRATION

Conditions of Registration, applicable as at 8 August 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 I capital)**
AA/Aa2 and above	75

AA-/Aa3	70
A+/A1	60
A/A2	40
A-/A3	30
BBB+/Baal 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

3

(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.

4

ANZ NATIONAL BANK LIMITED AND 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 June 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 June 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.

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.

ANZ NATIONAL BANK LIMITED AND SUBSIDIARY COMPANIES

STATEMENT OF FINANCIAL PERFORMANCE for the nine months ended 30 June 2005

	Note	Unaudited 9 months to 30/06/2005 $m	Consolidated Unaudited 9 months to 30/06/2004 $m	Audited Year to 30/09/2004 $m
Interest income		**4,374**	3,186	4,481
Interest expense		**2,953**	1,976	2,797
Net interest income		**1,421**	1,210	1,684
Net trading gains		**93**	83	119
Equity accounted earnings of associates		**(1)**	2	2
Other operating income		**483**	427	592
Net operating lease income		**31**	28	38
Net operating income		**2,027**	1,750	2,435
Operating expenses		**1,089**	892	1,265
Provision for doubtful debts	**11**	**93**	101	133
Operating surplus before tax		**845**	757	1,037
Tax expense	**4**	**304**	257	357
Operating surplus		**541**	500	680

The notes on pages 11 to 26 form part of and should be read in conjunction with these financial statements.

ANZ NATIONAL BANK LIMITED AND SUBSIDIARY COMPANIES

STATEMENT OF MOVEMENTS IN EQUITY for the nine months ended 30 June 2005

	Note	Unaudited 9 months to 30/06/2005 $m	Consolidated Unaudited 9 months to 30/06/2004 $m	Audited Year to 30/09/2004 $m
Operating surplus		**541**	500	680
Issue of ordinary shares	**14**		5,537	5,537
Interim dividend		**(180)**		(200)
Movement in equity for the period		**361**	6,037	6,017
Equity at beginning of the period		**7,381**	1,364	1,364
Equity at end of the period		**7,742**	7,401	7,381

The notes on pages 11 to 26 form part of and should be read in conjunction with these financial statements.

ANZ NATIONAL BANK LIMITED AND SUBSIDIARY COMPANIES

STATEMENT OF FINANCIAL POSITION as at 30 June 2005

	Note	Unaudited 30/06/2005 $m	Consolidated Unaudited 30/06/2004 $m	Audited 30/09/2004 $m
ASSETS				
Liquid assets	**5**	**1,832**	1,595	1,473
Due from other financial institutions	**6**	**4,420**	3,816	2,930
Trading securities	**7**	**626**	2,035	680
Investment securities	**8**	**1,607**	1,204	1,402
Net loans and advances	**9,10,11**	**66,300**	59,463	60,391
Investment in associate companies		**16**	19	21
Income tax assets		**359**	383	406
Goodwill		**3,242**	3,427	3,381
Other assets		**2,698**	2,368	2,858
Premises and equipment		**703**	651	670
Total assets		**81,803**	74,961	74,212
LIABILITIES				
Due to other financial institutions		**2,421**	1,957	1,372
Deposits and other borrowings	**12**	**58,314**	56,012	53,912
Income tax liabilities		**114**	210	227
Creditors and other liabilities		**2,907**	3,507	4,299
Provisions		**141**	154	140
Bonds and notes		**6,079**	1,627	2,747
Related party funding		**2,616**	2,854	2,777
Loan capital	**13**	**1,469**	1,239	1,357
Total liabilities		**74,061**	67,560	66,831
Net assets		**7,742**	7,401	7,381
EQUITY				
Paid in share capital	**14**	**5,943**	5,943	5,943
Retained earnings		**1,799**	1,458	1,438
Total equity		**7,742**	7,401	7,381

The notes on pages 11 to 26 form part of and should be read in conjunction with these financial statements.

