AUSTRALIA & NEW ZEALAND BANKING GROUP LTD
Form 20-F
December 23, 2005

2005

US Form 20-F

Annual Report

Australia and New Zealand Banking Group Limited ABN 11 005 357 522.

United States Securities and Exchange Commission

Washington, D.C. 20549

(Mark One)

o Registration Statement pursuant to Section 12(b) or (g) of the Securities Exchange Act of 1934

or

ý Annual Report pursuant to Sections 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended September 30, 2005

o Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

for the transition period from to

o Shell Company Report pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934

Commission file number 0-18262

Australia and New Zealand Banking Group Limited

(Exact name of registrant as specified in its charter)

Victoria, Australia

(Jurisdiction of incorporation or organization)

100 Queen Street, Melbourne, VICTORIA, 3000, AUSTRALIA

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered

Ordinary Shares	
American Depositary Shares each representing five ordinary shares	New York Stock Exchange
American Depositary Receipts each representing four Preference shares	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12 (g) of the Act.	**None**
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.	**None**

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as

of the close of the period covered by the Annual Report.

US$1,000 Preference Shares	1,100,000	fully paid
Ordinary Shares	1,826,449,480	fully paid
$100 Preference Shares	10,000,000	fully paid
1,000 Preference Shares	500,000	fully paid

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ý No o

Indicate by check which financial statement item the registrant has elected to follow.

Item 17 o Item 18 ý

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No ý

(Applicable only to issuers involved in bankruptcy proceedings during the past five years)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 and subsequent to the distribution of securities under a plan confirmed by a court.

Yes o No o

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(1) Not for trading but only in connection with the listing of American Depository Receipts

Form 20-F Registration Statement

Forward-Looking Statements

This Annual Report contains certain forward-looking statements, including statements regarding (i) economic and financial forecasts, (ii) anticipated implementation of certain control systems and programs, (iii) the expected outcomes of legal proceedings, and (iv) strategic priorities. These statements can be identified by the use of forward-looking terminology such as may , will , expect , anticipate , estimate , continue , plan , intend , believe or other similar words. These statements discuss future expectations concerning results of operations or of financial condition or provide other forward-looking information. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Australia and New Zealand Banking Group Limited (the Company), together with its subsidiaries (ANZ , us , we , our , or the Group), which may cause actual results to materially from those expressed in the forward-looking statements contained in this Annual Report. Given these risks, uncertainties and other factors, you should not place an undue reliance on any forward-looking statements, which speaks only as of the date made.

For example, the economic and financial forecasts contained in this Annual Report will be affected by movements in exchange rates and interest rates, which may vary significantly from current levels, as well as by general economic conditions in each of ANZ s major markets. Such variations may materially impact ANZ s financial condition and results of operations. The implementation of control systems and programs will be dependent on such factors as ANZ s ability to acquire or develop necessary technology and its ability to attract and retain qualified personnel. The plans, strategies and objectives of management will be subject to, among other things, government regulation, which may change at any time and over which ANZ has no control. In addition, ANZ will continue to be affected by general economic conditions in capital markets, the competitive environment in each of its markets and political and regulatory policies. There can be no assurance that actual outcomes will not differ materially from the forward-looking statements contained in this Annual Report. See Risk Factors on page 5.

Item 1: Identity of Directors, Senior Management and Advisors

Not applicable.

Item 2: Offer Statistics and Expected Timetable

Not applicable.

Item 3: Key Information

Selected Financial Data

The summary consolidated balance sheet as of September 30, 2005 and 2004 and income statement data for the fiscal years ended September 30, 2005, 2004 and 2003 have been derived from the Group s 2005 audited financial statements (the Financial Report). The Financial Report has been audited by our independent auditors. The balance sheet data as of September 30, 2003, 2002 and 2001 and income statement data for the fiscal years ended September 30, 2002 and 2001 have been derived from our audited consolidated financial statements for the fiscal years ended September 30, 2002 and 2001, which are not included in this document.

The financial statements referred to above have been prepared in accordance with Australian GAAP, which varies in certain significant respects from US GAAP. See Note 57 to the Financial Report for a discussion of the significant differences between Australian GAAP and US GAAP as they apply to us.

Amounts reported in US dollars have been translated at the September 30, 2005 Noon Buying Rate in New York City, which was US$0.7643 = A$1.00.

Years ended September 30	2005 USD M	2005 $M	2004 $M	2003 $M	2002 $M	2001 $M
Summary of Consolidated Statement of Income (1)						
Australian GAAP						
Interest income	13,319	17,427	14,117	10,215	9,037	10,251
Interest expense	(8,888)	(11,629)	(8,863)	(5,904)	(5,019)	(6,418)
Net interest income	4,431	5,798	5,254	4,311	4,018	3,833
Profit from disposal of investments					174	
Other operating income	2,715	3,552	3,391	2,808	2,796	2,573
Operating income	7,146	9,350	8,645	7,119	6,988	6,406
Operating expenses	(3,451)	(4,515)	(4,026)	(3,228)	(2,905)	(3,092)
Profit before allowance for loan losses and income tax	3,695	4,835	4,619	3,891	4,083	3,314
Allowance for loan loss charge (2)	(443)	(580)	(632)	(614)	(860)	(531)
Profit before income tax	**3,252**	**4,255**	**3,987**	**3,277**	**3,223**	**2,783**
Income tax expense	(943)	(1,234)	(1,168)	(926)	(898)	(911)
Profit after income tax	2,309	3,021	2,819	2,351	2,325	1,872
Net profit attributable to outside equity interests	(2)	(3)	(4)	(3)	(3)	(2)
Net profit attributable to shareholders of the Company	**2,307**	**3,018**	**2,815**	**2,348**	**2,322**	**1,870**
Total adjustments attributable to shareholders of the company recognized directly into equity	(339)	(443)	233	(356)	(98)	197
Total changes in equity other than those resulting from transactions with shareholders as owners	1,968	2,575	3,048	1,992	2,224	2,067
Non-interest income as a% of operating income (3)	38%	38%	39%	39%	43%	40%
Dividends paid / provided (4)	1,435	1,877	1,598	641	1,252	1,062
Per fully paid ordinary share:						
Operating profit after income tax (cents) (5)	123	161	153	142	141	113
Diluted net income per share (cents)	121	158	150	142	140	112
Dividends	$ 0.84	$ 1.10	$ 1.01	$ 0.95	$ 0.85	$ 0.73
Dividends		USD0.84	USD0.73	USD0.65	USD0.46	USD0.36
Dividends per ADR		USD4.20	USD3.66	USD3.23	USD2.31	USD1.81
Adjusted in accordance with US GAAP (6):						
Net interest income	4,293	5,617	5,101	4,263	4,001	4,128
Allowance for loan losses (2)	(242)	(316)	(632)	(614)	(860)	(531)
Operating profit before taxes	3,385	4,429	3,916	3,294	2,993	2,700
Operating profit after income tax	2,425	3,173	2,788	2,380	2,097	1,796
Operating profit after income tax (cents) (5)	133	174	155	144	127	108
Continuing Operations (Australian GAAP)(7):						
Total income from operations	16,034	20,979	17,508	13,023	12,007	12,824
Less: Impact of discontinuing operations						31
Total income from continuing operations	16,034	20,979	17,508	13,023	12,007	12,855
Total operating profit after income tax	2,307	3,018	2,815	2,348	2,322	1,870
Less: Impact of discontinuing operations						12
Operating profit after income tax from continuing operations	2,307	3,018	2,815	2,348	2,322	1,882
Operating profit after income tax per fully paid ordinary share (cents) (5)	123	161	153	142	141	113

(1) In millions, except per share amount, per ADR amount and ratios.

