

different.

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The ANZ Concise Annual Report is a concise report for the purposes of section 314 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 2006 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 +61 3 9415 4010), by email at [investor.relations@anz.com](mailto:investor.relations@anz.com) or viewed directly on the Internet at [www.anz.com](http://www.anz.com)


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Becoming a very  
different bank  
demands a different  
perspective.





Our customers now see  
more ways to bank with us.



When we open a new branch like this one in Diamond Creek, Victoria, we celebrate with the local community.



A very different bank needs to think differently about customers. With a focus on convenience and simplicity, we want to make our customers feel welcome, in whatever way they want to deal with us. This year ANZ opened 26 new branches and installed 343 new ATMs across Australia. We were the first bank to have our call centre open to customers 24 hours a day, 7 days a week, and we have extended opening hours in major shopping centres across Australia.



Our people now see  
their careers differently.

We guarantee staff aged 55 and over part-time work if they want it, which means Wayne Bevan gets to spend more time playing basketball with his son Daniel.



A very different bank requires a very different culture. Our level of staff engagement at 60% is the highest among large Australian companies. We were the first Australian company to introduce guaranteed part-time work for employees aged 55 and over and in late 2005 we were named the Leading Organisation for the Advancement of Women in Australia among organisations with more than 500 employees. Over the past year we have invested over \$50 million developing and training our people.



Our extended community  
now sees us in a different way.







MoneyBusiness aims to build the money management skills and confidence of Indigenous Australians. At Nguuu on Bathurst Island (NT), MoneyBusiness Team Builder Maggie Vigona talks to members of the community about the program.

A very different bank needs to take a more active role in the community. We are leaders in addressing the major social issues that involve the financial services industry – in particular financial literacy and inclusion. We also provide our people with opportunities to support causes that are important to them. This year ANZ received the Special Award for Impact on the Community in the 2006 Prime Minister's Awards for Excellence in Community Business Partnerships.

# our results

2006 INVESTOR SNAPSHOT

## Customers

- Continued to lead the other three major banks in customer satisfaction
- Number 1 lead bank for Institutional clients in Australia and New Zealand
- Awarded the Best Call Centre in Australia for the third year in a row
- In 2006, for the first time, we opened over a million new accounts in Australia

## Staff

- Most engaged staff amongst major Australian companies – 60%
- Lost-time injury frequency rate down to 3.8 injuries per million hours worked, a 10% reduction since 2005
- Named the Leading Organisation for the Advancement of Women in Australia among organisations with more than 500 employees
- Our 'My Difference Survey' provided our first-ever demographic snapshot of our people

## Community

- Received the Prime Minister's Award for Excellence in Community Business Partnership for Impact on a Community
- We offer staff members eight hours of volunteer leave each year. This year 24% of Australian and New Zealand staff logged 50,735 hours of volunteering activity as part of our ANZ Volunteers program
- ANZ Community Giving program matches staff contributions up to \$1000. 10.6% of employees donated money as part of our Community Giving program. This year their contributions were matched dollar-for-dollar by ANZ, with total contributions of \$833,000

## Shareholders

- Our net profit attributable to shareholders of the company was \$3,688m, and our Cash Earnings Per Share was up 13.2%
- The total dividend for 2006 was 125 cents, up 13.6%
- Total return for shareholders over the past 12 months, which includes growth in the share price and dividends received, was 17.1%
- The market value of ANZ reached \$50 billion for the first time, before finishing the year at \$49 billion



16%

Net Profit  
After Tax  
(\$m)



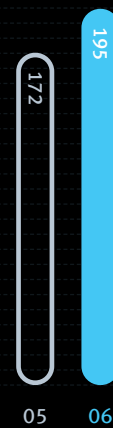
13%

Market  
Capitalisation  
(\$b)



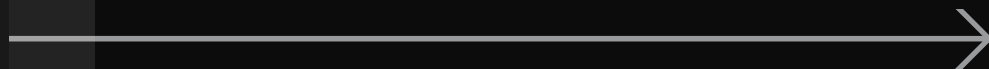
14%

Dividend  
(cents per share)



13%

Cash Earnings  
Per Share  
(cents)



A photograph of two men in dark suits and ties standing against a dark background with a subtle grid pattern. The man on the left is older, has white hair, and is wearing glasses. The man on the right is younger, also with white hair, and is smiling. A horizontal green bar is visible at the top of the page.

The major Australian bank that truly differentiates itself in the eyes of shareholders, customers, employees, and its various communities, will have a major competitive advantage. We are confident ANZ is poised to be that bank.

# our future

CHAIRMAN AND CEO REPORT

It has been another year of achievement for ANZ in 2006. Our shareholders have benefited, as have our customers, our people and the community.

Over the past decade we have become a very different bank by dramatically changing our financial performance; improving our productivity and returns; and regaining the respect of our shareholders. With these basics in place, we increased our focus on our customers, our people and our communities. We recognised that if we were to fully satisfy our customers then we needed our people to have the right mindset, capabilities and attitude.

Today we are in a very good space, but we need to accelerate the differences by:

- Expanding our market position in Australia, New Zealand, Asia and the Pacific. We have gone against the trend and added 5,000 people over the last four years. This gives us the foundation to create higher revenue growth going forward.
- Increasing the top end of our revenue growth target from 9% to 10%. We will continue to aim for cost growth lower than our revenue growth, as we head towards a 40% cost to income ratio.
- Ensuring that each of our businesses can clearly answer the question “why should someone bank with us, and not one of our competitors?”. This is one of the most important questions we face.

We believe ANZ is at a flexing point; we're on the verge of something great. We are satisfying our shareholders and customers. The communities in which we operate hold us in increasing regard. Our people regard us as the best organisation to work for in financial services.

That's why now our major objective is to build on the strong foundation we have created and be a very different bank. The major Australian bank that truly differentiates itself – in the eyes of shareholders, customers, employees, and its various communities – will have a major competitive advantage. We are confident ANZ is poised to be that bank.

growth

expansion

These results are the work of an outstanding group of people: our staff. On behalf of my fellow directors and all shareholders, I thank them for their effort and contribution.

Charles Goode - Chairman

## chairman's report A MESSAGE FROM CHARLES GOODE

### Our performance

Our profit after tax for the year ended 30 September 2006 was \$3,688 million, up by 16%; our cash profit (adjusted for AIFRS 2005 adjustments and non-core items) was \$3,587 million, up 14%; and our profit before provisions was up 10%.

The dividend for the year is 125 cents per share fully franked.

Revenue growth of 8% was the highest for many years. While costs increased by 6%, our cost to income ratio fell by 1.0% to 45.6%. The overall credit environment was very favourable with provisions for credit impairment at cyclical lows.

### Expansion and Growth

The Personal Division achieved exceptional results, with revenue growth of 13% and earnings up 22%. Personal is reaping the benefits of a clear customer proposition – simpler and more convenient banking – along with an expanded branch network, more ATMs and longer opening hours.

In Institutional, good revenue growth of 8% and low credit losses led to growth in earnings of 11%.

In New Zealand, our integration program was successfully completed. The customer base has been maintained and is now growing. We have strong businesses with options for growth.

Turning to East Asia, we celebrated 20 years in China and expanded our presence with a 20% investment in Tianjin City Commercial Bank. In Vietnam, ANZ and Sacombank committed to a joint venture, and we launched banking services in Cambodia through ANZ Royal Bank, a joint venture with Royal Group.

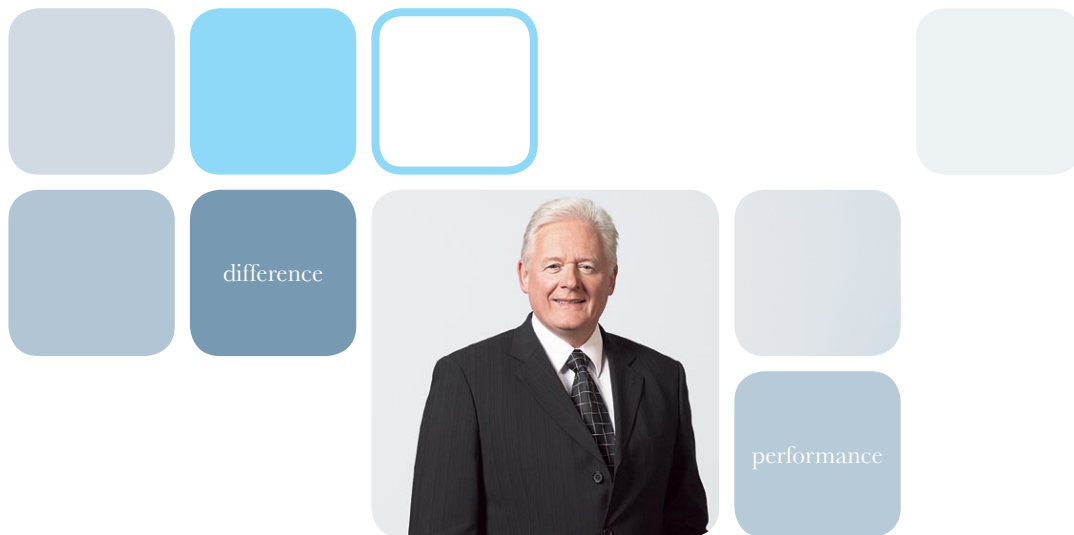
### The Board

During the year, Dr Roderick Deane retired as an ANZ director, and as Chairman and Director of ANZ National Bank Limited. Dr Deane joined the Board in 1994 and made a very substantial contribution. We thank Dr Deane and wish him well in retirement.

### Outlook

We expect the environment for banking will be supportive in the year ahead. While growth in the Australian economy is unlikely to exceed current levels, conditions should still be conducive to reasonable earnings growth. New Zealand's economy may well be softer over the next two years, but nevertheless we remain confident of the long term future for our New Zealand business. Our position in Asia will continue to grow in importance.

Charles Goode - Chairman



## chief executive officer's report A MESSAGE FROM JOHN MCFARLANE

ANZ has once again performed well in 2006 for shareholders and we have invested and strengthened our foundation for sustainable growth in future years.

This performance is simply a milestone on a longer journey from the major banks being perceived as the same, to making ANZ "a very different bank".

It concerns me that many believe all banks are the same. It would not be so prevalent a view if it was not true. Changing this required us to create tangible reasons:

- Why a customer should deal with us?
- Why the community should place its trust in us?
- Why people should invest their working lives in us?
- Why shareholders should invest in us?

So against the trend of cost-cutting, we decided to invest to make "a very different bank" a reality. This required a major change in emphasis where:

- People, customers and the community would become the main focus rather than costs and short-term return.
- We would build a culture and talent base that could not easily be replicated.
- We could all sleep at night with the level of risk.

In particular we recognised that the bank that comes up with ways to serve our customers better would win over the long run. Our progress demonstrates our commitment to more convenient banking:

- In 2006 in Australia, we opened a new branch every fortnight and in 2007 we will open a new branch almost every week.
- In the last four years we added 10,000 new people, including the acquisition of The National Bank of New Zealand.  
We had a very different acquisition in New Zealand, maintaining separate businesses and brands.
- With the sizeable opportunity presented by Asia's economic growth and the interdependence between Australia, New Zealand and Asia, we have begun a major push into the region, including expanding our business in Tianjin and Shanghai in China.
- We leveraged the technology and operational capability in Bangalore built over 17 years while maintaining a policy of having customer contact at home in Australia and New Zealand.
- We received special recognition through the Prime Minister's Award for Impact on a Community.

I am genuinely pleased with our progress, but realise it is only the beginning. Therefore we are raising the bar on revenue growth and accelerating our efforts to become "a very different bank". Our achievements in 2006 demonstrate we are well positioned to do so.

All in all it has been a good year for shareholders and I want to thank you all for your continued confidence in us.

John McFarlane - Chief Executive Officer



value

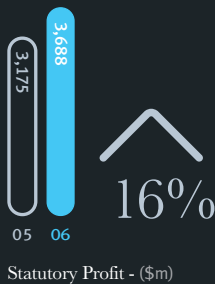


profit

This year ANZ reported a record net profit after tax of \$3,688 million, up 16% on 2005.

This report explains how we get from our profit of \$3,688 million to our dividend of 125c, and then on the following pages, we delve into our profit result in more detail.

## chief financial officer's report A MESSAGE FROM PETER MARRIOTT



Adjustments	2005	2006
+/- Non Core Items	\$38m	(\$67m)
- Fair Value Hedge	(\$31m)	(\$34m)
- AIFRS Adjustments	(\$31m)	0
Cash Profit	3,151	3,587
- Hybrid Dividend	(\$18m)	(\$27m)

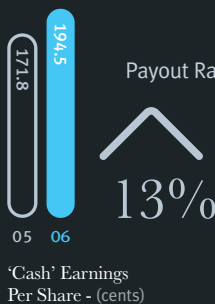
We make a series of adjustments to remove items like dividends on hybrid instruments which reduce the returns available to ordinary shareholders, and non-core items. These non-core items included incremental costs associated with merging our two banks in New Zealand of \$26m (\$52m in 2005) and non-recurring gains of \$93m (\$14m in 2005). By making these adjustments, we end up with what is commonly known as our 'cash' profit.



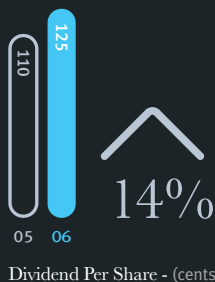
Divided by



We then divide this 'cash' profit by the average number of ordinary shares on issue over the year. The small increase in shares during the year is mainly due to shares being issued under the Dividend Re-investment Plan and various option plans. This resulted in 'cash' Earnings Per Share growth of 13.2% in 2006.