ANZ NATIONAL BANK LIMITED AND SUBSIDIARY COMPANIES

STATEMENT OF CASH FLOWS for the nine months ended 30 June 2005

	Note	Unaudited 9 months to 30/06/2005 $m	Consolidated Unaudited 9 months to 30/06/2004 $m	Audited Year to 30/09/2004 $m
Gross cash inflow from operating activities		**4,845**	3,712	5,234
Gross cash outflow from operating activities		**(3,873)**	(2,815)	(4,110)
Net cash flow from operating activities	**19**	**972**	897	1,124
Gross cash inflow from investing activities		**291**	4,005	3,735
Gross cash outflow from investing activities		**(8,268)**	(7,844)	(9,059)
Net cash flow from investing activities		**(7,977)**	(3,839)	(5,324)
Gross cash inflow from financing activities		**8,647**	6,981	7,466
Gross cash outflow from financing activities		**(2,041)**	(2,429)	(3,070)
Net cash flow from financing activities		**6,606**	4,552	4,396
Net (decrease) increase in cash and cash equivalents		**(399)**	1,610	196
Opening cash and cash equivalents		**2,855**	2,659	2,659
Closing cash and cash equivalents		**2,456**	4,269	2,855
Reconciliation of closing cash and cash equivalents to the statement of financial position				
Liquid assets		**1,832**	1,595	1,473
Due from other financial institutions - at call		**574**	1,893	1,110
Trading securities		**626**	2,035	680
Due to other financial institutions - at call		**(576)**	(1,254)	(408)
		2,456	4,269	2,855

The notes on pages 11 to 26 form part of and should be read in conjunction with these financial statements.

ANZ NATIONAL BANK LIMITED AND SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

(i) Statutory base

These financial statements have been prepared in accordance with the Financial Reporting Standard No. 24 Interim Financial Statements (FRS 24) and the Registered Bank Disclosure Statement (Off Quarter - New Zealand Incorporated Registered Banks) Order 2005. These financial statements should be read in conjunction with the consolidated financial statements for the year ended 30 September 2004.

(ii) Measurement base

These financial statements have been prepared on a going concern basis in accordance with historical cost concepts, adjusted by the revaluation of certain assets.

(iii) Changes in accounting policies

There have been no changes in accounting policies since the publication date of the previous Disclosure Statement on 18 April 2005.

(iv) Comparatives

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

(v) Impact of acquisition of NBNZ Holdings Limited (NBNZ Group)

The 30 September 2004 financial statements include the 10 month results of the NBNZ Group from the date of acquisition, 1 December 2003. The 30 June 2004 financial statements include the 7 month results of the NBNZ Group from the date of acquisition, 1 December 2003.

2. RISK MANAGEMENT POLICIES

There has been no material change in the Banking Group s policies for managing risk, or material exposures to any new types of risk since the publication date of the previous Disclosure Statement on 18 April 2005.

3. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Ultimate Parent Bank, Australia and New Zealand Banking Group Limited will be adopting the Australian equivalents to International Financial Reporting Standards for the reporting period commencing 1 October 2005. Hence, from this date, the Banking Group has 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. Comparatives are not required for NZ IAS 32 Financial Instruments: Disclosure and Presentation, NZ IAS 39 Financial Instruments: Recognition and Measurement and NZ IFRS 4 Insurance Contracts.

A Steering Committee is monitoring the adoption of NZ IFRS in accordance with the Banking Group s implementation plan, in conjunction with the Ultimate Parent Bank s implementation plan. This Committee has been following developments in NZ IFRS and the likely impact that these standards will have on our products and our customers, and on our own financial reports and accounting policies. Dedicated workstreams are responsible for evaluating the impact of a specific group of accounting changes. Each workstream has completed its technical evaluation phase and is progressing through the design, development and implementation phases for each workstream. The Banking Group is well progressed in ensuring compliance with NZ IFRS by 1 October 2005.

