Australia and New Zealand Banking Group Limited
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Concise Annual Report 2005 / Part 2 of 2 / Concise Report

GUIDE TO CONCISE REPORT

ANZ presents two reports, the ANZ Concise Annual Report (this document) and the ANZ Financial Report. Both reports show how ANZ performed during the year ended 30 September 2005 and the overall financial position of the Group at the end of the year. ANZ also publishes an announcement to the market each half year. All these documents are on anz.com. ANZ prepares its financial reports in accordance with applicable Australian Accounting Standards. Particular terms required by the Standards may not be familiar to some readers. This guide and the Glossary of Financial Terms (on pages 94 and 95) are designed to assist readers to understand the Report.

This Concise Annual Report cannot be expected to provide as full an understanding of the Group's financial performance, financial position and financing and investing activities as the ANZ 2005 Financial Report. Analysis and discussion of the Concise Financial Report are on pages 10 to 15 of Part 1 of this Concise Annual Report.

The ANZ Concise Annual Report is a concise report for the purposes of section 314(2) of the Corporations Act 2001 and comprises two parts: Part 1 (Annual Review) and Part 2 (Concise Report). The two parts are distributed together as one document and should be read together. These documents may only be distributed by a person on the basis that Part 1 (Annual Review) and Part 2 (Concise Report) are distributed together.

A copy of the full Financial Report for the year ended 30 September 2005 for the Group, including the independent Auditor's Report, is available to all members, and will be sent to a member without charge upon request. The Financial Report can be requested by telephone (Australia 1800 11 33 99 Overseas +613 9415 4010), by email at investor.relations@anz.com or viewed directly on the Internet at www.anz.com

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CONCISE ANNUAL REPORT CONTENTS

The ANZ Concise Annual Report has two main sections – the 2005 Annual Review and the Concise Report. The front section, the Annual Review, contains information about significant matters that impacted the management and performance of ANZ during the year, including discussion and analysis of the financial results, updates on the specialist business units and Group-wide programs, the ten year summary and information on the directors.

The Concise Report contains information required by the Corporations Act 2001 (as amended), including:

- a Concise Financial Report, drawn up in accordance with applicable Australian Accounting Standards, including the Consolidated Statements of Financial Performance, Financial Position and Cash Flows.
- the Directors' Report, including the Remuneration Report.
- the Auditor's Report; and
- the Corporate Governance Report, as recommended by the ASX Corporate Governance Councils Principles of Corporate Governance and Best Practice Recommendations.

These statements have been reviewed by ANZ's Audit Committee and approved by the Board. Our external auditor, KPMG, has audited the Concise Financial Report and related notes.

CORPORATE GOVERNANCE REPORT

To ensure the reader is up-to-date with ANZ's corporate governance practices, this report provides information on the Group's governance framework, alignment with Australian and overseas governance issues, the Board and its procedures as well as Group codes, policies and related processes.

DIRECTORS' REPORT

This report provides information on how the business is performing and includes details about the Group's principal activities, the Directors and Company Secretaries. Details about the non-audit services and the Auditor's independence declaration also form part of this report. In addition, it contains remuneration information on the Directors and Specified Executives. Declarations are provided by the CEO, CFO and the Auditor.

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

Financial performance refers to ANZ's profit for the year including:

- the sources of ANZ's income split between net interest income and other income;
- the expenses incurred by ANZ during the year;
- provision for doubtful debts; and
- ANZ's tax expense for the year.

The key figure to look at is "Net profit attributable to shareholders of the Company", which is the profit for the year.

The results of controlled companies are included in the consolidated results of the Group.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

This Statement is a summary of the assets, liabilities and shareholders' equity as at 30 September 2005. It shows what ANZ as a Group owns as assets, what it owes as liabilities and its net assets. Net assets are equal to total shareholders' equity. The assets and liabilities are listed in order of liquidity, with those assets representing cash shown first and those hardest to convert to cash, such as premises, last.

The assets and liabilities of controlled companies are included within the consolidated results of the Group.

CONSOLIDATED STATEMENT OF CASH FLOWS

The Consolidated Statement of Cash Flows summarises the Group's cash payments and cash receipts for the financial year. The values may differ from those shown in the Consolidated Statement of Financial Performance because the Consolidated Statement of Financial Performance is prepared on an accrual accounting basis. Cash in the Statement refers to cash on hand, bank deposits and other forms of highly liquid investments that can readily be converted to cash.

NOTES TO THE CONCISE FINANCIAL STATEMENTS

These notes provide details on the basis of preparation of the Concise Financial Report including details on critical accounting policies, contingent liabilities and assets, segment analysis and dividends.

DIRECTORS' DECLARATION

This declaration contains the directors' sign-off that the Concise Report complies with Accounting Standards and provides a true and fair view of the performance and financial position of the Company.

AUDITOR'S REPORT

The independent audit report is the external and independent opinion on the Concise Report.

SHAREHOLDER INFORMATION

Information is provided on ordinary shares including the twenty largest shareholders and the distribution of shareholdings, and preferences shares – ANZ Stapled Exchangeable Preferred Securities (ANZ StEPS) and Euro Stapled Trust Securities. It also includes on-market buy-back, details on voting rights for ordinary shares and ANZ StEPS, employee shareholder information and Stock Exchanges, ANZ StEPS, American Depositary Receipts and Euro Trust Securities.

GLOSSARY OF FINANCIAL TERMS

The glossary of financial terms on pages 94 and 95 contains an explanation of key financial terms.

CORPORATE GOVERNANCE AT ANZ:
A SOLID FOUNDATION

This report sets out the Company's corporate governance framework. Further detail is contained on anz.com › about anz › corporate governance. This website is regularly updated to ensure it reflects the Company's most recent corporate governance information.

ANZ's shareholders depend on the Company's Board for strategic guidance and oversight of the Company as set out in the Board Charter (anz.com › about anz › corporate governance). The Board recognises its overriding responsibility to act honestly, fairly, diligently and progressively, in accordance with the law, in serving the interests of ANZ's shareholders and all other stakeholders.

Corporate governance is an important focus for the Board. Good corporate governance meets ethical and stewardship responsibilities, and gives ANZ a strong commercial advantage. It receives close scrutiny, particularly since the establishment of the Nominations, Governance & Corporate Responsibility Committee in 2002.

ANZ shares and related securities are listed on the Australian (ASX), the New Zealand (NZX) and the New York (NYSE) Stock Exchanges. ANZ must comply with a range of requirements including listing requirements in Australia and New Zealand as well as overseas requirements such as the US Sarbanes-Oxley Act of 2002, the US Securities and Exchange Commission (SEC) rules and the New York Stock Exchange listed company requirements. In addition, ANZ strives to achieve best practice by taking into account the principles and guidelines set out by the ASX Corporate Governance Council, the New Zealand Securities Commission and the Combined Code of the United Kingdom.

In general, the Board seeks:

- to embrace principles considered to be best practice across the jurisdictions;
- to be an 'early adopter', where possible, by complying before a published law or recommendation takes effect; and
- to take an active role in discussions regarding best practice in corporate governance in Australia and overseas.

Consequently, the Board continually monitors governance developments to align ANZ's practices with best practice standards.

During the year, the Board worked closely with management to review and update ANZ policies and procedures in light of changes to regulations, legislation and guidelines across relevant jurisdictions.

ALIGNMENT WITH AUSTRALIAN AND OVERSEAS CORPORATE GOVERNANCE ISSUES

INTERNATIONAL

- **International Financial Reporting Standards** – (IFRS) – ANZ has a formal program to ensure that the Company is prepared to report, in compliance with Australian equivalents to IFRS as issued by the International Accounting Standards Board, when its results for the half-year ended 31 March 2006 are announced. ANZ is on track to achieve this reporting schedule.

- **Basel II** – For ANZ, the new Basel Accord is scheduled to commence in 2006 for two years of parallel running with the current Capital Accord, prior to full implementation in January 2008. ANZ has established a program to ensure the Company achieves accreditation at the advanced levels for both credit and operational risk under Basel II. The program is on schedule with a number of Basel II requirements already in place.

AUSTRALIA

- **ASX Corporate Governance Council** – Principles of Good Corporate Governance and Best Practice Recommendations – ANZ considers these principles important and complies with the recommendations.

- **The Corporations Law Economic Reform Program** (Audit Reform and Corporate Disclosure) Act 2004 – CLERP 9 Act – The legislation was passed by Parliament on 25 June 2004. ANZ chose to be an 'earlier adopter' of most of the new requirements for the 2004 financial year. For the 2005 financial year, ANZ complies with all the new requirements.

NEW ZEALAND

- **NZX Corporate Governance Rules and Principles** – The NZX has introduced a Corporate Governance Best Practice Code. As an overseas listed issuer on the NZX, ANZ is deemed to comply with the NZX Listing Rules provided that it remains listed on the ASX. A New Zealand Stock Exchange disclosure is available on page 58.

OTHER JURISDICTIONS

- **United States of America** – As a 'foreign private issuer' registered with the SEC with securities listed on the NYSE, ANZ is required to comply with certain corporate governance requirements contained in US securities laws, including the Sarbanes-Oxley Act of 2002 and applicable New York Stock Exchange (NYSE) Listing Standards. Under the NYSE Listing Standards, ANZ is required to provide a brief description of the significant differences between its corporate governance practices and corporate governance requirements for US listed companies under the NYSE Listing Standards. Information will be provided in the Company's US Form 20-F 2005 Annual Report and available on ANZ's website (anz.com › shareholders › financial information › annual reports).

- **United Kingdom** – ANZ monitors developments in the UK Combined Code through changes made by the Higgs Report and the Smith Report.

ASX CORPORATE GOVERNANCE TABLE

FOCUS & PRINCIPLE	COMPLIANCE (✓)
1 Lay solid foundation for management and oversight	
1.1 Formalise the functions reserved to the Board and those delegated to management	Pgs 50, 51 ✓
2 Structure the board to add value	
2.1 The majority of the Board should be independent directors	Pg 53 ✓
2.2 The chairperson should be an independent director	Pg 50 ✓
2.3 The roles of the Chairperson and Chief Executive Officer should not be exercised by the same person	Pg 50 ✓
2.4 The Board should establish a nomination committee	Pg 56 ✓
2.5 Provide related disclosures	✓
3 Promote ethical and responsible decision-making	
3.1 Establish a code of conduct to guide the directors, the CEO, the CFO and any other key executives as to:	
3.1.1 the practices necessary to maintain confidence in the company's integrity	Pgs 50, 57, 58 ✓
3.1.2 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	Pg 57, 58 ✓
3.2 Disclose the policy concerning trading in company securities by directors, officers and employees	Pg 58 ✓
3.3 Provide related disclosures	✓
4 Safeguard integrity of financial reporting	
4.1 Require the CEO and CFO to state in writing to the Board that the company's financial reports present a true and fair view, in material respects, of the company's condition and operational results and are in accordance with accounting standards	Pg 61 ✓
4.2 The board should establish an audit committee	Pg 55 ✓
4.3 Structure the audit committee so that it consists of › only non-executive directors › a majority of independent directors › an independent chairperson, who is not chairperson of the Board › at least three members	Pg 55 ✓
4.4 The audit committee should have a formal charter	Pg 55 ✓
4.5 Provide related disclosures	✓
5 Making timely and balanced disclosure	
5.1 Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance	Pgs 49, 57, 58 ✓
5.2 Provide related disclosures	✓
6 Respect the rights of shareholders	
6.1 Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation	Pg 50 ✓
6.2 Request the external auditor to attend the AGM and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report	Pg 50 ✓
7 Recognise & manage risk	
7.1 The Board or appropriate committees should establish policies on risk oversight and management	Pg 56 ✓
7.2 The CEO and CFO should state to the Board in writing that	
7.2.1 the statement given in accordance with best practice recommendation 4.1 is founded on a sound system of risk management and internal compliance and control which implements the polices adopted by the Board	Pgs 56, 57 ✓
7.2.2 the company's risk management and internal compliance and control system is operating effectively and efficiently in all material respects	Pgs 56, 57 ✓
7.3 Provide related disclosures	✓
8 Encourage enhanced performance	
8.1 Disclose the process for performance evaluation of the Board, its committees, individual directors and key executives	Pg 54 ✓
9 Remunerate fairly and responsibly	
9.1 Provide disclosure in relation to the company's remuneration policies to enable investors to understand the costs and benefits of the policies, and the link between remuneration paid to the directors and key executives and corporate performance	Pgs 62 to 81 ✓
9.2 The Board should establish a remuneration committee	Pgs 55, 56 ✓
9.3 Clearly distinguish the structure of non-executive directors remuneration from that of executives	Pgs 62 to 81 ✓
9.4 Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders	Pgs 62 to 81 ✓
9.5 Provide related disclosures	✓
10 Recognise the legitimate interests of stakeholders	
10.1 Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders	Pg 50, 57 ✓

ETHICAL AND RESPONSIBLE DECISION-MAKING

The Board encourages management to promote and maintain a culture within ANZ which draws upon a set of unifying values to guide the actions and decisions of the Board and all employees (see anz.com › sustainability › our values).

More than 21,000 ANZ employees have participated in the Breakout culture development program. The program includes workshops to help staff to apply values-based decision-making, balancing the competing needs of staff, shareholders, customers and the community in their roles and activities.

ANZ has three main codes of conduct which also guide everyday business practice and decision-making throughout the Group.

- **ANZ Directors' Code of Conduct** sets ethical standards for the directors. They are expected to pursue the highest standards of ethical conduct in the interests of shareholders and all other stakeholders.
- **ANZ (Employee) Code of Conduct** sets ethical standards for ANZ staff to embrace and advocate. It establishes an environment in which ANZ staff can excel, regardless of race, religion, age, ability or gender.
- **ANZ Code of Conduct for Financial Officers** (adopted from G100 Code of Conduct for Chief Financial Officers) provides a practical guide for the CFO and financial staff in their everyday dealings as to the standards of ethical behaviour expected in the performance of their duties in addition to the ANZ Employee Code of Conduct.

Further details on these codes can be found on anz.com › about anz › corporate governance.

COMMITMENT TO SHAREHOLDER COMMUNICATION

Shareholders are the owners of ANZ, and the Company's stated aim is to 'perform and grow to create value for our shareholders'.

In order to vote on decisions about ANZ, and to communicate views to the Company, shareholders need an understanding of the Company's business operations and performance.

ANZ encourages shareholders to take an active interest in the Company. It seeks to provide shareholders with quality information in a timely fashion generally through ANZ's reporting of results, the Company's Annual Report, briefings, half yearly newsletters and via its dedicated shareholder site on anz.com.

ANZ strives for transparency in all its business practices. The Company recognises the impact of quality disclosure on the trust and confidence of the shareholder, the wider market and the community.

Should shareholders require any information, they are also provided with relevant contact details for ANZ and relevant share registries in the half yearly shareholder newsletters, the Annual Report (under Information for shareholders) and anz.com.

CONTINUOUS DISCLOSURE

It has long been ANZ's practice to release all price-sensitive information as required under the ASX listing rules in a timely manner:

- to all relevant stock exchanges on which ANZ's securities are listed; and
- to the market and community generally through ANZ's media releases, website and other appropriate channels. ANZ-related releases are posted on relevant stock exchange websites and on anz.com › about anz › corporate governance › continuous disclosure.

Through ANZ's Continuous Disclosure Policy (see page 58 and anz.com › about anz › corporate governance) the Company demonstrates its commitment to continuous disclosure. The policy reflects relevant obligations under applicable stock exchange listing rules and legislation.

For reporting purposes, price-sensitive information is information that a reasonable person would expect to have a material effect on the price or value of ANZ's securities.

Designated disclosure officers have responsibility for reviewing proposed disclosures and making decisions in relation to what information can be or should be disclosed to the market. All ANZ staff are required to inform a disclosure officer regarding any potentially price-sensitive information concerning ANZ as soon as they become aware of it.

UPHOLDING SHAREHOLDER RIGHTS

ANZ upholds shareholder rights and provides shareholders with the opportunity to be involved in shareholder meetings.

To allow as many shareholders as possible to have an opportunity to attend a meeting, ANZ rotates shareholder meetings around regional capital cities. Webcast technology has been introduced which makes it possible to 'attend' presentations – to listen to the speakers and simultaneously view presentations over the internet. Further details on meetings and presentations held throughout this financial year are available on anz.com › shareholders › presentations.

Prior to the Annual General Meeting, shareholders are encouraged to submit any questions they have for the Chairman or Chief Executive Officer to enable key common themes to be considered.

The external auditor is present at ANZ Annual General Meetings and available to answer shareholder questions. The auditor can respond on any business item that concerns them in their capacity as auditor.

Shareholders have the right to vote on various resolutions related to Company matters. If shareholders are unable to attend a meeting they can submit their proxies via post or electronically through anz.com. Where votes are taken on a poll, ANZ appoints an independent party to verify the results, which are reported to the ASX and posted on anz.com.

BOARD RESPONSIBILITY AND DELEGATION OF AUTHORITY

The Board is responsible to shareholders for the governance of the Group, and oversees its operations and financial performance. To this end, it sets the strategic direction and financial objectives, and monitors operational performance. It also monitors compliance in terms of ethical and efficiency standards and regulatory requirements. The Board also appoints the Chief Executive Officer and regularly reviews his performance.

The ANZ Board is chaired by a non-executive independent director. Its structure provides for a division of responsibility between the Chairman and the Chief Executive Officer. This is supported by the ANZ Board Charter (anz.com › about ANZ › corporate governance) which states that the Chairman must be an independent non-executive director and that the majority of the Board must comprise independent non-executive directors.

The Board Charter clearly sets out the Board's purpose, powers, and specific responsibilities. The business of the Bank is managed under the direction of the Board. The Board delegates to the Chief Executive Officer and through him, to other senior management, the authority and responsibility for managing the everyday affairs of the Company. The Board monitors management and performance on behalf of shareholders.

ROLE OF THE CHAIRMAN

The Chairman, a non-executive director, plays an important leadership role with ANZ and is involved in:

- chairing meetings of shareholders and Board meetings;
- monitoring the performance of the Board and the mix of skills and effectiveness of individual contributions;
- maintaining on going dialogue with the Chief Executive Officer and appropriate mentoring and guidance;
- overseeing Board review processes; and
- on going mentoring of individual directors.

ACCESS TO DIRECTORS

Management is able to consult directors as required on a regular basis. Employees have access to the directors directly or through the Company Secretary. Shareholders who wish to communicate with the directors may direct correspondence to a particular director, or to the non-executive directors as a whole.

BOARD COMPOSITION, SELECTION AND APPOINTMENT

The Board strives to achieve a balance of skills, knowledge, experience and perspective among its directors. Details regarding the skills, experience, expertise of each director in office at the date of this Concise Annual Report can be found on pages 51 to 53.

The Nominations, Governance & Corporate Responsibility Committee is responsible for the nominations process which includes a regular review of board composition and succession for the Board including the Chairman (anz.com › about anz › corporate governance).

Once a director is selected, there are several key elements relating to the appointment process including:

- **Formalising the appointment** – Each director receives correspondence and related information setting out the Directors' Code of Conduct, 3-year rotation, re-election procedures, length of service, Board composition and nomination process, performance evaluation, directors' fees, directors' dealings in shares, disclosure of interests, conflict of interest policy and procedures, outside board and other appointments as well as insurance and related procedures.
- **Receipt of appointment-related documents including:**

Director Handbook – Each director receives a handbook which outlines directors' principal obligations, Company policies, charters and processes as well as Board specific procedures. It also sets out details of scheduled Board and Committee meetings.

Director's Deed – Each director signs the Deed which covers a number of issues including indemnity, directors' and officers' liability insurance, the right to obtain independent advice and the requirements concerning confidential information.

- **Undertaking induction training** – New directors take part in a formal induction program which ensures they have dedicated sessions with ANZ directors, executives and other key staff members regarding ANZ's values and culture, the Group's governance framework, financial management and business operations. Specific topics covered during these sessions include the Directors' Code of Conduct and Director-related policies, Board and Committee principles, processes and key issues, financial and audit issues such as accounting standards and taxation, governance issues including current and emerging legislation and regulations, risk management and compliance framework as well as people capital issues. Insight into the business units is provided in one-on-one sessions with each business head.

In addition, each new Committee member participates in Committee-specific educational sessions with the relevant Committee chairman and ANZ executives.

- **Adherence to Directors' Code of Conduct** – As presented earlier, this code sets out that directors will pursue the highest standards of ethical conduct.
- **Meeting share qualification** – Non-executive directors are required to accumulate a holding in shares in the Company that is equivalent to at least 100% of a non-executive director's base fee and 200% of this fee for the Chairman.
- **Election at next Annual General Meeting** The ANZ Constitution and the Corporations Act 2001 both permit the Board to appoint a person to be a director of ANZ at any time, but that person must seek election by shareholders at the next Annual General Meeting.

DIRECTORS

MR CB GOODE, AC

B COM (HONS) (MELB), MBA (COLUMBIA UNIVERSITY, NEW YORK), HON LLD (MELB), HON LLD (MONASH)

Chairman
Independent Non-Executive Director

Non-executive director since July 1991. Mr Goode was appointed Chairman in August 1995 and is an ex-officio member of all Board Committees.

Experience and expertise
Mr Goode has a background in the finance industry and has been a professional non-executive director since 1989. He brings a wide range of skills and significant experience of the finance industry to his role as Chairman of the Board.

Current directorships
Chairman: Woodside Petroleum Limited (Director from 1988), Australian United Investment Company Limited (Director from 1990), Diversified United Investment Limited (Director from 1991), and The Ian Potter Foundation Ltd (Director from 1987).

Director: Singapore Airlines Limited (from 1999).

Age 67. **Residence** Melbourne.

MR J McFARLANE

MA, MBA

Chief Executive Officer

Chief Executive Officer since October 1997. Mr McFarlane is also a Director of ANZ National Bank Limited in New Zealand.

Experience and expertise
Mr McFarlane brings broad leadership, management and banking skills following a 30-year career in banking. Mr McFarlane is a former Group Executive Director, Standard Chartered Plc, Head of Citibank, United Kingdom and Managing Director, Citicorp Investment Bank Ltd.

Current directorships
Director: Financial Markets Foundation for Children (from 1999), Australian Business Arts Foundation (from 2000) and International Monetary Conference (from 1997, including term as President).

Member: Foreign Affairs Council (from 2005), Business Regulation Advisory Group (from 2002), Financial Literacy Foundation Advisory Board (from 2005), the Council of the Australian Bankers Association (from 1997, including a term as Chairman) and the Asia Business Council (from 2004).

Former directorships
Former Director: Business Council of Australia (1999–2003) and Australian Graduate School of Management Ltd (1999–2003), London Stock Exchange

(1989–1991), Auditing Practices Board (1991–1997), The Securities Association (1989–1990), Capital Radio Plc (1995–1998), Financial Law Panel (1994–1999) and Cranfield School of Management (1992–1996).

Age 58. **Residence** Melbourne.

DR G J CLARK

PHD, BSC (HONS)

Independent Non-Executive Director
Chairman of Technology Committee

Non-executive director since February 2004. Dr Clark is a member of the Nominations, Governance & Corporate Responsibility Committee.

Experience and expertise
Dr Clark is Principal of Clark Capital Partners, a US-based firm that advises internationally on technology and the technology market place. Previously he held senior executive positions in IBM, News Corporation and Loral Space and Communications. He brings to the Board international business experience and a distinguished career in micro-electronics, computing and communications.

Current directorships
Director: James Hardie Industries NV (from 2002).

Former directorships
Former Director: Digex (2000–2002) and Acton Semiconductor Pty Limited (2001–2005).

Age 62. Based in New York, United States of America but also resides in Sydney.

DR R S DEANE

PHD, B COM (HONS), FCA, FCIS, FNZIM

Independent Non-Executive Director
Chairman of ANZ National Bank Limited in New Zealand

Non-executive director since September 1994. Dr Deane is a member of the Compensation & Human Resources Committee and the Technology Committee.

Experience and expertise
Dr Deane has skills and experience across a variety of sectors including government, banking and finance, economics, telecommunications, and also with charitable and cultural organisations.

Current directorships
Chairman: Telecom Corporation of New Zealand Limited (Director from 1992, CEO 1992–1999), Fletcher Building Limited (from 2001), Te Papa Tongarewa (Museum of New Zealand) (from 2000), and New Zealand Seed Fund Management Limited (from 2000).

Director: Woolworths Limited (from 2000).

Former directorships
Former Director: TransAlta Corporation (Canada) (2000–2003).

Age 64. **Residence** Wellington, New Zealand.

MR J K ELLIS

MA (OXON), FAICD, HON FIE AUST, FAus IMM, FTSE, HON DR ENG (CQU)

Independent Non-Executive Director
Chairman of the Risk Management Committee

Non-executive director since October 1995. Mr Ellis is a member of the Audit Committee.

Experience and expertise
A trained engineer, Mr Ellis brings to the Board his analytical skills together with his practical understanding of operational issues, investments and acquisitions across a range of sectors including natural resources, manufacturing, biotechnology and education.

Current directorships
Chairman: Pacifica Group Limited (Director from 1999), National Occupational Health & Safety Commission (Director from 2003), Future Directions International Pty Ltd (from 2003) and Landcare Australia Limited (from 2004).

Chancellor: Monash University (from 1999).

Director: GroPep Limited (from 2000).

Member: Australia-Japan Foundation (from 1999).

Former directorships
Former Chairman: Black Range Minerals Limited (2000–2004).

Former Director: Australian Minerals & Energy Environment Foundation (1999–2003).

Age 68. **Residence** Melbourne.