(2) The allowance for loan loss charge represents the economic loss provision charge (refer page 44). The 2005 charge includes an adjustment to the estimate of the general provision for US GAAP purposes. Refer Note 57 of the Financial Report.

(3) Operating income is the sum of net interest income and non-interest income.

(4) Excludes preference share dividends and dividends taken under the bonus option plan. The final dividend for 2005 of $1,077 million (2004: $983 million) has not been provided for at September 30, due to a change in Australian Accounting Standards on recognition of dividends effective from 2003.

(5) Amounts are based on weighted average number of ordinary shares outstanding, 2005: 1,823.7 million, 2004: 1,774.1 million, 2003: 1,577.8 million, 2002: 1,559.8 million, 2001: 1,554.8 million. Weighted average number of ordinary shares outstanding has been adjusted for rights issue. Operating profit after income tax excludes preference share dividends of 2005: $84 million, 2004: $98 million, 2003: $102 million, 2002: $117 million, 2001: $119 million.

(6) As detailed in Note 57 to the Financial Report, during 2005 the Group undertook a review of its US GAAP reporting which identified several interpretational differences in ANZ s application of US GAAP. These differences, which impact the current and prior years, have been adjusted for in 2005 as they are not material.

(7) Operations that will continue to contribute to the results of the ANZ group in future periods. Operations exclude, 2005, 2004, 2003, 2002: Nil, 2001: sale of residual assets from Grindlays.

Years ended September 30	**2005 USD M**	**2005 $ M**	**2004 $ M**	**2003 $ M**	**2002 $ M**	**2001 $ M**
Summary of Consolidated Balance Sheets						
Australian GAAP						
Shareholders equity (1)	14,874	19,461	17,907	13,770	11,448	10,538
Subordinated debt	6,983	9,137	8,475	5,630	3,445	3,831
Bonds and notes	29,863	39,073	27,602	16,572	14,708	15,340
Deposits and other borrowings	141,925	185,693	168,557	124,494	113,297	104,874
Gross loans, advances and acceptances (net of unearned income) (2)	188,661	246,841	219,804	164,661	147,937	139,867
Specific allowance for loan losses	(209)	(273)	(384)	(484)	(585)	(500)
General allowance for loan losses	(1,656)	(2,167)	(1,992)	(1,534)	(1,496)	(1,386)
Net loans, advances and acceptances	186,796	244,401	217,428	162,643	145,856	137,981
Total assets	224,081	293,185	259,345	195,591	183,105	185,493
Net assets	14,895	19,488	17,925	13,787	11,465	10,551
Risk weighted assets	167,820	219,573	196,664	152,164	141,390	139,129
Adjusted in accordance with US GAAP (3)						
Shareholders equity	13,666	17,880	16,917	12,820	12,139	11,207
Total assets	226,540	296,402	262,024	195,230	183,035	185,573
Summary of Consolidated Ratios						
Australian GAAP						
Operating profit after income tax (4) as a percentage of:						
Average total assets		1.1%	1.2%	1.2%	1.3%	1.1%
Average shareholders equity (1)		17.3%	18.1%	20.6%	23.2%	20.2%
Dividends (5) to ordinary shareholders as a percentage of operating profit after income tax		68.4%	67.5%	64.2%	57.8%	62.0%
Average shareholders equity as a percentage of average total assets (6)		6.1%	6.2%	5.7%	5.3%	5.0%
Capital Adequacy ratios:						
Tier 1		6.9%	6.9%	7.7%	7.9%	7.5%
Tier 2		3.9%	4.0%	4.0%	2.8%	3.2%
Deductions (7)		(0.3)%	(0.5)%	(0.6)%	(1.2)%	(0.4)%
Total		10.5%	10.4%	11.1%	9.5%	10.3%
Number of shares on issue (million)		1,826	1,818	1,522	1,504	1,488
Adjusted in accordance with US GAAP (3)						
Operating profit after income tax as a percentage of Average total assets		1.1%	1.1%	1.2%	1.2%	1.0%
Operating profit (1) after income tax as a percentage of: Average shareholders equity (1)		18.2%	17.9%	20.8%	20.9%	18.2%
Dividends (8) to ordinary shareholders as a percentage of operating income after income tax (8)		63.3%	66.6%	63.3%	64.4%	64.8%
Average shareholders equity (1,6) as a percentage of average total assets		6.1%	6.2%	5.6%	5.3%	6.0%

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(1) Excludes outside equity interest.

(2) Our balance sheet shows loans and advances net of the specific and general allowances. For ease of presentation the gross amount is shown here.

(3) As detailed in Note 57 to the Financial Report, during 2005 the Group undertook a review of its US GAAP reporting which identified several interpretational differences in ANZ s application of US GAAP. These differences, which impact the current and prior years, have been adjusted for in 2005 as they are not material.

(4) Includes significant items detailed on page 29.

(5) Includes proposed final dividend of $1,077 million for the fiscal year ended September 30, 2005 but not provided at September 30, 2005 following a change in Accounting Standards on recognition of dividends effective from 2003 (2004: $983 million) and excludes dividends taken under the bonus option plan.

(6) Excludes preference shares.

(7) Deductions represent our investment in life insurance, funds management, securitization activities and other banks of $784 million (2004: $1,019 million, 2003: $920 million, 2002: $1,703 million, 2001: $604 million). Commencing October 1, 2003 the intangible components of investments is deducted from Tier 1 capital rather than from total capital.

(8) Includes proposed final dividend of $1,077 million for the fiscal year ended September 30, 2005 but not provided at September 30, 2005 following a change in Accounting Standards on recognition of dividends from 2003. Adjusted for preference share dividends.