Payout Ratio 64%



Our policy has been to grow our dividend per share broadly in line with growth in 'cash' Earnings Per Share.

This resulted in a dividend of 125 cents, up 13.6%, and a payout ratio of approximately 64%, which also allows us to fully frank the dividend for the foreseeable future.



Our 'Cash' Profit increased by 14%



Cash profit - (\$m)



## Profit and Loss Summary

Welcome to the new International Accounting Standards!

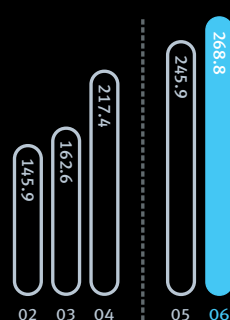
This year, ANZ reported under the new accounting standards for the first time. The formal name for the new standards is actually "Australian Equivalents to International Financial Reporting Standards", but we'll shorten that mouthful to AIFRS.

The transition to AIFRS was particularly difficult for banks, due to one of the new standards AASB 139 having a very significant impact on financial institutions. To help manage the transition, we have had a special project in place for over 3 years, at a cost of \$20 million. Unfortunately not all standards came into effect at the same time, which can make comparisons against previous years misleading, a bit like comparing apples and oranges.

To help shareholders make more sensible comparisons, we have produced a version of our 2005 accounts that assumes all standards were in place at that time, and the following table, commentary in the remainder of my CFO report, and Divisional and geographic reports will be based on those numbers.

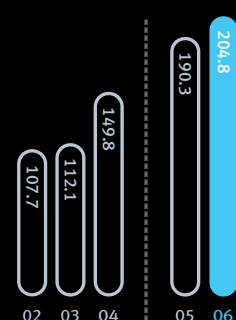
Profit and Loss Summary	2005 \$m	2006 \$m	Movt %
Net interest income	6,371	6,943	9%
Other operating income	2,935	3,146	7%
<b>Operating income</b>	<b>9,306</b>	<b>10,089</b>	<b>8%</b>
Operating expenses	(4,340)	(4,605)	6%
<b>Profit before Credit Impairment and Income Tax</b>	<b>4,966</b>	<b>5,484</b>	<b>10%</b>
Provision for Credit Impairment	(565)	(407)	(28%)
<b>Profit before income tax</b>	<b>4,401</b>	<b>5,077</b>	<b>15%</b>
Income tax expense	(1,247)	(1,486)	19%
Minority interest	(3)	(4)	33%
<b>Cash Profit</b>	<b>3,151</b>	<b>3,587</b>	<b>14%</b>

Lending grew by 9%



Net Loans and Advances including Acceptances - (\$b)

Deposits and other borrowings grew by 8%



Deposits and other borrowings excluding commercial paper - (\$b)

----- Series break due to AIFRS



## Balance Sheet

One of the key drivers of our performance has been strong overall balance sheet growth during the past 12 months. Balance sheet growth largely comprises:

### a) Asset Growth

The continued strong growth of recent periods continued in 2006, with total assets up 12% to \$335,771 million.

A large component of ANZ's assets represent lending to individuals, businesses, large corporations and other entities. This includes mortgage lending, unsecured personal and credit card lending and loans for various business related activities.

Despite a softening in the rate of growth from recent years, mortgages continued to grow solidly in both Australia (12%) and New Zealand (13%). At the top end of our Institutional business in our Debt Product Group, lending growth slowed significantly to 2%, while in our Corporate and Business Banking businesses growth was 10% and 17% respectively.

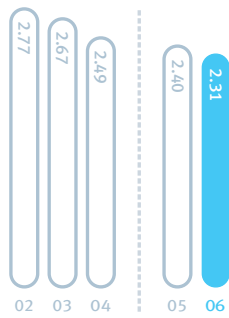
### b) Liability Growth

Consumer and Business deposits and other borrowings are the biggest items on the liability side of our balance sheet at \$204,794 million. In both consumer and business deposits, ANZ performed well in 2006. Retail deposits was a highly competitive segment in the Australian market over the past twelve months due to the introduction of a number of high interest rate online products. ANZ recorded the highest growth of the major banks to gain market share during the year with 13% growth.

In New Zealand, we achieved strong customer deposit growth in 2006 following the introduction of high rate online savings accounts to the New Zealand market.

We also experienced good deposit growth across our Corporate and Institutional segments over the year.

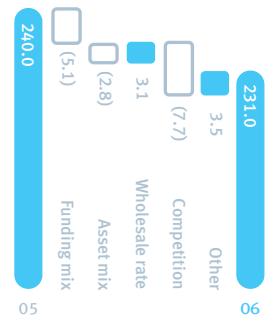
Our net interest margin declined by 9 basis points



Net Interest Margin - (%)

----- Series break due to AIFRS

Why our margin declined



Net Interest Margin - (basis points)

## Net Interest Income

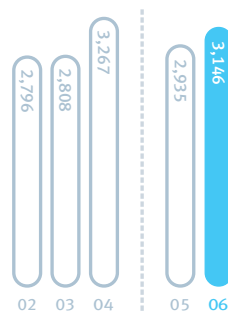
Net Interest Income (“NII”) is the difference between interest received from customer lending and interest paid by ANZ to those providing our funding.

NII increased 9% in 2006 to \$6,943 million, reflecting strong average interest earning asset growth of 13% partly offset by a decline in our Net Interest Margin.

Over the year, our net interest margin declined 9 basis points to 2.31% at September 2006, with the key drivers being:

- Funding Mix** (-5.1 basis points) – when asset growth outstrips deposit growth additional funds are sought from the higher cost wholesale markets, negatively impacting net interest margin.
- Asset Mix** (-2.8 basis points) – this decline occurs when we have stronger growth in lower margin products i.e. liquid assets and trading securities, relative to growth in higher margin products, reducing our average margin.
- Wholesale Rate** (3.1 basis points) – this impact generally arises from changes in the interest rate environment, including when wholesale rates and the official cash rate change by different amounts.
- Competition** (-7.7 basis points) – the Australian and New Zealand banking markets remain highly competitive. During the year competition resulted in a 7.7 basis point reduction in our net interest margin. The key areas of competition included Australian mortgages, New Zealand deposits, and Corporate and Institutional lending.
- Other** (3.5 basis points) – other included gains from revenue hedging.

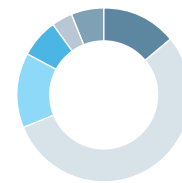
Our Other Operating Income increased 7%



Other Operating Income - (\$m)

----- Series break due to AIFRS

What makes up our Other Operating Income



14%	Lending Fee Income
55%	Other Fee Income
14%	FX Earnings
7%	Trading Securities
4%	INGA JV
6%	Other

Other Operating Income Split

## Other Operating Income

Other Operating Income predominately comprises fee income from across our businesses, foreign exchange and trading income generated by our Institutional markets business, and other items such as our share of earnings from the ING Australia Joint Venture. Other Operating Income increased 7% to \$3,146 million in 2006.

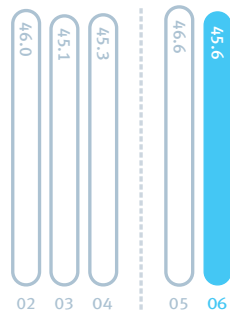
Lending fee income increased 6% to \$430 million in 2006, driven largely by the 10% increase in our lending volumes. Both Personal and New Zealand recorded good growth in lending fees, with lower growth in the Institutional business.

Non-lending fees increased 9% to \$1,715 million during the year, driven largely by our Personal Division, where the strength of our customer proposition is driving good growth in customer numbers, and good deal flow in Institutional. Non-lending fee growth in New Zealand was relatively soft at 2% largely as a result of recent changes to our fee structures to align with the market.

Other contributors to the improved Other Operating Income performance include:

- Higher earnings on Trading Securities, up 58% to \$209 million, partly offset by slightly lower foreign exchange earnings, which were down 2% to \$447 million.
- Earnings in our ING Australia Joint Venture, before the impact from transitional tax relief and capital investment earnings, were up 36% to \$186 million, helped by buoyant equity markets. After taking into account the end of transitional tax relief and lower earnings on capital, net profit after tax was \$243 million, of which ANZ’s share was 49%.

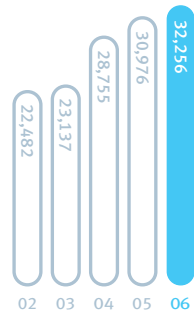
We reduced our Cost to Income Ratio by 1%



Cost to Income Ratio - (%)

----- Series break due to AIFRS

Staff numbers grew by 1,280



Staff Numbers - (FTE)



## Expenses

In 2006 we increased expenses 6% to \$4,605 million, continuing our commitment to invest in long-term earnings sustainability, and create above peer revenue growth.

Over the past year, our personnel costs have risen 9%. The key driver of this increase was the addition of 1,280 employees over the past 12 months.

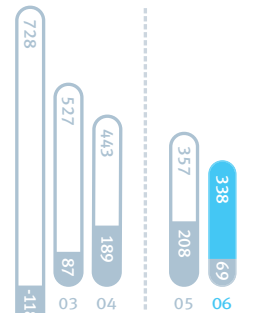
Our premises expenses were up 6% over the year, due to growth in our ATM and branch network, market rent increases, and higher security service costs.

Despite this level of investment, we managed to reduce our Cost to Income ratio by a further 1% to 45.6%.

From a divisional perspective, some highlights include:

- Personal** – expenses up 9% to \$2,069 million reflecting significant investment in frontline personnel with 714 staff added in 2006 and continued investment in our branch network, with 25 new branches opened. We also installed 330 new ATMs during the year.
- Institutional** – expenses up 11% to \$1,283 million driven largely by increased personnel costs, with staff numbers up 357, and cost per FTE increasing due to a very competitive global market for staff.
- New Zealand** – expenses up 6% to NZD1,254 million as we continued to invest in both brands, adding 60 new staff. This business also incurred costs associated with the Commerce Commission settlement of NZD10 million, and an additional NZD10 million to operate domestic systems in New Zealand rather than Australia.
- Partnerships and Private Banking** – expenses up 24% to \$62 million reflecting ongoing investment in our Asian partnerships, including the first full year of our joint venture operations in Cambodia.

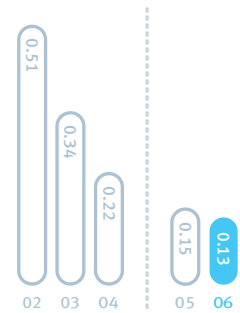
Our total credit provision charge fell to \$407 million



Individual Provisions plus Collective/General Provision - (\$m)

● Collective ○ Individual

Individual provisions fell to just 0.13% of lending assets



Individual Provisions to average net advances - (%)

----- Series break due to AIFRS



## Provision for Credit Impairment

The Provision for Credit Impairment decreased by 28% from \$565 million in 2005 to \$407 million in 2006, reflecting the good health of the portfolio from a credit quality perspective.

As part of the transition to AIFRS, the old Bad and Doubtful Debts charge was renamed Provision for Credit Impairment.

Under the revised methodology, there are two components:

- **A charge for Individual Provisions** – these were previously known as Specific Provisions, and in simple terms are the actual losses during the period.
- **A charge for Collective Provisions** – this charge represents the change in the Collective Provision balance between 2006 and 2005. The Collective Provision is a function of the change in portfolio size, portfolio mix, risk, and cycle outlook.

As you can see in the chart above, Individual Provisions as a percentage of lending assets were remarkably low during 2006. We believe losses are likely to increase from these levels and we look at this in a bit more detail on the following pages.

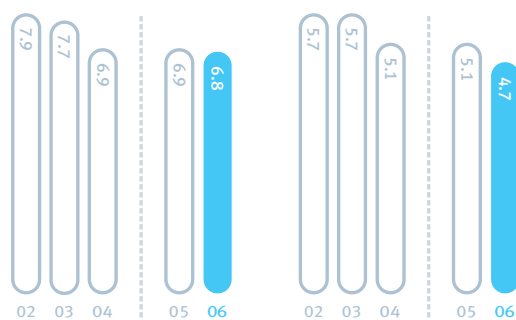
## capital adequacy

Banks are required to maintain capital levels that comply with both regulatory and operational requirements. Capital adequacy is measured as capital as a percentage of risk weighted assets.

Australian Prudential Regulation Authority (“APRA”) sets regulatory capital requirements. The key requirement is known as Tier 1, representing high quality capital, including ordinary shares, retained earnings and general reserves. ANZ’s current Tier 1 ratio is 6.8%.

In setting ANZ’s credit rating Ratings Agencies focus on Adjusted Common Equity (“ACE”), reflecting Tier 1 capital less preference shares and a number of deductions. ANZ has an ACE target range of 4.00% to 4.75%, at September 2006 the Group’s ACE ratio was 4.7%.

As evidenced by the capital ratios banks are highly leveraged organisations necessitating strong risk management frameworks and capabilities.



Tier 1 Ratio

ACE Ratio

----- Series break due to AIFRS

ANZ recognises the importance of effective risk management to its business success. Management is committed to achieving strong risk control, resulting in “no surprises” and a distinctive risk management capability.

## risk management 2006

### 1. Robust Risk Management Framework

ANZ’s risk management framework combines Board policy setting and review with regular senior management oversight and independent business unit monitoring

#### ANZ Board

- Risk Committee – Oversees principles, policies, strategies, processes and control frameworks for the management of Risk and approves credit transactions beyond the approval discretion of executive management
- Audit committee – reviews financial control frameworks and compliance with policies and regulatory requirements.