MR D M GONSKI, AO

B COM, LLB, S.I.A. (AFF), FAICD, FCPA

Independent Non-Executive Director
Chairman of the Nominations, Governance & Corporate Responsibility Committee

Non-executive director since February 2002. Mr Gonski is a member of the Risk Management Committee.

Experience and expertise
A lawyer, Mr Gonski has a broad experience across business, the law and investment banking. He also brings to his role on the Board an appreciation for the community through his work in the arts and the not-for-profit sector.

Current directorships
Chairman: Coca Cola Amatil Limited (Director from 1997), the Investec Group in Australia (including Investec Wentworth Private Equity Pty Limited) (Director from 2001), Australia Council for the Arts (from 2002), and Sydney Grammar School Trust (from 1993).

Chancellor: University of New South Wales (from 2005).

Director: The Westfield Group (from 1985).

President: Board of Trustees of Art Gallery of NSW (from 1997).

Former directorships
Former Chairman: Morgan Stanley Australia Limited (1999–2002), and National Institute of Dramatic Art (2001–2005).

Former Director: John Fairfax Holdings Limited (1993–2005) and ING Australia Limited (2002–2005).

Age 52. **Residence** Sydney.

MS M A JACKSON, AC

B EC, MBA, HON LLD, FAICD, FCA

Independent Non-Executive Director
Chairman of the Compensation & Human Resources Committee

Non-executive director since March 1994. Ms Jackson is a member of the Audit Committee.

Experience and expertise
A Chartered Accountant, with significant financial expertise, Ms Jackson has broad industrial experience including her involvement in transportation, mining, the media, manufacturing and insurance. This expertise coupled with her work in health and education contribute to her role on the Board.

Current directorships
Chairman: Qantas Airways Limited (Director from 1992) and Co-Chairman of Department of Foreign Affairs & Trade Australia NZ Leadership Forum (from 2003).

Director: Billabong International Limited (from 2000) and Howard Florey Institute of Experimental Physiology and Medicine (from 1998).

Member: Australia-Japan Foundation (from 2002).

Former directorships
Former Deputy Chairman: Southcorp Limited (2004–2005) and People Telecom Limited (2000–2002).

Former Director: John Fairfax Holdings Limited (2003–2004).

Former Member: Brain Research Institute (1999–2004).

Former Partner: Consulting Division of KPMG Peat Marwick (1991–1992).

Age 52. **Residence** Melbourne.

MR D E MEIKLEJOHN

B COM, DIP. ED, FCPA, FAICD, FAIM

Independent Non-Executive Director
Chairman of the Audit Committee

Non-executive director since October 2004. Mr Meiklejohn is a member of the Nominations, Governance & Corporate Responsibility Committee.

Experience and expertise
Mr Meiklejohn has a strong background in finance and accounting. He also brings to the Board his experience across a number of directorships of major Australian companies spanning a range of industries.

Current directorships
Chairman: PaperlinX Limited (from 1999).

Director: Coca-Cola Amatil Limited (from 2005).

Vice President: Melbourne Cricket Club (from 1987).

Former directorships
Former Chairman: SPC Ardmona Limited (2002–2005) and former Deputy Chairman of GasNet Australia Limited (2001–2004).

Former Director: WMC Resources Limited (2002–2005) and OneSteel Limited (2000–2005).

Age 63. **Residence** Melbourne.

MR J P MORSCHEL

DIPQS, FAIM

Independent Non-Executive Director

Non-executive director since October 2004. Mr Morschel is a member of the Risk Management Committee and the Compensation & Human Resources Committee.

Experience and expertise
Mr Morschel has a strong background in banking and financial services, and brings the experience of being a director of major Australian and international companies.

Current directorships
Chairman: Rinker Group Limited (from 2003).

Director: Singapore Telecommunications Limited (from 2001), Tenix Pty Limited (from 1998) and Gifford Communications Pty Limited (from 2000).

Former directorships
Former Director: Rio Tinto Plc (1998–2005), Rio Tinto Limited (1998–2005), CSR Limited (1996–2003) and Leighton Holdings Limited (2001–2004).

Age 62. **Residence** Sydney.

INDEPENDENCE AND MATERIALITY

Under its Charter, a majority of non-executive directors on the ANZ Board must satisfy ANZ's criteria for independence. The Board Charter sets out independence parameters in order to establish whether a non-executive director may have a relationship with ANZ which could (or could be perceived to) impede their decision-making.

Directors are required to seek Board approval before accepting other Board appointments or appointments to charitable or other committees. In addition, directors are required to inform the Company of appointments or retirement from external organisations.

In the 2005 financial year, the Board reviewed its criteria for independence in respect of the requirements in the ASX Corporate Governance Council's Best Practice Recommendations, NZX and NYSE Corporate Governance Standards, and the US Sarbanes-Oxley Act of 2002. The Board adopted standards for determining non-executive director independence both for members of the Board and the Audit Committee (some jurisdictions apply different tests for the assessment of Audit Committee independence). The criteria are more rigid than those set in most jurisdictions including criteria stipulated specifically for audit committees.

The Board applies the following standard in making its determination as to the existence of a material relationship – a relationship with ANZ is material if a reasonable person in the position of a non-executive director of ANZ would expect there to be a real and sensible possibility that it would influence a director's mind in:

- making decisions on matters likely to come regularly before the Board or its committees;
- objectively assessing information and advice given by management;
- setting policy for general application across ANZ; and
- generally, carrying out the performance of his or her role as director.

At its July 2005 meeting, the Board considered each director's independence and in each case concluded that the independence criteria were met by all non-executive directors.

The independence criteria and process used by the Board in its determination of director independence are detailed on ANZ's website (anz.com › about anz › corporate governance)

The Board examined acquirer relationships associated with each director and immediate family members in respect of the level of lending and whether ANZ is the sole lender, the credit rating and whether the account is in order. Due to privacy regulations, ANZ is unable to disclose details of acquirer relationships associated with each director. The Board concluded that there was no such situation which would impact on a director's independence.

The Board also examined supplier relationships associated with each director and immediate family members in respect of the value of the relationship to the supplier, the service or product provided and its value as well as other relevant information. It noted several director associations as follows:

- Dr Deane is Chairman of Telecom New Zealand Ltd. ANZ acquires communication services from Telecom New Zealand for the Company's New Zealand operations.
- Mr Gonski is a director of Westfield Holdings Ltd. ANZ leases properties from Westfield for its branch network in Australia.
- Ms Jackson is Chairman of Qantas Airways Limited. ANZ has commercial relationships with Qantas as a partner in the co-branded ANZ Frequent Flyer Visa Cards, as a lessor of airport terminal properties in Australia and New Zealand for ANZ automatic teller machines (ATMs), and as an acquirer of travel services for ANZ people.

In each case, the Board concluded that having regard to the nature and value of the commercial relationship and the materiality criteria described above, each of Dr Deane, Mr Gonski and Ms Jackson is independent.

Directors do not participate in any decisions regarding transactions with organisations which they are associated as acquirer or supplier (see Conflict of Interest on page 54). Directors' biographies on pages 51 to 53 and on anz.com › about anz › corporate governance highlight their associations outside of ANZ.

It is the Board's view that length of service is not a disabling criterion affecting a director's independence. On the contrary, length of service greater than 10 years is seen as beneficial in a complex organisation that is subject to significant economic cycles.

INDEPENDENT ADVICE

In order to assist directors to fulfil their responsibilities, each director has the right (with the prior approval of the Chairman) to seek independent professional advice regarding his/her responsibilities at the expense of the Group. In addition the Board and each Committee, at the expense of the Group, may obtain whatever professional advice it requires to assist in its work.

TENURE AND RETIREMENT

ANZ's Constitution provides that at least one-third (or the nearest whole number) of directors must retire at each annual general meeting, but are eligible for re-election at that meeting.

An appointee who is filling a casual vacancy has to stand for election at the first Annual General Meeting after their appointment. This requirement does not apply to the Chief Executive Officer, or any director retiring at that meeting in any event.

It is Board policy that directors appointed since July 1993 will, except in unusual circumstances, retire after 15 years of services as a director of ANZ.

During 2005, Mr Dahlsen and Dr Scott retired from the Board. Mr Dahlsen was Chairman of the Audit Committee (replaced by Mr Meiklejohn) and Dr Scott was Chairman of the Nominations, Governance & Corporate Responsibility Committee (replaced by Mr Gonski). During their tenure, they made significant contributions to ANZ as Board members as well as Committee Chairmen.

PERFORMANCE EVALUATIONS

Performance evaluations are conducted internally and cover the Board, each non-executive director and Board Committees.

The framework used to assess the directors is based on the expectation they are performing their duties in a manner which should create and continue to build sustainable value for shareholders, and in accordance with the duties and obligations imposed upon them by the ANZ Constitution and the law.

The performance criteria take into account each director's contribution to:

- the charting of direction, strategy and financial objectives for ANZ;
- the monitoring of compliance with regulatory requirements and ethical standards;
- the monitoring and assessing of management performance in achieving strategies and budgets approved by the Board;
- the setting of criteria for, and evaluation of, the Chief Executive Officer's performance; and
- the regular and continuing review of executive succession planning and executive development activities.

Board and non-executive performance evaluations are conducted in two ways:

Annual review – On an annual basis, or more frequently if appropriate, the Chairman has a one-on-one meeting with each director specifically addressing the performance criteria including compliance with the Directors' Code of Conduct. In addition, they discuss the effectiveness of the Board and related issues including the Board's oversight and contribution to the Company, Board discussion (including the performance of the non-executive directors and the Chairman), Board memberships, Committees, and other relevant issues. They also discuss the performance of the Board against its Charter and goals set for the year. The Chairman provides a report to the Board on the outcome of these meetings.

In addition, each director also completes a questionnaire and returns this to the Chairman of the Nominations, Governance & Corporate Responsibility Committee. The Committee Chairman presents these findings to the Board.

The outcome of the 2004 annual review led to several Board and Committee related changes during this financial year. Firstly, there was an expansion of responsibility and change of name for the Nominations, Governance & Corporate Responsibility Committee. To provide greater focus on technology and technology risk, the Technology Committee was established (see page 56).

Re-election statement – Directors when nominating for re-election are required to submit a written or oral statement to the Board setting out the reasons why they seek re-election. In the director's absence, the Board evaluates this statement (having regard to the performance criteria) when it considers whether to endorse the relevant director's re-election.

Each Board committee conducts a self-evaluation at least annually (see page 55).

CONTINUING EDUCATION

ANZ directors take part in a range of training and continuing education programs. In addition to a formal induction program (see page 51), continuing education sessions are held throughout the year focusing on a range of topics including People Capital issues, emerging economic topics, technical developments, pending legislation, accounting standards, taxation, risk management and corporate governance.

Directors also receive a quarterly newsletter designed to keep them abreast of matters relating to their duties and responsibilities as directors and officers.

In addition to formal Board-wide workshops, each Committee conducts its own continuing education sessions. Internal and/or external experts are engaged to conduct all education sessions.

Directors also receive regular business unit briefings at each Board meeting. These briefings provide directors with an insight into each area of the Company, in particular, performance, key issues, risks and strategy for growth. In addition, directors participate in business unit site visits which provide them with the opportunity to meet with staff and customers.

CONFLICT OF INTEREST

Over and above the issue of independence, each director has a continuing responsibility to determine whether he or she has a potential or actual conflict of interest in relation to any material matter which comes before the Board. Such a situation may arise from external associations, interests or personal relationships which might affect, or be seen potentially to affect, the director's position to act in the best interest of ANZ.

Under the Director's Disclosure of Interest Policy and Policy for Handling Conflicts of Interest (see page 58 and anz.com › about anz › corporate governance), a director may not exercise any influence over the Board if a potential conflict of interest exists. The process set out is such that a director may not receive relevant Board papers, may not be present for Board deliberations on the subject, and may not vote on any related Board resolutions. These matters, should they occur, are recorded in the Board minutes.

BOARD COMMITTEES

Each of the five main Committees is comprised solely of independent directors, has its own Charter and has the power to initiate any special investigations it deems necessary. Committee membership is reviewed annually. Membership criteria are based on a director's skills and experience, as well as his/her ability to add value to the Committee. Board Committee attendance is contained on page 41.

The Chairman is an ex-officio member of all Committees. The Chief Executive Officer, Mr McFarlane, is invited to attend Committee meetings, as appropriate. His presence is not automatic, however, and he does not attend any meeting where his remuneration is considered or discussed. Non-executive directors may attend any meeting of a Committee on a subject where they have a special interest.

Committee performance self-evaluations are conducted annually to review performance against its Charter and goals set for the year. The suitability of the Charter and any areas for improvement are also assessed. The review and stated objectives for the new financial year are submitted to the full Board for discussion and approval.

A copy of each Committee Charter and Standing Rules applicable to each committee can be found on our website at anz.com › about anz › corporate governance.

The **Audit Committee** is responsible for oversight and monitoring of:

- the Company's financial reporting principles and policies, controls and procedures;
- the work of Group (Internal) Audit which reports directly and solely to the Chairman of the Audit Committee (refer to Group (Internal) Audit on page 57 for more information);
- the Audit Committees of subsidiary companies such as ANZ National Bank;
- the integrity of the Company's financial statements and prudential returns; and
- compliance with regulatory requirements and independent audit thereof.

The Audit Committee is also responsible for:

- the appointment, evaluation and oversight of the external auditor;
- compensation of the external auditors; and
- where appropriate, replacement of the external auditor.

Under the Committee Charter, all members of the Audit Committee must be financially literate and that at least one member of the Committee be a "financial expert" as defined in the US Sarbanes-Oxley Act. Mr Meiklejohn and Ms Jackson were designated as the Audit Committee's 'financial experts' for this purpose for the 2005 financial year. Refer to pages 52 and 53 for their qualifications.

The Audit Committee meets with the external auditor without management being present. The Chairman of the Audit Committee meets separately and regularly with the Group General Manager (Internal) Audit and the external auditor.

Some 2005 financial year activities included:

- Monitoring the work of Group (Internal) Audit – During the year, the Committee received regular comprehensive reports on Group (Internal) Audit covering its activities, governance, staff, customers, quality and management. In addition, the Chairman of the Audit Committee attended a number of senior Group (Internal) Audit team meetings and the team conference. He also took part in small group discussions with the Group (Internal) Audit staff.
- Review of the transition to International Financial Reporting Standards (IFRS) – The Group is required to report in accordance with these standards for the 2006 financial year. The Committee monitored the Group's preparations for transition to the new standards including staff education and skill enhancement, systems modifications, new systems development and financial reporting changes.
- Oversight of ANZ National Bank Limited integration – the Committee monitored a number of major related initiatives during the year including the successful integration of a number of key financial systems.

The **Compensation & Human Resources Committee** is responsible for recommendations to the Board in respect of the Group's compensation program including any equity-based programs. It also evaluates the performance of and approves the compensation for the senior executive officers and Board appointees (including the Chief Executive Officer) and approves compensation levels and policy guidelines.

Some 2005 financial year activities included:

- Planning for Directors' Retirement Scheme closure – The Committee reviewed the scheme, considered alternative approaches taking into account best practice and has overseen the planning for the closure of the scheme on 30 September 2005.
- Introduction of shareholding guidelines – To ensure strong alignment between non-executive directors, the Chief Executive Officer, senior executives and shareholders, the Committee monitored the development and implementation of shareholding guidelines.

ANZ BOARD COMMITTEE MEMBERSHIPS from 1 October 2004 – 30 September 2005

Audit	Compensation & Human Resources	Nominations, Governance & Corporate Responsibility	Risk Management	Technology (commenced 21 Feb 2005)
David Meiklejohn FE, C Chairman from 3 Feb 2005	Margaret Jackson C	David Gonski C Chairman from 23 Apr 2005	Jerry Ellis C	Gregory Clark C
Margaret Jackson FE	Roderick Deane	Gregory Clark	David Gonski	Roderick Deane
Jerry Ellis	John Morschel	David Meiklejohn	John Morschel	Charles Goode (ex-Officio)
Charles Goode (ex-Officio)	Charles Goode (ex-Officio)	Charles Goode (ex-Officio)	Charles Goode (ex-Officio)	
John Dahlsen C retired 3 Feb 2005		Brian Scott C retired 23 Apr 2005	Roderick Deane retired from RMC on 28 Feb 2005 (following Dr Deane joining the Technology Committee)	

C – Chairman, FE – Financial Expert (for the purposes of the US Sarbanes-Oxley Act requirements)

■ Revision of remuneration principles and processes – A review of ANZ's compensation program was undertaken during the year which included extensive consultation with key shareholders and their advisers. As a result, changes were made to the executive remuneration structure.

■ Review of the succession plan – The Committee conducted reviews of the current succession plans covering the replacement of the CEO, CEO's direct reports and other business-critical roles.

The **Nominations, Governance & Corporate Responsibility Committee** identifies and recommends prospective Board members and succession planning for the Chairman, recommends processes for Board performance review, corporate governance principles and practices and monitors the direction and control of corporate responsibility for ANZ.

Some 2005 financial year activities included:

■ Widening scope – In recognition of ANZ's commitment to corporate responsibility, the Committee expanded its scope to include this area of focus. This commitment was also reflected in changes made to the Directors' and Employees' Codes of Conduct and the Charters for the Board and the Committee.

■ Monitoring changes to domestic and overseas legislation and regulations – The Committee received regular updates on changes to relevant legislation and regulations and considered potential impacts on ANZ's customers, staff, operations and the community.

■ Refining Board performance evaluation processes – Procedures for Board performance assessment were reviewed. The Committee recommended to the Board the adoption of a mixed-methods approach, where directors take part in an interview and complete a detailed questionnaire.

The **Risk Management Committee** is responsible for the review of risk in all aspects of the business. It is responsible for overseeing, monitoring and reviewing the Group's risk management principles and policies, strategies, processes and controls including credit, market, balance sheet, operational risk and compliance. It may approve credit transactions and other matters beyond the approval discretion of executive management.

Some 2005 financial year activities included:

■ Examination of risk culture – The Committee reviewed the Group's risk culture with the objective of ensuring the correct balance between risk and reward. This resulted in further alignment of Risk to the divisions as well as the revision of several risk policies.

■ Oversight of Basel II – The Group is preparing for the new Basel Accord, scheduled to commence in 2006 for two years of parallel running with the current capital Accord, prior to full implementation in January 2008. The Committee monitored the Group's preparation for transition to the new Accord including the accreditation submission. In addition, the Committee took part in a dedicated Basel II education forum.

■ Monitoring of emerging risks – During the year, the Committee received regular reports on emerging or future risks and management's responses necessary to ensure timely and necessary mitigation.

Newly established in 2005, the **Technology Committee** assists the Board of Directors in the effective discharge of its responsibilities in relation to technology related matters. The Committee is responsible for the oversight and evaluation of new projects in technology above $50 million and security issues relevant to ANZ's technology processes and systems. It is also responsible for the review and approval of management's recommendations for long-term technology planning and the overall framework for the management of technology risk.

Some 2005 financial year activities included:

■ Review of technology systems – To enhance understanding of the Group's systems, the Committee took part in site visits of key operations and partner facilities. In addition, the Committee received several reports on technology systems and reviewed future technology strategy.

■ Oversight of information security – The key drivers of information security were reviewed by the Committee as well as monitoring of emerging technology risks and management's responses necessary to ensure proper mitigation.

■ Monitoring of New Zealand systems integration – The Committee received updates on the New Zealand technology initiatives and overall integration.

ADDITIONAL COMMITTEES

In addition to the five main Board Committees, the Board has constituted a Shares Committee and an Executive Committee to assist in carrying out its functions.

The Executive Committee has the full power of the Board and is convened as necessary between regularly scheduled Board meetings. The Board also forms and delegates authority to ad hoc Committees of the Board as and when needed to carry out its functions. The Shares Committee has the power to administer ANZ's Employee Share Plan and Employee Share Option Plan.

DIRECTORS' MEETINGS

The number of Board meetings and Committee meetings held during the year ended September 30, 2005 and attended by each director are set out in the table on page 41.

ROLE OF COMPANY SECRETARY

The Board is responsible for the appointment of ANZ's Company Secretaries. Currently there are three people appointed as Company Secretary. For management and corporate governance purposes the following structure operates.

The Group General Counsel and Company Secretary is normally in attendance at all Board and Committee meetings. He prepares minutes and provides legal advice to the Board if and when required. He works closely with the Chair of the Nominations and Corporate Governance Committee to develop and maintain ANZ's corporate governance principles. He is responsible to the Board for the Company Secretary's Office function.

The Company Secretary is responsible for day-to-day operations of the Company Secretary's Office including lodgements with relevant stock exchanges, the management of dividend payments, and the relationship with the share registry provider. The Chief Financial Officer is also appointed as Company Secretary.

Profiles of ANZ's Company Secretaries can be found in the Directors' Report on page 60.

RISK MANAGEMENT AND COMPLIANCE

ANZ's business controls are governed by an ongoing focus on risk and compliance issues within the framework of the Company's overall strategy. ANZ has established a comprehensive risk and compliance management framework to ensure best practice alignment.

In terms of risk management and compliance, the Board is principally responsible for establishing risk tolerance, approving related strategies and policies, monitoring and assessing the activities of management, overseeing policy compliance and the effectiveness of the risk systems and policies to meet the requirements of all regulations and the interests of shareholders, customers and staff.

The Risk Management Committee of the Board oversees the Group's risk management policies and controls, and may approve credit transactions and other matters beyond the approval discretion of executive management.

On a day-to-day basis, the various risks inherent in ANZ's operations are managed by both Group Risk Management and each business unit.

For further information on risk management, please see page 15 and visit anz.com › about anz › corporate governance.

FINANCIAL CONTROLS

As previously noted, the Audit Committee of the Board oversees the Company's financial reporting policies and controls, integrity of the Company's financial statements, the work of Group (Internal) Audit, the Audit Committees of the subsidiary companies, prudential returns and compliance with related regulatory requirements.

To further strengthen controls and procedures, the Audit Committee agreed that the Company undertake a Group-wide program focusing on Section 404 of the US Sarbanes-Oxley Act of 2002. The program is being instituted at both Company and business unit level and is overseen by a program steering committee.

ANZ expects to be in full compliance with this section of the Act during the financial year to 30 September 2006, ANZ's first reporting date under the Act.

AUDIT

Group (Internal) Audit

Group (Internal) Audit provides independent assurance that the design and operation of the risk and control framework across the Group is effective. It operates under a Charter from the Audit Committee that gives it unrestricted access to review all activities of the Group. The Group General Manager (Internal) Audit reports to the Chairman of the Audit Committee.

The Audit Committee monitors the performance of Group (Internal) Audit and the Group General Manager (Internal) Audit.

A risk-based audit approach is used to ensure that the higher risk activities in each business are audited each year. All audits are conducted in a manner that conforms to international auditing standards. Audit results also influence incentive compensation of business heads.

Group (Internal) Audit plays an active role in ensuring compliance with the requirements of supervisory regulatory authorities. Group (Internal) Audit also works collaboratively with the external auditor to ensure a comprehensive audit scope.

The Audit Committee plays an active role in reviewing significant issues arising from internal audits conducted by Group (Internal) Audit. There is a robust process for ensuring prompt resolution of audit issues, which includes monthly reviews of progress by the Chief Executive Officer and the Chairman of the Audit Committee.

The Audit Committee also receives formal reports on significant issues to ensure that any remedial action is taken promptly.

External audit

The external auditor's role is to provide reasonable assurance that ANZ's financial reports are true and fair and free from material misstatement. The external auditor also performs independent audits in accordance with Australian and United States Auditing Standards.

The Audit Committee oversees ANZ's Policy on Relationship with External Auditor. Under the policy, the Audit Committee is responsible for the appointment (subject to ratification by shareholders), compensation, retention and oversight of the external auditor.

The policy also stipulates that the Audit Committee:

■ pre-approves all audit and non-audit services;

■ regularly reviews the independence of the external auditor;

■ evaluates the effectiveness of the external auditor.

Details of non-audit services are in the Directors' Report on pages 60 to 61.

In addition, ANZ requires a two-year period before any former partner or employee of the external auditor is appointed as a director or senior executive of ANZ.

The lead partner position of the external auditor is required to rotate off the ANZ audit after five years and cannot return for a further five years. Other senior audit staff are required to rotate off after a maximum of seven years.

Any potential appointments of ex-partners or ex-employees of the external auditor to the ANZ finance staff, at senior management level or higher, must be pre-approved by the Chairman of the Audit Committee.

As disclosed in the 2004 Annual Report, the SEC commenced an inquiry into non-audit services provided by ANZ's auditor, KPMG. ANZ has provided the information requested by the SEC. This inquiry has not concluded. Should the SEC determine that services provided by KPMG did not comply with the US auditor independence rules, the SEC may seek sanctions, the nature and amount of which are not known. Whilst ANZ cannot predict the outcome of the inquiry, based on information currently available, ANZ does not believe it will have a material adverse effect on the Company.

CODES OF CONDUCT AND POLICIES

Below is an overview of ANZ's key codes and policies which apply to directors and employees. Summaries of these and other company policies can be found on anz.com › about anz › corporate governance.

■ **Codes of Conduct for Directors and for Employees** – These policies set out the ethical standards to which directors and employees are expected to adhere. The Codes require that directors and employees adhere to the law, disclose any relevant interests, and act honestly and ethically in all their dealings. The codes also cover the confidentiality of information, limits on acceptance of gifts or entertainment and on use of ANZ goods, services and facilities. Key contact – Group General Counsel and Company Secretary.

■ **Code of Conduct for Financial Officers** – (adopted from the Group of 100 Code of Conduct for CFOs and Senior Financial Officers). The Code requires that chief financial officers and other finance staff influencing financial performance adhere to principles of honesty and integrity, respect confidentiality of information, declare conflicts of interest, maintain transparency in reporting, exercise diligence and good faith, ensure sound internal controls and set a standard for other financial professionals. Key contact – Chairman of the Audit Committee.