Years ended September 30	2005 USD M	2005 $ M	2004 $ M	2003 $ M	2002 $ M	2001 $ M
Summary of credit quality data						
Gross non-accrual loans (1)						
Subject to specific allowance for loan losses	391	511	714	913	1,072	940
Without specific allowance for loan losses	100	131	115	94	131	320
Total non-accrual loans	**491**	**642**	**829**	**1,007**	**1,203**	**1,260**
Allowance for loan losses						
Specific allowance (loans)	196	256	378	482	575	490
Specific allowance (off balance sheet commitments)	13	17	6	2	10	10
General allowance	1,656	2,167	1,992	1,534	1,496	1,386
Total allowance	**1,865**	**2,440**	**2,376**	**2,018**	**2,081**	**1,886**
Gross loans, advances and acceptances (2)						
Gross loans and advances (2) (3)	178,382	233,392	207,338	151,483	134,141	125,543
Acceptances	10,279	13,449	12,466	13,178	13,796	14,324
Total gross loans, advances and acceptances	**188,661**	**246,841**	**219,804**	**164,661**	**147,937**	**139,867**
Gross non-accrual loans as a percentage of gross loans and advances		0.3%	0.4%	0.7%	0.9%	1.0%
Gross non-accrual loans as a percentage of gross loans, advances and acceptances		0.3%	0.4%	0.6%	0.8%	0.9%
Specific allowance for loan losses as a percentage of gross non-accrual loans (1):						
Subject to allowance		50.1%	52.9%	52.8%	53.6%	52.1%
Total non-accrual loans		39.9%	45.6%	47.9%	47.8%	38.9%
Total allowance for loan losses as a percentage of:						
Gross loans and advances (2)		1.0%	1.1%	1.3%	1.6%	1.5%
Gross loans, advances and acceptances (2)		1.0%	1.1%	1.2%	1.4%	1.3%
Risk weighted assets		1.1%	1.2%	1.3%	1.5%	1.4%

(1) Excludes off-balance sheet commitments that have been classified as unproductive of $26 million (2004: $23 million, 2003: $37 million, 2002: $44 million, 2001: $31 million) net of an allowance of $17 million (2004: $6 million, 2003: $2 million, 2002: $10 million, 2001: $10 million) and restructured loans $28 million (2004: $32 million, 2003: $nil, 2002: $1 million, 2001: $1 million).

(2) Net of unearned income.

(3) The consolidated balance sheet shows loans and advances net of the specific and general allowances. For ease of presentation the gross amount is shown here.

Risk Factors

Changes in general business and economic conditions may adversely impact ANZ s results

The majority of ANZ s business is conducted in Australia and New Zealand, so its performance is influenced by the level and cyclical nature of business activity in these countries, which, in turn are affected by both domestic and international economic and political events.

These events and conditions include short-term and long-term interest rates, inflation, monetary supply, fluctuations in both debt and equity capital markets, relative changes in foreign exchange rates and the strength of the Australian and New Zealand economies. For example, a general economic downturn, a correction in the housing market, a decrease in immigration, an increase in unemployment, a significant increase in oil prices or other events that negatively impact household and/or corporate incomes could decrease the demand for ANZ s loan and non-loan products and services and increase the number of customers who fail to pay interest or repay principal on their loans. Australian and New Zealand economic conditions may also be affected by geo-political instability, including, among other factors, actual or potential conflict and terrorism. ANZ s future performance may also be affected by the economic conditions of other regions in which operations are conducted.

Changes in fiscal and monetary policies may adversely impact ANZ s results

The Reserve Bank of Australia (RBA) and the Reserve Bank of New Zealand (RBNZ) regulate the supply of money and credit in Australia and New Zealand (respectively). Their policies determine the cost of funds to ANZ for lending and investing and the return that the Group will earn on those loans and investments. Both of these impact ANZ s net interest margin and can materially affect the value of financial instruments held by ANZ, such as debt securities. The policies of the RBA and the RBNZ can also affect ANZ s borrowers, potentially increasing the risk that they may fail to repay their loans. Changes in RBA and RBNZ policies are not easy to predict or anticipate.

Regulatory changes may adversely impact ANZ s results

The Group includes regulated entities that are deposit-taking institutions, which are regulated in Australia, New Zealand and in the other countries in which ANZ operates. This regulation varies from country to country but generally is designed to protect depositors and the banking system as a whole, not holders of ANZ s securities.

The Australian Government and its agencies, including the Australian Prudential Regulation Authority (APRA) the RBA, and other financial industry regulatory bodies have supervisory oversight of ANZ. Our failure to comply with the laws, regulations or policies could result in sanctions by these regulatory agencies and cause damage to ANZ s reputation. The New Zealand Government and its agencies, including the RBNZ, have supervisory oversight of ANZ s New Zealand business. The RBNZ approved the acquisition of The National Bank of New Zealand (NBNZ) in December 2003, subject to various ongoing regulatory and consent requirements. To the extent that these regulatory and consent requirements limit our operations or flexibility, they could adversely affect our profitability and prospectus.

In addition, these regulatory agencies frequently review banking laws, regulations and policies for possible changes. Changes to laws, regulations or policies, including changes in interpretation or implementation of laws, regulations or policies, could affect ANZ substantially. These may include changing required levels of bank liquidity and capital adequacy, limiting the types of financial services and products that can be offered and/or increasing the ability of non-banks to offer competing financial services and products, as well as changes to prudential regulatory requirements.

Competition may adversely impact ANZ s results, especially in Australia and New Zealand

The financial services sector in which ANZ operates is highly competitive and could become even more so, particularly in those segments that are considered to provide higher growth prospects. Factors contributing to this include industry deregulation, mergers, changes in customers needs and preferences, entry of new participants, development of new distribution and service methods and increased diversification of products by competitors. For example, mergers between banks and other types of financial services companies create entities which can offer virtually any type of banking or financial service. Also, technology has lowered barriers to entry and made it possible for non-banks to offer products and services traditionally provided by banks, such as automatic payment systems, mortgages and credit cards. In addition, banks in different jurisdictions are subject to different levels of regulation and some may have lower cost structures.

The effect of competitive market conditions may have a material adverse effect on ANZ s financial performance and position, especially in Australia and New Zealand.

Application of and changes to accounting policies may adversely impact ANZ s results

Our accounting policies and methods are fundamental to how we record and report our financial position and results of operations. Our management must exercise judgement in selecting and applying many of these accounting policies and methods so that not only do they comply with generally accepted accounting principles but they also reflect the most appropriate manner in which to record and report our financial position and results of operations.

In some cases, management must select an accounting policy or method from two or more alternatives, any of which might comply with generally accepted accounting principles and be reasonable under the circumstances yet might result in us reporting materially different outcomes than would have been reported under another alternative.

For reporting periods commencing October 1, 2005, the Group is required to prepare financial statements using Australian Equivalents to International Financial Reporting Standards (AIFRS), issued by the Australian Accounting Standards Board.

On 1 October 2005, the Group commenced application of AIFRS, covering all financial systems and records. The Group will report for the first time in compliance with AIFRS when the results for the half year ending 31 March 2006 are released.