The following paragraphs describe the anticipated impact of the adoption of NZ IFRS. The work to finalise the impact is still continuing and the figures provided below are estimates only. The Banking Group may make adjustments to the selection and application of its NZ IFRS accounting policies to reflect changes in financial reporting requirements arising from new or revised standards or interpretations issued and approved by the Accounting Standards Review Board subsequent to the preparation of the Banking Group s Disclosure Statement as at 30 June 2005.

Credit Loss Provisioning

Initial impact on retained earnings at 1 October 2005; Volatility in future earnings

NZ IFRS adopts an approach known as incurred losses for credit loss provisioning and provides guidance on measurement of incurred losses. Provisions are raised for losses that have already been incurred for exposures that are known to be impaired. The estimates of these impaired exposures are then discounted to their present value. As this discount unwinds, there is a resulting recognition of a reduced specific provision in the statement of financial performance during the period between recognition of impairment and recovery of the written down amount.

Exposures found not 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 current economic loss provisioning charge to operating surplus will be replaced, on adoption of NZ IFRS, by a charge for specific provisions on impaired exposures, plus a charge for movements in the provision that is held for exposures that are being collectively assessed for impairment.

It is expected that the proposed changes will have an impact on the overall level of provisioning which the Banking Group holds against its credit exposures on initial adoption. Subsequent to initial adoption it is likely there will be more volatility in the level of impairment expense included in future earnings.

Fee Revenue

Initial impact on retained earnings at 1 October 2005 for yield adjusted fees and 1 October 2004 for other financial service fees; Increased deferral of fee income

Revised standards on accounting for fee income will result in more fees being deferred on initial payment, and recognised either as an adjustment to yield or over the period of service. Fees required to be treated as an adjustment to yield will be recognised in interest income rather than fee income. Certain fees relating to services performed that have previously been recognised in the statement of financial performance will be deferred as at 1 October 2004, and other fees, including loan establishment fees, will be deferred as at 1 October 2005. Whilst the amount of fees deferred is likely to be significant in both cases, it is not expected to result in a material annual impact on operating surplus. These fees will be amortised to income over the expected life of the loan or the period for which the service is provided.

The initial impact of financial service fees is expected to be a $10 million before tax reduction in retained earnings at 1 October 2004. The initial impact of yield adjusted fees on retained earnings at 1 October 2005 is yet to be fully ascertained.

Goodwill

Volatility in future earnings

The current Banking Group policy of amortising goodwill over the expected period of benefit will cease. Instead, goodwill will be subject to impairment testing annually, or more frequently if events or circumstances indicate that it might be impaired. This change in policy will result in increased volatility of future earnings where impairment losses may occur. This change in accounting policy will reduce expenses by approximately $182 million per annum.

Hedging

Initial impact on retained earnings at 1 October 2005; Volatility in future earnings; New assets/liabilities recognised

All derivative contracts, whether used as hedging instruments or otherwise, will be carried at fair value on the Banking Group s statement of financial position. NZ IFRS recognise fair value hedge accounting, cash flow hedge accounting, and hedges of investments in foreign operations. Fair value and cash flow hedge accounting can only be considered where certain effectiveness tests are met.

Ineffectiveness outside the prescribed effectiveness range precludes the use of hedge accounting and can result in significant volatility in the statement of financial performance. The Banking Group expects to use a mixture of fair value and cash flow hedging in respect of its interest rate risk hedges, which will create volatility in the statement of financial performance statement and equity reserve balances.

The hedging rules will impact the way the Banking Group accounts for hedges of its funding and for hedges of its interest rate exposures/gaps in its statement of financial position. Customer trading, where all derivatives are currently marked to market, will not be impacted by the hedging rules.

The initial impact of hedge accounting on retained earnings at 1 October 2005 is yet to be fully ascertained.

Post Employment Benefits

Initial reduction in retained earnings at 1 October 2004

The Banking Group does not currently recognise an asset or liability for the net actuarial position of the defined benefit superannuation schemes. On adoption of NZ IAS 19 Employee Benefits, the Banking Group will recognise the net position of each scheme on the statement of financial position.