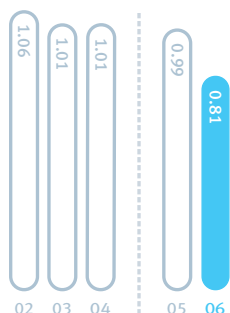
#### Senior Management

- Credit and Trading Risk Committee – oversees credit policy, major lending decisions, asset writing strategies and traded and non-traded market risk
- Group Asset & Liability Committee – oversees regulatory capital, balance sheet structure, liquidity and funding
- Operational Risk Executive committee – oversees operational risk and compliance strategies & activities

#### Business Unit Level

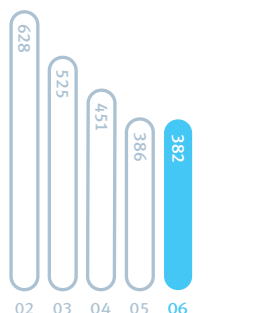
- Business Unit Risk Management – Discharge responsibilities for business, market, credit, operational, liquidity and reputational risk and compliance with internal and external obligations

Our Provision levels remain strong...



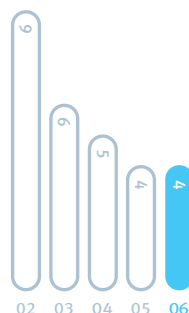
Collective Provision/General Provision to Risk Weighted Assets - (%)

...while Net Non Performing Loans remain at low levels



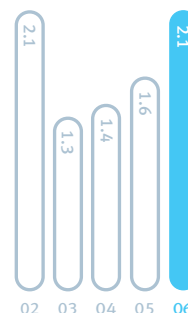
Net Non Performing Loans - (\$m)

Offshore Lending Assets are just 4% of the portfolio



Offshore Lending Assets - (% of total)

Our Market Risk remains at very low levels



Average VaR (97.5% confidence) - (\$m)

----- Series break due to AIFRS

## 2. Major Inherent Risks

The major inherent risks faced by ANZ can be grouped under the following categories:

- Credit Risk** – is the risk that a customer will fail to meet their obligations in accordance with the agreed terms and is the major risk faced by ANZ. Credit risk policies and management are executed through dedicated Risk channels that report to the Chief Risk Officer. All major credit decisions require approval by independent Risk personnel. The Individual Provision Charge fell 5% in 2006 to \$338 million. As a percentage of average net lending assets, the Individual Provision Charge has fallen from 0.51% to 0.13% over the last five years.
- Market Risk** – is the risk of losses from changes in interest rates, foreign exchange rates or the prices of equity shares and indices, commodities, debt securities and other financial contracts including derivatives. An independent market risk team ensures traded and non-traded risks and liquidity profiles are within Board and Senior Management authorised limits. Value at Risk (“VaR”) is a statistical estimate of the likely daily loss. The average traded VaR exposure for 2006 was \$2.12 million.
- Operational Risk** – is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems, or from external events. The operational risk framework is set at Group level. Divisions and Business Units are responsible for Operational Risk on a day-to-day basis.
- Compliance Risk** – is the risk of failure to comply with all applicable legal and regulatory requirements, industry standards and internal Policies and procedures, and the corresponding impact on ANZ’s business, reputation and financial control.

## 3. Key Risk Developments

ANZ continues to improve its risk profile and capability in a number of areas including:

- Improving Risk frameworks and capabilities**  
During the year there has been significant focus on further developing a number of risk frameworks and policy enhancements including risk appetite, asset writing strategies, provisioning analysis and stress testing capabilities. As a result ANZ is in a better position to anticipate and manage risk in a forward looking manner.
- Reduction in Non-Performing Loans**  
Non-performing loans are those facilities where ANZ expects to lose a portion of the interest and / or principal. As a percentage of net advances, it is a useful measure of credit quality. Over the last five years, this has fallen from 0.82% to just 0.25% in 2006.
- Industry and Single Name Exposure Limits**  
Integral to the risk management framework are concentration limits for countries, industries and individual customers. ANZ continually monitors and manages limits and exposures to minimise the risk that ANZ is exposed to large unexpected credit losses.
- Operational & Technology Risk and Group Compliance processes**  
Operational and Technology Risk have been progressing a number of initiatives which aim to improve the quality and standard of our risk management capabilities across ANZ, including the development of a standard risk register to capture operational risks, compliance obligations and information security risks. Further, a number of initiatives have also been progressed to improve internet banking security, identity management and access control processes.

A detailed explanation of risk management at ANZ is available on our web site at [www.anz.com/australia/aboutanz/corporateinformation/corpgovpolicy](http://www.anz.com/australia/aboutanz/corporateinformation/corpgovpolicy)



Our home markets of Australia and New Zealand represent 90% of the Group's profit. We have grown our Australian business significantly in recent years and we are the largest bank in New Zealand.

# our focus

A UNIQUE GEOGRAPHICAL PRESENCE

**Australia**  
**New Zealand**  
**Pacific**  
 American Samoa  
 Cook Islands  
 East Timor  
 Fiji  
 Kiribati  
 Papua New Guinea  
 Samoa  
 Solomon Islands  
 Tonga  
 Vanuatu  
**Middle East & South Asia**

**Asia**  
 Cambodia  
 China  
 Hong Kong  
 Indonesia  
 Japan  
 Korea  
 Malaysia  
 Philippines  
 Singapore  
 Taiwan  
 Thailand  
 Vietnam  
**Europe**  
**United Kingdom**  
**United States of America**

## Personal NPAT - (\$m)



## Institutional NPAT - (\$m)



## New Zealand Banking\* NPAT - (NZDm)



## Partnerships & Private Bank NPAT - (\$m)



Our home markets of Australia and New Zealand represent 90% of the Group's profit. We have grown our Australian business significantly in recent years, and we are the largest bank in New Zealand.

We are the only Australian bank with a significant presence in Asia, and our representation is among the largest in the region. We have a number of retail partnerships in the region, and during the year we entered into a new partnership with Tianjin City Commercial Bank in China. We continue to be in discussions with Shanghai Rural Commercial Bank, and hope to conclude these discussions soon. We remain the number one bank in the Pacific, holding either number one or two position in each market in which we operate. We also have a substantial presence in the key financial centres of London and New York.

### Australia

Operating Income	\$6,806m
Cost to Income	45.3%
NPAT	\$2,488m
External Assets	\$230,898m
Number of Employees	18,723
Points of representation	873

### Pacific

Operating Income	\$286m
Cost to Income	44.8%
NPAT	\$113m
External Assets	\$2,648m
Number of Employees	1,662
Points of representation	52

### New Zealand (NZD)

Operating Income	\$2,752m
Cost to Income	46.8%
NPAT	\$951m
External Assets	\$95,153m
Number of Employees	9,392
Points of representation	312

### Other

Operating Income	\$268m
Cost to Income	44.4%
NPAT	\$132m
External Assets	\$9,596m
Number of Employees	1,567
Points of representation	6

### Asia

Operating Income	\$323m
Cost to Income	46.8%
NPAT	\$125m
External Assets	\$9,562m
Number of Employees	913
Points of representation	22

\*New Zealand Banking includes New Zealand Businesses and New Zealand Institutional

# personal report

A MESSAGE FROM BRIAN HARTZER





### Brian Hartzler on very different front line staff

“We’ve built great staff engagement in our branches, and we have a fantastic team of people who serve our customers every day. They’re passionate and empowered. The reaction of our staff in Innisfail in the aftermath of Cyclone Larry was magnificent. They truly went the extra mile.

The branch staff met and decided to open the branch, even though one of them had lost her own home and the branch had no electricity. Their dedication meant that ANZ was the first bank to reopen on the morning after the cyclone hit, and the first ATM up and running using a customer’s generator for power. Innisfail branch provided a critical service to their local community, by working with the federal and state governments to provide cash grants to locals, regardless of whether or not they were existing ANZ customers.

Staff from all around the region pitched in to help and give their colleagues some relief. One staff member even bought an entire rack of bread from the Atherton bakery and drove it down to Innisfail so that it could be distributed to customers and their families.

ANZ staff across Australia held fundraisers to help their colleagues in Innisfail, to the point where the branch ended up having several thousand dollars in surplus funds to donate back to the community.

I don’t think we would have had that reaction from our people if they didn’t feel really good about where they work and were recognised for the important role they play in their community. It’s the best example I’ve seen of staff engagement in action, and I’m proud to work with them.”

“ We’ve built an engaged and highly motivated workforce, with the skills and know-how to provide outstanding customer service.

### Our financial performance

(\$m)	2005	2006	%
Income	3,715	4,200	13%
Operating Expenses	(1,890)	(2,069)	9%
Profit before Provisions	1,825	2,131	17%
Provision <sup>1</sup>	(351)	(341)	(3%)
Tax & OEI	(441)	(534)	21%
Profit after Tax	1,033	1,256	22%
Cost to Income (CTI)	50.9%	49.3%	—
Staff (FTE)	12,081	12,795	6%

<sup>1</sup> Provision for Credit Impairment

Personal has had an outstanding year, with revenue growth of 13% driving earnings growth of 22%. Balance sheet growth was strong, with lending up 12% and deposits up 11%. Giving customers a good reason to bank with us other than simply price has helped us maintain stable margins over the year.

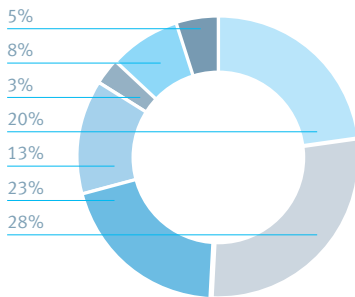
All Personal businesses recorded double-digit earnings growth, with the highlights being Pacific (up 67%), Investments and Insurance (up 48%), Consumer Finance (up 25%), and Mortgages (up 21%).

Expenses were up 9%, as we continued our investment in future growth, with the addition of 714 full-time equivalent staff, 25 new branches, and 330 ATMs over the year.

Credit costs were relatively flat during the year.

Under the theme of “More Convenient Banking” we have invested in simpler and more convenient banking services that customers value, establishing a compelling answer to the question, why should customers choose us?

Pictured left to right - Joanna Koulianos, Katrina Southwood and Mark Buyck.



Earnings by business

\$296m	Banking Products	<span style="color: #0070C0;">■</span>
\$363m	Mortgages	<span style="color: #A6C9E0;">■</span>
\$256m	Consumer Finance	<span style="color: #0070C0;">■</span>
\$167m	Regional, Rural & Small Business Banking	<span style="color: #0070C0;">■</span>
\$37m	Investments & Insurance Products	<span style="color: #4F81BD;">■</span>
\$97m	Esanda	<span style="color: #0070C0;">■</span>
\$65m	Pacific	<span style="color: #4F81BD;">■</span>

#### what we do

Personal is responsible for serving consumer and small business customers across Australia, through our network of 781 branches, our Australian-based call centre, and our network of specialist sales staff. Seven specialist business units comprise the Personal Division:

**Mortgages** is the largest business unit within Personal and is responsible for our residential mortgage products.

**Consumer Finance** provides credit cards and personal loans to retail customers as well as managing our ATM and Merchant Payments businesses.

**Banking Products** is responsible for transaction banking (such as passbook and overdraft accounts) and savings products (including Progress Saver, Term Deposits, V2+ and Cash Management accounts).

**Investment and Insurance Products (I&I)** comprises several related businesses including ANZ Financial Planning, Margin Lending, our E\*TRADE partnership, ANZ Trustees, Insurance Products, and our relationship with INGA.

**Regional, Rural, and Small Business Banking** looks after the needs of ANZ customers in rural and regional Australia and provides services for around 190,000 small business customers through a network of specialists based in our branch network and on the phone.

**Esanda** is one of Australia’s largest asset-based finance companies and the leading provider of vehicle and equipment finance solutions.

**Pacific** provides a full range of banking services to consumer and corporate customers across eleven countries.



### our achievements

The Personal Division is one of the leading examples of ANZ's initiative to become a very different bank. Under the theme of "More Convenient Banking" we have invested in simpler and more convenient banking services that customers value, establishing a compelling answer to the question, why should customers choose us?

We began by opening branches when our main competitors were shutting their doors. We extended our call centre's operating hours to 24/7. Branch queue times have been reduced and our ATM network has continued to grow.

In the past year we opened 25 new branches, employed more than 300 new full time staff in our branches, and installed 330 new ATMs – well over the 200 ATMs we targeted as part of our Customer Charter. In addition to new branches and minor works, we have spent approximately \$80 million on upgrading the remainder of our branches.

In August we made a public commitment to extend hours at our branches in 80 major shopping centres across Australia. Participating branches will be open for late night shopping on a Thursday or Friday until 7pm, and/or open on Saturday mornings. In addition, branches with high customer traffic will open for extended hours during especially busy periods, such as the days leading up to Christmas and Easter.

As part of our commitment to delivering More Convenient Banking, our processes and range of products have been made simpler. We introduced new technology to streamline our account opening process, making it easier than ever to switch to ANZ. And we simplified the exception fees on a range of accounts, to make them easier to understand and give people more reasons to switch.

One of the most important ways that our branch network has become very different is less tangible, but it's just as important: we've built an engaged and highly motivated workforce, with the skills and know-how to provide outstanding customer service. Our people who work in Personal have amongst the highest level of engagement of all ANZ divisions. We're proud of this, and see its impact in high rates of customer satisfaction. ANZ tracks customer satisfaction trends through Roy Morgan Research, which measures satisfaction levels of customers (Very or Fairly Satisfied) in relation to their main financial institution. With a main financial institution customer satisfaction rating of 75.5% for 6 months to September 06, we continue to lead the other three major banks. In addition, we were voted "Reader's Choice Award for Best Bank" by the readers of Personal Investor Magazine.