■ **Critical Accounting Policies** – Details of the critical accounting policies and any changes in accounting policies made since the date of the 2004 Annual Report are set out on page 85 in this Concise Annual Report and in the 2005 Financial Report. Key contact – Group General Manager Finance.

■ **Directors' Disclosure of Interests Policy and Policy for Handling Conflicts of Interests** – The Board has adopted a policy on disclosure of interests requiring that directors disclose certain interests, and actual or potential conflicts of interest are addressed. Details of directors' dealings with ANZ are set out in the Financial Report. Key contact – Group General Counsel and Company Secretary.

■ **Employee Indemnity Policy** – This policy provides that the Group will indemnify employees against any liability that they incur in carrying out their role subject to meeting certain requirements. Further details on this policy and on indemnities given to certain employees can be found on page 61 of this Concise Annual Report. Key contact – General Manager Operational and Technology Risk.

■ **Continuous Disclosure Policy** – ANZ is committed to achieving best practice in the area of continuous disclosure. The policy is designed to ensure that there is full and timely disclosure of ANZ's activities to shareholders and the market. The policy requires that information disclosed to the relevant stock exchanges is placed on ANZ's website. Key contacts – Head of Investor Relations, Head of Media Relations and Group General Counsel and Company Secretary.

■ **Policy on the Prevention of Money Laundering, Criminal and Terrorist Financing** – This policy covers Anti-Money Laundering and Anti-Terrorism laws and regulations. It sets out principles related to identification and record keeping procedures, the need for staff awareness and related training, and annual requirements for independent testing and compliance reporting. The policy is aimed at ensuring that ANZ is able to protect its reputation, integrity, assets, liabilities and shareholder funds. Key contacts – General Manager Operational and Technology Risk and General Manager Group Compliance.

■ **Policy on Relationship with External Auditor** – The Board and the Audit Committee's policy on audit and non-audit services regulates the audit-related and non-audit services that may be conducted by ANZ's external auditor. It sets in place a formal approval process regarding the provision of audit and non-audit services. This approval process is the responsibility of the Audit Committee. In addition it sets out the rotation requirements for the lead partner and other members of the audit team, and processes related to the potential appointment of ex-partners or ex-employees of the external auditor. Key contact – Chairman of the Audit Committee.

■ **Securities Trading Policy** – The policy prohibits trading in ANZ securities or the securities of other companies for all persons – directors, employees, contractors and consultants engaged by ANZ – who are aware of unpublished price-sensitive information. In addition, the policy specifically prohibits restricted employees trading in ANZ securities during 'blackout periods', which are the six weeks leading up to the day following the half-yearly and annual results announcements. Key contact – General Manager Group Compliance.

■ **Whistleblower Policy** (formerly known as Serious Complaints Policy) – The Whistleblower Process is an additional mechanism by which ANZ staff, contractors and consultants may voice any concerns they may have regarding any malpractice or impropriety that they find within ANZ. It requires that protection be given to employees against dismissal or penalty as a result of disclosing concerns in good faith. Key contacts – Group General Manager (Internal) Audit and Group General Counsel and Company Secretary.

■ **New Zealand Policies** – Recognising the importance of ANZ's presence in New Zealand and the requirements of the Reserve Bank of New Zealand, the ANZ National Bank Limited Board reviews and approves all ANZ Group governance and risk management polices before they are adopted by ANZ National Bank to ensure that they meet all New Zealand regulatory requirements. Key contact – General Counsel and Company Secretary ANZ National Bank Limited.

NEW ZEALAND STOCK EXCHANGE DISCLOSURE

The following statement is included as required under New Zealand Stock Exchange (NZX) Listing Rules which requires ANZ, as an 'Overseas Listed Issuer', to include a statement of the material differences between Australian Stock Exchange (ASX) corporate governance rules and principles and those applicable under the NZX Corporate Governance Best Practice Code (NZX Code). Irrespective of any differences, ANZ complies with all applicable governance principles and requirements both in Australia and New Zealand.

The ASX corporate governance rules and principles specifically address corporate governance matters in relation to risk management, internal controls and stakeholder interests which are not specifically addressed in the NZX Code. The ASX principles and rules also provide greater emphasis on the need for issuers to disclose internal corporate governance policies and procedures to shareholders (including for example disclosure of insider trading policies, performance measurement procedures and remuneration policies).

The ASX corporate governance principles and rules require ANZ to comply or explain any non-compliance, while some of the NZX governance requirements are mandatory under the NZX Listing Rules. For example, the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations suggest that a majority of directors be independent. The NZX Listing Rules require that at least two directors be independent (or if there are 8 or more directors, at least 3 or one-third be independent).

In New Zealand, governance rules concerning the independence of auditors are covered in the NZX Code. In Australia, they are covered more extensively in the Corporations Act 2001 and the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations. There are also some differences in other aspects of corporate regulation generally in Australia and New Zealand. For example:

■ ASX Listing Rules do not require shareholder approval of major transactions to the same extent required by NZX Listing Rules.

■ The ASX related party transaction provisions require shareholder approval only for related party acquisitions or dispositions of assets exceeding 5% of shareholders equity. Whereas the NZX related party transaction provisions require shareholder approval for related party acquisitions, dispositions and other transactions exceeding 5% of the issuer's average market capitalisation, and for an additional category of service arrangements where the threshold is an annual gross cost of 0.5% of the issuer's average market capitalisation.

■ Restrictions on buy-backs and financial assistance covered by the NZX Listing Rules are not addressed in the ASX Listing Rules, but are covered in Australia's Corporations Act. Details on ANZ's corporate governance are set out on pages 48 to 58.

POLITICAL DONATIONS

In the year to 30 September 2005, ANZ donated $100,000 to the Liberal Party and $50,000 to the Australian Labor Party.

DIRECTORS' REPORT

The directors present their report together with the Concise Financial Report of the consolidated entity (the Group), being Australia and New Zealand Banking Group Limited (the Company) and its controlled entities, for the year ended 30 September 2005 and the Auditors' Report thereon. The information is provided in conformity with the Corporations Act 2001.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were general banking, mortgage lending, leasing, hire purchase and general finance, international and investment banking, nominee and custodian services, executor and trustee services and life insurance and funds management activities and through ANZ National Bank Limited and the joint ventures ING Australia Limited (INGA) and ING New Zealand Limited (INGNZ).

There has been no significant change in the nature of the principal activities of the Group during the financial year.

At 30 September 2005, the Group had 1,223 points of representation.

RESULT

■ Profit – Consolidated net profit after income tax attributable to shareholders of the Company was $3,018 million, an increase of 7% over the prior year.

■ Net loans and advances increased by 13% from $204,962 million to $230,952 million, primarily due to mortgage and business lending in Australia and New Zealand.

■ Deposits and other borrowings increased by 10% from $168,557 million to $185,693 million primarily to fund asset growth.

■ Bonds and notes increased by 42% from $27,602 million to $39,073 million to fund asset growth.

■ The provision for doubtful debts has been determined using economic loss provisioning (ELP) and is based on the Group's risk management models.

The ELP charge reduced 8% from $632 million to $580 million. The current charge reflects a decrease in the ELP rate over the year in line with the Group's improving risk-profile. This is as a result of growth in low risk domestic assets (principally mortgages), strong underlying credit quality, the continued risk reduction strategy covering the overseas portfolio and high-risk assets, and the cessation of the Corporate Centre charge for offshore losses.

ANZ's ELP models recognise that the general provision balance must be regularly reviewed, and in rare situations, increased or decreased to cover unusual events. The balance is at an appropriate level.

■ Net specific provisions of $357 million, were down $86 million compared to the prior year. Gross non-accrual loans decreased to $642 million, down from $829 million. The reductions reflect the strategy to reduce risk in both overseas portfolios (not including New Zealand) and high-risk domestic portfolios. The reductions also reflect strong credit quality, favourable economic conditions and fewer large single name defaults.

Further details are contained in the Chief Financial Officer's review on pages 10 to 15 of this Concise Annual Report.

STATE OF AFFAIRS

In the directors' opinion, there have been no significant changes in the state of affairs of the Group during the financial year, other than:

■ **Reduction of risk** – The Company has been actively reducing the overall risk profile of the Group. Net specific provisions of $357 million were down 19% compared to the prior year. This was below the amount accrued for doubtful debts of $580 million in the Statement of Financial Performance.

■ **New joint venture** – In September 2005, ANZ National Bank Limited formed a joint venture with ING Insurance International Limited covering life insurance and wealth management activities in New Zealand. The joint venture is called ING (NZ) Holdings Limited and ANZ National Bank Limited will have a 49% interest. ANZ National Bank Limited sold a controlling interest in NBNZ Life Insurance Limited into this joint venture.

■ **New capital instrument** – In December 2004, the Group raised $871 million through the issuance of a €500 million Euro Trust Securities into the European market. The instrument is similar in structure to the Group's existing Australian (ANZ StEPS) and US Trust Securities. Further details are contained in the 2005 Financial Report.

Further review of matters affecting the Group's state of affairs are also contained in this Concise Annual Report under the Chairman's Report on page 8, the Chief Executive Officer's Report on page 9 and the Chief Financial Officer's Review on pages 10 to 15.

DIVIDENDS

The directors propose that a final fully franked dividend of 59 cents per fully paid ordinary share be paid on 16 December 2005. The proposed payment amounts to approximately $1,077 million.

During the financial year, the following fully franked dividends were paid on fully paid ordinary shares:

Type	Cents per share	Amount before bonus options $m	Date of payment
Final 2004	54	983	17 December 2004
Interim 2005	51	930	1 July 2005

REVIEW OF OPERATIONS

A review of the operations of the Group during the financial year and the results of those operations, including an assessment of the financial position and our business strategies of the Group are contained in the Chairman's Report, the Chief Executive Officer's Report, and the Chief Financial Officer's Review and our Business Performance on pages 8, 9, 10 to 15 and 16 to 31 respectively of this Concise Annual Report.

EVENTS SINCE THE END OF THE FINANCIAL YEAR

No matter or circumstance has arisen between 30 September 2005 and the date of this report that has significantly affected or may significantly affect the operations of the Group in future financial years, the results of those operations or the state of affairs of the Group in future financial years.

FUTURE DEVELOPMENTS

Details of likely developments in the operations of the Group and its prospects in future financial years are contained in this Concise Annual Report under the Chairman's Report and the Chief Executive Officer's Report. In the opinion of the directors, disclosure of any further information would be likely to result in unreasonable prejudice to the Group.

ENVIRONMENTAL REGULATION

ANZ recognises our obligation to our stakeholders – customers, shareholders, staff and the community – to operate in a way that advances sustainability and mitigates our environmental impact. Our commitment to improve our environmental performance is integral to our "making a sustainable contribution to society".

We acknowledge that we have an impact on the environment:

- directly through the conduct of our business operations; and
- indirectly through the products and services we provide to our customers.

As such, ANZ has established an Environment Charter, strategy and internal responsibilities for reducing the impact of our operations and business activities on the environment can be found on pages 32 to 37.

The operations of the Group are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory. However, the operations of the Group may become subject to environmental regulation when enforcing securities over land. ANZ has developed policies to manage such environmental risks. Having made due enquiry, to the best of our knowledge no member of the Group has incurred any environmental liability during the year.

DIRECTORS' QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES

At 1 October 2004, the Board was comprised of 10 non-executive directors and one executive director, the Chief Executive Officer. Two non-executive directors retired during the year: Mr John Dahlsen on 3 February 2005 and Dr Brian Scott on 23 April 2005.

At the date of this report, the Board comprises 8 non-executive directors who have a diversity of business and community experience and one executive director, the Chief Executive Officer, who has extensive banking experience. The names of directors and details of their qualifications and experience is contained on pages 51 to 53 of this Concise Annual Report and on anz.com.

Details of the number of Board and Board Committee meetings held during the year, directors' attendance at those meetings, and details of directors' special responsibilities are shown on pages 40 to 41 of this Concise Annual Report.

For those directors in office at 30 September 2005, details of the directorships of other listed companies held by each director in the 3 years prior to the end of the 2005 financial year are listed in this Concise Annual Report on pages 51 to 53.

COMPANY SECRETARIES' QUALIFICATIONS AND EXPERIENCE

Currently there are three people appointed as Company Secretary of the Company.

Details of their roles are contained on page 56. Their qualifications are as follows:

- Tim L'Estrange, LLB, BCom, ANZ Group General Counsel and Company Secretary

Mr L'Estrange has a long-standing legal career spanning 26 years. He has significant experience in corporate law. Mr L'Estrange joined ANZ in 2003. Prior to ANZ, he worked closely with boards and senior management of major corporations, banks and financial institutions. Mr L'Estrange was the National Executive Partner, Litigation and Dispute Resolution of Allens Arthur Robinson and a member of the Board of Management of that firm. He was also Managing Partner of Allen Allen & Hemsley. Mr L'Estrange is also a member of Chartered Secretaries Australia.

- Peter Marriott, BEc (Hons), ANZ Chief Financial Officer.

Mr Marriott has been involved in the finance industry for more than 20 years. Mr Marriott joined ANZ in 1993. Prior to his career at ANZ, Mr Marriott was a Partner in the Melbourne office of the then KPMG Peat Marwick. He is a Fellow of a number of professional organisations including the Institute of Chartered Accountants in Australia and the Australian Institute of Banking and Finance. He is also a Member of the Australian Institute of Company Directors.

- John Priestley, BEc, LLB, ANZ Company Secretary.

Mr Priestley, a qualified lawyer, joined ANZ in 2004. Prior to ANZ, he had a long career with the Mayne Group and held positions which included responsibility for the legal, company secretarial, compliance and insurance functions. He is a member of Chartered Secretaries Australia and also a member of Chartered Secretaries Australia's Legislation Review Committee.

NON-AUDIT SERVICES

The Company's Relationship with External Auditor Policy states that the external auditor may not provide services that are perceived to be in conflict with the role of the auditor. These include consulting advice and sub-contracting of operational activities normally undertaken by management, and engagements where the auditor may ultimately be required to express an opinion on its own work.

Specifically the policy:

- limits the non-audit services that may be provided;
- requires that audit and permitted non-audit services must be pre-approved by the Audit Committee, or pre-approved by the Chairman of the Audit Committee and notified to the Audit Committee; and
- requires the external auditor to not commence an audit engagement for the Group, until the Group has confirmed that the engagement has been pre-approved.

The Audit Committee has reviewed a summary of non-audit services provided by the external auditor for 2005, and has confirmed that the provision of non-audit services for 2005 is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. This has been formally advised to the Board of Directors.

The external auditor has confirmed to the Audit Committee that they have complied with the Company's Relationship with External Auditor Policy on the provision of non-audit services by the external auditor for 2005.

The non-audit services supplied by the Group's external auditor, KPMG, and the amount paid or payable by type of non-audit service during the year to 30 September 2005 are as follows:

	Amount paid/ payable $'000s	
Non-audit service	2005	2004
Co-sourced internal audit services[1]	–	1,260
Tax compliance and related services	4	628
Controls and process reviews	254	249
NBNZ due diligence oversight	–	420
US Sarbanes-Oxley and International Financial Reporting Standards matters	426	335
Accounting advice	74	170
Securitisation review	–	128
Review of capital raising circulars	253	292
Sustainability review	82	–
Other	26	157
Total	**1,119**	**3,639**

1 The work performed by KPMG was independent of the external audit team and management

The directors are satisfied that the provision of non-audit services by the external auditor during the year to 30 September 2005 is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

AUDITOR'S INDEPENDENCE DECLARATION

The Company's lead auditor has provided a written declaration under Section 307C of the Corporations Act 2001 that to the best of his knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- the applicable Australian code of professional conduct in relation to the audit.

A copy of this declaration is detailed on page 90 of this Concise Annual Report. This declaration is incorporated in and forms part of this Directors' Report.

DIRECTORS AND OFFICERS WHO WERE PREVIOUSLY PARTNERS OF THE AUDITOR

The following persons are currently directors or officers of the Group and were partners of KPMG at a time when KPMG was the auditor of Australia and New Zealand Banking Group Limited:

- **Ms Margaret Jackson**, Non-executive director (left KPMG in June 1992); and
- **Mr Peter Marriott**, Chief Financial Officer (left KPMG in January 1993).

CEO/CFO DECLARATION

The Chief Executive Officer and the Chief Financial Officer have given a declaration to the Board concerning the Group's financial statements under section 295A(2) of the Corporations Act 2001 and recommendations 4.1 and 7.2 of the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations.

DIRECTORS' AND OFFICERS' INDEMNITY

The Company's Constitution (Rule 11.1) permits the Company to indemnify each officer or employee of the Company against liabilities (so far as may be permitted under the Corporations Act 2001) incurred in the execution and discharge of the officer's or employee's duties.

It is the Company's policy that its employees should not incur any liability for acting in the course of their employment legally, within the policies of the Company and provided they act in good faith.

Under the policy, the Company will indemnify employees against any liability they incur in carrying out their role. The indemnity protects employees and former employees who incur a liability when acting as an employee, trustee or officer of the Company, or a subsidiary of the Company at the request of the Company.

The indemnity is subject to the Corporations Act 2001 and will not apply in respect of any liability arising from:

- a claim by the Company;
- a claim by a related body corporate;
- a lack of good faith;
- illegal or dishonest conduct; or
- non-compliance with the Company's policies or discretions.

The Company has entered into indemnity Deeds with each of its directors, with certain other officers of the Company, and with certain employees and other individuals who act as directors or officers of related body corporates or of another company. To the extent permitted by law, the Company indemnifies the individual for all liabilities, including costs, damages and expenses incurred in their capacity as an officer of the company to which they have been appointed. Some amendments to these Deeds in favour of the Company's directors will be proposed to shareholders at the forthcoming Annual General Meeting. Further details are contained in the Notice of Meeting.

The Company has indemnified the trustees and former trustees of certain of the Company's superannuation funds and directors, former directors, officers and former officers of trustees of various Company sponsored superannuation schemes in Australia. Under the relevant Deeds of Indemnity, the Company must indemnify each indemnified person if the assets of the relevant fund are insufficient to cover any loss, damage, liability or cost incurred by the indemnified person in connection with the fund, being loss, damage, liability or costs for which the indemnified person would have been entitled to be indemnified out of the assets of the fund in accordance with the trust deed and the Superannuation Industry (Supervision) Act 1993. This indemnity survives the termination of the fund. Some of the indemnified persons are or were directors or executive officers of the Company.

The Company has also indemnified certain employees of the Company, being trustees and administrators of a trust which is a subsidiary entity, from and against any loss, damage, liability, tax, penalty, expense or claim of any kind or nature arising out of or in connection with the creation, operation or dissolution of the trust, where they are acting in good faith and in a manner that they reasonably believed to be within the scope of the authority conferred by the trust.

Except for the above, neither the Company nor any related body corporate of the Company has indemnified or made an agreement to indemnify any person who is or has been an officer or auditor of the Company or of a related body corporate.

During the financial year, and again since the end of the financial year, the Company has paid a premium for an insurance policy for the benefit of the directors, secretaries, and senior managers of the Company, and directors, secretaries and senior managers of related bodies corporate of the Company. In accordance with common commercial practice, the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

ROUNDING OF AMOUNTS

The Company is a company of the kind referred to in Australian Securities and Investments Commission class order 98/100 (as amended) pursuant to section 341(1) of the Corporations Act 2001. As a result, amounts in this Directors' Report and the accompanying financial statements have been rounded to the nearest million dollars except where otherwise indicated.

REMUNERATION REPORT

This Remuneration Report details ANZ's remuneration policies pertaining to directors and executives, the link between remuneration outcomes and ANZ's performance, and individual remuneration disclosures relating to remuneration and equity for ANZ's directors and top executives (as required by AASB 1046 and the Corporations Act 2001). The remuneration policies and practices detailed in this report have evolved during the financial year as a result of market research and consultation with major shareholders and their advisors.

The Compensation & Human Resources Committee has responsibility for making recommendations to the Board for both director and executive remuneration and executive succession. On a number of occasions throughout the year, both the Compensation and Human Resources Committee and management received external advice on matters relating to remuneration. The following advisors were used: Hay Group, Blake Dawson Waldron, Freehills, PricewaterhouseCoopers, Mercer Finance & Risk Consulting and Ernst & Young. Refer to page 55 of the Corporate Governance Report for more details about the Committee's role, and anz.com › about ANZ (listing at top of screen) › Corporate Governance › Board Related Charters for the charter which details the terms of reference under which the Committee operates.

SECTION A. REMUNERATION TABLES

TABLE 1: DIRECTOR REMUNERATION
For the year ended 30 September 2005 details of the remuneration of the directors are set out below:

		PRIMARY[1]							POST EMPLOYMENT		EQUITY[5]		OTHER	
		Cash salary/fees $	Long service leave accrued during the year $	Value of shares acquired in lieu of cash salary/fees[2] $	Associated entity Board fees (cash) $	Committee fees (cash) $	Value of shares acquired in lieu of cash incentive[2,3] $	Primary total $	Super contributions $	Retirement benefit accrued during the year[4] $	Total amortisation of LTI shares $	Total amortisation of LTI options $	$	**Total[7]** $
Non-executive Directors														
CB Goode (Appointed director July 1991; appointed Chairman August 1995)	**2005**	**79,415**	**n/a**	**420,585**	**–**	**–**	**n/a**	**500,000**	**11,723**	**243,284**	**n/a**	**n/a**	**–**	**755,007**
Independent Non Executive Director, Chairman	2004	91,000	n/a	338,000	–	–	n/a	429,000	11,297	99,586	n/a	n/a	–	539,883
GJ Clark (Appointed February 2004)	**2005**	**130,000**	**n/a**	**–**	**–**	**25,440**	**n/a**	**155,440**	**11,723**	**50,189**	**n/a**	**n/a**	**–**	**217,352**
Independent Non Executive Director	2004	86,667	n/a	–	–	10,834	n/a	97,501	7,597	33,008	n/a	n/a	–	138,106
JC Dahlsen (Appointed May 1985; retired February 2005)	**2005**	**44,417**	**n/a**	**–**	**–**	**18,809**	**n/a**	**63,226**	**4,423**	**111,303**	**n/a**	**n/a**	**–**	**178,952**
Independent Non Executive Director	2004	130,000	n/a	–	–	65,050	n/a	195,050	11,296	74,356	n/a	n/a	–	280,702
RS Deane (Appointed September 1994)	**2005**	**130,000**	**n/a**	**–**	**122,384[9]**	**17,618**	**n/a**	**270,002**	**11,723**	**49,169**	**n/a**	**n/a**	**–**	**330,894**
Independent Non Executive Director	2004	130,000	n/a	–	117,958[9]	19,500	n/a	267,458	10,321	70,998	n/a	n/a	–	348,777
JK Ellis (Appointed October 1995)	**2005**	**103,000**	**n/a**	**27,000**	**–**	**42,250**	**n/a**	**172,250**	**11,723**	**110,981**	**n/a**	**n/a**	**–**	**294,954**
Independent Non Executive Director	2004	103,000	n/a	27,000	–	52,250	n/a	182,250	11,297	65,780	n/a	n/a	–	259,327
DM Gonski (Appointed February 2002)	**2005**	**88,970**	**n/a**	**41,030**	**22,150**	**22,512**	**n/a**	**174,662**	**11,723**	**104,001**	**n/a**	**n/a**	**–**	**290,386**
Independent Non Executive Director	2004	130,000	n/a	–	50,150	16,050	n/a	196,200	11,297	67,227	n/a	n/a	–	274,724
MA Jackson (Appointed March 1994)	**2005**	**130,000**	**n/a**	**–**	**–**	**42,250**	**n/a**	**172,250**	**11,723**	**122,008**	**n/a**	**n/a**	**–**	**305,981**
Independent Non Executive Director	2004	130,000	n/a	–	–	42,250	n/a	172,250	10,899	56,352	n/a	n/a	–	239,501
DE Meiklejohn (Appointed October 2004)	**2005**	**130,000**	**n/a**	**–**	**–**	**31,027**	**n/a**	**161,027**	**11,723**	**64,781**	**n/a**	**n/a**	**–**	**237,531**
Independent Non Executive Director	2004	–	n/a	–	–	–	n/a	–	–	–	n/a	n/a	–	–
JP Morschel (Appointed October 2004)	**2005**	**100,000**	**n/a**	**30,000**	**–**	**19,500**	**n/a**	**149,500**	**11,723**	**60,459**	**n/a**	**n/a**	**–**	**221,682**
Independent Non Executive Director	2004	–	n/a	–	–	–	n/a	–	–	–	n/a	n/a	–	–
BW Scott (Appointed August 1985; retired April 2005)	**2005**	**72,857**	**n/a**	**–**	**28,516**	**17,234**	**n/a**	**118,607**	**6,803**	**127,089**	**n/a**	**n/a**	**–**	**252,499**
Independent Non Executive Director	2004	130,000	n/a	–	24,389	30,750	n/a	185,139	11,297	64,839	n/a	n/a	–	261,275
TOTAL OF NON-EXECUTIVE DIRECTORS	**2005**	**1,008,659**	**n/a**	**518,615**	**173,050**	**236,640**	**n/a**	**1,936,964**	**105,010**	**1,043,264**	**n/a**	**n/a**	**–**	**3,085,238**
	2004[13]	930,667	n/a	365,000	192,497	236,684	n/a	1,724,848	85,301	532,146	n/a	n/a	–	2,342,295
Executive Director														
J McFarlane (Appointed October 1997)[8]	**2005**	**44**	**31,242**	**1,882,896**	**–**	**–**	**2,100,004**	**4,014,186**	**417,000[10]**	**–**	**982,987**	**1,791,718[6]**	**4,031[12]**	**7,209,922**
Chief Executive Officer	2004	43	78,211	1,882,831	–	–	1,850,006	3,811,091	417,000[10]	–	–	2,584,880	90,619[11]	6,903,590
TOTAL OF ALL DIRECTORS	**2005**	**1,008,703**	**31,242**	**2,401,511**	**173,050**	**236,640**	**2,100,004**	**5,951,150**	**522,010**	**1,043,264**	**982,987**	**1,791,718**	**4,031**	**10,295,160**
	2004[13]	930,710	78,211	2,247,831	192,497	236,684	1,850,006	5,535,939	502,301	532,146	–	2,584,880	90,619	9,245,885

COMMENTARY ON CHANGES BETWEEN 2004 AND 2005

Non-Executive Directors (NEDs)

Primary Total Remuneration has increased by $212,114. This increase is as a result of:

i) Timing differences between the appointment of DE Meiklejohn and JP Morschel, and the retirement of BW Scott and JC Dahlsen.

ii) Increase in Chairman's fees of $71,000 in recognition of increased demands of the role, relativity to peers, and to maintain equitable relativity with other NEDs.

iii) The full year effect of the addition of GJ Clark to the Board.