As at 1 October 2004, the aggregate value of the Banking Group s defined benefit schemes calculated in accordance with NZ IAS 19 reflected an overall deficit of approximately $60 million before tax. This initial adjustment will be made, retrospectively, against opening retained earnings as at 1 October 2004.

NZ IFRS permit three options for the recognition of actuarial gains and losses associated with defined benefit schemes where the gains and losses are either:

- wholly recognised in the statement of financial performance;
- wholly recognised in retained earnings; or
- proportionately recognised in the statement of financial performance over the average service life of employees.

The Banking Group is likely to recognise actuarial gains and losses in retained earnings.

Taxation

Initial impact on retained earnings at 1 October 2004 New assets/liabilities recognised

Under NZ IAS 12 Income Taxes, a balance sheet approach will be adopted, replacing the statement of financial performance approach currently used. This method recognises deferred tax balances when there is a difference between the carrying value of an asset (or liability) and its tax base.

The initial impact of the tax balance sheet approach is yet to be fully ascertained.

Capital Measurement

The full implications for the Banking Group s capital adequacy and prudential responsibilities are dependent on rules currently being developed by the Reserve Bank of New Zealand.

4. TAX EXPENSE

	Unaudited 30/06/2005 $m	Consolidated Unaudited 30/06/2004 $m	Audited 30/09/2004 $m
Tax expense on operating surplus	**304**	257	357
Effective tax rate	**36.0%**	33.9%	34.4%

5. LIQUID ASSETS

Cash and short term funds	**524**	500	437
Money at call	**1,279**	1,032	1,001
Bills receivable and remittances in transit	**29**	63	35
Total liquid assets	**1,832**	1,595	1,473
Included within liquid assets is the following balance:			
Securities purchased under agreements to resell	**269**	220	166

As at 30 June 2005, assets of $269 million were encumbered through repurchase agreements.

6. DUE FROM OTHER FINANCIAL INSTITUTIONS

Australia and New Zealand Banking Group Limited (Ultimate Parent Company)	**96**		56
Due from other financial institutions	**4,324**	3,816	2,874
Total due from other financial institutions	**4,420**	3,816	2,930
Included within due from other financial institutions are the following balances:			
Able to be withdrawn without prior notice	**574**	1,893	1,110
Term lending to financial institutions	**3,264**	1,747	1,335
Securities purchased under agreements to resell	**582**	176	485

As at 30 June 2005, assets of $582 million were encumbered through repurchase agreements.

7. TRADING SECURITIES

Government, Local Body stock and bonds	**258**	1,167	417
Certificates of deposit	**30**	468	89
Promissory notes	**315**	349	121
Other	**23**	51	53
Total trading securities	**626**	2,035	680

As at 30 June 2005, assets of $227 million were encumbered through repurchase agreements (30/06/2004 $812 million; 30/09/2004 $594 million).

8. INVESTMENT SECURITIES

		Consolidated	
	Unaudited 30/06/2005 $m	Unaudited 30/06/2004 $m	Audited 30/09/2004 $m
Government, Local Body stock and bonds	**1,246**	759	978
Floating rate notes	**305**	342	322
Other	**56**	103	102
Total investment securities	**1,607**	1,204	1,402
Included within investment securities is the following balance:			
Investments used to secure deposit obligations	**217**	220	220

As at 30 June 2005, no assets were encumbered through repurchase agreements (30/06/2004 $155 million; 30/09/2004 $nil).