The Group is required to prepare an opening balance sheet in accordance with AIFRS as at 1 October 2004. Most accounting policy adjustments to retrospectively apply AIFRS will be made against retained earnings in this opening balance sheet. However, transitional adjustments relating to those standards for which comparatives are not required will only be made on 1 October 2005. The standards are AASB 132: Financial Instruments: Disclosure and Presentation , AASB 139: Financial Instruments: Recognition and Measurement , and AASB 4: Insurance Contracts .

The impact of transition to AIFRS are outlined in Note 55 of the Financial Report.

ANZ is subject to credit risk, which may adversely impact the Group s results

As a financial institution, ANZ is exposed to the risks associated with extending credit to other parties. Less favorable business or economic conditions, whether generally or in a specific industry sector or geography, could cause customers or counterparties to experience adverse financial consequences, thereby exposing the Bank to the increased risk that those customers or counterparties will fail to honor the terms of their loans or agreements. In addition, in assessing whether to extend credit or enter into other transactions with customers and counterparties, ANZ relies on information furnished to us by or on behalf of customers and counterparties, including financial statements and other financial information. ANZ also may rely on representations of customers and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. The Group s financial condition and results of operations could be negatively impacted to the extent that it relies on information or financial statements that are inaccurate or materially misleading.

As a result of the potential for loss arising from the failure of customers or counterparties to meet their contractual obligations, ANZ holds provisions to cover loan losses. The amount of these provisions is determined by assessing, based on current information, the extent of impairment inherent within the current lending portfolio. However, if the information upon which the assessment of risk proves to be inaccurate, the provisions made for loan loss may be inappropriate, which could have a material effect on the Group s results and operations. Following ANZ s transition to AIFRS, a change in methodology in calculating the allowance for loan losses has arisen. Refer to Note 55 of the Financial Report for discussion and the impacts of this change.

ANZ is subject to operational risk, which may adversely impact the Group s results

Operational risk relates to the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems, or from external events, which impact ANZ s operating business. Operational risk includes the risks arising from process error, fraud, systems failure, failure of security and physical protection systems, customer services, staff skills and performance and product development and maintenance. ANZ is highly dependent on information systems and technology and there is a risk that these might fail. From time to time, ANZ will undertake major projects and there are operating risks in the design and implementation of these projects. Further, ANZ s exposure to potential systemic events or failings in the international financial services sector may also be a source of operational risk.

ANZ is subject to market risk (including foreign exchange risk) and liquidity risk, which may adversely impact the Group s results

Market risk relates to the risk of loss arising from changes in interest rates, foreign exchange rates, prices of commodities, debt securities and other financial contracts including derivatives. Losses arising from these risks may have a material adverse effect on ANZ. ANZ is also exposed to liquidity risk, which is the risk that ANZ has insufficient funds and are unable to meet its payment obligations as they fall due, including obligations to repay deposits and maturing wholesale debt.

Litigation and contingent liabilities may adversely impact our results

ANZ may from time to time be subject to material litigation and other contingent liabilities, which, if they crystallize, may adversely impact our results. Details regarding ANZ s contingent liabilities are contained in note 47 of the 2005 Financial Report. For example (these are illustrative examples, please refer to the 2005 Financial Report for the full disclosures):

We face potential exposure in respect of litigation relating to a breach of the Indian Foreign Exchange Regulation Act 1973 (Indian FERA). This exposure arises from our past ownership of ANZ Grindlays Bank Limited (Grindlays). In 1991, certain amounts were transferred from non-convertible Indian Rupee accounts maintained with Grindlays in India. These transactions may not have complied with Indian FERA. Grindlays, on its own initiative, brought these transactions to the attention of the Reserve Bank of India. The Indian authorities have served notices on Grindlays and certain of its officers in India that could lead to possible penalties. Grindlays has commenced proceedings in the courts contesting the validity of these notices. Based on advice from the Bank s Indian lawyers, we believe we maintain adequate provisions to cover such exposure.

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

Other than disclosed in the 2005 Financial Report, there are no legal or arbitration proceedings (including any such proceedings which are pending or threatened of which we are aware) against ANZ that may have or have had in the previous 12 months a significant effect on ANZ s financial position.

Acquisition risk may adversely impact ANZ s results

ANZ regularly examines a range of corporate opportunities with a view to determining whether those opportunities will enhance the financial performance and position. Any corporate opportunity that is pursued could, for a variety of reasons, turn out to have a material adverse effect on the Group. The successful implementation of the ANZ corporate strategy will depend on a range of factors including potential funding strategies and challenges associated with integrating and adding value to a business, which is acquired.

The operating performance or capital structure may also be affected by these corporate opportunities and there is a risk that ANZ s credit rating may be placed on credit watch or downgraded if these opportunities are pursued.

Currency of Presentation, Exchange Rates and Certain Definitions

Currency of Presentation

The Company, together with its subsidiaries, publishes consolidated financial statements in Australian dollars. In this Annual Report, unless otherwise stated or the context otherwise requires, references to US$, USD and US dollars are to United States dollars and references to $, AU and A$ are to Australian dollars. For the convenience of the reader, this Annual Report contains translations of certain Australian dollar amounts into US dollars at specified rates. These translations should not be construed as representations that the Australian dollar amounts actually represent such US dollar amounts or could be converted into US dollars at the rate indicated. Unless otherwise stated, the translations of Australian dollars into US dollars have been made at the rate of USD0.7643 = $1.00, the Noon Buying Rate in New York City for cable transfers in Australian dollars as certified for customs purposes by the Federal Reserve Bank of New York (the Noon Buying Rate) on September 30, 2005.

Exchange Rates

For each of the periods indicated, the high, low, average and period-end Noon Buying Rates for Australian dollars were:

		USD per $1.00			
Year ended September 30,		**High**	**Low**	**Average**	**Close**
2001		0.5712	0.4828	0.5182	0.4946
2002		0.5748	0.4923	0.5329	0.5429
2003		0.6823	0.5422	0.6131	0.6797
2004		0.7979	0.6814	0.7287	0.7244
2005		0.7974	0.7207	0.7685	0.7643
Monthly periods	June 2005	0.7792	0.7498	0.7667	0.7618
	July 2005	0.7661	0.7403	0.7524	0.7594
	August 2005	0.7739	0.7469	0.7614	0.7514
	September 2005	0.7731	0.7537	0.7651	0.7643
	October 2005	0.7630	0.7468	0.7535	0.7480
	November 2005	0.7451	0.7267	0.7353	0.7394

The average for annual periods is calculated from the Noon Buying Rate on the last day of each month during the period.

On December 9, 2005, the Noon Buying Rate was USD0.7521 per $1.00.