Our specialist businesses have continued to lead the industry in the design of innovative products and services that anticipate the evolving needs of our customers. The introduction of our ANZ Everyday Visa Debit Card is one example. As a result, we have continued to lead the major banks in most key product categories.

### Goals for 2007

Our goal for 2007 is to continue to differentiate ourselves by delivering More Convenient Banking. We will continue to invest in the things that give new customers reasons to switch to ANZ, and existing customers more reasons to build their relationship with us. To achieve this, we will continue to invest in our people, expand our branch and ATM network, and simplify our products and processes so that it's easier than ever to deal with us.

# institutional report

A MESSAGE FROM STEVE TARGETT



“As the seventh largest network bank in Asia, we offer our clients the vision and scope of Australia’s leading bank in Asia, with a local knowledge that no Australian competitor can match.

**Steve Targett on creating a different Institutional bank**

“Every bank talks about understanding its clients. What we are trying to do differently in Institutional is to become active partners with our clients, understanding and catering to their business in ways they might not normally expect of their bank. In taking this approach, we believe we can also create a whole new dimension of job satisfaction and personal challenge for our staff.

There are three main differentiators for us: our Asian network, the CEO Agenda, and our strategic partnership with the World Wildlife Fund.

Through the CEO Agenda, we strive to be active partners to our clients in their strategic thinking, offering innovative approaches to their issues, and committing our multi-skilled team to join forces with their senior team.

Supporting this approach is our CEO Journal, produced in partnership with the Australian Graduate School of Management, covering the big issues facing top executives today.

Our staff enjoy the difference that ANZ is now making with Institutional clients. Our clients responded by voting us Number 1 Lead Bank in the Peter Lee survey, with ANZ winning an unprecedented 16 of 22 categories.”

We also bring to our clients the fruits of our collaboration with World Wildlife Foundation, our partner in building sustainable finance. The policies and initiatives we are developing with WWF will inform corporate decisions about how to achieve optimal business performance while understanding the impact on our fragile planet.

**Our financial performance**

(\$m)	2005	2006	%
Income	3,077	3,329	8%
Operating Expenses	(1,154)	(1,283)	11%
Profit before Provisions	1,923	2,046	6%
Provision <sup>1</sup>	(136)	(58)	(57%)
Tax & OEI	(529)	(592)	12%
Profit after Tax	1,258	1,396	11%
Cost to Income (C/I)	37.5%	38.5%	—
Staff (FTE)	5,318	5,675	7%

<sup>1</sup> Provision for Credit Impairment

Institutional delivered a good result this year, with earnings up 11%. Each of our businesses delivered growth above 10%, with the exception of our Debt Product Group, which has been impacted by highly competitive lending margins.

Revenue growth of 8% was within the Group’s target range. Driving this growth was a 14% increase in average lending assets and a 15% increase in average deposits.

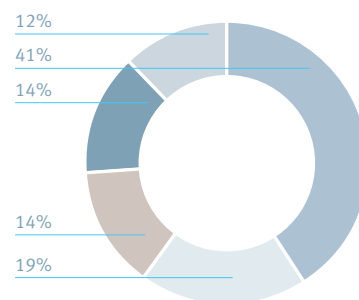
We have continued to invest in our business, particularly in our people and product capability, which resulted in expenses increasing 11%. During the year we added more than 350 staff, and the competitive market for quality staff resulted in a significant increase in staff costs.

Credit quality remains very good, and as a result the provision for credit impairment fell from \$136 million to \$58 million.

### What we do

Institutional provides corporate clients, from small to medium enterprises (SMEs) to major multinationals, with tailored and strategic financial solutions.

- **Institutional and Corporate Relationships** – Manages client relationships and develops financial services solutions and strategies for Business Banking clients with funds under management (“FUM”) in excess of A\$50,000, for Corporate clients with FUM in excess of A\$10 million and for Institutional clients with FUM in excess of A\$150 million in Australia and New Zealand. It also works with global corporate clients with whom ANZ Australia has an existing client relationship, in Europe, the United States of America and Asia.
- **Debt and Transaction Services** – Combines managing Institutional and Corporate’s balance sheet (with a particular focus on credit quality, diversification and maximising risk adjusted returns) with the provision of cash management, transaction banking, trade finance, international payments, clearing and custodian services, principally to institutional and corporate customers.
- **Markets** – Provides foreign exchange, interest rate, and commodity services to clients globally. In addition, the business provides origination, underwriting, structuring and risk management services, advice and sale of credit and derivative products globally.
- **Corporate and Structured Financing** – Provides complex financing and advisory services, structured financial products, leasing, private equity finance, project finance, leveraged finance and infrastructure investment products.

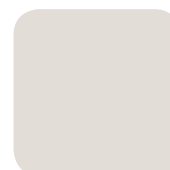
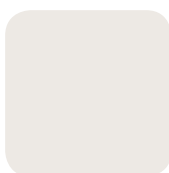


Earnings by business

\$614m	Debt & Transaction Services	
\$292m	Markets	
\$204m	Corporate & Structured Financing	
\$205m	Business Banking	
\$179m	Corporate Banking	

Two years of substantial change and refocus in the business, in a competitive environment characterised by declining margins, have transformed Institutional.

Pictured left to right - Lloyd Fleming, Graheme Lawrie, Kate Lyons-Crew, Dion Smith and Rashmi Somu.



**Achievements**

Two years of substantial change and refocus in a competitive environment characterised by declining margins, have transformed Institutional into a more rigorous business, strongly focused on opportunities to provide total client solutions. There is still work to be done, as we fine tune our newly expanded relationship management team and realise the opportunities of our growing Asian network, but our results show that we are making real progress.

During the year Institutional:

- Was voted number one lead bank in the 2006 Peter Lee and Associates survey of large corporates and institutions in Australia and New Zealand. We were also recognised as Australia’s leading business bank, winning Best Business Bank at the 2006 Banking and Finance Awards for the second year running.
- Took a stronger advisory role and became more innovative in providing products, services and strategies which support our clients. This “CEO Agenda” initiative, which included a new customer relationship management platform and a thought leadership journal for clients, gives our clients new insights and better solutions. One successful solution is our “Wall St to Main St” offering, which provides growth capital and succession planning for midmarket clients, including 15 new private equity investments during the year.
- Built on our traditional strength as the banker of preference for SMEs, achieving good earnings growth while continuing to expand our regional and industry specialisation approach.

Five new Business Banking Centres opened during the year, contributing to significant growth in client numbers.

- Experienced improved performance across its key product and transactional businesses. Highlights were strong Markets trading results off quality client flow, increased capability and activity in capital solutions and structured debt, and a number of foreign exchange successes, from the new retail branch at Sydney Airport to recognition as the best domestic provider of corporate Foreign Exchange services (Asiamoney poll).
- Continued to achieve growth milestones in Asia. ANZ celebrated 20 years in China with the opening of a new Guangzhou office, and our Vietnam operation was voted “most favourite” bank for the fourth year running, achieving a sharp increase in the number of structured finance and capital market mandates.
- Successfully launched a \$2.2 billion synthetic balance sheet collateralised loan obligation (CLO). The CLO is a sophisticated balance sheet management tool which partly transfers credit risk to investors in the CLO. This was the largest bond deal ever launched in Australia.

**Goals for 2007**

Institutional will deliver on its newly refined client coverage model and equip its relationship teams with the tools and knowledge they require to improve solution driven cross-sell and extract more strategic opportunities from client conversations. We aim to capitalise on the clear differences between us and our competition.

We will also build on the significant advantage we have in Asia as the dominant Australian bank, a well recognised niche commodity trade bank and a regional leader in project finance. In Australia, New Zealand, Europe and the Americas, our objective is to increasingly deliver to our clients the considerable opportunities of our strength in Asia.



capability



leadership





# new zealand report

A MESSAGE FROM GRAHAM HODGES





### Graham Hodges on a very different business model

“Nearly three years ago ANZ acquired The National Bank in New Zealand, to become ANZ National. At the time, we said it would be a very different acquisition, and it has been. The biggest point of difference was our decision to keep both the ANZ and The National brands, which surprised a lot of people.

Three years on, that has proven to be absolutely the right strategy, as more customers bank with ANZ National than before the merger, and revenue attrition was much lower than we anticipated. We have also managed to retain a stable and experienced management team. With the integration period now over, our focus has shifted from defending our customer base to growing the business.

Just as we had a very different approach to the acquisition and integration, we are taking a very different approach to our new focus on growth. We have retained our specialised business model which drives a focus on customer needs and solutions. Our portfolio of nine brands, of which ANZ, The National, and UDC are the largest, enhance our customer reach and open up new growth options.

When we combine our brands together, we are by far the biggest player in the market. Our scale provides us with the ability to invest more than our peers in areas such as customer analytics and product innovation, and to provide support to customers looking to grow. Our size also means we have a wider range of challenging roles. This helps us to attract the best talent in the market. In a people industry like banking, that is essential.

With our ongoing investment in the business, the commitment of our people, and the results we have already achieved together, I am confident that we have a strong future in New Zealand.”

“ Just as we had a very different approach to the acquisition and integration, we are taking a very different approach to our new focus on growth.

### Our financial performance

(NZ\$m)	2005	2006	%
Income	2,571	2,756	7%
Operating Expenses	(1,181)	(1,254)	6%
Profit before Provisions	1,390	1,502	8%
Provision <sup>1</sup>	(157)	(20)	(87%)
Tax & OEI	(394)	(476)	21%
Profit after Tax	839	1,006	20%
Cost to Income (C/I)	45.9%	45.5%	—
Staff (FTE)	9,333	9,392	1%

<sup>1</sup> Provision for Credit Impairment

This year we had a much improved financial performance from our New Zealand business, with earnings up 20% in New Zealand dollar (NZD) terms. Revenue growth of 7% was driven by 13% growth in lending assets, and 5% growth in deposits. The New Zealand market continues to be competitive, with net interest margin down 21 basis points over the year, although margins stabilised in the second half.

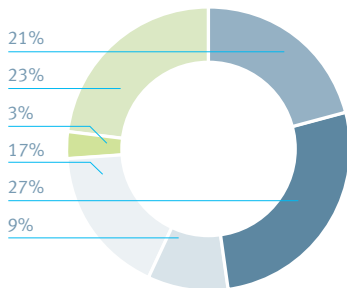
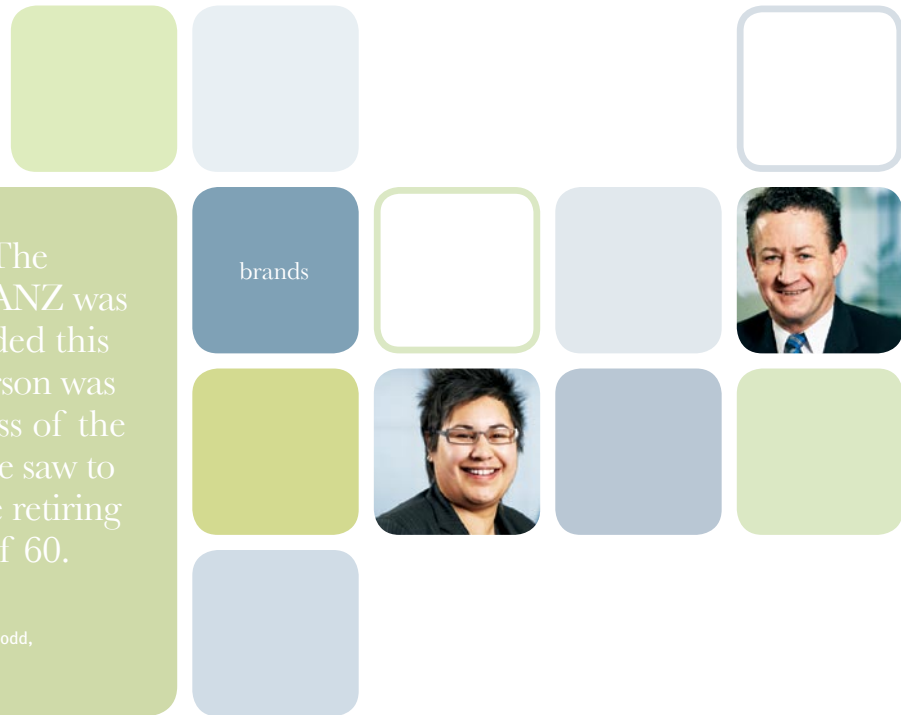
We have continued to invest in our business, with expense growth of 6%, however our Cost to Income ratio still improved from 45.9% to 45.5%.

The credit quality environment in New Zealand remains healthy, and as a result the provision for credit impairment fell 87% to just NZ\$20 million.

While profit was up 20% in NZD terms, a weakening in the NZD actually resulted in the Australian dollar profit being up 14%.

The integration of The National Bank and ANZ was successfully concluded this year. Sir John Anderson was pivotal to the success of the integration, which he saw to its conclusion before retiring as CEO at the age of 60.

Pictured left to right - Casey Hunt, Robin Dodd, Kieran Williams and Tracey Matthews.



Earnings by business (NZDm)

\$205m	ANZ Retail
\$266m	The National Bank Retail
\$92m	Rural Banking
\$172m	Corporate & Commercial Banking
\$27m	UDC
\$226m	NZ Institutional

#### What we do

ANZ National Bank Limited is New Zealand's largest full service bank. It was formed in June 2004 by the amalgamation of ANZ Banking Group (New Zealand) Limited and The National Bank of New Zealand. Our New Zealand Banking business had total assets of NZ\$91,385 million at 30 September 2006, along with 9,392 staff, 310 branches and 705 ATMs.