9. NET LOANS AND ADVANCES

Overdrafts	**1,743**	1,693	1,731
Credit card outstandings	**1,125**	1,107	1,104
Term loans - housing	**37,127**	33,065	33,724
Term loans - non-housing	**26,942**	24,001	24,324
Hire purchase	**465**	560	553
Gross loans and advances	**67,402**	60,426	61,436
Provisions for doubtful debts (Note 11)	**(677)**	(618)	(633)
Unearned income	**(425)**	(345)	(412)
Total net loans and advances	**66,300**	59,463	60,391
Included within net loans and advances is the following related party balance:			
ANZ Holdings (New Zealand) Limited (Parent Company)	**156**	214	118

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

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

On-balance sheet impaired and past due assets and other assets under administration

Non-accrual loans	**161**	116	123
Restructured items	**18**		
Past due assets (90 day past due assets)	**75**	122	83
Other assets under administration	**1**		
Total on-balance sheet impaired assets, past due assets and other assets under administration	**255**	238	206
Off-balance sheet impaired assets	**3**		

11. PROVISIONS FOR DOUBTFUL DEBTS

	Consolidated Unaudited 30/06/2005 $m	 Unaudited 30/06/2004 $m	 Audited 30/09/2004 $m
General provision			
Balance at beginning of the period	**560**	228	228
Fair value adjustment on acquisition of subsidiaries		247	247
Charge to operating surplus	**93**	101	133
Transfer to specific provision	**(82)**	(44)	(65)
Recoveries	**16**	13	17
Balance at end of the period	**587**	545	560
Specific provision (non-accrual loans)			
Balance at beginning of the period	**73**	10	10
Specific provision acquired with subsidiaries		83	83
Fair value adjustment on acquisition of subsidiaries		(16)	(16)
Bad debts written off	**(65)**	(48)	(69)
Transfer from general provision	**82**	44	65
Balance at end of the period	**90**	73	73
Total provisions for doubtful debts	**677**	618	633

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

12. DEPOSITS AND OTHER BORROWINGS

Certificates of deposit	**4,532**	4,081	3,689
Term deposits	**22,688**	21,787	22,096
Demand deposits	**20,600**	18,651	18,256
Commercial paper	**8,210**	9,068	7,495
Secured debenture stock	**2,084**	2,225	2,176
Secured deposits	**200**	200	200
Total deposits and other borrowings	**58,314**	56,012	53,912

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 operating lease assets, of those companies.

Commercial paper

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

13. LOAN CAPITAL

	Unaudited 30/06/2005 $m	Consolidated Unaudited 30/06/2004 $m	Audited 30/09/2004 $m
AUD 88,580,000 term subordinated floating rate loan		97	
AUD 265,740,000 perpetual subordinated floating rate loan	**290**	292	285
AUD 207,450,000 term subordinated floating rate loan	**226**		222
AUD 186,100,000 term subordinated floating rate loan	**203**		
NZD term subordinated fixed rate bonds	**750**	850	850
Total loan capital	**1,469**	1,239	1,357
Included within loan capital is the following related party balance:			
Australia and New Zealand Banking Group Limited (Ultimate Parent Company)	**719**	389	507

AUD 88,580,000 loan

This loan was drawn down on 27 September 1996 and was repaid on 27 September 2004. All interest was payable half yearly in arrears based on BBSW + 0.45% p.a., with interest payments due 27 March and 27 September.

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 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. up to and including 31 August 2009 and increases to BBSW + 0.90% p.a. thereafter.

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. up to and including 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 swap rate plus 0.80% p.a. Interest is payable half yearly in arrears based on the fixed coupon rate.

As at 30 June 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.

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 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 June 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.

14. PAID IN SHARE CAPITAL

		Consolidated/Parent	
	Unaudited 30/06/2005 $m	Unaudited 30/06/2004 $m	Audited 30/09/2004 $m
Paid in share capital			
Balance at beginning of the period	**5,943**	406	406
Issue of ordinary shares		5,537	5,537
Balance at end of the period	**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.