In the fiscal year ended September 30, 2005, 36% (2004: 33%) of our operating income was derived from overseas operations and was denominated principally in New Zealand dollars (NZ$ or NZD), US dollars (US$ or USD), British pounds sterling (£ or GBP) and Europ Monetary Union Euro (of EUR). Movements in foreign currencies against the Australian dollar can therefore affect ANZ s earnings through the re-translation of overseas profits to Australian dollars. Based on exchange rates applied to convert overseas profits and losses from September 2001 to September 2005, the Australian dollar moved against these currencies as follows (refer also Note 54 to the Financial Report):

Years ended September 30	**2005**	**2004**	**2003**	**2002**	**2001**
EURO	+1%	+6%	-3%	-1%	-7%
GBP	+2%	+6%	+6%	0%	-7%
NZD	-4%	+1%	-7%	-4%	-1%
USD	+5%	+19%	+15%	+2%	-14%

We monitor our exposure to revenues, expenses and invested capital denominated in currencies other than Australian dollars. These currency exposures are hedged as considered necessary.

Certain Definitions

Our fiscal year ends on September 30. As used throughout this Annual Report, unless otherwise stated or the context otherwise requires, the fiscal year ended September 30, 2005 is referred to as fiscal year 2005, and other fiscal years are referred to in a corresponding manner.

Overview

Australia and New Zealand Banking Group Limited was registered in the state of Victoria, Australia on July 14, 1977 as a public company limited by shares, as detailed on page 124.

ANZ is one of the four major banking groups headquartered in Australia. Our Australian operations began in 1835 and our New Zealand operations began in 1840. We are a public limited company incorporated in the state of Victoria, Australia, which is our main domicile, and have our principal executive office located at 100 Queen Street, Melbourne, Victoria, 3000, Australia. Our telephone number is (61) (3) 9273 5555.

Based on publicly available information as at September 30, 2005, we ranked third among Australian banking groups in terms of total assets ($293 billion), shareholders equity ($19 billion) and market capitalization ($44 billion), which ranked us as the fifth largest company listed on the Australian Stock Exchange Limited.

We provide a broad range of banking and financial products and services to retail, small business, corporate and institutional clients. ANZ s business is not materially impacted by seasonal trends. We conduct our operations primarily in Australia and New Zealand (approximately 94% of our total assets at September 30, 2005 are related to these operations). The remainder of our operations are conducted across the Asia Pacific regions, and in a number of other countries including the United Kingdom and the United States. At September 30, 2005, we had 1,223 branches and other points of representation worldwide (excluding ATMs).

ANZ s strategy is executed through a management structure focused on specialization with specialist business units clustered around customers to form our key divisions.

Principal activities of divisions

Personal

Personal is comprised of the Regional Commercial and Agribusiness Products, Banking Products, Mortgages, Consumer Finance, Wealth Management and other (including the branch network, private banking and marketing and support costs in Australia).

Regional Commercial and Agribusiness Products - Provides a full range of banking services to personal customers across rural and regional Australia, and to small business and agribusiness customers in rural and regional Australia.

Banking Products - Provides deposit accounts, transaction accounts and margin lending products. In addition, the business manages ANZ s direct channels covering Phone Banking and Internet Banking.

Mortgages - Provides housing finance to consumers in Australia for both owner occupied and investment purposes.

Consumer Finance - Provides consumer and commercial credit cards, epayment products, personal loans, merchant payment facilities in Australia and ATM facilities.

Wealth Management Comprises the equity accounted earnings from ING Australia s (a joint venture betwen ANZ and ING) core business operations (excluding investment earnings) and the Financial Planning distribution business.

Institutional

Institutional is a segment encompassing businesses that provide a full range of financial services to ANZ s largest corporate and institutional customers in all geographies.

Client Relationship Group - Manages customer relationships and develops financial services solutions and strategies for large businesses with a turnover greater than $150 million in Australia and New Zealand and, for global corporate clients with whom ANZ has an existing customer relationship, in the United Kingdom, United States and Asia.

Trade and Transaction Services - Provides cash management, trade finance, international payments, clearing and custodian services principally to institutional and corporate customers.

Markets - Provides foreign exchange and commodity trading, sales-related services to corporate and institutional clients globally. In addition, the business provides origination, underwriting, structuring, risk management, advice and sale of credit and derivative products globally.

Corporate & Structured Financing - Provides complex financing and advisory services, structured financial products, leasing, private equity finance, project finance, leveraged finance and infrastructure investment products to ANZ s customers.

New Zealand Businesses

New Zealand Businesses include:

ANZ Retail, operating under the ANZ brand in New Zealand provides a full range of banking service to personal and small business banking customers.

NBNZ Retail operating under the National Bank brand in New Zealand provides a full range of banking services to personal customers from youth through to private banking, and small business banking customers.

Corporate Banking in New Zealand incorporates the ANZ and NBNZ brands, and provides financial solutions through a relationship management model for medium-sized businesses with a turnover up to NZD100 million.

Rural Banking in New Zealand provides a full range of banking services to rural and agribusiness customers.

Central support includes Operations, Technology, Treasury, Risk Management, People Capital, Financial Management, Capital Funding and Group Items.

NBNZ refers to the operations of the National Bank of New Zealand Limited purchased on 1 December 2003. These operations were amalgamated with ANZ Banking Group (New Zealand) Limited on 26 June 2004 to form ANZ National Bank Limited (ANZ National). NBNZ was reported as a separate business unit until 30 September 2004.

Corporate

Corporate includes

Small Business Banking Australia - Provides a full range of banking services for metropolitan-based small businesses in Australia with funds under management up to $50,000.

Business Banking Australia - Provides a full range of banking services for metropolitan based small to medium business in Australia with turnover up to $10 million.

Corporate Banking Australia, - Manages customer relationships and develops financial solutions for medium-sized businesses (turnover $10 million to $150 million) in Australia.

Esanda and UDC

Esanda and UDC provide motor vehicle and equipment finance, operating leases and management services, fleet management services, and investment products through its businesses - Esanda (Australia), Esanda Fleet Partners (Australia & New Zealand), UDC (New Zealand) and Specialized Asset Finance (Australia).

Asia Pacific

Asia Pacific provides retail and corporate banking services to our customers in the Pacific Region and Asia. This business unit excludes Institutional transactions that are reported in the geographic results for Asia.

Asia Pacific also manages ANZ s strategic retail partnerships in Asia. ANZ currently has partnerships in Indonesia with PT Panin Bank, in the Philippines with Metrobank, in Cambodia with the Royal Group and in Vietnam with Sacom Bank. The relationships are focused on leveraging ANZ s capabilities across the established client bases of the local partners.

Group Center

Group Center includes Operations, Technology and Shared Services, Group Treasury, Group People Capital, Group Strategic Development, Group Financial Management, Group Risk Management, Capital, Funding and Group Items.