The New Zealand Banking division includes the following businesses:

- ANZ Retail, operating under the ANZ brand in New Zealand, provides a full range of banking services to personal and small business banking customers.
- National Bank Retail, operating under The National Bank of New Zealand brand, provides a full range of banking services to personal and small business banking customers.
- Corporate and Commercial Banking in New Zealand incorporates ANZ and The National Bank brands and provides financial solutions through a relationship management model for medium-sized businesses with a turnover up to NZ\$100 million.
- Institutional Banking has a dual reporting line to both New Zealand Banking and ANZ's global Institutional business.
- Rural Banking in New Zealand provides a full range of banking services to rural and agribusiness customers.
- UDC provides motor vehicle and equipment finance, operating leases and management services and investment products.
- Central support includes Operations, Technology, Treasury, ING New Zealand, Risk Management, People Capital, Financial Management and Property.



### Our Achievements

- The integration of The National Bank and ANZ was successfully concluded this year. Sir John Anderson was pivotal to the success of the integration, which he saw to its conclusion before retiring as CEO at the age of 60.
- A particularly telling result from the integration process is that the management team has virtually stayed intact, with minimal change arising from the acquisition.
- Our level of customer acquisition across both brands is now the highest it has been for several years.
- In a nation of small businesses, The National Bank is the number one bank for businesses with turnover of less than \$5 million (ACNielsen Consumer Finance Monitor).
- Customer satisfaction at The National remains at the top end of our peer group, and The National was the only major bank to grow market share in Auckland, New Zealand's fastest growing market. Satisfaction with ANZ has grown through 2006 to be at its highest level in many years, but is still below the best of its peers.
- We hired 200 new frontline staff and opened 6 new branches.
- In ANZ Retail Banking, we invested in our brand and community profile and simplified our fee structure. We launched a number of products, including a \$5 'all you can eat' account, and a Low Rate MasterCard. We established the WoW! Customer experience program.
- ANZ funded New Zealand's first research into adult financial literacy, and will repeat the research in four years to provide an ongoing measure of financial knowledge.
- Five cent coins were withdrawn from circulation in New Zealand in October 2006. ANZ's '5s for under fives' appeal encouraged customers to donate them to Plunket, New Zealand's leading provider of child and family health services. More than NZ\$580,000 was raised.
- As well, The National Bank raised more than NZD860,000 for the Cancer Society of New Zealand through its traditional Daffodil Day Appeal.

### Goals for 2007

- Grow revenue by 7% to 9%, while keeping cost growth at the bottom end of a 5% to 7% range. This should deliver financial performance above the average of our major peers.
- Continue to improve customer satisfaction across Retail and Business banking.
- Expand our position in the high growth Auckland market.
- Integrate into our business what we've learned from our financial literacy research through better communication and simpler products and investing in programs to help New Zealanders increase their financial knowledge.

# our partnerships

PARTNERSHIPS AND PRIVATE BANK

6

Partnerships and Private Bank is responsible for ANZ's joint venture with ING in ING Australia, our international partnerships with other institutions in Asia, and our Private Bank business.

■ **ING Australia**

ANZ has a 49% stake in ING Australia, a joint venture with ING. Further details are on the opposite page.

■ **International Partnerships**

ANZ has formed a number of partnerships in Asia, which are outlined on the opposite page.

We target markets which have higher economic growth rates than Australia and New Zealand, are underbanked and less developed, and have connectivity with Australia and New Zealand, via trade, immigration or investment.

We target partners with strong footprints in their market, and where ANZ can contribute significant value.

■ **Private Bank**

ANZ Private Bank specialises in assisting high income and high net worth individuals and families to manage, grow and preserve their family assets. It is one of the highest growth businesses within ANZ.

2

5

3

4

1

Profit and Loss Summary

	2005 \$m	2006 \$m	Movt %
Income	240	263	10%
Operating expenses	(50)	(62)	24%
<b>Profit before Provisions and Tax</b>	<b>190</b>	<b>201</b>	<b>6%</b>
Provision for credit impairment	(17)	(25)	47%
Tax & OEI	3	(7)	(333%)
<b>Profit after tax</b>	<b>176</b>	<b>169</b>	<b>(4)</b>
Staff (FTE)	494	635	29%

“ We target markets which have higher economic growth rates than Australia and New Zealand, are ‘underbanked’ and less developed



1. ING Australia is one of Australia’s leading fund managers, life insurers and superannuation providers

ING Australia Ltd has almost \$40 billion in assets under management, including over \$14 billion in its flagship OneAnswer product. ING Australia provides a broad range of financial products and services through an extensive network of 1,145 professional financial advisers, including 374 ANZ financial planners, which grew by 14% in 2006.

Retail FUM	\$38,849m
Life Risk Premiums in Force	\$596m



3. Metrobank Cards Corporation is one of the biggest card issuers in the Philippines

In October 2003, ANZ entered into a joint venture with Metropolitan Bank and Trust Company (MBTC) for the cards business of Metrobank Card Corporation, the credit card subsidiary of MBTC. ANZ acquired a 40% stake. Metrobank Cards now has 635,000 cards on issue, which is over two and a half times the 240,000 cards in circulation when the joint venture began. It is one of the country’s biggest credit card issuers, moving from ninth in 2003 to fourth in 2006.



5. Sacombank is the largest joint stock bank in Vietnam.

In August 2005, ANZ entered into a partnership with Sacombank by securing a 10% equity share. Sacombank is the largest commercial joint stock bank in Vietnam in terms of chartered capital and branch network. At present Sacombank has a nationwide branch network comprising 128 branches and transaction points, 56 ATM’s and 1,004 POS outlets. Currently there are approximately 3,215 staff and 300,000 customers. Sacombank has been named the “best FX services provider in Vietnam” by AsiaMoney Magazine



2. ANZ Royal Bank is one of the largest banks in Cambodia

On the 15th of September 2005, ANZ Royal officially opened its doors in Phnom Penh. ANZ Royal is a joint venture with the Royal Group of Companies (RGC), and is owned 55% by ANZ and 45% by RGC. In 2006, ANZ Royal collected in excess of AU\$221 million in Deposits, and provided over USD60m in lending limits. In September 2006, ANZ Royal celebrated its 20,000th customer of which we estimate one third have never previously been banked.



4. Panin Bank is one of the top ten banks in Indonesia

ANZ owns a 29% share in PT Panin Bank, a leading commercial bank in Indonesia, and one of the few Indonesian banks that survived the 1997/1998 economic crisis without the need for recapitalisation. It is one of Indonesia’s top 10 banks, and now has approximately A\$5 billion in assets. It serves over 300,000 customers via 227 branches and 240 ATMs and 9500 linked ATMs. In addition to full commercial banking products and services, Panin Bank also offers Mobile, Internet, and Phone Banking.



6. Tianjin City Commercial Bank is one of China’s leading City Commercial Banks

In July 2006, ANZ acquired a 20% share in Tianjin City Commercial Bank (TCCB). ANZ’s A\$150 million investment makes ANZ the first foreign bank to own a full 20% shareholding in a Chinese Bank. TCCB is one of China’s leading City Commercial Banks in terms of competitiveness and is situated in one of China’s fastest growing regions. It has a network of 250 branches, sub-branches and savings offices serving more than 5 million accounts.

# our commitment

PEOPLE, COMMUNITY AND THE ENVIRONMENT

ANZ volunteers contribute time to a range of organisations and causes in the community. Reading For Life volunteer, Jacqueline Tilsed, visits Richmond West Primary School weekly to assist student, Michael, with his literacy skills.



**“** We’re proud that we have the most engaged workforce of any large Australian company, but we need to keep building on that.

ANZ’s people have already taken us a long way to becoming a very different bank. In 1999 we faced an employee satisfaction level of 49%. Since then, we’ve steadily worked to improve the connection our people feel to their jobs and their workplace, as well as the connections we make with our communities.

We increased our staff satisfaction to 85% before moving to a tougher measure called ‘engagement’. Today our level of employee engagement remains steady at 60%. We’re proud that we have the most engaged workforce of any large Australian company, and want to keep building the engagement momentum we’ve built.

Breakout, the cultural transformation program that we introduced six years ago, continues to provide the building blocks of engagement by teaching our people tools for greater self-awareness, and more effective interaction with others. In 2006 we brought together our annual values and engagement assessments and created the Engagement and Culture Survey. This tells us that we are creating a cohesive and productive workplace that more accurately reflects what our people aspire to.

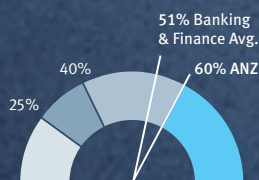
We have continued to provide policies that maximise flexibility in the workplace, regardless of age or gender. The ‘My Difference Survey’ gave us our first ever snapshot of the demographics of ANZ’s worldwide workforce.

Our people have continued to enthusiastically participate in volunteering and Community Giving, and we have extended Community Giving to our customers and shareholders. We entrenched our commitment to the financial literacy and inclusion programs that are the hallmark of ANZ’s community involvement, through MoneyMinded, Saver Plus, MoneyBusiness and Progress Loans. We have also built on local efforts to build practical links with Indigenous Australians.



Lost Time Injury Frequency Rate (Australia)

(No. of work related lost time injuries per million hours worked)

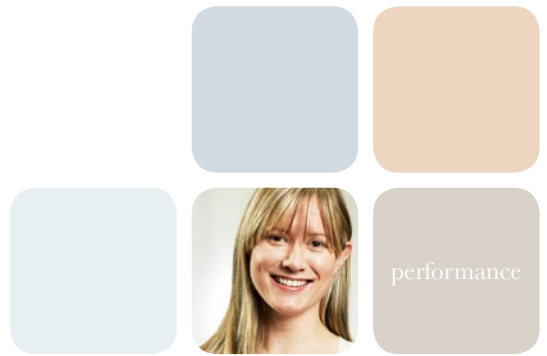


Staff Engagement

- Destructive Zone
- Serious Zone
- Indifferent Zone
- High performance/best employer zone

In the 2006 Engagement & Culture Survey our level of staff engagement was 60%, as it was when we conducted the previous bank-wide survey in 2004.\*

\*In 2005 we participated in the Hewitt Best Employers Study, where our engagement score was 63%. This is a benchmarking study of around 140 organisations in Australia and New Zealand based on sample groups of employees at each organisation. We participated in the Hewitt Best Employers Study again in 2006 and will report the results when they are available.



# our people and culture

A VERY DIFFERENT APPROACH TO PEOPLE

ANZ has long taken a very different approach to people. The people who work for us invest a large part of their lives in ANZ. In return, we aim to provide a workplace where values are real and respected, and where staff engagement is at a world-class level. Our goal is a vibrant, energetic and high performing culture – and we're well on the way to achieving it.

## Breakout to a very different culture

In the late 1990s we acknowledged the failings of our culture and took action to change it for the better. We had poor levels of staff satisfaction and low levels of customer satisfaction. In 2000 we introduced a culture change process called Breakout, which focuses on shifting behaviours and mindsets to create a very different bank.

Six years later, over 26,000 staff have participated in Breakout workshops, including nearly 7,000 front line staff. In 2005 we launched Breakout Recharge, which enhances team work and collaboration. The essence of the change that Breakout brought, and continues to bring, is to create very different experiences for all stakeholders: our people, our customers, the community and shareholders.

## Assessing engagement and culture together

In 2006 we combined our annual surveys of engagement and values into one instrument, the Engagement and Culture Survey. It tells us how employees connect with their work and ANZ. Measuring culture and values together provides a clearer picture of our progress in building a high performing, values driven culture. Today we see a stronger match between values desired by our staff, and actual values experienced. Benchmarking the Engagement and Culture Survey against industry research has again revealed ANZ has the most engaged workforce of all major companies in Australia.

## My Difference Survey

In December 2005 the My Difference Survey gave our first demographic snapshot of ANZ's employees and their attitudes to diversity issues at work. More than 11,000 employees responded and told us:

- We employ staff from at least 133 countries
- Religious difference is accommodated informally
- Significant progress has been made with mature age diversity, but more can be done
- Work/life balance is important to our staff, of whom more than 50% have caring responsibilities
- We're accepting of differences in sexual preferences
- Employees are not always open about disability, and employees and customers with disability need greater support
- ANZ has great diversity policies but staff cannot always access them



ANZ has the most engaged workforce of all major Australian companies.

Pictured left to right - Amanda Wood, Erica Threthaway, Stephen Wong and Erik Zimmerman.



**Goals for 2007**

- Reduce our Lost Time Injury Frequency Rate by a further 20% in Australia and New Zealand.
- Launch a new learning facility for ANZ employees.
- Improve our performance on the ANZ Engagement and Culture Survey.
- Achieve our 2007 targets for women in management roles including 24% female executives.
- Employ 50 Indigenous Australians.

**Health, safety and wellbeing**

Our ongoing focus on the causes of work related injuries and health, safety and wellness, further reduced injuries. Our Australian Lost Time Injury Frequency Rate (LTIFR) for 2006 was 3.8 lost time injuries per million hours worked - a reduction of 10% over the last 12 months. Strategic Health and Safety plans have been introduced to each division during 2006 and annual Operational Health and Safety plans are being rolled out across all businesses. All managers have Health and Safety accountabilities and undertake training. Health and Safety committees operate in worksites, each state and territory in Australia and in New Zealand.

My Health is a free physical check-up for staff, during working hours, available every 18 months to two years. Since it was launched, almost 6,000 staff have had healthchecks and over 7,000 staff access My Health Online, which provides comprehensive health information.

We have also focused on demystifying mental health through information seminars and a staff booklet on creating a supportive environment.