15. INTEREST EARNING AND DISCOUNT BEARING ASSETS AND LIABILITIES

		Consolidated	
	Unaudited 30/06/2005 $m	Unaudited 30/06/2004 $m	Audited 30/09/2004 $m
Interest earning and discount bearing assets	**74,810**	68,476	66,838
Interest and discount bearing liabilities	**67,492**	60,346	59,058

16. LEASE RENTAL COMMITMENTS

Future rentals in respect of operating leases not provided for in these financial statements are:

Premises and equipment			
Due within one year	**76**	75	71
Due between one and two years	**64**	57	74
Due between two and five years	**110**	99	84
Due beyond five years	**42**	35	39
Total lease rental commitments	**292**	266	268

17. CAPITAL EXPENDITURE COMMITMENTS

Capital expenditure not provided for in these financial statements:			
Contractual commitments with certain drawdown due within one year	**41**	48	37

18. CONTINGENT LIABILITIES, CREDIT RELATED COMMITMENTS AND MARKET RELATED CONTRACTS

	Unaudited 30/06/2005 $m	Consolidated Unaudited 30/06/2004 $m	Audited 30/09/2004 $m
The estimated face or contract values are as follows:			
Contingent liabilities			
Financial guarantees	**1,341**	1,071	1,168
Standby letters of credit	**276**	223	215
Transaction related contingent items	**308**	309	276
Trade related contingent liabilities	**203**	238	200
Total contingent liabilities	**2,128**	1,841	1,859
Credit related commitments			
Commitments with certain drawdown due within one year	**1,350**	1,301	1,269
Underwriting facilities	**58**	62	68
Commitments to provide financial services	**16,721**	14,404	14,684
Total credit related commitments	**18,129**	15,767	16,021
Foreign exchange, interest rate and equity contracts			
Exchange rate contracts	**51,296**	59,333	55,832
Interest rate contracts	**138,413**	116,745	125,832
Equity contracts	**39**	39	39
Total foreign exchange, interest rate and equity contracts	**189,748**	176,117	181,703

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 ($205 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 $344 million ($411 million with interest tax effected) as at 30 June 2005.

Of the maximum potential tax liability in dispute, it has been estimated that approximately $99 million ($122 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 June 2005 of $245 million ($289 million with interest tax effected).

The Bank has not entered into similar transactions for some time and many of those being reviewed have already matured. Legislative changes involve the remaining transactions being terminated during the current financial year.

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. Any potential liability cannot be reliably estimated due to uncertainty over the scope and outcome of the proceedings.

An actuarial valuation of The National Bank Staff Superannuation Fund at 1 April 2004, undertaken in October 2004, showed that the actuarial valuation of past service liabilities exceeds the value of the Fund s assets by $6 million. This amount is not included as a liability within these financial statements. This deficit is being funded at the contribution rate recommended by the independent actuary, AON Consulting New Zealand Limited.

19. NOTES TO THE STATEMENT OF CASH FLOWS

	Unaudited 30/06/2005 $m	Consolidated Unaudited 30/06/2004 $m	Audited 30/09/2004 $m
Reconciliation of operating surplus to net cash flow from operating activities			
Operating surplus	**541**	500	680
Adjustments to operating surplus			
Depreciation	**91**	92	121
Provision for doubtful debts	**93**	101	133
Amortisation of goodwill	**136**	105	151
Amortisation of premiums and discounts	**92**	(8)	2
Unrealised foreign exchange losses (gains)	**29**	(25)	(40)
Equity accounted earnings of associates	**1**	(2)	(2)
Gain on sale of associates	**(5)**	(1)	(1)
Gain on disposal of premises and equipment	**(4)**	(9)	(7)
Writedown of investment in associate	**2**		
Devaluation of put option	**2**	3	5
(Increase) decrease in accrued interest income	**(50)**	29	(72)
Increase (decrease) in accrued interest expense	**111**	(30)	9
Increase in accrued commission and other income	**(21)**	(8)	(9)
Increase in accrued charges	**16**	3	6
(Decrease) increase in income tax liabilities	**(113)**	126	129
Decrease in income tax assets	**47**	44	40
Increase (decrease) in provisions	**4**	(23)	(21)
Net cash flow from operating activities	**972**	897	1,124

20. MARKET RISK

Consolidated