Organization Structure Changes

The Group from time to time modifies the organization of its businesses to enhance the focus on delivery of specialized products or services to customers. During the year ended September 30, 2005 the significant changes were:

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Institutional. The Institutional Banking business unit has been renamed Client Relationship Group. Institutional now also includes the NBNZ Institutional businesses which were previously reported in the New Zealand businesses.

Personal. A new business unit, Wealth Management, has been created that comprises the equity accounted earnings from ING Australia s core business (excluding capital investment earnings) and the Financial Planning business.

New Zealand Business sub-units have been reorganized to reflect the operating model.

ING Australia. To provide better alignment with ANZ businesses, ING Australia s equity accounted result has been split for management purposes between core business and the more volatile capital investment earnings. The core business portion is included with the Financial Planning distribution arm as part of Wealth Management within Personal. The capital investment earnings capital hedge results, funding costs and notional goodwill amortisation are reported in the Group Center.

Group Center. A number of central support functions have been transferred to business units.

In addition, there were a number of minor restatements as a result of customer segmentation, changes to internal transfer pricing methodologies and the realignment of support functions.

Subsidiaries, Associates and Joint Venture

ANZ has many subsidiaries and associates. More detailed information regarding material subsidiaries, associates and joint ventures is contained in Exhibit 8 and Notes 42, 43 and 44 to the Financial Report.

Property

ANZ has a holding of freehold and leasehold land and buildings (largely within Australia) for our business purposes. These premises, which include branches, administration centers and residential accommodation for employees had a carrying value at September 30, 2005 of $438 million (market value of $466 million as at September 30, 2005). There have not been material acquisitions or divestitures of property, plant and equipment over the past three years. Details of movements and balances are included in note 22 of the Financial Report.

Research and Development, Patents, Licences

Not applicable.

Capital Expenditure and Divestitures

There has been no material capital expenditure in the last 3 fiscal years, and no material capital expenditure is currently in progress.

Our Strategic Direction

Our aspiration

ANZ s aspiration is to be Australasia s leading, most respected and fastest growing major bank.

Our values

Underpinning the way ANZ operates are our core values:

Put our customers first

Perform and grow to create value for our shareholders

Lead and inspire each other

Earn the trust of the community

Breakout, be bold and have the courage to be different.

Our Strategic Priorities

Our aspiration translates into a clear set of priorities for the Group:

Maintain a narrow geographic focus. We are a leading bank in New Zealand and have a number of other leading positions in Australia and the Asia Pacific region. We intend to maintain our regional focus by building a stronger strategic presence in Australia, defending our leadership position in New Zealand, and expanding selectively in emerging Asia Pacific markets.

Actively manage our portfolio of specialist businesses. ANZ continues to position for growth in Personal Banking by reallocating resources to attractive customer segments and markets. We are also focused on increasing our investment in faster growth Investment Banking segments, leveraging our strong Corporate position into relationship Business and Small Business Banking, building on momentum in Private Banking, and strengthening our position in Wealth Management and Insurance over the medium term.

Invest in rapidly growing segments to create revenue growth of 7-9% per annum. Our performance in recent years has involved moderate revenue growth and significant efficiency gains. We are now focused on generating superior revenue growth through proactively defending existing clients, attacking adjacent markets by leveraging tried and tested capabilities, positioning for next growth wave segments, and acquiring selectively where it is value-enhancing and timing is right.

Embrace an aggressive internal transformation agenda to lower cost-to-income to 40%. ANZ aims to be lean, agile, sharp, and externally focused with a view to reducing cost-to-income by growing revenues faster than costs, as well as targeting further cost reductions. We have a program to achieve this, including realizing the benefits of New Zealand integration, reducing back office costs through process redesign and leveraging our capability in our Bangalore operation in India, increasing automation, and simplifying our technology architecture to improve agility and speed to market.

Our platform for growth

ANZ has built a powerful platform for growth in four key areas:

Over the past few years, we have successfully strengthened our position in core businesses and increased share. We have grown to approximately 85% of the size of our largest domestic competitor by market capitalisation, compared with 50% five years ago. We have the second largest personal customer base across Australia and New Zealand, and the largest customer base in Asia Pacific of our domestic peers. Personal customer satisfaction at 76.5% is the highest of our major domestic peers and we have continued to invest in our frontline which is the principal component of an increase of over 3,000 employees in the past 18 months.

ANZ has reduced its cost-to-income ratio from 65.8% to 45.6% over the last 9 years. The efficiencies we have realised have helped us fund the investment required to generate future revenue growth, and deliver consistent results in an increasingly competitive margin environment. In the near term, we expect Australia will continue to drive our growth, with good momentum in our major divisions. In the medium term we expect New Zealand will deliver improved returns as integration of the NBNZ nears completion, and over the longer term Asia will become increasingly meaningful.

ANZ has repositioned its portfolio to be sustainable and low-risk. The last few years have seen a focus on absorbing external governance and regulatory changes, including the Sarbanes-Oxley Act of 2002, Basel II and AIFRS. We are well capitalized, reserved and have almost halved our allowance for loan loss provision charge to average net lending assets ratio to just 25bps from 45bps in 1998 through a program of structural de-risking.

ANZ has built a performance and results culture based on a set of shared values. Our management team is well-respected and has a record of pursuing a consistent agenda and achieving set targets.

ANZ s aim to deliver sustainable value recognizes that companies do not serve shareholders exclusively, but others as well. Our approach is a commitment to building relationships of trust, respect and integrity with all our stakeholders over the long term. ANZ is releasing its first Corporate Social Responsibility report in 2005, which details our commitment to engaging with our customers, staff and the communities in which we operate.

These key areas have set the foundation for achieving our aspiration. They also place us in a good position to allow ANZ to deliver sustainable performance and value over the long term.

Generating Sustainable Momentum

To realize our aspiration, we need to create an organization that is both different and sustainable. This is not something that can be achieved overnight or with a simple statement of intent. It requires sustained commitment, persistence and investment over a number of years.

Our first major step was to create a portfolio of specialist businesses. Specialization has not only enhanced our customer value propositions, it has also brought a sharper financial focus through greater accountability, and has contributed to a greater sense of ownership and commitment from our people. This has already contributed to improved customer satisfaction across many business units, and in turn, improved results. We are now focused on overlaying a strong customer segment focus while retaining the benefits of specialization.

We established a program of cultural change, Breakout, in 1999 and it continues today. This program is designed to transform ANZ s culture from the traditional, bureaucratic banking culture into a modern vibrant organization where our people are passionate and inspired and ANZ s values are the basis for all activity and decisions. Over 20,000 people within ANZ have been through our Breakout program in its various phases, with each phase tackling a different priority or issue. Initially, much of the program was aimed at increasing accountability, freedom and openness and developing a common set of values. The current theme is working at enhancing teamwork and collaboration across the organization. The Breakout program reflects an attitude towards our people as an investment rather than a resource, and we are starting to realise the returns to this investment. Based on surveys conducted during the year, staff satisfaction is up from 50% in 2000 to 85% in 2004 financial year across 32,000 staff, and staff engagement at 63% is ahead of our major domestic bank peers and participating domestic large companies.