**Leadership Development**

We renewed the Leadership Pathway, our development programs for managers, senior managers and executives, and introduced the Management Essentials program. It includes an intranet portal, online training and a facilitator led workshop, and is available to all first time people managers. We also piloted our foundation leadership program, Leadership Essentials, and we are piloting a customised individual approach for ANZ's most senior leaders. We have reviewed and are in the process of implementing a refreshed Business Leadership Program for Senior Managers and Executives.

**Gender Targets**

We introduced targets for the representation of women in management and executive roles, and are tracking well to achieve them.

**Women in Management positions**

Employee Group	Actual		Target		
	2005*	2006*	Dec 2006	Sep 2007	Sep 2008
Executives	19%	21%	22%	24%	27%
Senior Managers	24%	28%	30%	34%	39%
Managers	36%	39%	40%	44%	49%

\*Figures are at 30 Sept for each year and include Australia and New Zealand only



## our community and the environment

Our community investment strategy focuses on addressing the major social issues that affect the financial services industry, in particular financial literacy and inclusion. We also provide opportunities for our people to support causes that matter to them.

### financial literacy

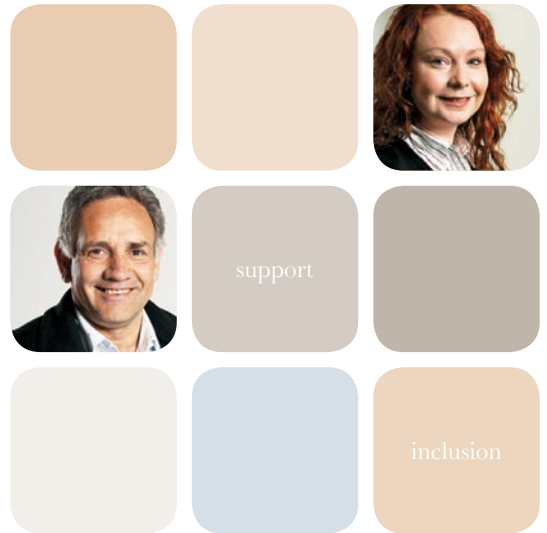
Improving financial knowledge, skills and confidence in our community is a core social responsibility for ANZ, and essential to the long term success of our business. Developments in the financial service industry over the past 20 years have given greater choice and flexibility to most consumers, but not everyone in our community has benefited. Poor financial literacy and the inability to access mainstream financial services can lead to low levels of savings and unsustainable personal debt. The impact of this on individuals can be profound.

ANZ has committed to work with researchers, community groups and government bodies to find long-term solutions to the problems of financial literacy, financial exclusion and financial difficulty. The insights that we have gained have led to innovative programs to help people, and often the most vulnerable in our communities, improve their financial capability.

We pioneered **MoneyMinded**, Australia's most comprehensive adult financial education program, to help people, particularly those on low-incomes, build their financial skills, knowledge and confidence. We set and achieved a target to provide MoneyMinded facilitator training to 500 financial counsellors and community educators to reach 15,000 people in 2006.

**Saver Plus** is a financial literacy and matched savings program developed in 2002 with The Brotherhood of St Laurence (BSL) to help families on low incomes set and achieve a savings goal, and establish a long-term savings habit. This is achieved through providing financial education; offering personal coaching support; and matching every dollar saved with an additional dollar (up to \$1000 of matched funds). There is strong evidence the program is achieving its core objective of helping participants to establish a 'savings habit'. An evaluation by RMIT university revealed that 12 months after completing Saver Plus 71% of participants in the original program are still saving.

**MoneyBusiness** aims to build the money management skills and confidence of Indigenous Australians and their families, and establish a strong savings culture in Indigenous communities. It is a partnership with the Federal Government's Department of Families, Community Services and Indigenous Affairs (FaCSIA). We are piloting MoneyBusiness in remote communities in Western Australia and the Northern Territory. Eighteen local Indigenous people have so far been employed and trained as Money Business workers who deliver the program.



#### Case study: Saver Plus - Real change

Donna Jackson joined the Saver Plus program conducted by The Benevolent Society in Sydney. She had separated from her husband, and with two boys to raise she was constantly worried about making ends meet.

The Saver Plus workshops "turned the lights on" for Donna. She gave up smoking to save money, found new ways to pay off debt and earn a regular income. By the end of the program, Donna had her own cleaning business and even does her own record-keeping.

"For the first time in years I didn't feel overwhelmed by financial stress. We set a savings goal to get a computer for my son. With the matched funds from ANZ it was no time before Owen was working on his own computer," she said.

Like Donna, many participants say the boost in confidence and self-esteem that came with getting control of their finances and achieving their savings goals was the most rewarding aspect of the program.

Saver Plus now runs in 18 communities around Australia in partnership with BSL, Berry Street Victoria, The Smith Family, The Benevolent Society and the Victorian Government.

ANZ's people are enthusiastic volunteers. We offer full time Australian and New Zealand staff one day of volunteer leave per year to make a difference in their communities. This year we have contributed more than 50,000 volunteer hours to a wide range of community programs and causes in Australia and New Zealand.

## supporting our communities

### ANZ Community Giving

ANZ's Community Giving program enables staff to make contributions to any of our 18 community partners and the ANZ Staff Foundation through regular payroll deductions. ANZ matches staff contributions dollar-for-dollar up to \$1,000 per staff member and up to a total of \$1 million per year. We have also opened up the Community Giving program to our customers - via internet banking. This year ANZ, its staff and customers contributed \$833,000 to our community partners.

The **Shareholder Dividend Charity Donation Program** enables shareholders to elect to donate some or all of their dividend entitlements to their nominated charity, from a list of 28 registered charities. The first donations will be made with ANZ's final dividend in December 2006. ANZ has committed up to \$250,000 in the first 12 months of the program to match shareholder donations.

### ANZ's Community Giving Partners

#### Staff Payroll Giving

- Alzheimers Australia
- ANZ Staff Foundation
- Benevolent Society
- Berry Street Victoria
- beyond blue
- Brotherhood of St Laurence
- Cancer Council of Australia
- CanTeen
- Diabetes Research
- Foodbank
- Greening Australia
- Habitat for Humanity
- Kids Help Line
- National Heart Foundation
- Reconciliation Australia
- RSPCA

#### Customer Giving

- Starlight Foundation
- The Smith Family
- World Vision
- Amnesty International
- Australian Conservation Foundation
- Comic Relief Australia
- Intensive Care Appeal
- Life Line
- McGuinness McDermott Foundation
- National Breast Cancer Foundation
- Oxfam Australia
- Reach
- Royal Flying Doctors Service
- Howard Florey Institute

## our environment

We have an obligation to operate in a way that seeks to minimise the social and environmental impacts associated with our business, while at the same time enabling opportunities for positive social and economic development. As a result of our own assessments and discussions with stakeholders, we focus on:

- **Lending:** assessing the environmental and social risks and opportunities in our lending activities
- **Services:** developing new products and services that help our customers improve their environmental performance
- **Environment footprint:** reducing the impact on the environment from our own operations and those of our supply chain, including energy, waste, paper, emissions, water and transport.

#### Achievements:

- We continued to work to reduce ANZ's environmental footprint by a minimum of 5% per Full Time Equivalent employee over the period 2005-07. We used specific initiatives to support this goal, including the Great Paper Chase, which saw paper usage reduce by 21%

- We engaged with community organisations, selected clients and government departments this year through one-to-one meetings and as part of our formal stakeholder engagement program. An Environmental Roundtable was held in June to seek feedback on our approach and priorities.
- We developed a Social and Environmental Issues Policy to ensure we understand and manage our exposures to these issues associated with wholesale credit activities. This policy goes beyond our standard requirements that all projects and transactions are legal and have the necessary permits and approvals, including seeking independent assessments for contentious projects where appropriate.
- A new Social and Environmental screening tool has been established to assist in the credit approval process. 86% of all new clients, new material transactions and annual reviews of existing clients in Australia underwent this screening in 2006.

### 2007 Goals

- Enable 1,500 people to participate in Saver Plus and reach 20,000 people through MoneyMinded.
- Achieve 60,000 hours of staff volunteering and 15% participation in workplace giving.
- Achieve our target to reduce our environmental footprint by a minimum of 5% by 2007.
- Continue to improve supply chain reporting and expand the reach of our Sustainable Procurement Policy.

# our performance on corporate responsibility

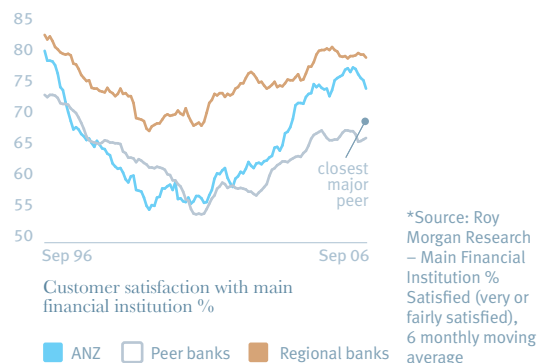
ANZ releases a Corporate Responsibility report detailing our economic, social and environmental programs and outcomes. Below is a summary of how we performed on our goals for our people, customers, communities and the environment in 2006. The full report will be available at [www.anz.com/cr](http://www.anz.com/cr) from 29th of November.

## Putting our customers first

Our aim is to offer our customers clear and tangible reasons why they should deal with us. This means making banking as convenient and simple as possible; providing leading, trusted and responsible financial advice, solutions and services; and investing in the development of our people so that we become known for our customer service and showing the 'human face' of banking.

We are also focused on understanding the social and environmental issues that impact our customers and society and integrating these into our products and services and business practices and decisions.

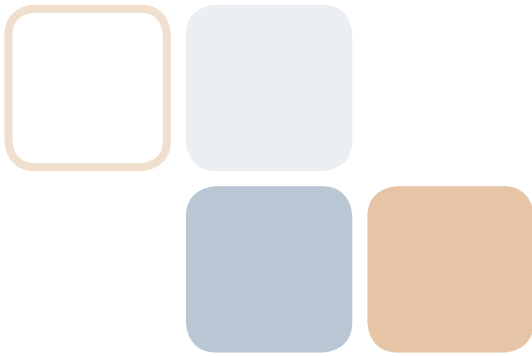
This year our retail customers were the most satisfied of all major banks in Australia and we regained our position as the Number 1 Lead Bank for Institutional and Corporate customers in Australia and New Zealand.



2006 Goal	Commentary	Performance
Continue to improve our customer satisfaction and match the performance of community and regional banks.	ANZ's retail customer satisfaction continues to be well ahead of its major bank peers in Australia at 75.5% (September 2006). Overall, our customer satisfaction decreased by 1.1 percent this year consistent with a decline across the industry according to the Roy Morgan Finance Monitor. Our performance is 4.4 percentage points higher than the sector average and we have also matched or exceeded the customer satisfaction levels of some of the community and regional banks.  During 2006, ANZ also regained its position as the Number 1 Lead Bank for Institutions and Corporate clients according to research by Peter Lee Associates (August 2006).	partially achieved
Meet or exceed the performance standards set out in our 2006 Customer Charter.	This is the fifth year ANZ has been managing and measuring performance on each of the promises in our Customer Charter. We revised the Charter in November last year to include a Responsible Lending Code - a first for banks in Australia. This year we met or exceeded the majority of performance indicators in the new Charter. Our Mortgages business continues to face challenges in meeting our commitment for fast account opening due to unexpectedly high business volume.	partially achieved
Continue to expand our branch and ATM network particularly in high growth areas.	We opened 26 new branches and added 343 new ATMs across Australia.	achieved
Increase environmental and social impact screening of all new transactions and annual client reviews in our Institutional lending business to 100%.	86% of all new Institutional transactions and annual client reviews underwent a social and environmental impact screening this year. This screening now forms part of the credit approval process for all of Institutional's Australian client relationships, with more work required to fully integrate this process into performance management reporting.	partially achieved

### 2007 Customer Goals

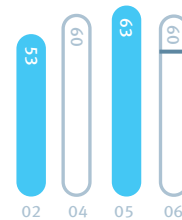
- Continue to improve our customer satisfaction and match the performance of community and regional banks.
- Meet or exceed the performance standards set out in our Customer Charter.
- Maintain our position as No. 1 Lead Bank for Institutional and Corporate customers.
- Implement our environment and social issues screening process including 100% coverage (product and geography), for all new transactions and annual reviews globally.



## Leading and inspiring our people

We aim to attract and retain the very best people at ANZ by creating a vibrant, energetic and high-performing culture. We listen to the feedback of our people and provide programs and opportunities to ensure they feel a sense of purpose and personal connection to their work and career with us.

In 2006 we continued to have the highest employee engagement of all major corporations in Australia and New Zealand. Employee engagement measures the extent to which our people speak positively about ANZ and are motivated to contribute their best to our business. It also directly impacts the bottom line with research by Hewitt Associates showing that employee engagement is linked to higher shareholder returns and customer satisfaction.