The Post-Employment Retirement Benefit accrued during the year has increased by $511,120 from the previous period due to the following:

i) $95,286 resulting from fee increases over the last 3 years being taken into account for the purpose of the directors' retirement benefits.

ii) $415,634 of this is due to amendments made during the year to the individual agreements with NEDs to make the formula for calculating the amount payable under them consistent for all NEDs. In some instances this has resulted in the amount accrued during the year being increased to take account of the impact of the change to the formula on previous years' accrued benefits. In each case under the relevant agreement, the maximum amount that may be paid to a NED as a retirement benefit is subject to the limits in the Corporations Act.

Executive Director (Chief Executive Officer)

There was no change to J McFarlane's fixed remuneration which remained at $2,000,000, including superannuation contributions. His short-term incentive target for 2005 was increased to $2,000,000 (100% of his fixed remuneration) in accordance with his contract extension announced on 26 October 2004. His actual payment was $2,100,000 (compared to $1,850,000 in 2004) reflecting the Board's assessment of his performance against agreed balanced scorecard objectives which include ANZ's financial performance and its performance against specified measures for shareholders, customers, staff and the community.

1 Non-monetary benefits for all directors are nil.

2 Shares acquired through participation in Directors' Share Plan (relates to CEO only in relation to cash incentive, as NEDs do not participate in Short-Term Incentive arrangements). Value reflects the price at which the shares were purchased on market (amortisation not applicable).

3 100% of the CEO's cash incentive vested during the financial year.

4 Accrual relates to Directors' Retirement Scheme. The following benefits were paid under the Directors' Retirement Scheme to the following former directors: JC Dahlsen (retired 3 February 2005) – $513,668; BW Scott (retired 23 April 2005)– $516,214. If each of the current NEDs had ceased to be a director as at 30 September 2005, the following benefits would have been payable under the Directors' Retirement Scheme: CB Goode – $1,312,539; GJ Clark – $83,197; RS Deane – $693,285; JK Ellis – $523,039; DM Gonski – $249,445; MA Jackson – $487,022; DE Meiklejohn – $64,781; JP Morschel – $60,459. The Directors' Retirement Scheme will be discontinued effective 30 September 2005. Refer to section B2 for more information pertaining to the Directors' Retirement Scheme.

5 In accordance with the requirements of AASB1046A, the amortisation value includes a proportion of the fair value (taking into account market-related vesting conditions) of all equity that had not yet fully vested as at the commencement of the financial year. It is assumed that 100% of the options will vest at the commencement of their exercise period (i.e. the shortest possible vesting period is assumed). The fair value is determined at grant date and is allocated on a straight-line basis over the expected vesting period. The fair value is determined using a binomial option-pricing model that is explained in section F9. The amount included as remuneration is not related to nor indicative of the benefit (if any) that may ultimately be realised should the options become exercisable. For deferred shares, the fair value is the weighted average price of the Company's shares traded on the ASX on the day the shares were granted.

6 Amortisation value of options as a percentage of his total remuneration (as shown in the Total column above) was 25% in 2005 (37% in 2004).

7 Amounts disclosed for remuneration of directors exclude insurance premiums paid by the consolidated entity in respect of directors' and officers' liability insurance contracts which cover current and former directors and officers, including executive officers of the entity and directors, executive officers and secretaries of the controlled entities. The total premium, which cannot be disclosed because of confidentiality requirements, has not been allocated to the individuals covered by the insurance policy as, based on all available information, the directors believe that no reasonable basis for such allocation exists.

8 J McFarlane elected to use almost all his cash salary and incentive to purchase on market deferred shares under the Directors' Share Plan.

9 Amounts paid in NZD are converted to AUD at an average rate for the year of 1.0847 (1.1254 in 2004).

10 Includes $300,000 additional employer contribution, agreed as part of contract extension announced 26 October 2004 (refer to section D2).

11 Relates to reimbursement to J McFarlane for the additional tax liability on his UK Pension Plan holdings, arising as a result of Australian Foreign Investment Fund rules, and J McFarlane's continuing Australian residency (in accordance with the contractual arrangements detailed in section D2).

12 Relates to professional services rendered in respect of taxation matters.

13 2004 aggregate amounts relate to those directors reported in 2004.

TABLE 2: EXECUTIVE REMUNERATION

For the year ended 30 September 2005 details of the remuneration of the top seven executives (Specified Executives), other than the Chief Executive Officer, are set out below and include the five most highly remunerated executives in the Company and the Group (as required under the Corporations Act 2001) and the top executives in the Group by authority (as required by AASB1046):

		PRIMARY					POST EMPLOYMENT			EQUITY[5]				
		Cash salary/fees $	Long service leave accrued during the year $	Non monetary benefits[1] $	Total cash short-term Incentive[2,3] $	**Primary total $**	Super contributions $	Retirement benefit accrued during year[4] $	**Annual remuneration (Primary plus Post-Employment) $**	Total amortisation value of STI shares $	Total amortisation value of LTI shares $	Total amortisation value of LTI options $	Total amortisation of other equity allocations[6] $	**Grand total remuneration[7,10] $**
Specified Executives														
Sir J Anderson[8,9]														
Chief Executive & Director,	**2005**	**838,110**	**–**	**–**	**460,960**	**1,299,070**	**83,811**	**33,367**	**1,416,248**	**–**	**–**	**–**	**477,452**	**1,893,700**
ANZ National Bank Ltd New Zealand	2004	672,792	–	–	449,618	1,122,410	67,279	32,160	1,221,849	–	–	–	219,168	1,441,017
Dr RJ Edgar	**2005**	**727,696**	**13,928**	**28,281**	**800,000**	**1,569,905**	**46,800**	**1,672**	**1,618,377**	**173,907**	**555,470**	**264,095**	**–**	**2,611,849**
Chief Operating Officer	2004	723,651	56,212	31,552	393,000	1,204,415	46,752	7,163	1,258,330	197,681	342,662	256,110	–	2,054,783
E Funke Kupper	**2005**	**654,550**	**10,860**	**7,277**	**770,000**	**1,442,687**	**40,950**	**–**	**1,483,637**	**184,924**	**221,068**	**239,523**	**–**	**2,129,152**
Group Managing Director Asia-Pacific	2004	654,550	10,846	7,277	385,500	1,058,173	40,950	–	1,099,123	232,208	232,024	333,500	–	1,896,855
BC Hartzer	**2005**	**694,435**	**19,469**	**61,542**	**1,080,000**	**1,855,446**	**46,800**	**–**	**1,902,246**	**149,259**	**237,943**	**282,929**	**–**	**2,572,377**
Group Managing Director Personal Banking	2004	543,062	15,694	57,091	424,000	1,039,847	37,224	–	1,077,071	201,364	192,239	298,814	–	1,769,488
GK Hodges	**2005**	**648,556**	**46,140**	**11,465**	**863,000**	**1,569,161**	**40,838**	**1,635**	**1,611,634**	**131,825**	**186,089**	**218,920**	**–**	**2,148,468**
Group Managing Director Corporate	2004	510,081	39,006	17,357	343,000	909,444	32,600	2,919	944,963	147,516	127,584	195,847	–	1,415,910
PR Marriott	**2005**	**748,700**	**12,422**	**7,277**	**920,000**	**1,688,399**	**46,800**	**–**	**1,735,199**	**208,525**	**295,175**	**317,175**	**–**	**2,556,074**
Chief Financial Officer	2004	728,451	29,098	7,277	482,000	1,246,826	45,542	–	1,292,368	243,435	276,714	369,376	–	2,181,893
S Targett[9]	**2005**	**748,700**	**12,497**	**7,277**	**880,000**	**1,648,474**	**46,800**	**–**	**1,695,274**	**–**	**40,544**	**39,059**	**789,238**	**2,564,115**
Group Managing Director Institutional	2004	305,407	5,101	2,934	267,000	580,442	18,976	–	599,418	–	–	–	188,081	787,499
TOTAL	**2005**	**5,060,747**	**115,316**	**123,119**	**5,773,960**	**11,073,142**	**352,799**	**36,674**	**11,462,615**	**848,440**	**1,536,289**	**1,361,701**	**1,266,690**	**16,475,735**
	2004	4,179,538	128,629	113,408	2,726,118	7,147,693	300,598	42,270	7,490,561	1,089,594	1,250,614	1,551,766	407,249	11,789,784

COMMENTARY ON CHANGES BETWEEN 2004 AND 2005

Specified Executives

The differences in Total Remuneration between 2004 and 2005 for Specified Executives are as a result of the following:

i) Total Employment Costs (TEC) or fixed remuneration increases between 2004 and 2005 are in line with ANZ's guiding principles (refer to sections C1 and C3), and to reflect role changes for BC Hartzer; increased responsibility for GK Hodges and market pressures.

ii) Increase in target short-term incentive (STI) amounts (for all Specified Executives except for Sir J Anderson), from 67% of TEC to 100% of TEC in order to meet competitive pressures.

iii) With the exception of Sir J Anderson, change in STI delivery to 100% cash in 2005 versus 75% cash and 25% deferred shares (amortised over 3 years) for 2004.

iv) Sir J Anderson and S Targett commenced part way through 2004, being 1 December 2003 and 5 May 2004 respectively.

v) Two of S Targett's deferred share grants fell into the 2005 financial year (refer to footnote 6).

vi) 2004 aggregate amounts relate to those Specified Executives reported in 2004.

1 Non monetary benefits provided to Specified Executives consist of salary packaged items such as car parking and novated lease motor vehicles.

2 Total cash incentive relates to the full incentive amount for the financial year ended 30 September 2005. A portion of the STI was delivered as deferred shares in 2004.

3 100% of the Specified Executives' cash incentive vested to the person in the financial year.

4 Accrual relates to Retirement Allowance. As a result of being employed with ANZ prior to November 1992, RJ Edgar and GK Hodges are eligible to receive a Retirement Allowance on retirement, retrenchment, death, or resignation for illness, incapacity or domestic reasons. The Retirement Allowance is calculated as follows: 3 months of notional salary (which is 65% of fixed remuneration) plus an additional 3% of notional salary for each year of full-time service above 10 years, less the total accrual value of long service leave (including taken and untaken).

5 In accordance with the requirements of AASB1046A, the amortisation value includes a proportion of the fair value (taking into account market-related vesting conditions) of all equity that had not yet fully vested as at the commencement of the financial year. It is assumed that 100% of the options will vest at the commencement of their exercise period (i.e. the shortest possible vesting period is assumed) and that deferred shares will vest after 3 years. The fair value is determined at grant date and is allocated on a straight-line basis over the 3-year vesting period. For options, the fair value is determined using a Binomial Option Pricing model that is explained in section F9. The amount included as remuneration is not related to nor indicative of the benefit (if any) that may ultimately be realised should the options become exercisable. For deferred shares, the fair value is the weighted average price of the Company's shares traded on the ASX on the day the shares were granted.

6 Amortisation of other equity allocations for Sir J Anderson relates to the granting of zero priced options (ZPO). ZPOs are granted as part of his employment contract. Refer to section E2 for further details. Amortisation of other equity allocations for S Targett relates to the grant of deferred shares beginning on 11 May 2004 (four tranches to the value of $700,000 each to be issued at 6 month intervals in May and November in 2004 and 2005, subject to Board approval and continued employment) and hurdled A options (refer to section F11.1 for performance hurdle details) to compensate S Targett for the loss of access to equity as a result of his resignation from his previous employer.

7 Amounts disclosed for remuneration of Specified Executives exclude insurance premiums paid by the consolidated entity in respect of directors' and officers' liability insurance contracts which cover current and former directors and officers, including executive officers of the entity and directors, executive officers and secretaries of the controlled entities. The total premium, which cannot be disclosed because of confidentiality requirements, has not been allocated to the individuals covered by the insurance policy as, based on all available information, the directors believe that no reasonable basis for such allocation exists.

8 Amounts paid in NZD are converted to AUD at an average rate for the year of 1.0847 (1.1254 in 2004).

9 Sir J Anderson was appointed 1 December 2003 (ie 2 months after the start of the 2004 financial year) and S Targett was appointed 5 May 2004 (ie 7 months after the start of the 2004 financial year).

10 Amortisation value of options as a percentage of grand total remuneration for the 2005 financial year was as follows: Sir J Anderson – 25% (15% in 2004); Dr RJ Edgar – 10% (12% in 2004); E Funke Kupper – 11% (18% in 2004); BC Hartzer – 11% (17% in 2004); GK Hodges – 10% (14% in 2004); PR Marriott – 12% (17% in 2004); S Targett – 11% (12% in 2004).

SECTION B. NON-EXECUTIVE DIRECTORS' REMUNERATION

B1. NON-EXECUTIVE DIRECTORS' REMUNERATION POLICY

Non-executive Directors' (NEDs) fees are reviewed annually and are determined by the Board of Directors based on advice from external advisors and with reference to fees paid to other NEDs of comparable companies. NEDs' fees are within the maximum aggregate limit agreed to by shareholders at the Annual General Meeting held on 13 December 2002 ($2.5 million, excluding retirement allowances and superannuation), and are set at levels that fairly represent the responsibilities of, and the time spent by, the NEDs on Group matters. NEDs receive a fee for being a director of the Board, and additional fees for either chairing or being a member of a committee. Work on special committees may attract additional fees of an amount considered appropriate in the circumstances. An additional fee is also paid if a NED serves as a director of ANZ National Bank Limited, ING Australia Ltd or Metrobank Card Corporation. NEDs do not receive any performance/incentive payments and are not eligible to participate in any of the Group's incentive arrangements.

The Chairman Fee was increased to $500,000 effective 1 October 2004 in recognition of the demands of the role, market practice and in order to maintain desired relativity with other directors. No other adjustments were made to NED fees for the year ending 30 September 2005.

The fee structure is illustrated in Table 3 below:

TABLE 3

Role	2004 Fee	2005 Fee
Chairman	$429,000	$500,000
Non-Executive Director	$130,000	$130,000
Committee Chair[1]	$32,500	$32,500
Committee Member[1]	$9,750	$9,750

1 Except Nominations & Corporate Governance Committee and Technology Committee, where the current Chair and Member Fees are $21,000 and $6,300 respectively.

For details of remuneration paid to directors for the year ended 30 September 2005, refer to Table 1 in section A of this Remuneration Report.

NED Shareholding Guidelines
NEDs have agreed to accumulate ANZ shares, over a five-year period, to the value of 100% (200% for Chairman) of the base annual NED Fee and to maintain this shareholding while a director of ANZ. NEDs have agreed to apply up to 25% of their base fee annually via the Director's Share Plan or other means, towards the purchase of ANZ shares in order to achieve/maintain the desired holding level. This is a new guideline which was approved by the Board in September 2005.

B2. NON-EXECUTIVE DIRECTORS' RETIREMENT POLICY

All NEDs participated in the ANZ Directors' Retirement Scheme up to the year ended 30 September 2005. Under this scheme, a lump-sum retirement benefit was payable to NEDs upon their ceasing to be a director. The lump-sum retirement benefit payable where the NED held office for 8 years or more was equal to the total remuneration (excluding retirement benefit accrual) of the NED in respect of the 3 years immediately preceding the NED ceasing to be a NED. For periods of less than 8 years, a proportionate part of such remuneration was payable. The NEDs are not entitled to the statutory entitlements of long service leave and annual leave.

Consistent with Principle 9.3 of the Australian Stock Exchange (ASX) Corporate Governance Rules, which states that NEDs should not be provided with retirement benefits other than statutory superannuation, the ANZ Directors' Retirement Scheme was closed effective 30 September 2005.

Accrued entitlements were fixed at 30 September 2005 and will be carried forward to retirement, and collected by the NED when they retire. The entitlements may be carried forward as:

- **Cash Alternative:** A cash payment, being the entitlement accrued to 30 September 2005, plus escalation based on the 30 day bank bill rate until retirement date; and/or
- **Shares Alternative:** A number of ANZ shares purchased on market on 27 October 2005 to the value of the accrued entitlement, plus escalation based on the 30-day bank bill rate for the period 1 October 2005 to 26 October 2005 (subject to Shareholder approval at the 2005 Annual General Meeting). Shares will then be held in ANZ Employee Share Trust for the benefit of the Director until retirement.

NEDs have been asked to nominate the proportion of their accrued entitlement to be directed towards each alternative, subject to shareholder approval.

Fees for NEDs will be increased by 27.5% effective 1 October 2005 to compensate for the removal of this contractual benefit. This amount was determined based on an independent actuarial valuation of the scheme by Mercer Finance & Risk Consulting and advice from expert remuneration consultants PricewaterhouseCoopers. This increase is also in line with market practice in relation to fee increases due to the removal of the Directors' Retirement Scheme, where increases have typically ranged from 25% to 30%.

NED Fee Cap
There has been no increase in the NED fee pool since 2002. Shareholder approval will be sought at the 2005 Annual General Meeting for an increase to the NED Fee Cap by $500,000. This proposed increase would take the maximum aggregate amount from $2.5m to $3.0m – an amount which is considered necessary in order to:

- accommodate the fee adjustment to compensate for the removal of the Directors' Retirement Scheme (27.5%) – while the discontinued retirement benefits under the Constitution are outside the maximum aggregate limit, the compensating increase to fees will be within the limit;
- allow for annual adjustments in line with market NED movements; and
- allow for the addition of another NED in either 2006 or early 2007.

It is critical that the Company has the capacity to pay adequate fees to NEDs in order to attract and retain directors of the highest calibre.

B3. DIRECTORS' SHARE PLAN

The Directors' Share Plan is available to both non-executive and executive directors. Directors may elect to forgo remuneration to which they may have otherwise become entitled and receive shares to the value of the remuneration forgone. Participation in the plan is voluntary, except to the extent that the NED Shareholding Guidelines must be met and therefore the shares acquired are not subject to performance conditions.

Shares acquired under the plan are purchased on market and are held in trust for up to 10 years. Shares are subject to a minimum 1 year restriction, during which the shares cannot be traded, and are subject to forfeiture for serious misconduct. All costs associated with the plan are met by the Company.

SECTION C. EXECUTIVE REMUNERATION STRUCTURE

C1. REMUNERATION GUIDING PRINCIPLES

ANZ's reward policy guides the Compensation & Human Resources Committee and management in shaping remuneration strategies and initiatives.

The following principles underpin ANZ's reward policy:

1. Focus on creating and enhancing value for ANZ's shareholders;

2. Differentiation of individual rewards commensurate with contribution to overall results and according to individual accountability, performance and potential;

3. Significant emphasis on "at risk" components of total rewards linked to the enhancement of shareholder value through improvements in Economic Value Added™ (EVA™); and

4. The provision of a competitive reward proposition to successfully attract, motivate and retain the highest quality individuals required to deliver ANZ's business and growth strategies.

During 2005 a comprehensive review of reward structures has been conducted against the backdrop of these principles and against the Company's growth strategy and corporate governance principles. As a result, a number of changes have been made. These changes are detailed in section C4 of this Remuneration Report.

Shareholding Guidelines
Direct Reports to the CEO are expected to accumulate ANZ shares, over a five year period, to the value of 200% of their Total Employment Cost (TEC) and to maintain this shareholding while an executive of ANZ. Our next most senior executives are expected to accumulate ANZ shares to the value of 100% of their TEC and to maintain this shareholding while an executive of ANZ. This guideline was introduced in June 2005. New executives will be expected to accumulate the required holdings within five years of appointment.

C2. REMUNERATION STRUCTURE OVERVIEW

ANZ's reward structures are designed to meet the needs of ANZ's specialised business units as well as the markets in which they operate. As a result, the mix of remuneration components can vary across the organisation although, where practicable, ANZ applies structures and opportunities on a consistent basis for similar roles and levels. There is a strong emphasis on variable remuneration opportunities with total employee remuneration differentiated significantly on the basis of performance.

The executive remuneration program (which includes the remuneration of senior managers and the company secretaries) is designed to support the reward principles detailed in section C1, and to underpin the Company's growth strategy. This program aims to differentiate remuneration on the basis of achievement against group, business unit and individual performance targets which are aligned to sustained growth in shareholder value using a balanced scorecard approach.

The program comprises the following components:

- fixed remuneration component (TEC): salary, non-monetary benefits and superannuation contributions (Refer to C3).
- variable or "at risk" component (Refer to C4):
  - Short-Term Incentive (STI); and
  - Long-Term Incentive (LTI).

The relative weighting of fixed and variable components, for target performance, is set according to the size of the role and competitive market in which the role operates, with the proportion of remuneration "at risk" increasing for the most senior or complex roles, or for those roles where there is strong market pressure to provide greater levels of remuneration. Figure 1 below shows the relative mix of Fixed, STI and LTI at target payment levels.

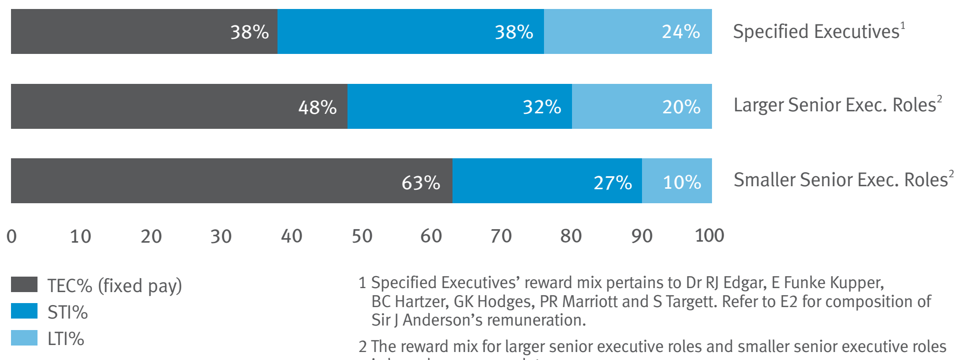
Fixed remuneration is set around the median of the market. STI and LTI payments for on target performance are also set at market median, however the plan design allows for the opportunity to earn upper quartile total remuneration for significant out performance, and significantly reduced payment for underperformance. In this way the remuneration structure is heavily weighted towards "reward for performance".

C3. FIXED REMUNERATION

For most executives, fixed remuneration consists of what is referred to as Total Employment Cost (TEC). TEC comprises cash salary, a superannuation contribution, and the remainder as nominated benefits. The types of benefits that can be packaged by executives include novated car leases, additional superannuation contributions, car parking, child care, laptops and contributions towards the Employee Share Save Scheme (see note 50 of the 2005 Financial Report for details of the Employee Share Save Scheme).

To ensure fixed remuneration remains competitive, the TEC component of executive remuneration is reviewed annually based on individual performance and market data. ANZ operates with a midpoint targeted to the market median being paid in the finance industry in the relevant global markets in which ANZ operates, and a range around this midpoint. International remuneration levels are considered in assessing market competitiveness where an executive's primary place of residence is outside of Australia or New Zealand, in which case the local market is considered.

FIGURE 1
Target Reward Mix



1 Specified Executives' reward mix pertains to Dr RJ Edgar, E Funke Kupper, BC Hartzer, GK Hodges, PR Marriott and S Targett. Refer to E2 for composition of Sir J Anderson's remuneration.

2 The reward mix for larger senior executive roles and smaller senior executive roles is based on average data.

C4. VARIABLE REMUNERATION

Variable remuneration forms a significant part of executives' potential remuneration, providing an at-risk component that is designed to drive performance in both the short-term (annually) and in the medium and long-term (over 3 years or more).

The opportunities available to executives under ANZ's variable reward programs are calibrated to reflect executives' potential impact on the business, to manage internal relativities, and to ensure competitiveness in the relevant markets in which they operate.

Most executives participate in the short-term incentive (STI) plan detailed in section C4.1 and the long-term incentive (LTI) plan detailed in section C4.2, subject to individual performance thresholds. In some instances, customised STI plans will exist for executives to ensure closer alignment of their rewards with business objectives and market practice. For example, staff in ANZ's Institutional Division participate in a customised incentive plan more closely aligned with that market. No executive, however, may participate in more than one STI plan.

Equity allocated under ANZ incentive schemes remain at risk until fully vested (in the case of Deferred Shares) or are exercisable (in the case of options or Performance Rights). As such, it is a condition of grant that no schemes are entered into that specifically protect the unvested value of shares, options and Performance Rights allocated. Doing so would constitute a breach of the grant conditions and would result in the forfeiture of the relevant shares or options.