At ANZ, staff are actively involved in creating their own personal development plans and innovative programs are in place to identify, nurture and fast-track high potential people from graduate through to senior executive level. For example, our Future Leaders program aims to support first time managers of people in developing the capabilities required to effectively manage and lead staff. This program represents a significant cultural change in the learning process by combining web-based learning, simulations and on-line collaboration with face-to-face workshops.

ANZ is committed to enhancing the well-being and prosperity of the communities where our people live and work, and where our business operates. As a bank, we aim to be leaders in addressing the major social issues that involve the financial services industry - in particular financial literacy and financial inclusion. Our programs also provide opportunities for our staff to support causes that are important to them. Our focus is on developing innovative programs, with clear aims, and real outcomes, that make a lasting difference to people s lives - particularly amongst the most vulnerable. Our award winning financial literacy and inclusion program, Saver Plus has now helped more than 700 families throughout Victoria, New South Wales and South East Queensland improve their financial knowledge, build long term savings habits and save for their children s education. Our goal is to contribute $3m over the next 3 years and reach an additional 3000 families. In addition, we aim to reach 100,000 people over the next 5 years with our Money Minded adult financial education program which seeks to help individuals make better judgements and more informed decisions about their money.

In fiscal year ended September 30, 2005 more than 28% of Australian staff contributed part of their pay through our workplace giving program. This included more than $1m contributed by staff and matched by ANZ toward the World Vision Tsunami appeal. ANZ also offers paid volunteer leave to help staff build stronger, healthier, and more sustainable communities. In the past 12 months, ANZ staff contributed more than 24,000 hours to community organisations.

While ANZ has been reporting on our community and environmental activities for some time, in December 2005 we published our first stand alone Corporate Responsibility report covering our performance and outcomes across economic, social and environmental criteria and is structured around our values.

Building a future

Specialization creates a more agile operation, enabling ANZ to respond to the opportunities presented within each business segment. We are committed to leveraging our specialised business model by overlaying it with a product neutral customer segment focus in the frontline.

In our retail banking businesses, trained and committed staff acting as advocates for ANZ are essential to the health of our relationships with customers and the broader community. Our new retail proposition to customers is based on a commitment to convenience and simplicity, with a strong central customer proposition that aims to differentiate ANZ in a crowded marketplace. In the past year we have opened 15 new branches, extended our call Center to 24 hours, seven days a week, and have simplified our products and fee structures substantially to make banking easier for our customers. To raise awareness of these products, we utilise a number of marketing channels from traditional advertising on print, radio and television through to promotions on our website. Customers may also receive direct mail printed materials. We have also rolled out iKnow, a customer profiling system that provides our sales staff with the information and functionality that they need to effectively interact with our customers. Our lead in staff and customer investment and focus is manifested in ANZ being awarded Bank of the Year for six consecutive years independently by Personal Investor Magazine.

Our Institutional businesses across Australasia and Asia are focused on institutional banking, trade and project finance, and financial markets. Within Europe and North America this focus is aimed at our network customers who operate in Australasia and Asia. Institutional is in a stage of reinvigorating its business following a number of years of relatively flat earnings and asset growth, as a consequence of a comprehensive de-risking program. The focus of the business is now on further initiatives to deliver revenue growth, combined with disciplined use of capital and continuing strong risk management. For instance, we are strategically investing in improving our technology to make banking more convenient and flexible for our Corporate and Institutional customers.

ANZ National Bank is the largest provider of banking services in New Zealand following the amalgamation of NBNZ in June 2004. Integration is progressively broadly in line with our Plans with synergies expected to emerge progressively with 2007 being the first full year.

Our Asian Pacific strategy is focused on consumer banking in the region, along with supporting our Institutional clients as they invest and trade in the region. In building our Asian partnerships, our preference is to work with local partners with domestic customer franchises where we can add our own distinct capabilities to theirs. Over time we would like to pursue further initiatives, while continuing to reflect the need to maintain a conservative risk profile. We remain the largest bank in the South Pacific with over 40% market share (outside the French and American Pacific).

We will consider enhancing our capabilities, growth opportunities, scale benefits and other synergies through selective acquisitions. Any acquisition must be aligned with our vision for ANZ and must be value-creating. Our acquisition discipline was highlighted by the NBNZ transaction, which was EPS accretive in the first year of ownership. We will also enter commercial arrangements and partnerships where these provide a strategic fit with our existing businesses.

Recent Developments

On December 6, 2005 we announced ANZ had signed agreements for ANZ to acquire a 19.9% shareholding in Tianjin City Commercial Bank (TCCB) for approximately US$120 million. This investment follows 12 months of consultation and negotiation.

This is an opportunity for ANZ to partner with one of China s leading city commercial banks in one of China s largest, fastest growing regions.

Tianjin is the harbor city of Beijing, about two hours drive from Beijing. Tianjin has approximately 10 million people and is strategically placed in a region with close to 300 million people. TCCB already has approximately 180 branches and sub-branches in and around Tianjin.

As part of the partnership, ANZ will provide technical assistance to improve TCCB s risk management and retail banking skills. In addition, ANZ will provide management resources and have representation on the Board of Directors.

This is a further step in our Asian strategy. This transaction adds to our growing portfolio of banking partnerships across Asia, including Indonesia, the Philippines, Vietnam and Cambodia.

Assets and Gross Revenue by Line of Business

Years ended September 30 (1)	2005 $M		2004 $M		2003 $M	
Line of Business (2)						
External Assets						
Personal	106,043	36%	93,232	36%	n/a	n/a
Institutional	70,901	24%	60,144	23%	n/a	n/a
Corporate	21,263	7%	19,098	7%	n/a	n/a
New Zealand Businesses	60,157	21%	53,434	21%	n/a	n/a
Esanda and UDC	15,405	5%	14,524	6%	n/a	n/a
Asia Pacific	2,890	1%	2,446	1%	n/a	n/a
Other (3)	16,526	6%	16,467	6%	n/a	n/a
Total Assets	293,185	100%	259,345	100%	n/a	n/a
Line of Business (2)						

As published in the September 2004 Company Profile:

External Assets	2004 $M		2003 $M	
Personal	93,738	36%	79,829	41%
Institutional	55,736	21%	56,977	29%
Corporate Australia	18,992	7%	15,993	8%
New Zealand Business	55,870	22%	14,379	7%
Esanda and UDC	14,524	6%	13,460	7%
ING Australia	1,777	1%	1,736	1%
Asia Pacific	2,379	1%	2,027	1%
Other (3)	16,329	6%	11,190	6%
Total Assets	259,345	100%	195,591	100%

(1) Refer table above for line of fiscal year ended September 30, 2004 under previous business structure. Refer 2004 20-F for discussion of these businesses.