ANZ Employee Engagement

■ Hewitt Best Employers Study  
 □ ANZ Engagement and Culture Survey  
 — Financial Services Benchmark (51%)

2006 Goal	Commentary	Performance
Implement a zero harm approach to health, safety and security.	Strategic Health and Safety plans have been introduced to each Division to support our zero harm approach to health, safety and security. Annual Operational Health, Safety and Environment plans are also being rolled out across all business units. Our Lost Time Injury Frequency Rate reduced from 4.2 to 3.8 in Australia.	achieved
Continue our focus on achieving 20% female representation at executive level.	The percentage of females in executive positions increased from 19% in 2005 to 22% in 2006 in Australia. We also achieved an equal split of gender in our graduate recruitment for 2007 with 52% female graduates in Australia and 47% female graduates in New Zealand.	exceeded
Further improve our 'best employer' standing in the globally recognised Hewitt Employee Engagement study.	Employee engagement remains steady at 60% according to research conducted by Hewitt Associates. Our engagement score remains the highest of all major corporations in Australia and New Zealand and nine percentage points ahead of the banking and financial services sector benchmark.	partially achieved
Enable 6,000 front line employees to complete our Breakout program.	This year 5,985 Personal Division employees completed Breakout. We exceeded the target of 6,000 employees when the program completed on 12 October 2006. Overall, 6,905 people in Personal Division have completed the program since it commenced in July 2005.	achieved
Introduce accelerated development programs for the top 20% of manager level employees.	Our My Potential program identifies the top 20% of manager level employees and ensures that they have access to accelerated development programs including the Accelerated Learning Laboratory - a joint initiative of the Australian Graduate School of Management, ANZ and other leading business organisations.	achieved
Introduce an annual 360 degree feedback mechanism for all senior leaders.	Our 360 degree feedback tool is now made available to all staff through our company intranet. It is also used to inform the development of our top 100 executives.	exceeded

### 2007 Employee Goals

- Reduce our Lost Time Injury Frequency Rate by a further 20% in Australia and New Zealand.
- Launch a new learning facility for ANZ employees.
- Improve our performance on the ANZ Engagement and Culture Survey.
- Achieve our 2007 targets for women in management roles including 24% female executives.
- Employ 50 Indigenous Australians.

ANZ received the Special Award for Impact on the Community in the 2006 Prime Minister's Awards for Excellence in Community Business Partnerships.

### Earning community trust

Our community investment strategy aims to enhance the social and economic wellbeing of the communities where we live and work. The heart of our approach involves developing innovative programs and partnerships with clear aims and meaningful outcomes.

We are leaders in addressing the major social issues that involve the financial services industry – in particular financial literacy and inclusion. We also provide our people with opportunities to support the causes that are important to them.

#### ANZ's Community Investment

##### Types of Contributions

Cash	\$7,324,110
Time (volunteering)	\$2,556,880
In-kind	\$2,075,038
Management costs	\$1,893,897
<b>Total contributions*</b>	<b>\$13,849,925</b>

\*An approximate 60% increase on 2005 due to improved reporting and new community initiatives in Australia and New Zealand. Calculated using the London Benchmarking Group model for corporate community investment.

2006 Goal	Commentary	Performance
Enable a further 1,000 families to participate in our Saver Plus matched savings and financial literacy program.	Over 700 participants were involved in Saver Plus this year. New agreements with our community partners will see the program expanded nationally so that up to 5,400 people can participate in Saver Plus over the next three years.	partially achieved
Fund the delivery of our MoneyMinded financial education program to reach 15,000 Australians.	This year, 15,279 people participated in MoneyMinded workshops and one-to-one sessions. ANZ funded MoneyMinded facilitator training for more than 530 community educators and financial counsellors who deliver the program. We also provided financial support for eight community partners to offer the program at a grass-roots level throughout Australia.	exceeded
Implement a national rollout of the MoneyBusiness financial literacy program for use with community organisations who work with Indigenous Australians.	MoneyBusiness is being piloted in six remote sites in the Northern Territory and Western Australia. The evaluation will be used to inform next steps to be undertaken by ANZ with the Australian Government. MoneyBusiness education materials are already being used by a range of training, community and government organisations nationally.	partially achieved
Achieve 20% staff participation in our ANZ Volunteers program including 40,000 hours of volunteer time.	24% of Australian and 12% of New Zealand staff lodged a total of 50,735 hours of volunteering activity this year.	exceeded
Achieve 10% employee participation in Community Giving, ANZ's workplace giving program.	10.6% of Australian employees donated money as part of our Community Giving program. Their contributions were matched dollar-for-dollar by ANZ totalling \$537,499.	exceeded

#### 2007 Customer Goals

- Enable 1,500 people to participate in Saver Plus and reach 20,000 people through MoneyMinded.
- Achieve 60,000 hours of staff volunteering and 15% participation in workplace giving.
- Evaluate the Progress Loans Victorian pilot and extend the program to three additional states, writing at least 200 new loans.
- Work with Indigenous organisations and other stakeholders to develop and implement our Reconciliation Action Plan.

ANZ has set itself apart among the FT500 by enacting a commendable response to global climate change.”

Paul Dickinson, Carbon Disclosure Project Co-ordinator

## Managing environment impact and supply chain

ANZ’s Environment Charter outlines our commitment to operating in a way that advances sustainability and reduces our environmental impact.

We have in place an Environment Management System to help us monitor and improve our performance.

We are also working with our suppliers to minimise the social and environmental consequences of our business operations.

ANZ was honoured as ‘Best in Class’ for its approach to climate change in a report released by the Carbon Disclosure Project (CDP). ANZ was one of 50 FT500 companies included on the CDP Climate Leadership Index.

### Progress towards our two-year goals

Electricity	▲
Paper	▲
Water	×
Waste and recycling	▲
Greenhouse Gas Emissions	●

Key: Favourable ▲  
 Minimal Change ●  
 Unfavourable ×

2006 Goal	Commentary	Performance
Integrate our new Sustainable Procurement Policy into tender requirements, new supplier contracts and existing contracts with key strategic suppliers.	Our Sustainable Procurement Policy and the Sustainability Self-Assessment Tool, have been integrated into our sourcing processes. Our tools have enabled us to begin assessing existing and potential suppliers. More than 100 of our suppliers have received the tool for completion.	achieved
Reduce ANZ’s environmental footprint (electricity, paper, waste, water, greenhouse gases) by a minimum of 5% per full-time equivalent staff member over a two-year period (October 2005 – September 2007)	Our energy consumption per full-time equivalent staff member reduced in 2006. Due to changes in government measurement standards, our greenhouse gas emissions increased slightly. We are continuing to implement new environmental policies and initiatives to help us achieve our two-year goal.	partially achieved

### 2007 Environment Goals

- Achieve our target to reduce our environmental footprint by a minimum of 5% by 2007.
- Continue to improve supply chain reporting and expand the reach of our Sustainable Procurement Policy.
- Engage with internal and external stakeholders to establish ANZ’s environmental performance targets for 2008 -2010.

# our board

BOARD OF DIRECTORS 2006

The Board is responsible to shareholders for the governance of ANZ, and oversees its operations and financial performance. It sets the strategic direction and financial objectives, determines the appropriate risk appetite for the organisation, and monitors operational performance. It also monitors compliance in terms of ethical standards and regulatory requirements. The Board appoints the Chief Executive Officer and regularly reviews his performance.

The Board strives to achieve a balance of skills, knowledge, experience and perspective among its directors. This is particularly important for the banking sector, as banks have deep relationships with customers across every sector of the economy, and need to understand what is happening across the broader economy. Banking can also be cyclical, so it is important that in achieving a balance of experience, the Board includes a number of longer serving directors.



Mr C B Goode, AC

B COM (HONS), MBA, 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. Mr Goode brings a wide range of skills and significant experience of the finance industry to his role as Chairman of the Board.

Age 68, Residence Melbourne.

Mr J McFarlane, OBE

MA, MBA, SFFIN, FSI, FHKIB, FRSA

Chief Executive Officer

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

**Experience and expertise**

Mr McFarlane brings broad leadership, management and banking skills following a 31-year career in banking. Mr McFarlane is a former Group Executive Director, Standard Chartered Plc, Head of Citibank in the United Kingdom and Managing Director of Citicorp Investment Bank Ltd.

Age 59, Residence Melbourne.

Dr G J Clark

PHD, BSC (HONS), FAP, FTSE

Independent Non-Executive Director

Chairman of the Technology Committee

Non-executive director since February 2004. Dr Clark is a member of the Governance 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.

Age 63, Residence Based in New York, United States of America but also resides in Sydney.

Mr J K Ellis

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

Independent Non-Executive Director

Non-executive director since October 1995. Mr Ellis is a member of the the Audit Committee. Mr Ellis' term as Chairman of the Risk Committee ended on 30 September 2006 at which time he assumed the role of a Risk Committee member.

**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.

Age 69, Residence Melbourne.



## Directors' Meetings

The number of Board meetings and meetings of Committees during the year the Director was eligible to attend, and the number of meetings attended by each Director were:

	Board		Risk		Audit Committee		People Committee		Governance Committee		Technology Committee		Executive Committee		Shares Committee		Committee of the Board	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Dr G J Clark	9	9	–	–	–	–	–	–	4	4	2	2	1	1	–	–	–	–
Dr R S Deane*	6	6	–	–	–	–	2	2	–	–	1	1	–	–	–	–	–	–
Mr J K Ellis	9	9	6	6	8	8	–	–	–	–	–	–	1	1	–	–	–	2
Mr D M Gonski	9	8	6	6	–	–	–	–	4	4	–	–	1	1	–	–	–	1
Mr C B Goode	9	9	6	6	8	8	5	5	4	4	2	2	2	2	3	3	4	4
Ms M A Jackson	9	8	–	–	8	7	5	5	–	–	–	–	3	3	3	3	1	1
Mr J McFarlane	9	9	–	–	–	–	–	–	–	–	–	–	3	3	3	3	4	4
Mr D E Meiklejohn	9	9	5	5	8	8	–	–	4	4	–	–	1	1	3	3	4	4
Mr J P Morschel	9	9	6	6	–	–	5	5	–	–	–	–	1	1	3	3	–	–

Column A - Indicates the number of meetings the Director was eligible to attend.

Column B - Indicates the number of meetings attended. The Chairman is an ex-officio member of the Risk, Audit, People, Governance and Technology Committees.

\*Retired during the year. Dr R S Deane - 30 June 2006.



### Mr D M Gonski, AO

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

Independent Non-Executive Director

Chairman of the Governance Committee

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

Age 53, Residence Sydney.

### Ms M A Jackson, AC

B Ec, MBA, HON LLD (MONASH), FAICD, FCA

Independent Non-Executive Director

Chairman of the People 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 commercial and 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.

Age 53, 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 Governance Committee and Risk 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.

Age 64, Residence Melbourne.

### Mr J P Morschel

DipS, FAIM

Independent Non-Executive Director

Chairman of the Risk Committee

Non-executive director since October 2004. Mr Morschel is a member of the Risk Committee and, on 1 October 2006, became its Chairman. He is also a member of the People 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.

Age 63, Residence Sydney.

For further details on the Directors see pages 56-58 of Part 2 of this Concise Report or visit our website [www.anz.com](http://www.anz.com) about anz>corporate governance

# ten year summary

	2006 \$m	2005 \$m	2004 \$m	2003 \$m
<b>Financial Performance<sup>1</sup></b>				
Net interest income	6,943	6,371	5,252	4,311
Other operating income	3,146	2,935	3,267	2,808
Operating expenses	(4,605)	(4,340)	(4,005)	(3,228)
Profit before income tax, credit impairment and non-core items <sup>1</sup>	5,484	4,966	4,514	3,891
Provision for credit impairment	(407)	(565)	(632)	(614)
Income tax expense	(1,486)	(1,247)	(1,147)	(926)
Minority interest	(4)	(3)	(4)	(3)
Cash profit <sup>1</sup>	3,587	3,151	2,731	2,348
Non-core items <sup>1</sup>	101	24	84	–
<b>Net profit after tax</b>	<b>3,688</b>	<b>3,175</b>	<b>2,815</b>	<b>2,348</b>
<b>Financial Position</b>				
Assets <sup>2</sup>	335,771	300,885	259,345	195,591
Net Assets	19,906	19,538	17,925	13,787
Tier 1 capital ratio <sup>3</sup>	6.8%	6.9%	6.9%	7.7%
Return on average ordinary equity <sup>4,5</sup>	20.1%	19.0%	17.8%	20.6%
Return on average assets <sup>4</sup>	1.1%	1.1%	1.1%	1.2%
Cost to income ratio <sup>6</sup>	45.6%	46.6%	45.3%	45.1%
<b>Shareholder value – ordinary shares</b>				
Total return to shareholders (share price movement plus dividends)	17.1%	32.6%	17.0%	6.7%
Market capitalisation	49,331	43,834	34,586	27,314
Dividend	125c	110c	101c	95c
Franked portion	–interim	100%	100%	100%
	–final	100%	100%	100%
Share price <sup>7</sup>	–high	\$28.66	\$24.45	\$19.44
	–low	\$22.70	\$19.02	\$15.94
	–30 Sep	\$26.86	\$24.00	\$19.02
			\$19.02	\$17.17
<b>Share information</b>				
(per fully paid ordinary share)				
Earnings per share <sup>7</sup> –basic	200.0c	169.5c	153.1c	142.4c
Dividend payout ratio <sup>8</sup>	62.6%	65.0%	67.5%	64.2%
Net tangible assets <sup>9</sup>	\$8.53	\$7.77	\$7.51	\$7.49
No. of fully paid ordinary shares issued (millions)	1,836.6	1,826.4	1,818.4	1,521.7
DRP issue price <sup>10</sup>	–interim	\$26.50	\$21.85	\$17.84
	–final	–	\$23.85	\$19.95
			\$19.95	\$16.61
<b>Other information</b>				
Points of representation <sup>11</sup>	1,265	1,223	1,190	1,019
No. of employees (full time equivalents)	32,256	30,976	28,755	23,137
No. of shareholders <sup>12</sup>	291,262	263,467	252,072	223,545

1 ANZ excludes from cash profit significant items, abnormals, ANZ National Bank integration costs and volatility associated with fair value movements relating to economic hedges. ANZ excludes these items to provide a better indication of the core business performance. In addition, the 2005 result has been calculated on an AIFRS basis that is comparable with 2006 with the net effect of these adjustments included in non-core items, allowing readers to see the impact on 2005 results of accounting standards that have only been applied from 1 October 2005.