C4.1 Short-Term Incentives

ANZ's STI approach supports our strategic objectives by providing rewards that are significantly differentiated on the basis of achievement against performance targets. Most executives participate in the plan explained below. All STI plans are reviewed and approved by the Compensation & Human Resources Committee.

Determination of Award Levels

The size of the overall pool available each year is determined based on ANZ Group performance against a balanced scorecard of financial and qualitative measures. This pool is then distributed amongst divisions and then individuals based on relative performance.

Each executive has a target STI which is determined according to seniority and market relativities. The size of the actual STI payment made at the end of each financial year to individuals may be at, above or below the target and this will be determined according to ANZ Group, Division and Individual Performance.

Performance objectives are set at the start of each financial year according to a balanced scorecard of measures at the Group, Division and Individual level. These measures are aligned with the achievement of ANZ's business plan, and are the most appropriate indicators of performance. Division and Individual objectives are a subset of the Group objectives, which ensures there is alignment of objectives through the executive population.

Performance objectives under ANZ's balanced scorecard include a number of qualitative and quantitative measures which include, but are not limited to:

- Financial Measures including: Economic Value Added (EVA™); Revenue and Net Profit After Tax
- Customer Measures including: Customer Satisfaction and Market Share
- Employee Engagement, Risk Management and Compliance Measures
- Environment, Health & Safety and Community Measures.

The STI is payable 100% in cash (except where specific business plans require otherwise). Executives are able to elect to sacrifice part or all of their incentive towards the purchase of ANZ shares which are restricted from sale for 12 months, or towards additional superannuation contributions.

The target STI award level for Specified Executives is 100% of TEC in 2005 (increasing from 67% of TEC), with a maximum STI award of 150% of TEC. For larger senior executive roles in the general ANZ STI plan, the target STI is 67% of TEC, with a maximum of 100% of TEC, and for smaller senior executive roles the target is 43% of TEC and the maximum 65% of TEC. Note, the target and maximum STI amounts for larger and smaller senior executive roles may vary for customised incentive schemes.

C4.2 Long-Term Incentives

Long-term incentives (LTIs) are used as a mechanism to link a significant portion of executives' remuneration to the attainment of sustained growth in shareholder value.

A comprehensive review of ANZ's Long-Term Incentive Program was conducted in 2005 which resulted in a number of changes. The annual LTI allocation to be made in November 2005 will now be delivered as 100% Performance Rights. It was previously delivered as Hurdled Options (50% of grant LTI value) and Deferred Shares (50% of grant LTI value). It was decided that the entire LTI allocation should be linked to a single long-term performance measure.

The size of individual LTI grants is determined by an individual's level of responsibility, performance and the assessed potential of the executive. Typically at the most senior levels the Target LTI value will range from around 10% to 24% of the individual's target reward mix, as shown in Figure 1 in Section C2.

Executives are advised of their LTI dollar value, which is then converted into a number of Performance Rights based on an audited valuation. ANZ engages external experts (PricewaterhouseCoopers and Mercer Finance & Risk Consulting) to independently value the Performance Right, taking into account factors including the performance conditions, life of instrument, share price at grant date etc. These valuations are then audited by KPMG. The Board then approves use of the highest value. The LTI dollar value is then divided by the approved value of the Performance Right to determine the number of rights to be allocated.

EXAMPLE

- Executive granted LTI value of $60,000
- Approved Performance Right Valuation is $10.85 per Performance Right
- $60,000 / $10.85 = 5,530 Performance Rights allocated to executive

LTI allocations are made annually in or around November.

Performance Rights (To be granted from October 2005)

A Performance Right is a right to acquire a share at nil cost, subject to satisfactorily meeting time and performance hurdles. Upon exercise, each Performance Right entitles the holder to one ordinary share. Performance Rights are ANZ's preferred LTI delivery vehicle as they provide a clearer, more tangible value to the executive, subject to satisfactorily performing relative to the performance hurdle for vesting. Performance Rights are designed to reward executives for share price growth dependent upon the Company's Total Shareholder Return (TSR) outperforming peers. TSR represents the change in the value of a share plus the value of reinvested dividends paid. TSR was chosen as the most appropriate comparative measure as it focuses on the delivery of shareholder value and is a well understood and tested mechanism to measure performance.

The TSR vesting scale is designed to ensure that executive rewards are directly linked to the Company's TSR and are therefore aligned to the outcomes experienced by other shareholders. The proportion of Performance Rights that become exercisable will depend upon the TSR achieved by ANZ relative to the companies in the comparator group (shown below) over a three-year period. There will not be any retesting feature.

Performance equal to the 50th percentile of the comparator group will result in half the Performance Rights becoming exercisable. Performance above the 50th percentile will result in further Performance Rights becoming exercisable, increasing on a straight-line basis until all of the Performance Rights become exercisable where ANZ's TSR is at or above the 75th percentile when compared with the comparator group. TSR is measured on a pro-rata basis; where ANZ's performance falls between two of the comparators, the actual relative level of TSR, rather than simple ranking, will determine the level of vesting.

An averaging calculation will be used for TSR over a 90 day period for start and end values in order to reduce share price volatility.

It should also be noted that where median performance is achieved, executives' total remuneration will typically be below market median for the financial services industry. 75th percentile performance is required for full vesting which enables executives to receive the full value of their LTI. To ensure an independent TSR measurement, ANZ engages the services of an external organisation (Macquarie Financial Services) to calculate ANZ's performance against the TSR hurdle.

The conditions under which Performance Rights are granted are approved by the Board in accordance with the rules of the ANZ Share Option Plan. Performance conditions are explained in more detail below.

Each Performance Right has the following features

- The performance hurdle is tested at the end of three years;
- No dividends will be payable on the Performance Rights until they vest;
- A two-year exercise period that commences three years after the grant date subject to the performance hurdle being cleared;
- Upon exercise, each Performance Right entitles the holder to one ordinary share;
- In case of dismissal for misconduct, Performance Rights are forfeited;
- In case of resignation or termination on notice, only Performance Rights that become exercisable by the end of the notice period may be exercised;
- In case of retrenchment or retirement, Performance Rights will be performance tested at the date of termination, and where performance hurdles have been met, Performance Rights will be pro-rated and a grace period provided in which to exercise;
- In case of death or total and permanent disablement, a grace period is provided in which to exercise all Performance Rights. The hurdles would be waived; and
- Performance hurdle, which is explained above.

Comparator Group

The peer group of companies against which ANZ's TSR performance is measured, comprises the following companies:

AMP Limited

AXA Asia Pacific Holdings Limited

Commonwealth Bank of Australia

Insurance Australia Group Limited

Macquarie Bank Limited

National Australia Bank Limited

QBE Insurance Group Limited

St George Bank Limited

Suncorp-Metway Limited

Westpac Banking Corporation

This comparator group was chosen because it represents ANZ's key competitors in the financial services industry, are an appropriate reference group for investors and are of sufficient size by market capitalisation and weight in ASX Top 50.

Refer to section F11 for details pertaining to legacy LTI equity vehicles (which are yet to vest).

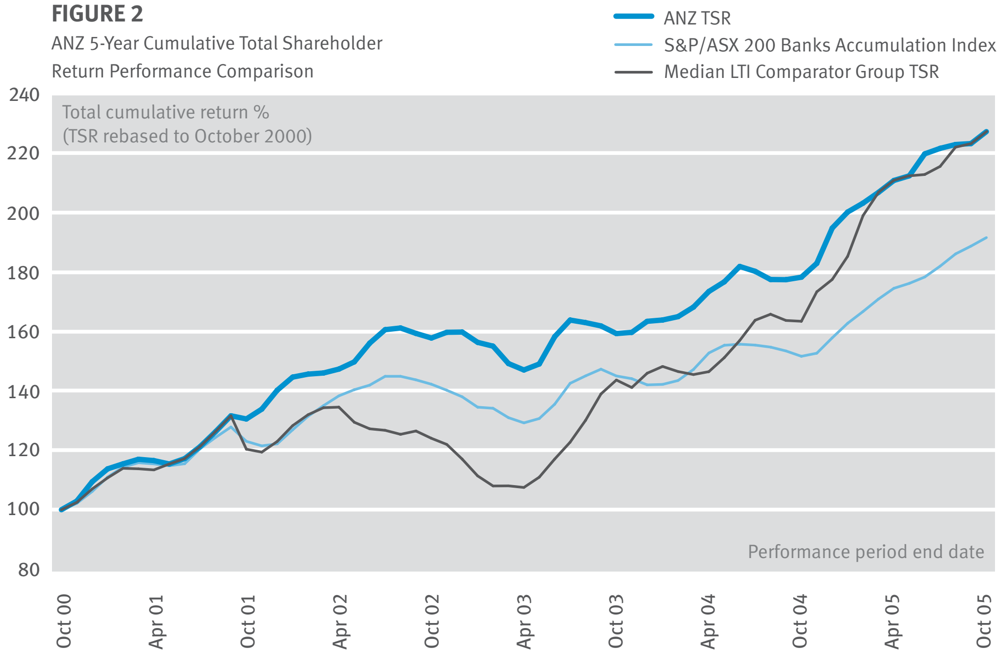
C5. PERFORMANCE OF ANZ

Table 4 shows ANZ's annual performance over the five-year period spanning 1 October 2000 to 30 September 2005. The table illustrates the impact of ANZ's performance on shareholder wealth, taking into account dividend payments, share price changes and returns on capital during the financial year.

TABLE 4	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Basic Earnings Per Share (EPS)	112.7	141.4	142.4	153.1	160.9
NPAT ($m)	1,870	2,322	2,348	2,815	3,018
Total Dividend (cps)	73	85	95	101	110
Share price at 30 September ($)	15.28	16.88	17.17	19.02	24.00
Total Shareholder Return (%)	26.2	15.3	6.7	17.0	32.6

In table 4, ANZ's Total Shareholder Return (TSR, which includes share price growth, dividends and other capital adjustments) has been shown for each individual financial year between 2001 and 2005. Figure 2 however, compares ANZ's TSR performance against the median TSR of the LTI comparator group and the S&P/ASX 200 Banks Accumulation Index over the 2000 to 2005 measurement period. The difference between S&P/ASX 200 Banks Accumulation Index and the median of ANZ's comparator group over the 2004 and 2005 financial years is due to the weightings in the Index of the large banking institutions that have underperformed comparatively during this period; whereas the organisations in ANZ's comparator group are weighted evenly.

FIGURE 2
ANZ 5-Year Cumulative Total Shareholder Return Performance Comparison



SECTION D. CHIEF EXECUTIVE OFFICER'S REMUNERATION

D1. CEO REMUNERATION OVERVIEW

The structure of J McFarlane's remuneration, which is in accordance with his employment agreement, is as follows:

- **Fixed Remuneration**: Consists of salary, benefits and superannuation contributions. Since October 2003, J McFarlane has elected to receive almost all of his Fixed Remuneration in the form of shares purchased under the Directors' Share Plan. These shares are not subject to a performance condition as they are provided in place of cash remuneration at the CEO's choice. However, they are subject to forfeiture in case of termination for serious misconduct.
- **Short-Term Incentive**: The Board sets J McFarlane's balanced scorecard at the beginning of the financial year. The Board then assesses performance against these objectives at the end of the year. These objectives are aligned with the achievement of ANZ's business plan, and are the most appropriate indicators of performance. These objectives include a number of quantitative and qualitative measures, which include (but are not limited to) financial, customer, people, environment and community measures. J McFarlane's STI may be paid in cash or in shares purchased under the Directors' Share Plan. J McFarlane has typically elected to receive shares.
- **Long-Term Incentive**: J McFarlane's Long-Term Incentive is made up of Hurdled Options and Performance Shares as approved by shareholders at the 2001 and 2004 Annual General Meetings respectively. The performance conditions pertaining to the options issued during the year are indicated in F11.1 Hurdled A options.

The remuneration of J McFarlane for the year ended 30 September 2005 is set out in Table 1 in section A of this Remuneration Report. The mix of remuneration for J McFarlane under his current contract is made up as follows:

- Fixed Remuneration of $2,000,000 per annum;
- Target variable Short-Term Incentive of $2,000,000 per annum;
- Long-Term Incentive of $2,600,000 – one allocation only (based on valuation of 175,000 performance shares at issue).

Shareholding Guideline

The Chief Executive Officer of ANZ is expected to accumulate ANZ shares, over a five year period, to the value of 200% of his Fixed Remuneration and to maintain this shareholding while CEO of ANZ. This shareholding guideline was introduced in September 2005 and adherence to this guideline will be regularly monitored.

D2. CEO'S CONTRACT TERMS

On 26 October 2004, the Company announced an extension to J McFarlane's contract:

- The term of the contract was extended by one year to 30 September 2007;
- In addition to mandatory superannuation contributions, the Company makes additional employer contributions of $300,000 per annum (effective from 1 October 2003), paid quarterly to J McFarlane's chosen superannuation fund; and
- J McFarlane was granted 175,000 Performance Shares on 31 December 2004.

A separate agreement, made on 23 October 2001, provides for reimbursements to J McFarlane for any additional tax liabilities that may arise on his UK Pension Plan holdings as a result of his continuing Australian residency. Under this agreement, ANZ reimburses J McFarlane for any additional tax liability incurred on his UK Pension Plan during his employment with ANZ, arising as a consequence of Australian Foreign Investment Fund rules. In the event of decreased Australian tax liabilities due to a decreased value in J McFarlane's UK Pension Plan, the reduced liability will be used to offset potential subsequent reimbursements.

D3. CEO'S RETIREMENT AND TERMINATION BENEFITS

In accordance with J McFarlane's contract variation (refer section D2), J McFarlane's nominated superannuation fund receives $300,000 per annum (effective from 1 October 2003, paid quarterly) in addition to mandatory superannuation contributions.

J McFarlane can terminate his employment agreement by providing 12 months' notice. ANZ may terminate the employment agreement by providing notice equal to the unexpired term of the employment agreement (which ends on 30 September 2007). If ANZ terminates the employment agreement without notice and thus breaches its obligation to provide the required notice, ANZ has agreed with J McFarlane that the damages payable by ANZ for breach of contract would be equal to the Total Employment Cost (TEC) that would otherwise be received over the remainder of the contract (TEC comprises salary or fees, non-monetary benefits and mandatory superannuation contributions). In circumstances of serious misconduct, J McFarlane is only entitled to payment of TEC up to the date of termination.

Payment of accumulated superannuation benefits plus statutory entitlements of long service leave and annual leave (calculated on the basis of salary or fees) applies in all events of separation.

In the event of resignation not approved by the Board or dismissal for serious misconduct, all unexercised options and Performance Shares will be forfeited. In the event of termination on notice or agreed separation, all vested options and Performance Shares must be exercised within 6 months of the termination or agreed separation date, subject to meeting the relevant performance hurdles. In the event of serious misconduct, shares held in the Directors' Share Plan will be forfeited. On resignation or termination on notice, shares held under the Directors' Share Plan will be released.

D4. CEO'S PARTICIPATION IN EQUITY PROGRAMS

Hurdled Options

At the 2001 Annual General Meeting, four tranches of options were approved for granting by the Board: 500,000 in 2001; 1,000,000 in 2002; 1,000,000 in 2003 and 500,000 in 2004. For options granted to the CEO, the exercise price is equal to the weighted average share price on the ASX during the 5 trading days immediately before or after the Company's Annual General Meeting that immediately precedes the allocation. The exercise of these options is subject to performance hurdles being satisfied. J McFarlane's specific performance hurdles, for options granted during the year, are indicated in section F11.1 (Hurdled A), and for Performance Shares in section F11.3. For options granted to the CEO, the life and exercise period may differ, as disclosed in F3.

Performance Shares

175,000 Performance Shares were issued to J McFarlane on 31 December 2004 as part of his contract extension, as approved by shareholders at the 2004 Annual General Meeting. No dividends will be payable on the shares until they vest. Vesting will be subject to time and performance hurdles being satisfied as detailed in section F11.3. As these Performance Shares were granted as part of J McFarlane's contract extension, as opposed to a new contract, the conditions of grant were aligned with those of the original contract apart from the application of a TSR performance hurdle.

Directors' Share Plan

J McFarlane participates in the Directors' Share Plan, which is explained in section B3.

Please refer to section F for details of grants and holdings.

SECTION E. SPECIFIED EXECUTIVES' CONTRACT TERMS

Contractual terms for most executives are similar, but do, on occasion, vary to suit different needs. Section E1 details the contractual terms for those Specified Executives who are on open-ended contracts. Section E2 details the contractual terms for Sir J Anderson, who is on a fixed term contract.

E1. OPEN-ENDED CONTRACTS (Dr RJ EDGAR, E FUNKE KUPPER, BC HARTZER, GK HODGES, PR MARRIOTT, S TARGETT)

Length of Contract	Open-ended.
Fixed Remuneration	Remuneration consists of salary, mandatory employer superannuation contributions and benefits.
Short-Term Incentive	Eligible to participate. Target opportunity of 100% of Total Employment Cost (refer to section C4.1 for details of short-term incentive arrangements).
Long-Term Incentive	Eligible to participate at the Board's discretion – refer to section C4.2 for long-term incentive arrangements.
Resignation	Employment may be terminated by giving 6 months' written notice. On resignation any options and unvested deferred shares will be forfeited.
Retirement	On retirement, shares and options are released in full.
Termination on Notice by ANZ	ANZ may terminate the executive's employment by providing 12 months' written notice or payment in lieu of the notice period based on Total Employment Cost (TEC). On termination on notice by ANZ any options or LTI deferred shares that have vested, or will vest during the notice period will be released, in accordance with the ANZ Share Option Plan Rules. LTI shares that have not yet vested will generally be forfeited, although for some executives (E Funke Kupper, BC Hartzer and PR Marriott) these shares will be released in full. Deferred shares granted under STI arrangements will vest in full for all executives. There is discretion to pay incentives on a pro-rata basis (depending on termination date and subject to business performance).
Redundancy	If ANZ terminates employment for reasons of bona fide redundancy, a severance payment will be made that is equal to 12 months TEC. All STI deferred shares are released. All options granted since 24 April 2002 are released on a pro-rata basis – all prior grants may be exercised. All LTI deferred shares granted since 23 October 2002 are released on a pro-rata basis – all prior grants will vest. There is discretion to pay incentives on a pro-rata basis (depending on termination date and subject to business performance).
Death or Total and Permanent Disablement	All options and shares released; pro-rata incentive.
Termination for serious misconduct	ANZ may immediately terminate the executive's employment at any time without notice in the case of serious misconduct, and the employee will only be entitled to payment of TEC up to the date of termination. On termination for serious misconduct any options and any deferred shares still held in trust will be forfeited.
Other Aspects	S Targett: Subject to continued employment and the approval of the Board, four tranches to the value of $700,000 each of deferred shares to be granted at six month intervals in May and November in 2004 and 2005, and Hurdled Options with a value of $750,000 granted within 3 months of commencement of employment, to compensate for the loss of equity from S Targett's previous employer. On Termination on Notice, sign-on options can be exercised as a pro-rata proportion to the period of employment. Sign-on deferred shares will vest in full, including any scheduled to be granted during the notice period.

E2. FIXED TERM CONTRACT (SIR J ANDERSON)

Length of Contract	Contract was effective from 1 December 2003 to 30 September 2005, and extended to 15 April 2006.
Fixed Remuneration	The Total Employment Cost (TEC) package is NZD1,000,000 per annum and is inclusive of employer contributions to the superannuation fund.
Short-Term Incentive	STI payments are subject to both business and individual performance. The target payment is 50% of TEC.
Equity Participation	A Zero priced option (ZPO) is a right to acquire a share at nil cost. ZPOs are granted as part of Sir J Anderson's contract under the ANZ Share Option Plan. They were designed to deliver equity to the CEO of The National Bank of New Zealand (NBNZ) and to meet the particular needs and circumstances at the time of the acquisition of NBNZ. Grants are fixed at NZD500,000 worth of ZPOs annually, granted in two tranches per annum and with a nil exercise price. The ZPOs have no time based vesting criteria, and so can be exercised at any time during employment and within 6 months of the termination of employment.
Resignation	Sir J Anderson may terminate his employment by giving 12 months' written notice. On resignation any ZPOs which have not been exercised as at the termination date will lapse.
Retirement	A policy for payment of retirement gratuities was in place with NBNZ employees prior to the acquisition by the Company of NBNZ. This policy has been continued for eligible staff who were ANZ National Bank Limited employees as at 1 December 2003, including Sir J Anderson. Under this policy, a payment will be made to Sir J Anderson on his retirement that is equal to the number of full years' service divided by 35 and multiplied by 85% of finishing salary (where finishing salary is fixed remuneration less any superannuation contribution). This value is then grossed up for tax (i.e. divided by 0.61) and from this value the total accrual value of long service leave taken is deducted.
Termination on Notice by ANZ	ANZ National Bank Limited may terminate Sir J Anderson's employment by providing notice or payment in lieu of notice equal to the unexpired term of the employment agreement (which ends on 15 April 2006). On termination on notice, any options may be exercised in accordance with the ANZ Share Option Plan Rules.
Death or Total and Permanent Disablement	Exercise any ZPOs; pro-rata incentive.
Termination for serious misconduct	ANZ National Bank Limited may terminate Sir J Anderson's employment at any time without notice for serious misconduct, and Sir J Anderson will only be entitled to payment up to the date of termination. On termination for serious misconduct any ZPOs which have not been exercised as at the termination date will lapse.

E3. PARTICIPATION IN EQUITY PROGRAMS

A number of shares and options are granted to executives under the remuneration programs detailed in Section C. For Specified Executives, details of all grants made during the year and legacy LTI programs are listed in Section F. Aggregate holdings of shares and options are also shown. The deferred shares component of the LTI is administered under the ANZ Employee Share Acquisition Plan. For executives, the shares are deferred for three years.

SECTION F. EQUITY INSTRUMENTS RELATING TO DIRECTORS AND SPECIFIED EXECUTIVES

F1. SHAREHOLDINGS OF NON-EXECUTIVE DIRECTORS (INCLUDING MOVEMENTS DURING THE YEAR)

Name	Balance of shares as at 1 October 2004[1]	Shares acquired during the year in lieu of salary[2]	Shares resulting from any other change during the year[3]	Balance of shares held as at 30 Sept 2005[1,4]	Balance of shares held as at report sign-off date[1]
CB Goode	502,464	20,781	12,392	535,637	559,451
GJ Clark	2,000	–	–	2,000	3,766
JC Dahlsen (retired 3 February 2005)	121,915	–	(8,441)	113,474	113,474
RS Deane	75,364	–	–	75,364	75,364
JK Ellis	84,476	1,703	5,017	91,196	92,658
DM Gonski	52,612	2,055	237	54,904	57,217
MA Jackson	93,297	–	–	93,297	93,297
DE Meiklejohn	4,185	–	2,141	6,326	6,326
JP Morschel	4,000	1,502	–	5,502	7,268
BW Scott (retired 23 April 2005)	72,475	–	(6,494)	65,981	65,981

1 Balance of shares held at 1 October 2004, 30 September 2005 and 2 November 2005, includes directly held shares, nominally held shares and shares held by personally related entities.
2 All shares acquired in lieu of salary were done so under the Directors' Share Plan (refer to section B3 of this Remuneration Report for an overview of the Directors' Share Plan).
3 Other shares resulting from any other changes during the year include the net result of any shares purchased, sold or acquired under the Dividend Reinvestment Plan.
4 The following shares were nominally held as at 30 September 2005: CB Goode – 141,860; RS Deane – 73,000; JK Ellis – 23,900; DM Gonski – 52,159; MA Jackson – 10,632; DE Meiklejohn – 2,656; JP Morschel – 1,502.

F2. SHAREHOLDINGS OF CEO (INCLUDING MOVEMENTS DURING THE YEAR)

Balance of shares as at 1 Oct 2004[1]	Shares acquired during the year in lieu of salary[2]	Performance shares granted during the year[3,4]	Value of performance shares granted during the year[5] $	Shares acquired during the year through the exercise of options[6]	Shares resulting from any other change during the year[7]	Balance of shares held as at 30 Sep 2005[1,8]	Balance of shares held as at report sign-off date[1]
1,690,507	89,995	175,000	2,628,500	500,000	(635,787)	1,819,715	1,820,056

1 Balance of shares held at 1 October 2004, 30 September 2005 and 2 November 2005 includes directly held shares, nominally held shares and shares held by personally related entities.
2 All shares acquired in lieu of salary were done so under the Directors' Share Plan (refer to section B3 of this Remuneration Report for an overview of the Directors' Share Plan).
3 The grant of performance shares on 31 December 2004 was approved by shareholders at the 2004 AGM, with the earliest vesting date being 31 December 2006. Refer to section F11.3 for further information.
4 Nil performance shares forfeited or vested. The maximum amortisation balance (ie 1 October 2005 to vesting date) is $1,645,513 for subsequent financial years, however the value will be nil if the minimum performance hurdle is not achieved.
5 The fair value of performance shares granted during the year is based on the fair value of the shares as at 31 December 2004 ($15.02) multiplied by the number granted.
6 All options held/exercised by the CEO have been approved by shareholders (December 1999 and December 2001).
7 Other shares resulting from any other changes during the year includes the net result of any shares purchased, sold, or acquired under the Dividend Reinvestment Plan. It also includes those shares received on 28 October 2004 in regards to the 2004 incentive (for the period ending 30 September 2004).
8 1,270,176 shares were held nominally as at 30 September 2005.

F3. OPTIONS GRANTED TO CEO[1]

Type of options	Grant date	First date exercisable	Date of expiry[4]	Exercise price[5] $	Number granted[6,7]	Number vested during the year	Percentage that vested during the year %	Vested and exercisable as at 30 Sep 2005	Vested and unexercisable as at 30 Sep 2005
Hurdled[2]	31-Dec-01	31-Dec-04	31-Dec-05	16.48	500,000	500,000	100	–	–
Hurdled A	31-Dec-01	31-Dec-03	31-Dec-07	16.80	500,000	–	–	500,000	–
Hurdled A	31-Dec-02	31-Dec-04	31-Dec-07	16.69	1,000,000	1,000,000	100	500,000	500,000
Hurdled A	31-Dec-03	31-Dec-05	31-Dec-08	17.48	1,000,000	–	–	–	–
Hurdled A[3]	31-Dec-04	31-Dec-06	31-Dec-08	20.49	500,000	–	–	–	–
Total					3,500,000	1,500,000		1,000,000	500,000

1 All options held/exercised by the CEO have been approved by shareholders (December 1999 and December 2001).
2 The options may be exercised only if the "ANZ Accumulation Index" over the period from the date on which the options are granted to the last trading day of any month occurring during the relevant exercise period equals or exceeds the "ASX 100 Accumulation Index" calculated over the same period. Refer to section F11.1 for Hurdled A details.
3 The fair value per option at the 31 December 2004 grant date is $1.98. Refer to section F9 for details of the valuation methodology and inputs.
4 Treatment of options on termination of employment is explained in section D3 of the Remuneration Report.
5 The exercise price is equal to the weighted average share price during the 5 trading days immediately after the Company's Annual General Meeting. Note, the original exercise price of options issued prior to the Renouncable Rights issue in November 2003 have been reduced by 72 cents, because of the dilution of share capital associated with the Renouncable Rights issue.
6 Nil options forfeited or expired during the period.
7 The maximum amortisation balance (ie 1 October 2005 to vesting date) is $885,321 for subsequent financial years, however the value will be nil if the minimum performance hurdles are not achieved.

F4. OPTION HOLDINGS OF CEO (INCLUDING MOVEMENTS DURING THE YEAR)[1]

Balance as at 1 Oct 2004	Granted during the year as remuneration	Value of options granted during the year[2] $	Exercised during the year	Date of exercise of options	Number of ordinary shares issued on exercise of options	Value of options exercised during the year[3] $	Share price on date of exercise of options $	Amount paid per share $	Balance as at 30 Sep 2005	Total value of options granted and exercised during the year $
3,000,000	500,000	990,000	500,000	08-Aug-05	500,000	2,530,000	21.54	16.48	3,000,000	3,520,000

1 All options held/exercised by the CEO have been approved by shareholders (December 1999 and December 2001).
2 The value of options granted during the year is based on the fair value of the option ($1.98) multiplied by the number granted. Refer to section F9 for details of the valuation methodology and inputs.
3 The value per option used in this calculation is based on the difference between the volume weighted average price of the Company's shares traded on the ASX on the day the options were exercised, and the exercise price. This is then multiplied by the number granted.

F5. DEFERRED SHARES GRANTED TO SPECIFIED EXECUTIVES

LTI Deferred Shares[1]

Name	Grant date	Vesting date	Number granted[2,3]	Value of deferred shares granted during the year[4] $	Number that vested during the year	Percentage that vested during the year %
Dr RJ Edgar	24-Oct-01	24-Oct-04	2,700	n/a	2,700	100
	24-Apr-02	24-Apr-05	3,200	n/a	3,200	100
	23-Oct-02	23-Oct-05	7,600	n/a	–	–
	20-May-03	20-May-06	8,500	n/a	–	–
	05-Nov-03	05-Nov-06	8,889	n/a	–	–
	05-Nov-03	05-Nov-06	25,000	n/a	–	–
	11-May-04	11-May-07	8,452	n/a	–	–
	05-Nov-04	05-Nov-07	6,519	134,941	–	–
	05-Nov-04	05-Nov-07	26,000	538,189	–	–
Total			96,860	673,130	5,900	6
E Funke Kupper	24-Oct-01	24-Oct-04	6,000	n/a	6,000	100
	24-Apr-02	24-Apr-05	4,500	n/a	4,500	100
	23-Oct-02	23-Oct-05	8,000	n/a	–	–
	20-May-03	20-May-06	6,800	n/a	–	–
	05-Nov-03	05-Nov-06	6,838	n/a	–	–
	11-May-04	11-May-07	6,256	n/a	–	–
	05-Nov-04	05-Nov-07	6,018	124,570	–	–
Total			44,412	124,570	10,500	24
BC Hartzer	24-Oct-01	24-Oct-04	2,800	n/a	2,800	100
	24-Apr-02	24-Apr-05	4,600	n/a	4,600	100
	23-Oct-02	23-Oct-05	6,600	n/a	–	–
	20-May-03	20-May-06	6,500	n/a	–	–
	05-Nov-03	05-Nov-06	7,408	n/a	–	–
	11-May-04	11-May-07	7,135	n/a	–	–
	05-Nov-04	05-Nov-07	9,127	188,925	–	–
Total			44,170	188,925	7,400	17
GK Hodges	24-Oct-01	24-Oct-04	1,000	n/a	1,000	100
	24-Apr-02	24-Apr-05	1,400	n/a	1,400	100
	23-Oct-02	23-Oct-05	3,800	n/a	–	–
	20-May-03	20-May-06	6,500	n/a	–	–
	05-Nov-03	05-Nov-06	5,699	n/a	–	–
	11-May-04	11-May-07	6,586	n/a	–	–
	05-Nov-04	05-Nov-07	7,522	155,702	–	–
Total			32,507	155,702	2,400	7
PR Marriott	24-Oct-01	24-Oct-04	5,700	n/a	5,700	100
	24-Apr-02	24-Apr-05	5,500	n/a	5,500	100
	23-Oct-02	23-Oct-05	9,300	n/a	–	–
	20-May-03	20-May-06	9,100	n/a	–	–
	05-Nov-03	05-Nov-06	9,573	n/a	–	–
	11-May-04	11-May-07	9,275	n/a	–	–
	05-Nov-04	05-Nov-07	8,475	175,429	–	–
Total			56,923	175,429	11,200	20
S Targett	05-Nov-04	05-Nov-07	6,519	134,941	–	–

1 Deferred shares issued as LTI shares were granted under the ANZ Long-Term Incentive Program and relate to those deferred shares granted or vested during the year, and those yet to vest. The shares are restricted for 3 years and may be held in trust for up to ten years. Refer to section F11.2 of the Remuneration Report for more details.
2 Nil shares forfeited during the year.
3 The maximum amortisation balance (ie 1 October 2005 to vesting date) for each Specified Executive for subsequent financial years is as follows: Dr RJ Edgar $801,535; E Funke Kupper $220,014; BC Hartzer $275,486; GK Hodges $235,101; PR Marriott $311,436; S Targett $94,397.
4 The value of deferred shares granted during the year is based on the volume weighted average price of the Company's shares traded on the ASX on the day the shares were granted, multiplied by the number granted.

F5. DEFERRED SHARES GRANTED TO SPECIFIED EXECUTIVES (continued)

STI Deferred Shares[1]

Name	Grant date	Vesting date	Number granted[2,3]	Number that vested during the year	Percentage that vested during the year %
Dr RJ Edgar	24-Oct-01	24-Oct-04	3,891	3,891	100
	24-Apr-02	24-Apr-05	4,302	4,302	100
	23-Oct-02	23-Oct-05	6,423	–	–
	20-May-03	20-May-06	5,622	–	–
	05-Nov-03	05-Nov-06	6,781	–	–
	11-May-04	11-May-07	7,683	–	–
Total			34,702	8,193	24
E Funke Kupper	24-Oct-01	24-Oct-04	6,510	6,510	100
	24-Apr-02	24-Apr-05	5,724	5,724	100
	23-Oct-02	23-Oct-05	8,554	–	–
	20-May-03	20-May-06	4,148	–	–
	05-Nov-03	05-Nov-06	7,636	–	–
	11-May-04	11-May-07	7,052	–	–
Total			39,624	12,234	31
BC Hartzer	24-Oct-01	24-Oct-04	7,058	7,058	100
	24-Apr-02	24-Apr-05	6,364	6,364	100
	23-Oct-02	23-Oct-05	4,457	–	–
	20-May-03	20-May-06	1,992	–	–
	05-Nov-03	05-Nov-06	7,322	–	–
	11-May-04	11-May-07	7,244	–	–
Total			34,437	13,422	39
GK Hodges	24-Oct-01	24-Oct-04	3,128	3,128	100
	24-Apr-02	24-Apr-05	3,324	3,324	100
	23-Oct-02	23-Oct-05	4,761	–	–
	20-May-03	20-May-06	4,503	–	–
	05-Nov-03	05-Nov-06	5,129	–	–
	11-May-04	11-May-07	5,653	–	–
Total			26,498	6,452	24
PR Marriott	24-Oct-01	24-Oct-04	5,963	5,963	100
	24-Apr-02	24-Apr-05	5,475	5,475	100
	23-Oct-02	23-Oct-05	8,527	–	–
	20-May-03	20-May-06	5,403	–	–
	05-Nov-03	05-Nov-06	7,978	–	–
	11-May-04	11-May-07	9,604	–	–
Total			42,950	11,438	27

1 Deferred shares issued as STI shares were granted under a historical ANZ Short-Term Incentive Program and relate to those deferred shares vested during the year and those yet to vest. (STI is now delivered generally as 100% cash, therefore no STI deferred shares were granted to the Specified Executives during the year. Refer to section C4.1). The shares are restricted for 3 years and may be held in trust for up to ten years.

2 Nil shares forfeited during the year.

3 The maximum amortisation balance (ie 1 October 2005 to vesting date) for each Specified Executive for subsequent financial years is as follows: Dr RJ Edgar $141,285; E Funke Kupper $135,693; BC Hartzer $125,786; GK Hodges $106,248; PR Marriott $167,451.

F5. DEFERRED SHARES GRANTED TO SPECIFIED EXECUTIVES (continued)

Other Deferred Shares[1]

Name	Grant date	Vesting date	Number granted[2,3]	Value of deferred shares granted during the year[4] $	Number that vested during the year	Percentage that vested during the year %
S Targett	11-May-04	11-May-07	38,419	n/a	–	–
	05-Nov-04	05-Nov-07	35,105	726,659	–	–
	13-May-05	13-May-08	32,080	707,339	–	–
Total			105,604	1,433,998	–	–

1 Other deferred shares issued to S Targett relate to the issue of deferred shares (four tranches to the value of $700,000 each to be issued at 6 month intervals in May and November in 2004 and 2005, subject to Board approval and continuing employment) to compensate S Targett for the loss of access to equity as a result of his resignation from his previous employer.

2 Nil shares forfeited during the year.

3 The maximum amortisation balance (ie 1 October 2005 to vesting date) is $1,498,908 for subsequent financial years.

4 The value of deferred shares granted during the year is based on the volume weighted average price of the Company's shares traded on the ASX on the day the shares were granted, multiplied by the number granted.

F6. SHAREHOLDINGS OF SPECIFIED EXECUTIVES (INCLUDING MOVEMENTS DURING THE YEAR)

Name	Balance of shares as at 1 Oct 2004[1]	Shares granted during the year as remuneration	Number of shares acquired during the year through exercise of options	Shares resulting from any other change during the year[2]	Balance of shares held as at 30 Sep 2005[1,3]
Sir J Anderson	12,022	–	22,370	–	34,392
Dr RJ Edgar	384,214	32,519	75,000	(70,000)	421,733
E Funke Kupper[4]	185,008	6,018	134,000	(135,134)	189,892
BC Hartzer	79,046	9,127	–	465	88,638
GK Hodges	139,397	7,522	55,000	(55,000)	146,919
PR Marriott	677,867	8,475	80,000	(124,709)	641,633
S Targett	38,419	73,704	–	1,000	113,123

1 Balance of shares held at 1 October 2004 and 30 September 2005, include directly held shares, nominally held shares and shares held by personally related entities.

2 Other shares resulting from any other changes during the year include the net result of any shares purchased, sold or acquired under the Dividend Reinvestment Plan.

3 The following shares were held nominally as at 30 September 2005: Sir J Anderson – 55; Dr RJ Edgar – 213,510; E Funke Kupper – 189,242; BC Hartzer –78,607; GK Hodges – 104,012; PR Marriott – 177,930; S Targett – 112,123.

4 Amounts shown do not include ANZ Stapled Exchangeable Preferred Securities (ANZ StEPS). E Funke Kupper held 500 ANZ StEPS as at 1 October 2004; this holding remained unchanged up to and including 30 September 2005. No other Specified Executives held ANZ StEPS.

F7. OPTIONS GRANTED TO SPECIFIED EXECUTIVES[1]

Name	Type of options[2]	Grant date	First date exercisable	Date of expiry[3]	Exercise price[4] $	Number granted[5,6]	Value per option at grant date for options granted during the year[7]	Number vested during the year	Percentage that vested during the year %	Vested and exercisable as at 30 Sep 2005
Sir J Anderson	Zero-Priced	05-Nov-04	05-Nov-04	04-Nov-06	–	11,699	20.70	11,699	100	–
	Zero-Priced	13-May-05	13-May-05	12-May-07	–	10,671	22.05	10,671	100	–
Total						22,370		22,370	100	–
Dr RJ Edgar	Hurdled A	24-Oct-01	25-Oct-04	24-Oct-08	16.33	34,000	n/a	34,000	100	–
	Hurdled A	24-Apr-02	24-Apr-05	24-Apr-09	18.03	41,000	n/a	41,000	100	–
	Index-Linked	23-Oct-02	23-Oct-05	22-Oct-09	17.34	125,000	n/a	–	–	–
	Index-Linked	20-May-03	20-May-06	19-May-10	17.60	147,000	n/a	–	–	–
	Hurdled A	05-Nov-03	05-Nov-06	04-Nov-10	17.55	66,666	n/a	–	–	–
	Hurdled A	11-May-04	11-May-07	10-May-11	18.22	63,115	n/a	–	–	–
	Hurdled B	05-Nov-04	05-Nov-07	04-Nov-11	20.68	52,000	2.50	–	–	–
Total						528,781		75,000	14	–
E Funke Kupper	Hurdled A	24-Oct-01	25-Oct-04	24-Oct-08	16.33	77,000	n/a	77,000	100	–
	Hurdled A	24-Apr-02	24-Apr-05	24-Apr-09	18.03	57,000	n/a	57,000	100	–
	Index-Linked	23-Oct-02	23-Oct-05	22-Oct-09	17.34	131,000	n/a	–	–	–
	Index-Linked	20-May-03	20-May-06	19-May-10	17.60	119,000	n/a	–	–	–
	Hurdled A	05-Nov-03	05-Nov-06	04-Nov-10	17.55	51,282	n/a	–	–	–
	Hurdled A	11-May-04	11-May-07	10-May-11	18.22	46,722	n/a	–	–	–
	Hurdled B	05-Nov-04	05-Nov-07	04-Nov-11	20.68	48,000	2.50	–	–	–
Total						530,004		134,000	25	–
BC Hartzer	Hurdled A	24-Apr-01	25-Apr-04	24-Apr-08	12.98	42,000	n/a	–	–	42,000
	Hurdled A	24-Oct-01	25-Oct-04	24-Oct-08	16.33	36,000	n/a	36,000	100	36,000
	Hurdled A	24-Apr-02	24-Apr-05	24-Apr-09	18.03	59,000	n/a	59,000	100	59,000
	Hurdled A	24-Apr-02	24-Apr-05	24-Apr-09	18.03	50,000	n/a	50,000	100	50,000
	Index-Linked	23-Oct-02	23-Oct-05	22-Oct-09	17.34	109,000	n/a	–	–	–
	Index-Linked	20-May-03	20-May-06	19-May-10	17.60	113,000	n/a	–	–	–
	Hurdled A	05-Nov-03	05-Nov-06	04-Nov-10	17.55	55,555	n/a	–	–	–
	Hurdled A	11-May-04	11-May-07	10-May-11	18.22	53,279	n/a	–	–	–
	Hurdled B	05-Nov-04	05-Nov-07	04-Nov-11	20.68	72,800	2.50	–	–	–
Total						590,634		145,000	25	187,000
GK Hodges	Hurdled A	21-Nov-00	22-Nov-03	21-Nov-07	13.62	26,000	n/a	–	–	–
	Hurdled A	24-Apr-01	25-Apr-04	24-Apr-08	12.98	16,000	n/a	–	–	–
	Hurdled A	24-Oct-01	25-Oct-04	24-Oct-08	16.33	13,000	n/a	13,000	100	–
	Hurdled A	24-Apr-02	24-Apr-05	24-Apr-09	18.03	17,400	n/a	17,400	100	17,400
	Hurdled A	24-Apr-02	24-Apr-05	24-Apr-09	18.03	50,000	n/a	50,000	100	50,000
	Index-Linked	23-Oct-02	23-Oct-05	22-Oct-09	17.34	63,000	n/a	–	–	–
	Index-Linked	20-May-03	20-May-06	19-May-10	17.60	113,000	n/a	–	–	–
	Hurdled A	05-Nov-03	05-Nov-06	04-Nov-10	17.55	42,735	n/a	–	–	–
	Hurdled A	11-May-04	11-May-07	10-May-11	18.22	49,181	n/a	–	–	–
	Hurdled B	05-Nov-04	05-Nov-07	04-Nov-11	20.68	60,000	2.50	–	–	–
Total						450,316		80,400	18	67,400
PR Marriott	Hurdled A	23-Feb-00	23-Feb-03	22-Feb-07	9.39	25,000	n/a	–	–	25,000
	Hurdled A	21-Nov-00	22-Nov-03	21-Nov-07	13.62	170,000	n/a	–	–	170,000
	Hurdled A	24-Apr-01	25-Apr-04	24-Apr-08	12.98	80,000	n/a	–	–	–
	Hurdled A	24-Oct-01	25-Oct-04	24-Oct-08	16.33	73,000	n/a	73,000	100	73,000
	Hurdled A	24-Apr-02	24-Apr-05	24-Apr-09	18.03	70,000	n/a	70,000	100	70,000
	Index-Linked	23-Oct-02	23-Oct-05	22-Oct-09	17.34	153,000	n/a	–	–	–
	Index-Linked	20-May-03	20-May-06	19-May-10	17.60	158,000	n/a	–	–	–
	Hurdled A	05-Nov-03	05-Nov-06	04-Nov-10	17.55	71,794	n/a	–	–	–
	Hurdled A	11-May-04	11-May-07	10-May-11	18.22	69,263	n/a	–	–	–
	Hurdled B	05-Nov-04	05-Nov-07	04-Nov-11	20.68	67,600	2.50	–	–	–
Total						937,657		143,000	15	338,000
S Targett	Hurdled A	11-May-04	11-May-07	10-May-11	18.22	307,377[8]	n/a	–	–	–
	Hurdled B	05-Nov-04	05-Nov-07	04-Nov-11	20.68	52,000	2.50	–	–	–
Total						359,377		–	–	–

1 Options granted to Specified Executives pertains to those options granted, vested or exercised during the year, options yet to vest and any unexercised options.

2 Refer to section F11.1 for more details pertaining to hurdled A, hurdled B and index-linked options. Refer to section E2 for further information on zero priced options granted to Sir J Anderson.

3 Treatment of options on termination of employment is explained in section E of the Remuneration Report.

4 The exercise price is equal to the weighted average share price over the 5 trading days up to and including the grant date. Note, the original exercise price of options issued prior to the Renouncable Rights issue in November 2003 have been reduced by 72 cents, because of the dilution of share capital associated with the Renouncable Rights issue. Given index-linked options have a dynamic exercise price, the original exercise price is shown in F7 (refer to F11.1 for more details).

5 No additional options were granted in the period up to and including 2 November 2005, and nil options forfeited or expired.

6 The maximum amortisation balance (ie 1 October 2005 to vesting date) for each Specified Executive for subsequent financial years is as follows: Dr RJ Edgar $266,582; E Funke Kupper $218,793; BC Hartzer $272,560; GK Hodges $232,767; PR Marriott $309,425; S Targett $493,628. The value will be nil however, if the minimum performance hurdles are not achieved.

7 Refer to section F9 for details of the valuation methodology and inputs.

8 S Targett was granted Hurdled Options to compensate for the loss of equity from S Targett's previous employer.

F8. OPTION HOLDINGS OF SPECIFIED EXECUTIVES (INCLUDING MOVEMENTS DURING THE YEAR)

Name	Type of options	Balance as at 1 Oct 2004	Granted during the year as remuneration	Resulting from any other change during year	Value of options granted during the year[1] $	Exercised during the year	Date of exercise of options	Number of ordinary shares issued on exercise of options	Value of options exercised during the year[2] $	Share price on date of exercise of options $	Amount paid per share $	Balance as at 30 Sep 2004	Total value of options granted and exercised during the year[3] $
Sir J Anderson	Zero-priced[1]	–	22,370	–	477,452	11,699	10-Nov-04	11,699	233,515	19.96	–	–	940,500
					–	10,671	17-May-05	10,671	229,533	21.51	–		
Dr RJ Edgar	Hurdled	204,781	52,000	–	130,000	34,000	20-May-05	34,000	187,982	21.86	16.33	181,781	474,966
						41,000	20-May-05	41,000	156,984	21.86	18.03		
	Index-Linked	272,000	–	–	–	–	–	–	–	–	–	272,000	–
E Funke Kupper	Hurdled	232,004	48,000	–	120,000	77,000	27-Oct-04	77,000	264,403	19.76	16.33	146,004	599,069
						57,000	06-May-05	57,000	214,666	21.80	18.03		
	Index-Linked	250,000	–	–	–	–	–	–	–	–	–	250,000	–
BC Hartzer	Hurdled	295,834	72,800	–	182,000	–	–	–	–	–	–	368,634	182,000
	Index-Linked	222,000	–	–	–	–	–	–	–	–	–	222,000	–
GK Hodges	Hurdled	214,316	60,000	–	150,000	26,000	20-May-05	26,000	214,211	21.86	13.62	219,316	578,148
						16,000	20-May-05	16,000	142,062	21.86	12.98		
						13,000	20-May-05	13,000	71,875	21.86	16.33		
	Index-Linked	176,000	–	–	–	–	–	–	–	–	–	176,000	–
PR Marriott	Hurdled	559,057	67,600	–	169,000	80,000	11-May-05	80,000	693,116	21.64	12.98	546,657	862,116
	Index-Linked	311,000	–	–	–	–	–	–	–	–	–	311,000	–
	Other[4]	11,000	–	442	–	–	–	–	–	–	–	11,442	–
S Targett	Hurdled	307,377	52,000	–	130,000	–	–	–	–	–	–	359,377	130,000

1 The value of options granted during the year is based on the fair value of the option multiplied by the number granted. Refer to section F9 for details of the valuation methodology and inputs.

2 The value per option used in this calculation is based on the difference between the volume weighted average price of the Company's shares traded on the ASX on the day the options were exercised, and the exercise price. This is then multiplied by the number granted.

3 Nil options lapsed during the year.

4 Other refers to share options granted to a personally related entity. 11,000 of these options were vested and exercisable as at 30 September 2005.

F9. OPTION VALUATIONS

Option type	Grant date	Option value[1] $	Exercise price (5 day VWAP) $	Share price at grant $	ANZ expected volatility[2] %	Option term (years)	Vesting period (years)	Expected life (years)	Expected dividend yield[3] %	Risk free interest rate[4] %
Hurdled	05-Nov-04	2.50	20.68	20.70	18.50	7	3	3	5.30	5.24
Hurdled (CEO)	31-Dec-04	1.98	20.49	20.56	16.50	4	2	2	5.50	5.10
Zero-priced	05-Nov-04	20.70	–	n/a	n/a	2	–	n/a	n/a	n/a
Zero-priced	13-May-05	22.05	–	n/a	n/a	2	–	n/a	n/a	n/a

1 The Binomial Option Pricing Model ("the model") is used to assess the value of ANZ's options (other than zero priced options, for which the value is the volume weighted average price of the Company's shares traded on the ASX on the day the options were granted). The model utilises probability theory to determine the value of an ANZ option based on likely share prices at the expiry date of the option. In accordance with AASB 1046 and 1046A, the model reflects both the performance hurdles that currently apply to the Hurdled Options and the non-transferability of the options. Under the terms of the Options, the hurdle conditions (outlined in section F11.1) must be met before the options may be exercised during the exercise period.

2 Expected volatility represents a measure of the amount by which ANZ's share price is expected to fluctuate over the life of the options. The measure of volatility used in the model is the annualised standard deviation of the continuously compounded rates of return on the historical share price over a defined period of time preceding the date of grant. This historical average annualised volatility is then used to estimate a reasonable expected volatility over the expected life of the options.

3 In estimating the fair value of the ANZ option grant, expected dividends were included in the application of the model. The expected dividend yield applied to the model was based on an analysis of ANZ's historical dividend payments and yields.

4 The risk-free interest rate is based on the implied yield currently available on zero-coupon bonds issued by the Australian government, with a remaining term equal to the expected life of ANZ's options.

F10. PERFORMANCE SHARE VALUATION

Share type	Grant date	Share value[1] $	Share price at grant $	ANZ expected volatility[2] %	Term of shares (years)	Vesting period (years)	Expected life (years)	Expected dividend yield[3] %	Risk free interest rate[4] %
CEO Performance Shares	31-Dec-04	15.02	20.56	16.50	5	2	2	5.40	5.00

1 The Binomial Pricing Model ("the model") is used to assess the value of the Performance Shares. In accordance with AASB 1046 and 1046A, the model utilises probability theory to determine the value of the performance shares which also reflects the performance hurdle. Under the terms of the performance shares, the hurdle conditions (outlined in section F11.1) must be met before the shares can vest.