2 From 1998 to 2001, consolidated assets include the statutory funds of ANZ Life as required by an accounting standard. For the year 2004, consolidated assets include the statutory funds of NBNZ Life Insurance Limited. ANZ Life was sold in May 2002 and NBNZ Life Insurance Limited was sold on 30 September 2005.

3 Calculated in accordance with Australian Prudential Regulation Authority requirements effective at the relevant date.

4 Excludes non-core items and minority interest. The 2005 ratio has been calculated on an AIFRS basis that is comparable with that of 2006.

5 For the periods 1997 to 2002 the return on average ordinary equity calculation accrues the dividend over the year. From 2003, dividends may no longer be accrued and are not included in the calculation of return on average ordinary equity.

Previous AGAAP

	2002 \$m	2001 \$m	2000 \$m	1999 \$m	1998 \$m	1997 \$m
	4,018	3,833	3,801	3,655	3,547	3,437
	2,796	2,573	2,583	2,377	2,142	2,110
	(3,153)	(3,092)	(3,314)	(3,300)	(3,442)	(3,502)
	3,661	3,314	3,070	2,732	2,247	2,045
	(610)	(531)	(502)	(510)	(487)	(400)
	(880)	(911)	(863)	(736)	(576)	(466)
	(3)	(2)	(2)	(6)	(9)	(8)
	2,168	1,870	1,703	1,480	1,175	1,171
	154	–	44	–	(69)	(147)
	2,322	1,870	1,747	1,480	1,106	1,024
	183,105	185,493	172,467	152,801	153,215	138,241
	11,465	10,551	9,807	9,429	8,391	6,993
	7.9%	7.5%	7.4%	7.9%	7.2%	6.6%
	21.6%	20.2%	19.3%	17.6%	15.9%	17.2%
	1.3%	1.1%	1.1%	1.0%	0.7%	0.7%
	46.0%	48.0%	51.7%	54.5%	60.9%	63.1%
	15.3%	26.2%	36.3%	19.6%	–15.6%	62.4%
	26,544	23,783	20,002	16,045	13,885	17,017
	85c	73c	64c	56c	52c	48c
	100%	100%	100%	75%	60%	100%
	100%	100%	100%	80%	60%	100%
	\$19.70	\$16.71	\$12.87	\$12.11	\$11.52	\$11.08
	\$15.23	\$12.63	\$9.18	\$8.12	\$7.65	\$6.79
	\$16.88	\$15.28	\$12.70	\$9.80	\$8.62	\$10.79
	141.4c	112.7c	102.5c	86.9c	69.7c	65.8c
	57.8%	62.0%	59.1%	62.1%	67.8%	61.6%
	\$6.58	\$5.96	\$5.49	\$5.21	\$4.98	\$4.59
	1,503.9	1,488.3	1,506.2	1,565.4	1,539.4	1,508.6
	\$19.24	\$15.05	\$11.62	\$10.95	\$10.64	\$9.77
	\$18.32	\$18.33	\$14.45	\$11.50	\$10.78	\$9.92
	1,018	1,056	1,087	1,147	1,205	1,473
	22,482	22,501	23,134	30,171	32,072	36,830
	198,716	181,667	179,829	179,945	151,564	132,450

6 Excludes non-core items. Periods prior to 2005 also exclude goodwill amortisation. The 2005 ratio has been calculated on an AIFRS basis that is comparable with that of 2006.

7 Periods prior to 2004 adjusted for the bonus elements of the November 2003 Rights Issue.

8 From 2003 the dividend payout ratio includes the final dividend proposed but not provided for in terms of AASB 1044 Provisions, Contingent Liabilities and Contingent Assets which was effective from the September 2003 financial year.

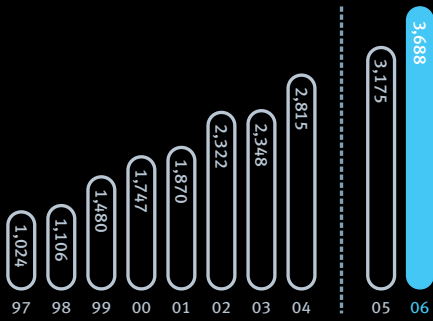
9 Equals shareholders equity less preference share capital, goodwill, software and other intangible assets. For periods prior to 2005, this equals shareholders equity less preference share capital and unamortised goodwill.

10 DRP represents Dividend Reinvestment Plan.

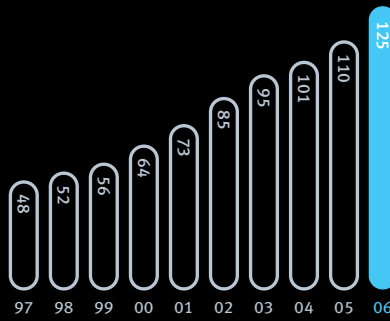
11 Includes branches, offices, representative offices and agencies.

12 From 2000 onwards the number of shareholders does not include the number of employees whose only shares are held by ANZEST Pty Ltd as the trustee for shares issued under the terms of any ANZ employee incentive plan.

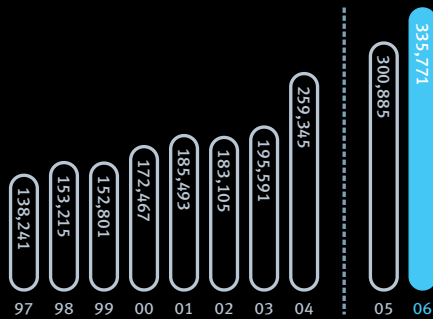
# our performance over ten years



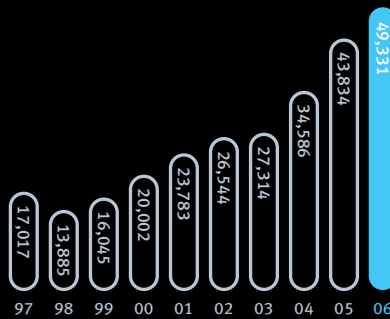
Net profit after tax - (\$m)



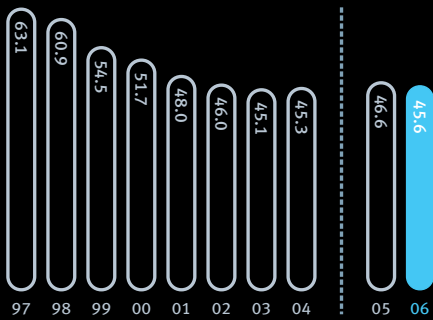
Dividend - (cents)



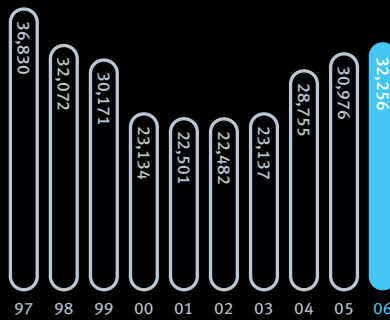
Assets - (\$m)



Market Capitalisation - (\$m)



Cost to income ratio - (%)



No. of employees (Full time equivalents)

----- Series break due to AIFRS

# information for shareholders

## Important Dates For Shareholders\*

Date	Event
15 December 2006	Annual General Meeting-Sydney
15 December 2006	Final Dividend Payment Date
26 April 2007	Interim Results Announcement
14 May 2007	Interim Dividend Ex-Date
18 May 2007	Interim Dividend Record Date
2 July 2007	Interim Dividend Payment Date
25 October 2007	Annual Results Announcement
8 November 2007	Final Dividend Ex-Date
14 November 2007	Final Dividend Record Date
18 December 2007	Final Dividend Payment Date
18 December 2007	Annual General Meeting-Perth

\*If there are any changes to these dates, the Australian Stock Exchange will be notified accordingly.

### Dividends

The final dividend of 69 cents per share, fully franked, will be paid on 15 December 2006.

A Dividend Reinvestment Plan (DRP) and Bonus Option Plan (BOP) are available to shareholders, and ANZ also operates a Dividend Charity Donation Program for shareholders who are Australian resident taxpayers. Copies of the terms and conditions of the Plans, and details of the Donation Program, are available from the ANZ's Share Registry at the addresses shown below.

In order to reduce costs, minimise the potential for fraud and enhance convenience for shareholders, ANZ has implemented a direct credit payment policy regarding dividend payments to shareholders in Australia, New Zealand and Great Britain (including the Isle of Man and the Channel Islands) (other than to those who have elected to participate fully in either the DRP, BOP or Dividend Charity Donation Program).

### Removal From Mailing List

Shareholders who do not wish to receive a copy of the Concise Annual Report must advise the Share Registry in writing or you can register your email address via [www.anz.com](http://www.anz.com) and elect to access your shareholder information electronically instead of receiving it by mail.

### Change Of Address

Shareholders who have changed their address will need to advise the Share Registry in writing, quoting their shareholder number, name and company as applicable.

If you have purchased your shares through a broker you will need to inform your broker of the change.



ANZ is proud to be a foundation member of eTree, a Computershare initiative with Landcare Australia.

Register to receive all your shareholder communications electronically through eTree and in return ANZ will make a donation of up to \$2 to Landcare Australia to support reforestation projects across Australia and New Zealand.

ANZ has set a target to donate the equivalent of up to 250,000 trees and we encourage more shareholders to register and help give back to our environment.

[www.eTree.com.au/anz](http://www.eTree.com.au/anz)

### Credit Ratings

#### Short Term

Moody's Investors Service	P-1
Standard & Poor's Rating Group	A1+

#### Long Term

Moody's Investors Service (outlook stable)	Aa3
Standard & Poor's Rating Group (outlook stable)	AA-

### Handy Contacts

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[investor.relations@anz.com](mailto:investor.relations@anz.com)

### Share Registry

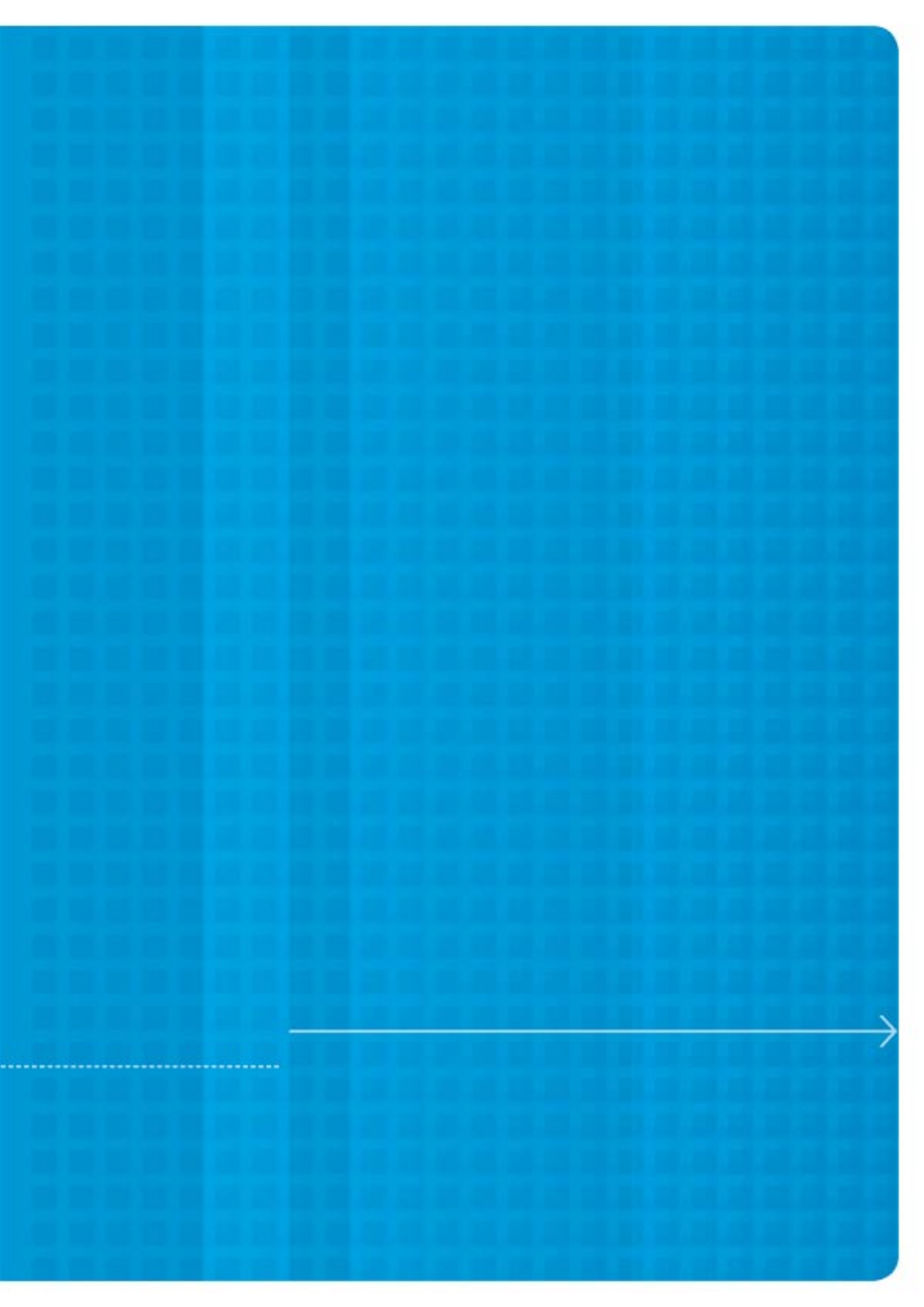
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