2 Expected volatility represents a measure of the amount by which ANZ's share price is expected to fluctuate over the life of the options. The measure of volatility used in the model is the annualised standard deviation of the continuously compounded rates of return on the historical share price over a defined period of time preceding the date of grant. This historical average annualised volatility is then used to estimate a reasonable expected volatility over the expected life of the performance shares.

3 In estimating the fair value of the performance shares, expected dividends were included in the application of the model. The expected dividend yield applied to the model was based on an analysis of ANZ's historical dividend payments and yields.

4 The risk-free interest rate is based on the implied yield currently available on zero-coupon bonds issued by the Australian government, with a remaining term equal to the expected life of the performance shares.

F11. LEGACY LONG-TERM INCENTIVE (LTI) PROGRAMS

F11.1 Options (Granted prior to October 2005)
Each option has the following features:

- An exercise price (or for index-linked options, the original exercise price) that is set equal to the weighted average sale price of all fully paid ordinary shares in the Company sold on the Australian Stock Exchange during the 1 week prior to and including the date of grant;
- A maximum life of 7 years and an exercise period that commences 3 years after the date of grant, subject to performance hurdles being cleared. Options are re-tested monthly (if required) after the commencement of the exercise period;
- Upon exercise, each option entitles the option-holder to one ordinary share;
- In case of resignation or termination on notice or dismissal for misconduct: options are forfeited;
- In case of redundancy: options are pro-rated and a grace period is provided in which to exercise the remaining options (with hurdles waived, if applicable);
- In case of retirement, death or total and permanent disablement: A grace period is provided in which to exercise all options (with hurdles waived, if applicable); and
- Performance hurdles, which are explained below for each type of option.

Hurdled Options (Hurdled B) (Granted November 2004)
In November 2004 hurdled options were granted with a relative TSR performance hurdle attached.

The proportion of options that become exercisable will depend upon the TSR achieved by ANZ relative to the companies in the comparator group shown below. Performance equal to the median TSR of the comparator group will result in half the options becoming exercisable. Performance above median will result in further options becoming exercisable, increasing on a straight-line basis until all of the options become exercisable where ANZ's TSR is at or above the 75th percentile in the comparator group.

Comparator Group
AMP Limited
AXA Asia Pacific Holdings Limited
Commonwealth Bank of Australia
Insurance Australia Group Limited
Macquarie Bank Limited
National Australia Bank Limited
QBE Insurance Group Limited
St George Bank Limited
Suncorp-Metway Limited
Westpac Banking Corporation

Hurdled Options (Hurdled A) (Granted to Executives from February 2000 until July 2002, and from November 2003 until May 2004. Granted to CEO from December 2001 until December 2004.)
Until May 2004, hurdled options were granted to executives with the following performance hurdles attached. The following performance hurdles also pertain to the options granted to the CEO during the year:

1. Half the options may only be exercised once ANZ's TSR exceeds the percentage change in the S&P/ASX 200 Banks (Industry Group) Accumulation Index, measured over the same period (since issue) and calculated as at the last trading day of any month (once the exercise period has commenced); and

2. The other half of hurdled options may only be exercised once the ANZ TSR exceeds the percentage change in the S&P/ASX 100 Accumulation Index, measured over the same period (since issue) and calculated as at the last trading day of any month (once the exercise period has commenced).

Index-linked options (Granted from October 2002 to May 2003)
Index-linked options have a dynamic exercise price that acts as a built-in performance hurdle, i.e. the exercise price is adjusted in line with the movement in the S&P/ASX 200 Banks (Industry Group) Accumulation Index (excluding ANZ). As an additional constraint, the adjusted exercise price can only be set at or above the original exercise price. They are exercisable between the 3rd and 7th year after grant date, subject to the adjusted exercise price being above the prevailing share price.

F11.2 Deferred Shares (Granted from February 2000)
Deferred Shares granted under the LTI arrangements were designed to reward executives for superior growth whilst also encouraging executive retention and an increase in the Company's share price.

- Shares are subject to a time-based vesting hurdle of 3 years, during which time they are held in trust;
- During the deferral period, the employee is entitled to any dividends paid on the shares;
- Shares issued under this plan may be held in trust for up to 10 years;
- The value used to determine the number of LTI deferred shares to be allocated has been based on the volume weighted average price of the shares traded on the ASX in the week leading up to and including the date of issue;
- In case of resignation or termination on notice or dismissal for misconduct: LTI shares are forfeited;
- In case of redundancy: the number of LTI shares that are released is pro-rated according to the time held as a proportion of the vesting period; and
- In case of retirement, death or total & permanent disablement: LTI shares are released to executives.

Deferred Shares no longer form part of ANZ's Senior Executive LTI program, however there may be circumstances (such as retention) where this type of equity (including Deferred Share Rights) will be issued.

F11.3 Performance Shares (Granted December 2004 to CEO)
In December 2004 Performance Shares were granted to the CEO of ANZ with a relative TSR performance hurdle attached. The proportion of shares that vest will depend upon the TSR achieved by ANZ relative to the companies in the comparator group shown below. Performance equal to the median TSR of the comparator group will result in half the Performance Shares becoming exercisable. Performance above median will result in further Performance Shares becoming exercisable, increasing on a straight-line basis until all of the Performance Shares become exercisable where ANZ's TSR is at or above the 75th percentile in the comparator group. No dividends will be payable on the shares until they vest, with the earliest possible vesting date being 31 December 2006.

Comparator Group
AMP Limited
AXA Asia Pacific Holdings Limited
Commonwealth Bank of Australia
Insurance Australia Group Limited
Macquarie Bank Limited
National Australia Bank Limited
QBE Insurance Group Limited
St George Bank Limited
Suncorp-Metway Limited
Westpac Banking Corporation

EXECUTIVE OFFICERS' SHARE OPTIONS

Details of share options issued over un-issued shares granted to the Chief Executive Officer, senior executives and officers, and on issue as at the date of this report are detailed in the Remuneration Report and the 2005 Financial Report.

No person entitled to exercise any option has or had, by virtue of an option, a right to participate in any share issue of any other body corporate. The names of all persons who currently hold options are entered in the register kept by the Company pursuant to section 170 of the Corporations Act 2001. This register may be inspected free of charge.

Signed in accordance with a resolution of the directors.

Charles Goode
Director

John McFarlane
Chief Executive Officer

2 November 2005

FINANCIAL STATEMENTS

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 SEPTEMBER 2005

	Consolidated 2005 $m	2004 $m	2003 $m
Total income	20,979	17,508	13,023
Interest income	17,427	14,117	10,215
Interest expense	(11,629)	(8,863)	(5,904)
Net interest income	5,798	5,254	4,311
Proceeds, net of costs, on disposal of investments	144	–	–
Carrying amount of assets given up	(130)	–	–
Profit on disposal of investments	14	–	–
Other operating income	3,381	3,246	2,702
Share of joint venture profit from INGA	107	97	55
Share of associates' profit (net of writeoffs)	50	48	51
Operating income	9,350	8,645	7,119
Operating expenses	(4,515)	(4,026)	(3,228)
Profit before debt provision and income tax	4,835	4,619	3,891
Provision for doubtful debts	(580)	(632)	(614)
Profit before income tax	4,255	3,987	3,277
Income tax expense	(1,234)	(1,168)	(926)
Profit after income tax	3,021	2,819	2,351
Net profit attributable to outside equity interests	(3)	(4)	(3)
Net profit attributable to shareholders of the Company	3,018	2,815	2,348
Currency translation adjustments, net of hedges after tax	(443)	233	(356)
Total adjustments attributable to shareholders of the Company recognised directly in equity	(443)	233	(356)
Total changes in equity other than those resulting from transactions with shareholders as owners	2,575	3,048	1,992
Earnings per ordinary share (cents)			
Basic	160.9	153.1	142.4
Diluted	157.5	149.7	141.7
Dividend per ordinary share (cents)	110	101	95
Net tangible assets per ordinary share ($)	8.05	7.51	7.49

The Notes appearing on pages 85 to 89 and the discussion and analysis appearing on pages 10 to 15 form an integral part of these financial statements

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2005

	Note	Consolidated 2005 $m	2004 $m
Assets			
Liquid assets		11,600	6,363
Due from other financial institutions		6,348	4,781
Trading securities		6,285	5,478
Investment securities		6,941	7,746
Net loans and advances		230,952	204,962
Customer's liabilities for acceptances		13,449	12,466
Regulatory deposits		159	176
Shares in associates and joint venture entities		1,872	1,960
Deferred tax assets		1,337	1,454
Goodwill[1]		2,898	3,269
Other assets		9,903	9,158
Premises and equipment		1,441	1,532
Total assets		293,185	259,345
Liabilities			
Due to other financial institutions		12,027	7,349
Deposits and other borrowings		185,693	168,557
Liability for acceptances		13,449	12,466
Income tax liabilities		1,797	1,914
Payables and other liabilities		11,607	14,212
Provisions		914	845
Bonds and notes		39,073	27,602
Loan capital		9,137	8,475
Total liabilities		273,697	241,420
Net assets		19,488	17,925
Shareholders' equity			
Ordinary share capital		8,074	8,005
Preference share capital	3	1,858	987
Reserves		136	579
Retained profits		9,393	8,336
Share capital and reserves attributable to shareholders of the Company		19,461	17,907
Outside equity interests		27	18
Total shareholders' equity		19,488	17,925
Contingent liabilities and contingent asset	6		

The Notes appearing on pages 85 to 89 and the discussion and analysis appearing on pages 10 to 15 form an integral part of these financial statements.

1 Excludes notional goodwill of $711 million (September 2004: $754 million) included in the net carrying value of ING Australia Limited

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2005

	Consolidated 2005 $m	2004 $m	2003 $m
	Inflows (Outflows)		
Cash flows from operating activities			
Interest received	17,868	14,515	10,887
Dividends received	144	3	7
Fees and other income received	3,316	3,257	3,170
Interest paid	(11,414)	(8,258)	(5,724)
Personnel expenses paid	(2,498)	(2,110)	(1,848)
Premises expenses paid	(367)	(312)	(279)
Other operating expenses paid	(2,144)	(2,093)	(1,952)
Income taxes paid	(1,072)	(247)	(1,312)
Goods and services tax (paid) received	18	(19)	1
Net (increase) decrease in trading securities	(821)	514	1,669
Net cash provided by operating activities	3,030	5,250	4,619
Cash flows from investing activities			
Net decrease (increase)			
Liquid assets – greater than three months	(728)	(325)	1,113
Due from other financial institutions	(371)	522	(44)
Regulatory deposits	5	(76)	52
Loans and advances	(28,788)	(22,757)	(19,944)
Shares in associates and joint venture entities	157	(35)	(2)
Investment securities			
Purchases	(17,188)	(14,411)	(8,211)
Proceeds from sale or maturity	17,856	11,701	6,785
Controlled entities, associates and joint venture entities			
Purchased (net of cash acquired)	(149)	(3,224)	–
Proceeds from sale (net of cash disposed)	144	–	–
Premises and equipment			
Purchases	(325)	(300)	(368)
Proceeds from sale	86	53	51
Other	(1,720)	1,735	1,401
Net cash (used in) investing activities	(31,021)	(27,117)	(19,167)
Cash flows from financing activities			
Net (decrease) increase			
Due to other financial institutions	4,972	(272)	(2,946)
Deposits and other borrowings	19,856	11,216	13,995
Payables and other liabilities	(1,339)	(1,061)	1,000
Bonds and notes			
Issue proceeds	17,968	14,181	8,255
Redemptions	(5,025)	(4,100)	(4,095)
Loan capital			
Issue proceeds	1,225	2,694	3,380
Redemptions	(93)	(368)	(437)
Decrease (increase) in outside equity interests	8	(1)	(1)
Dividends paid	(1,808)	(1,561)	(1,322)
Share capital issues (ordinary capital)	120	3,695	120
Share capital buy-back	(204)	–	–
Preference share issue	875	–	1,000
Preference share issue costs	(4)	–	(13)
Preference share buy-back	–	(1,045)	–
Net cash provided by financing activities	36,551	23,378	18,936
Net cash provided by operating activities	3,030	5,250	4,619
Net cash (used in) investing activities	(31,021)	(27,117)	(19,167)
Net cash provided by financing activities	36,551	23,378	18,936
Net increase (decrease) in cash and cash equivalents	8,560	1,511	4,388
Cash and cash equivalents at beginning of year	7,854	7,315	7,925
Foreign currency translation on opening balances	(2,712)	(972)	(4,998)
Cash and cash equivalents at end of year	13,702	7,854	7,315

The Notes appearing on pages 85 to 89 and the discussion and analysis appearing on pages 10 to 15 form an integral part of these financial statements

NOTES TO THE CONCISE FINANCIAL STATEMENTS

1: BASIS OF PREPARATION OF CONCISE FINANCIAL REPORT

This Concise Financial Report has been derived from the Group's 2005 Financial Report which complies with the Corporations Act 2001, Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board. A full description of the accounting policies adopted by the Group is provided in the 2005 Financial Report. The accounting policies are consistent with those of the previous financial year.

2: CRITICAL ACCOUNTING POLICIES

The Group has identified the following critical accounting policies:

- Economic loss provisioning;
- Specific provisioning;
- Deferred acquisition costs, software assets and deferred income;
- Derivatives and hedging;
- Special purpose and off-balance sheet vehicles;
- Valuation of investment in ING Australia Limited; and
- Valuation of goodwill in ANZ National Bank Limited.

Details of the critical accounting policies are contained within the ANZ Results Announcement released on 25 October 2005 and in the 2005 Financial Report which can be obtained from www.anz.com.

3: MAJOR EVENTS THIS FINANCIAL YEAR

- **Euro Trust Securities:** In December 2004 the Group raised $871 million through the issuance of a €500 million Floating Rate, Non-cumulative Trust Securities (Euro Trust Securities) into the European market. The instrument is similar in structure to the Group's existing Australian (ANZ StEPS) and US Trust Securities.

- **Buy-Back of Ordinary Equity:** The Group commenced an on-market buy-back of $350 million of ordinary equity on 10 January 2005. Up until 15 September 2005, when ANZ went into a voluntary black-out period for buying back shares, the Group had repurchased 9.6 million shares at an average cost of $21.15 per share. The buy-back period has been extended to 30 March 2006.

- **The National Bank of New Zealand – Integration:** Integration has progressed well in 2005 with the expected organisational and financial outcomes delivered. The overall integration objectives remain unchanged and include satisfying the Reserve Bank of New Zealand Conditions of Registration.

- **ING New Zealand joint venture:** In September 2005 ANZ National Bank Limited entered into a joint venture with ING Insurance International Limited (INGII). The joint venture, ING (NZ) Holdings Ltd, is 49% owned by ANZ National Bank Ltd and 51% owned by INGII.

- **Reduction in Risk:** The Company has been actively reducing its risk profile over recent years. This reduction is now largely complete, following the sale of the London Headquartered project finance activities to Standard Chartered Bank and the exit from certain non-core structured finance transactions.

4: AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

For reporting periods commencing 1 October 2005, the Group is required to prepare financial statements using Australian Equivalents to International Financial Reporting Standards (AIFRS). The move to reporting under AIFRS represents a major change to reporting processes and will result in significant changes to accounting policies.

On 1 October 2005, the Group commenced application of AIFRS, covering all financial systems and records. The key policy and financial impacts of transition to AIFRS for the Group are contained within the Chief Financial Officer's review on page 14, the ANZ Results Announcement released on 25 October 2005 and in the 2005 Financial Report. The results announcement and 2005 Financial Report can be obtained from www.anz.com.

5: DIVIDENDS

Ordinary Dividends

	2005 $m	2004 $m	2003 $m
Interim dividend	930	850	666
Final dividend	983	777[1]	–
Bonus option plan adjustment	(36)	(29)	(25)
Dividends on ordinary shares[1]	1,877	1,598	641

1 Change in accounting standard in 2003. Dividends no longer accrued and are recorded when declared. Full year dividend of $1,077 million not included in above table

A fully franked final dividend of 59 cents, is proposed to be paid on each fully paid ordinary share on 16 December 2005 (2004: final dividend of 54 cents, paid on 17 December 2004, fully franked; 2003: final dividend of 51 cents, paid 19 December 2003, fully franked). The 2005 interim dividend of 51 cents, paid 1 July 2005, was fully franked (2004: interim dividend of 47 cents paid on 1 July 2004, fully franked; 2003: interim dividend of 44 cents, paid 1 July 2003, fully franked).

The tax rate applicable to the franking credits attached to the interim dividend and to be attached to the proposed final dividend is 30% (2004: 30%; 2003: 30%).

Preference Dividends

	2005 $m	2004 $m	2003 $m
ANZ TrUEPrS	–	36	102
ANZ Stapled Exchangeable Preferred Securities (ANZ StEPS)	66	62	–
Euro Trust Securities	18	–	–
Dividends on preference shares	84	98	102

Trust Securities Issues (ANZ TrUEPrS)

In 1998 ANZ TrUEPrS issued 124,032,000 preference shares, raising USD 775 million via Trust Securities issues. The Trust Securities carried an entitlement to a distribution of 8% (on USD 400 million) and 8.08% (on USD 375 million). The amounts were payable quarterly in arrears. Payment dates were the fifteenth days of January, April, July and October in each year. The preference shares were bought back on 12 December 2003.

ANZ Stapled Exchangeable Preferred Securities (ANZ StEPS)

On 23 September 2003, the Group issued 10 million ANZ Stapled Exchangeable Preferred Securities (ANZ StEPS) at $100 each, raising $1 billion ($987 million net of issue costs of $13 million). ANZ StEPS comprise 2 fully paid securities – an interest paying unsecured note issued by a New Zealand subsidiary (ANZ Holdings (New Zealand) Limited) which is stapled to a fully paid preference share issued by the Company.

Distributions on ANZ StEPS are non-cumulative and are payable quarterly in arrears (on 15 March, 15 June, 15 September and 15 December of each year) based upon a floating distribution rate equal to the 90 day bank bill rate plus a 100 basis point margin. At each payment date the 90 day bank bill rate is reset for the next quarter. Dividends are not payable on the preference share while it is stapled to the note. If distributions are not paid on ANZ StEPS, the Company may not pay dividends or return capital on its ordinary shares or any other share capital or security ranking equal or below the preference share component.

Euro Trust Securities

On 13 December 2004, the Group issued 500,000 Euro Trust Securities at €1,000 each into the European market, raising €500 billion (A$871 million at the spot rate at the date of issue, net of issue costs). The Euro Trust Securities are similar in structure to the Group's existing Australian (ANZ StEPS) and US Trust Securities, in that they comprise 2 fully paid securities – an interest paying unsecured note issued by a United Kingdom subsidiary (ANZ Jackson Funding PLC) and a fully paid €1,000 preference share issued by the Company, which are stapled together and issued as a Euro Trust Security through ANZ Capital Trust III.

Distributions on Euro Trust Securities are non-cumulative and are payable quarterly in arrears (on 15 March, 15 June, 15 September, 15 December of each year) based upon a floating distribution rate equal to 3 month EURIBOR rate plus a 66 basis point margin. At each payment date the 3 month EURIBOR rate is reset for the next quarter. Dividends are not payable on the preference share while it is stapled to the note. If distributions are not paid on Euro Trust Securities, the Company may not pay dividends or return capital on its ordinary shares or any other share capital or security ranking equal or below the preference share component.

Dividend Franking Account

The amount of franking credits available to the Company for the subsequent financial year is $78 million (2004: $111 million and 2003: nil), after adjusting for franking credits that will arise from the payment of tax on Australian profits for the 2005 financial year, $462 million of franking credits which will be utilised in franking the proposed final dividend and franking credits that may not be accessible by the Company at present.

6: CONTINGENT LIABILITIES AND CONTINGENT ASSET

Contingent liabilities

There are outstanding court proceedings, claims and possible claims against the Group, the aggregate amount of which cannot readily be quantified.

In 2000, ANZ sold ANZ Grindlays Bank and certain United Kingdom and Jersey businesses to Standard Chartered Bank (SCB). ANZ provided warranties and certain indemnities (including as to tax) to SCB relating to those businesses and, where it anticipated that payments would be likely under the warranties or indemnities, made provisions to cover the anticipated liability. Claims have been made under the tax indemnities. In addition, ANZ may be held liable in respect of certain Indian proceedings involving Grindlays. No material impact on the Group is expected.

The Group in Australia was during the year subjected to client risk reviews by the Australian Taxation Office (ATO) across a broad spectrum of matters, as part of normal ATO procedures. The reviews mainly covered years up to 2003. Some matters have been listed by the ATO for further investigation.

The ATO is also reviewing the taxation treatment of certain other transactions undertaken by the Group in the course of normal business activities.

In addition, at the Company's request the ATO is reviewing the taxation treatment of the sale of Grindlays in 2000. It is also reviewing the transfer of the life and funds management businesses into the joint venture with ING in 2002.

During the year, the Company and the ATO settled the remaining outstanding issues from the large case tax audit which commenced in 1995. The settlement was within existing provisions.

The Group in New Zealand is being audited by the Inland Revenue Department (IRD) as part of normal revenue authority procedures, with a particular focus on certain kinds of structured finance transactions. The IRD has issued Notices of Proposed Adjustment (the 'Notices') in respect of some of those structured finance transactions. The Notices are not tax assessments and do not establish a tax liability, but are the first step in a formal disputes process. In addition, some tax assessments have been received. Should the same position be adopted by the IRD on the remaining transactions of that kind as reflected in the Notices and tax assessments received, the maximum potential tax liability would be approximately NZD432 million (including interest tax effected) for the period to 30 September 2005. Of that maximum potential liability, approximately NZD124 million is subject to tax indemnities provided by Lloyds TSB Bank PLC under the agreement by which ANZ acquired the National Bank of New Zealand and which relate to transactions undertaken by the National Bank of New Zealand before December 2003.

General or issue-specific audits and other investigations are being undertaken by revenue authorities in the United States, the United Kingdom and in other jurisdictions as part of normal revenue authority activity in those countries.

Based on external advice, the Group has assessed the likely progress of these and other issues, and believes that it holds appropriate provisions.

Further details regarding Group contingent liabilities are contained in the 2005 Financial Report.

Contingent asset

In 2003 ANZ issued proceedings in the Supreme Court of Victoria against its captive insurance company ANZcover Insurance Pty Ltd (ANZcover) regarding its insurance claim consequent upon settlement of its former subsidiary ANZ Grindlays Bank Limited's 1992 dispute with India's National Housing Bank (NHB). ANZcover is an authorised general insurer restricted to insuring the interests of ANZ and its subsidiaries. ANZcover in turn purchases reinsurance from global reinsurers, primarily in the London reinsurance market. ANZcover has no retained exposure to the NHB claim, which is fully re-insured, save for a small exposure arising from the insolvency of some re-insurers in the London market.

The January 2002 settlement of the NHB litigation saw Grindlays recover Rupees 6.20 billion ($248 million at 19 January 2002 rates) of the monies in dispute between it and NHB, with NHB receiving Rupees 10.25 billion ($413 million at 19 January 2002 rates). ANZ in turn received a payment of USD124 million from Standard Chartered Bank under the terms of an indemnity in the sale terms (refer Note 47 in the 2005 Financial Report).

The claim against ANZcover of $130 million plus compound interest is for the balance of the limit of indemnity under ANZcover's reinsurance arrangements for the 1991–92 policy year. The proceedings remain on foot.

7: SEGMENT ANALYSIS

During the year ended 30 September 2005, the Group managed its activities along the following lines of business:

Personal, Institutional, New Zealand Business, Corporate, Esanda and UDC, Asia Pacific and other. A description of each of the operating business segments, including the types of products and services the segments provide to customers, is detailed in the 2005 Financial Report.

As the composition of segments has changed over time, September 2004 comparatives have been adjusted to be consistent with the 2005 segment definitions detailed in the 2005 Financial Report. Comparatives for the year ended 30 September 2003 have not been provided as data could not reasonably be disaggregated into the changed segments.

BUSINESS SEGMENT ANALYSIS[1, 2]

Consolidated 30 September 2005	Personal $m	Institutional $m	New Zealand Business $m	Corporate $m	Esanda and UDC $m	Asia Pacific $m	Other[3] $m	Consolidated Total $m
External interest income	6,817	3,169	4,581	1,078	1,143	172	467	17,427
External interest expense	(1,585)	(2,581)	(2,932)	(623)	(695)	(163)	(3,050)	(11,629)
Net intersegment interest	(3,128)	174	(215)	242	(79)	154	2,852	–
Net interest income	2,104	762	1,434	697	369	163	269	5,798
Other external operating income	1,013	1,433	513	294	121	149	29	3,552
Net intersegment income	125	(30)	6	(94)	(9)	–	2	–
Operating income	3,242	2,165	1,953	897	481	312	300	9,350
Other external expenses	(1,363)	(623)	(950)	(232)	(162)	(172)	(1,013)	(4,515)
Net intersegment expenses	(276)	(143)	(5)	(62)	(26)	1	511	–
Operating expenses	(1,639)	(766)	(955)	(294)	(188)	(171)	(502)	(4,515)
Profit before debt provision and income tax	1,603	1,399	998	603	293	141	(202)	4,835
Provision for doubtful debts	(198)	(139)	(92)	(66)	(62)	(23)	–	(580)
Income tax and outside equity interests	(392)	(337)	(292)	(161)	(72)	(23)	40	(1,237)
Net profit after income tax	1,013	923	614	376	159	95	(162)	3,018
Total external assets	106,043	70,901	60,157	21,263	15,405	2,890	16,526	293,185
Total external liabilities	44,340	53,350	53,426	24,110	13,306	5,811	79,354	273,697

BUSINESS SEGMENT ANALYSIS[1, 2]

Consolidated 30 September 2004	Personal $m	Institutional $m	New Zealand Business $m	Corporate $m	Esanda and UDC $m	Asia Pacific $m	Other[3] $m	Consolidated Total $m
External interest income	5,784	2,782	3,002	919	1,060	167	403	14,117
External interest expense	(1,334)	(2,647)	(1,623)	(529)	(593)	(123)	(2,014)	(8,863)
Net intersegment interest	(2,538)	573	(168)	250	(107)	109	1,881	–
Net interest income	1,912	708	1,211	640	360	153	270	5,254
Other external operating income	912	1,356	453	275	104	147	144	3,391
Net intersegment income	118	(23)	6	(86)	(8)	–	(7)	–
Operating income	2,942	2,041	1,670	829	456	300	407	8,645
Other external expenses	(1,263)	(576)	(801)	(214)	(159)	(145)	(868)	(4,026)
Net intersegment expenses	(270)	(144)	(17)	(66)	(27)	2	522	–
Operating expenses	(1,533)	(720)	(818)	(280)	(186)	(143)	(346)	(4,026)
Profit before debt provision and income tax	1,409	1,321	852	549	270	157	61	4,619
Provision for doubtful debts	(183)	(160)	(97)	(61)	(67)	(23)	(41)	(632)
Income tax and outside equity interests	(343)	(304)	(242)	(147)	(60)	(23)	(53)	(1,172)
Net profit after income tax	883	857	513	341	143	111	(33)	2,815
Total external assets	93,232	60,144	53,434	19,098	14,524	2,446	16,467	259,345
Total external liabilities	40,454	48,747	47,247	21,836	12,261	5,298	65,577	241,420

1 Results are equity standardised
2 Intersegment transfers are accounted for and determined on an arm's length or cost recovery basis
3 Includes Treasury, Operations, Technology and Shared Services, Corporate Centre, Risk Management, Group Financial Management and significant items

8: CAPITAL MANAGEMENT

The Group's total capital adequacy ratio was 10.5% (2004: 10.4%). The Tier 1 ratio remained at 6.9% (2004: 6.9%) and the Tier 2 ratio reduced to 3.9% (2004: 4.0%).

Our principal capital management target is Adjusted Common Equity, defined as Tier 1 capital, less preference shares at current exchange rates and deductions from total capital (including investment in funds management subsidiaries, ING Australia and ING New Zealand joint ventures). Adjusted Common Equity was 5.1% of risk weighted assets at 30 September 2005 (2004: 5.1%).

9: EQUITY INSTRUMENTS ISSUED TO EMPLOYEES

Under existing Australian Accounting Standards, equity instruments issued to employees are not required to be expensed. The impact of expensing options[1], and shares issued under the $1,000 employee share plan, has been calculated and is disclosed below.

	Consolidated 2005 $m	Consolidated 2004 $m	Consolidated 2003 $m
Net profit attributable to shareholders of the Company	3,018	2,815	2,348
Expenses attributable to:			
– Options issued to Group Heads[1]	(5)	(8)	(8)
– Options issued to general management[1]	(20)	(23)	(24)
– Shares issued under $1,000 employee share plan	(23)	(22)	(18)
Total	2,970	2,762	2,298

1 Based on fair values estimated at grant date determined in accordance with the fair value measurement provisions of AASB 1046. Value of options are amortised on a straight-line basis over the vesting period

10: EXCHANGE RATES

The exchange rates used in the translation of the results and the assets and liabilities of major overseas branches and controlled entities are:

	2005 Closing	2005 Average	2004 Closing	2004 Average	2003 Closing	2003 Average
Euro	0.6325	0.6024	0.5814	0.5968	0.5847	0.5649
Great British pound	0.4325	0.4142	0.3983	0.4054	0.4070	0.3822
New Zealand dollar	1.0998	1.0847	1.0700	1.1254	1.1431	1.1139
United States dollar	0.7623	0.7657	0.7165	0.7263	0.6795	0.6124

11: EVENTS SINCE THE END OF THE FINANCIAL YEAR

There are no significant events since the end of the Financial Year.

DIRECTORS' DECLARATION

The directors of Australia and New Zealand Banking Group Limited declare that in their opinion the accompanying Concise Financial Report of the Consolidated Group for the year ended 30 September 2005 complies with Australian Accounting Standard 1039 'Concise Financial Reports' and has been derived from, or is consistent with, the full financial report for the year.

In our report on the Group's 2005 Financial Report we declared that:

a) in the directors' opinion, the financial statements and notes of the Company and the consolidated entity have been prepared in accordance with the Corporations Act 2001, including that they:

i) comply with applicable Australian Accounting Standards, and other mandatory professional reporting requirements; and

ii) give a true and fair view of the financial position of the Company and of the consolidated entity as at 30 September 2005 and of their performance as represented by the results of their operations and their cash flows, for the year ended on that date;

b) the directors have received the declarations required under section 295A of the Corporations Act 2001; and

c) in the directors' opinion, there are reasonable grounds to believe that the Consolidated Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

Charles Goode
Director

John McFarlane
Chief Executive Officer

2 November 2005

INDEPENDENT AUDIT REPORT ON CONCISE FINANCIAL REPORT TO THE MEMBERS OF AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

SCOPE

We have audited the Concise Financial Report of Australia and New Zealand Banking Group Limited ("the Company") and its controlled entities for the financial year ended 30 September 2005, consisting of the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes 1 to 11 as set out on pages 82 to 89, the disclosures made by the Company in accordance with the Corporations Regulations 2001, and the accompanying discussion and analysis on the statement of financial performance, statement of financial position and statement of cash flows as set out in pages 10 to 15, in order to express an opinion on it to the members of the Company. The Company's directors are responsible for the Concise Financial Report.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the Concise Financial Report is free of material misstatement. We have also performed an independent audit of the full financial report, including the remuneration disclosures, of Australia and New Zealand Banking Group Limited and its controlled entities for the year ended 30 September 2005. Our audit report on the full financial report was signed on 2 November 2005, and was not subject to any qualification.

Our procedures in respect of the audit of the Concise Financial Report included testing that the information in the Concise Financial Report is consistent with the full financial report and examination, on a test basis, of evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the full financial report. These procedures have been undertaken to form an opinion whether, in all material respects, the Concise Financial Report is presented fairly in accordance with Accounting Standard AASB 1039 "Concise Financial Reports".

The audit opinion expressed in this report has been formed on the above basis.

AUDIT OPINION

In our opinion the Concise Financial Report of Australia and New Zealand Banking Group Limited and its controlled entities for the year ended 30 September 2005 complies with AASB 1039 "Concise Financial Reports".

KPMG

Mitch Craig
Partner

Melbourne
2 November 2005

COPY OF THE AUDITOR'S INDEPENDENCE DECLARATION

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

I declare that, to the best of my knowledge and belief, during the financial year ended 30 September 2005 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of the applicable Australian code of professional conduct in relation to the audit.

Mitch Craig
Partner

Melbourne
2 November 2005

SHAREHOLDER INFORMATION

ORDINARY SHARES

At 6 October 2005 the twenty largest holders of ordinary shares held 1,093,451,133 ordinary shares, equal to 59.88% of the total issued ordinary capital.

Name	Number of shares	%	Name	Number of Shares	%
National Nominees Limited	241,441,632	13.22	Westpac Financial Services Limited	10,171,351	0.56
Chase Manhattan Nominees Ltd	231,945,789	12.70	PSS Board	9,624,619	0.53
Westpac Custodian Nominees Limited	211,358,440	11.57	Government Superannuation Office (A/C State Super Fund)	9,246,458	0.51
ANZ Nominees Limited	94,688,925	5.18	ANZEST Pty Ltd (Deferred Share Plan A/C)	7,452,747	0.41
Citicorp Nominees Pty Limited	83,087,920	4.55	Victorian Workcover Authority	6,134,825	0.34
RBC Global Services Australia	45,739,647	2.50	IAG Nominees Pty Limited	5,616,166	0.31
Cogent Nominees Pty Limited	42,348,323	2.32	Potter Warburg Nominees Pty Limited	5,047,035	0.28
Queensland Investment Corporation	34,530,891	1.89	Australian Foundation Investment Company Limited	4,952,049	0.27
AMP Life Limited	21,834,046	1.20	ANZEST Pty Ltd (ESAP Share Plan A/C)	4,888,899	0.27
HKBA Nominees Limited	19,077,099	1.04	Argo Investments Limited	4,264,272	0.23
Total				1,093,451,133	59.88

Distribution of shareholdings

At 6 October 2005 Range	Number of holders	% of holders	Number of shares	% of shares
1 to 1,000 shares	141,605	53.70	62,595,320	3.43
1,001 to 5,000 shares	97,213	36.87	213,663,024	11.70
5,001 to 10,000 shares	14,938	5.67	104,117,087	5.70
10,001 to 100,000 shares	9,494	3.60	199,330,580	10.91
Over 100,000 shares	424	0.16	1,246,754,193	68.26
Total	263,674	100.00	1,826,460,204	100.00

At 6 October 2005:

- there were no entries in the Register of Substantial Shareholdings;
- the average size of holdings of ordinary shares was 6,927 (2004: 7,214) shares; and
- there were 5,037 holdings (2004: 5,137 holdings) of less than a marketable parcel (less than $500 in value or 22 shares based on a market price of $23.22), which is less than 1.91% of the total holdings of ordinary shares.

Voting rights of ordinary shares

The Constitution provides for votes to be cast:

i) on show of hands, 1 vote for each shareholder; and

ii) on a poll, 1 vote for each fully paid ordinary share.

ON-MARKET BUY-BACK

The Group commenced an on-market buy-back of $350 million of ordinary equity on 10 January 2005. Up until 15 September 2005, when ANZ went into a voluntary black-out period for buying back shares, the Group had repurchased 9.6 million shares at an average cost of $21.15 per share. The buy-back period has been extended to 30 March 2006.

PREFERENCE SHARES – ANZ STAPLED EXCHANGEABLE PREFERRED SECURITIES (ANZ StEPS)

At 6 October 2005, the twenty largest holders of ANZ StEPS held 4,767,053 securities, equal to 47.69% of the total issued securities.

Name	Number of securities	%	Name	Number of securities	%
ANZ Nominees Limited	985,942	9.86	Austrust Limited	81,125	0.81
Chase Manhattan Nominees Ltd	939,311	9.39	Share Direct Nominees Pty Ltd (Global Markets Account)	65,121	0.65
National Nominees Limited	862,043	8.62	ANZ Executors and Trustee Company Limited	61,565	0.62
Potter Warburg Nominees Pty Limited	347,659	3.48	Transport Accident Commission	60,000	0.60
Citicorp Nominees Pty Limited	268,835	2.69	Cogent Nominees Pty Limited	59,549	0.60
UBS Nominees Pty Ltd (Prime Broking A/C)	182,902	1.83	Gordon Merchant No 2 Pty Ltd (Merchant Family A/C)	59,000	0.59
Westpac Custodian Nominees Limited	178,604	1.79	Questor Financial Services Limited (TPS RF A/C)	58,972	0.59
UCA Cash Management Fund Ltd	152,500	1.53	Cambooya Pty Ltd	56,900	0.57
The Australian National University	135,000	1.35	UOB Kay Hian Pte Ltd (Clients A/C)	47,350	0.47
RBC Global Services Australia	124,675	1.25	Government Superannuation Office (A/C State Super Fund)	40,000	0.40
Total				4,767,053	47.69

Distribution of ANZ StEPS holdings

At 6 October 2005 Range	Number of holders[1]	% of holders	Number of securities	% of securities
1 to 1,000 securities	10,933	93.93	2,789,110	27.89
1,001 to 5,000 securities	603	5.18	1,414,142	14.14
5,001 to 10,000 securities	54	0.46	427,227	4.27
10,001 to 100,000 securities	41	0.35	1,316,725	13.17
Over 100,000 securities	9	0.08	4,052,796	40.53
Total	11,640	100.00	10,000,000	100.00

At 6 October 2005: There was 1 holder of less than a marketable parcel (less than $500 in value or 5 units) (2004: 2 holders)

1 Where a holder has 2 or more separate holdings, each holding is separately referred to in the above table.

Voting rights of ANZ StEPS

A preference share does not entitle its holder to vote at any general meeting of ANZ except in the following circumstances:

a) on a proposal:

(i) to reduce the share capital of ANZ;

(ii) that affects rights attached to the preference shares;

(iii) to wind up ANZ; or

(iv) for the disposal of the whole of the property, business and undertaking of ANZ;

b) on a resolution to approve the terms of a buy-back agreement;

c) during the period in which a dividend which has been declared as payable on a dividend payment date has not been paid in full; or

d) during the winding-up of ANZ.

If a poll is conducted on a resolution on which a holder is entitled to vote, the holder has one vote for each preference share held.

EMPLOYEE SHAREHOLDER INFORMATION

At the Annual General Meeting in January 1994, shareholders approved an aggregate limit of 7% of all classes of shares and options, which remain subject to the rules of a relevant incentive plan, being held by employees and directors.

At 30 September 2005 participants held 2.41% (2004: 2.62%) of the issued shares and options of ANZ under the following incentive plans:

- ANZ Employee Share Acquisition Plan;
- ANZ Employee Share Save Scheme;
- ANZ Share Option Plan; and
- ANZ Directors' Share Plan.

STOCK EXCHANGE

The Group's ordinary shares are listed on the **Australian Stock Exchange** and the **New Zealand Stock Exchange**.

The Group's other stock exchange listings include:

- **Australian Stock Exchange** – ANZ Stapled Exchangeable Preferred Securities (ANZ StEPS) [*ANZ Holdings (New Zealand) Limited and Australia and New Zealand Banking Group Limited*]; senior and subordinated debt [*Australia and New Zealand Banking Group Limited*];
- **Channel Islands Stock Exchange** – Subordinated debt [*ANZ Jackson Funding PLC*];
- **London Stock Exchange** – Senior and subordinated debt securities issued off the Euro Medium Term Note program [*Australia and New Zealand Banking Group Limited and ANZ National (Int'l) Limited*]; senior debt securities issued off the US Medium Term Note program [*ANZ National (Int'l) Limited*];
- **Luxembourg Stock Exchange** – Senior debt [*ANZ National Bank Limited*] and senior and subordinated debt [*Australia and New Zealand Banking Group Limited*]; Non-cumulative Trust Securities [*ANZ Capital Trust III*];
- **New York Stock Exchange** – American Depositary Receipts [*Australia and New Zealand Banking Group Limited*];
- **New Zealand Stock Exchange** – Senior and subordinated debt [*ANZ National Bank Limited*]; and
- **Swiss Stock Exchange** – Senior debt [*Australia and New Zealand Banking Group Limited*].

ANZ StEPS

In September 2003, 10 million ANZ Stapled Exchangeable Preferred Securities (ANZ StEPS) were issued at an issue price of $100.00 each. Each ANZ StEPS is a stapled security comprising a Preference Share in Australia and New Zealand Banking Group Limited and an unsecured Note issued by ANZ Holdings (New Zealand) Limited. ANZ StEPS are quoted on the Australian Stock Exchange.

AMERICAN DEPOSITARY RECEIPTS

The Bank of New York is the Depositary for ANZ's American Depositary Receipt (ADR) program in the United States of America. The ADRs are listed on the New York Stock Exchange. ADR holders should deal directly with the Bank of New York, New York on all matters relating to their ADR holdings, by telephone on 1-888-269-2377 (toll free for domestic callers), 1-610-382-7836 (for international callers) or by email to shareowners@bankofny.com.

EURO TRUST SECURITIES

In December 2004, ANZ issued 500,000 Floating Rate Non-cumulative Trust Securities at an issue price of €1,000 each through ANZ Capital Trust III. Each Euro Trust Security represents an interest in a stapled security comprising a Preference Share in Australia and New Zealand Banking Group Limited and an unsecured Note issued by ANZ Jackson Funding PLC. The Euro Trust Securities are quoted on the Luxembourg Stock Exchange, and the unsecured Note is listed on the Channel Islands Stock Exchange but cannot be traded separately from the Euro Trust Securities.

GLOSSARY OF FINANCIAL TERMS

ADJUSTED COMMON EQUITY (ACE) – Tier one capital less preference shares at current rates and deductions from regulatory capital.

ARREARS – a contractually due and payable sum which remains overdue/unpaid.

ASSETS – resources controlled by the Company. Assets can be in the form of money, such as cash or amounts owed; they can be fixed assets such as property or equipment; or they can be intangibles such as a company's goodwill, trademarks and patents. For accounting purposes, assets are future economic benefits which are controlled by the entity and result from past transactions or events. For banks, loans are assets.

BONDS AND NOTES – the Group's liability for long-term financing issued in wholesale markets.

CAPITAL ADEQUACY RATIO – a measure that compares our regulatory capital with our risk-weighted assets.

CASH EARNINGS PER SHARE – earnings per share excluding significant items and goodwill amortisation.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – a financial statement that reports a company's assets or resources and the claims against them – including liabilities or obligations of a business and shareholders' equity.

COST TO INCOME RATIO (CTI) – a business efficiency measure. It's the ratio of our expenses (excluding goodwill amortisation) to our income.

CREDIT RATING – a measurement of the credit-worthiness of a business. AAA is the top credit rating accorded by ratings agencies such as Moody's Investors Service and Standard & Poor's. The better our credit rating, the cheaper we can borrow money from capital markets. ANZ's long-term credit rating is AA–.

CREDIT RISK – the potential for loss arising from the failure of a customer or counter-party to meet its contractual obligations.

CUSTOMER LIABILITY FOR ACCEPTANCES – the amounts owed to the Group from customers for acceptances, a form of lending.

DEFERRED TAX ASSETS – the future tax savings to the Group as a result of timing differences that arise due to different treatment of transactions under accounting and tax rules.

DEPOSITS AND OTHER BORROWINGS – ANZ's largest liability, this represents ANZ's obligations to our depositors.

DIVIDEND (INTERIM) – the amount of the Company's after-tax earnings declared and paid to shareholders at the half year results. It is usually expressed as a number of cents per share, or as dividend per share.

DIVIDEND PER SHARE (DPS) – the amount of the Company's after tax earnings declared and paid to ordinary shareholders. It is usually expressed as a number of cents per share, or as a dividend per share.

DUE FROM OTHER FINANCIAL INSTITUTIONS – the monies owed to ANZ by other banks and financial institutions.

EARNINGS PER SHARE (EPS) – the amount, in dollars, of earnings divided by the number of shares. For example, if the earnings are $2 million and 1 million shares are outstanding, the earnings per share would be $2.00 ($2 million ÷ 1 million shares = $2.00). The earnings figure is based on profit after tax, with some accounting adjustments.

ECONOMIC LOSS PROVISIONING (ELP) (OR PROVISION FOR DOUBTFUL DEBTS) – each month the Group recognises an expense for credit losses based on the expected long-term loss ratio for each part of the loan portfolio. The method used by the Group for determining this monthly expense charge is referred to as 'economic loss provisioning' (ELP). The 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.

ECONOMIC VALUE ADDED (EVA™) – a measure of risk-adjusted accounting profit. It is based on operating profit after tax, adjusted for one-off items, the cost of capital, imputation credits and economic credit costs.

EQUITY – the residual interest in the assets of a company after deducting all liabilities. As a publicly listed company, our shareholders own these net assets. This is called shareholders' equity.

EQUITY STANDARDISATION – EVA™ principles are in use throughout the Group, whereby risk adjusted capital is allocated and charged against Business Units. Equity standardised profit is determined by eliminating the impact of earnings on each business unit's book capital and attributing earnings on the business unit's risk adjusted capital. This enhances comparability of business unit performance. Geographic results are not equity standardised.

FRANKED DIVIDENDS – dividends paid by the company out of profits on which the company has already paid Australian tax.

FULL-TIME EQUIVALENT (FTE) – our total staff numbers based on the working week. For example, two part-time staff in Australia each working 20 hours a week would be defined as one FTE as their hours add up to 40 hours a week.

GOODWILL – the remaining amount, after amortisation, of the historic excess over net asset value paid by ANZ for the acquisition of other companies.

IMPAIRED ASSETS – loans or other credit facilities where there is reasonable doubt about the collectability of interest, fees (past and future) or principal outstanding, or where concessional terms have been provided because of the financial difficulties of the customer.

INCOME TAX LIABILITIES – the amounts payable in respect of income tax.

INTEREST MARGIN – a measure which tells us how much interest we have generated by lending money after accounting for our costs of borrowing that money, either from customers or financial markets. The interest margin is calculated by dividing net interest by average interest-earning assets. This is expressed as a percentage.

INVESTMENT SECURITIES – the investments in securities that ANZ intends to hold to maturity.

LIABILITY – a company's obligations to a lender, supplier of goods and services, a tax authority and others. For accounting purposes, liabilities are future sacrifices of economic benefits that an entity is obliged to make as a result of past transactions or events. For ANZ, liabilities are largely money we have borrowed to fund our lending activities.

LIABILITY FOR ACCEPTANCES – the amount owed to customers who have purchased customer acceptances from the Group.

LIQUID ASSETS – the cash or cash equivalents held by ANZ.

LOAN CAPITAL – the long-term funding that would rank behind other creditors, and ahead of only shareholders in the event of a winding up.

MARKET CAPITALISATION OF ORDINARY SHARES – the stock market's assessment of a company's value, calculated by multiplying the number of shares on issue by the current share price.

MARKET RISK – the potential loss the Group may incur from changes to interest rates, foreign exchange rates or the prices of equity shares and indices, commodities, debt securities and other financial contracts, including derivatives. It also includes the risk that the Group will incur due to increased interest expenses arising from funding requirements during periods of poor market liquidity.

NET LOANS AND ADVANCES – ANZ's largest asset by value, this consists of the loans ANZ has advanced to individuals and organisations, less an allowance for doubtful loan recoveries.

NET PROFIT AFTER TAX (NPAT) – a company's net profit after all taxes, expenses and bad debt provisions have been deducted from the operating income.

NET SPECIFIC PROVISION – the transfer from the general provision to the specific provision (representing new and increased specific provisions less specific provision releases) less recoveries.

NET TANGIBLE ASSETS (NTA) – the share capital and reserves attributable to shareholders of the company less preference shares and unamortised goodwill.

NON-ACCRUAL LOANS – loans where there is reasonable doubt about the collectability of interest, fees (past and future) or principal outstanding, or where concessional terms have been provided because of the financial difficulties of the customer.

NON-INTEREST INCOME – includes fees, profits on capital markets trading, foreign exchange earning and any other revenue that is not interest income.

NUMBERS SHOWN IN BRACKETS ( ) – the brackets are there to indicate a negative figure, instead of using a minus symbol.

OPERATING REVENUE – the income ANZ generates from its activities. This includes net interest, fee income and earnings from capital markets and foreign exchange dealings.

OPERATIONAL RISK – the direct or indirect loss resulting from inadequate or failed internal processes, systems or from external events.

ORDINARY AND PREFERENCE SHARE CAPITAL – the amounts received when shares were originally subscribed for.

ORGANIC GROWTH – where we have grown assets or liabilities through growth in our existing businesses rather than through acquisition of another company.

OTHER ASSETS – includes assets that do not fit into the categories listed here including the increase in market value of amounts receivable from derivatives (refer also to 'Payables and other liabilities') and interest accrued and not yet received.

PAYABLES AND OTHER LIABILITIES – includes various operating creditors, accrued interest payable and market value of amounts payable on derivatives held by the Group.

PREMISES AND EQUIPMENT – the value of all the land, buildings, furniture, equipment, etc. which are owned by the Group.

PROFIT PER FULL-TIME EMPLOYEE – this productivity measure that shows, on average, how much profit is earned by each staff member.

PROVISIONS – the Group's accrued obligations for long service leave, annual leave and other obligations, which although known, are not yet payable.

REGULATORY DEPOSITS – the cash ANZ has deposited at central banks to meet regulatory requirements.

RESERVES – retained profits plus surpluses or deficits arising from, for example, revaluations of properties, foreign exchange gains or losses on offshore operations.

RETAINED PROFITS – the amount of profits retained by the Group.

RETURN ON EQUITY (ROE) – a calculation which shows the return the company has made on the money ordinary shareholders have invested in ANZ. It is expressed as a percentage.

RISK-WEIGHTED ASSETS – the Group's assets adjusted for the risk of the counter-party. The relative risk weight for each counter-party is determined by the Bank for International Settlements. For example, a mortgage with a LVR (loan to valuation ratio) below 80 per cent carries a risk weighting of just 50 per cent.

SERVICE TRANSFER PRICING – is used to allocate services that are provided by central areas of the company to each of its business units.

SHARES IN ASSOCIATES – ANZ's investment in companies where the interest is large enough to provide influence rather than control over the company.

SIGNIFICANT ITEMS – events which are 'one-off' and not expected to be repeated. These are described in detail within the results. Special notations are made for any calculations which either include or exclude these transactions.

SPECIFIC PROVISIONING – the Group maintains a specific provision for doubtful debts arising from its exposure to organisations and credit counter-parties. When it is identified that full repayment of a loan on our book is unlikely, we will create a specific provision for that loan.

TIER ONE CAPITAL – the highest quality capital from a prudential perspective. It consists of paid-up ordinary shares, general reserves, retained earnings, and certain preference shares less specified deductions.

TIER TWO CAPITAL – includes general provisions for doubtful debts (subject to a limit), asset revaluation reserves, mandatory convertible notes and similar capital instruments.

TOTAL SHAREHOLDER RETURN (TSR) – the percentage return to ordinary shareholders from share price movements and dividends.

TRADING SECURITIES – the securities held by ANZ that are regularly bought and sold as part of its normal trading activities.