(2) For discussion of operating results by Line of Business see Operating and Financial Review and Prospects - Results by Line of Business .

(3) Includes Group Treasury, Operations, Technology and Shared Services, Corporate Center, Risk Management and Group Financial Management.

Years ended September 30 (1)	**2005 $M**		**2004 $M**		**2003 $M**	
Gross Revenue (2)						
Personal	7,955	38%	6,814	39%	n/a	n/a
Institutional	4,572	22%	4,115	24%	n/a	n/a
Corporate	1,278	6%	1,108	6%	n/a	n/a
New Zealand Businesses	5,100	24%	3,461	20%	n/a	n/a
Esanda and UDC	1,255	6%	1,156	7%	n/a	n/a
Asia Pacific	321	2%	314	2%	n/a	n/a
Other (3)	498	2%	540	2%	n/a	n/a
Total Gross Revenue	20,979	100%	17,508	100%	n/a	n/a

As published in the September 2004 Company Profile:

	2004 $M		**2003 $M**	
Gross Revenue (2)				
Personal	6,782	39%	5,447	42%
Institutional	3,616	21%	3,389	26%
Corporate Australia	1,075	6%	893	7%
New Zealand Business	3,835	22%	1,319	10%
Esanda and UDC	1,154	6%	1,083	8%
ING Australia	116	1%	90	1%
Asia Pacific	310	2%	316	2%
Other (3)	620	3%	486	4%
Total Gross Revenue	17,508	100%	13,023	100%

(1) Refer table above for line of business for 2004 under previous business structure.

(2) Gross revenue comprises interest income, non-interest income and share of equity accounted investments (refer Note 2 of the Financial Report).

(3) Includes Group Treasury, Operations, Technology and Shared Services, Corporate Center, Risk Management and Group Financial Management.

Assets and Gross Revenue by Region

Years ended September 30	2005		2004		2003	
	$ M		$ M		$ M	
Region (1)						
Assets						
Australia	195,500	67%	170,455	66%	151,538	77%
New Zealand	78,474	27%	69,801	27%	25,696	13%
Overseas Markets	19,211	6%	19,089	7%	18,357	10%
	293,185	100%	259,345	100%	195,591	100%
Gross Revenue (2)						
Australia	13,496	64%	11,767	67%	9,508	73%
New Zealand	6,211	30%	4,632	27%	2,149	17%
Overseas Markets	1,272	6%	1,109	6%	1,366	10%
	20,979	100%	17,508	100%	13,023	100%
Net profit before tax						
Australia	2,975	70%	2,785	70%	2,371	72%
New Zealand	832	20%	763	19%	495	15%
Overseas Markets	448	10%	439	11%	411	13%
	4,255	100%	3,987	100%	3,277	100%

(1) For discussion of operating results by region see Operating and Financial Review and Prospects - Results by Region .

(2) Gross revenue comprises interest income and non-interest income.

Supervision and Regulation

Australia

Effective from July 1, 1998, APRA assumed responsibility for the prudential and regulatory supervision of Australian banks, credit unions, building societies, other Authorised Deposit Institutions (ADIs), insurance companies and superannuation funds. Prior to July 1, 1998, the Australian banking industry was regulated by the RBA. The RBA has retained overall responsibility for monetary policy, financial system stability and payments system regulation. APRA draws authority from the Australian Prudential Regulation Authority Act 1998.

APRA requires Banks to meet certain prudential standards that are covered in a range of APRA Prudential Standards (APS). These include standards in relation to:

Capital adequacy and asset risk weighting

Credit risk including portfolio and large exposure reporting

Market risk

Liquidity management

Funds management and securitization

General insurance

Risk management of associations with related entities

Management of credit card risk

Management of outsourced business arrangements

Business Continuity Management

Audit and related arrangements

APRA discharges its responsibilities in part by requiring banks subject to its supervision to regularly provide it with reports which set forth a broad range of information, including financial and statistical data relating to their financial position and information in respect of prudential and other matters. APRA gives special attention to capital adequacy, liquidity, earnings, loan loss experience, concentration of risks, the maturity profile of assets and liabilities, exposures to related entities, funds management and securitization activities and international banking operations. APRA may also exercise certain investigative powers if a bank fails to provide information about its financial condition or becomes unable to meet its obligations or suspends payment.

In carrying out its supervisory role, APRA supplements its analysis of statistical data collected from banks with selective on site visits and formal meetings with banks senior management and external auditors. APRA has also formalised a consultative relationship with each bank s external auditors with the agreement of the banks. The external auditors provide additional assurance to APRA that the ADI has observed all prudential standards, and that statutory and other banking requirements are being met. External auditors also undertake targeted reviews of specific risk management areas as selected at the annual meeting between the bank, its external auditors and APRA. In addition, each bank s Chief Executive Officer attests to, and the Board endorses, the adequacy and operating effectiveness of the bank s risk management systems to control exposures and limit risks to prudent levels.

APRA imposes guidelines for the capital adequacy of banks as an essential part of its prudential supervision of ADIs and has adopted capital adequacy guidelines closely following the risk-weighted approach proposed by the Committee on Banking Regulation and Supervision of the Bank for International Settlements (the Basel Committee). Under the existing APRA guidelines, balance sheet assets and off-balance sheet exposures are assessed according to broad categories of relative credit risk, based largely on the nature of the asset or counterparty. Off-balance sheet exposures are taken into account by applying different categories of credit conversion factors to arrive at credit equivalent amounts, which are then weighted in the same manner as balance sheet assets according to the counterparty. APRA also requires banks to measure and apply capital charges in respect of their market risks arising from their trading and commodity positions in a manner which is broadly consistent with the January 1996 Basel Committee amendment to its Capital Accord. In measuring their market risks, banks have a choice of two methods. The first alternative is to measure risks in a standardized manner defined by APRA. The second alternative allows banks to utilise their internal risk measurement systems subject to APRA approval. ANZ applies the second approach.

To ensure that ADIs are adequately capitalized on both a stand-alone and group basis, APRA adopts a tiered approach to the measurement of an ADI s capital adequacy by assessing the ADI s financial strength at three levels:

(a) Level 1 - the ADI on a stand-alone basis;

(b) Level 2 - the consolidated banking group; and

(c) Level 3 - the conglomerate group at the widest level.

ANZ is a Level 1 & 2 reporter and measures capital adequacy monthly on a stand-alone and consolidated banking group basis. ANZ is not required to report on a Level 3 basis.

Capital, for APRA supervisory purposes, is classified into two tiers, referred to as Tier 1 and Tier 2. APRA requires all ADI s to maintain a minimum ratio of total capital to risk-weighted assets, at least half of which must be maintained in the form of Tier 1 capital, with the remainder being in Tier 2 capital. APRA will consider other risk factors that have not been incorporated or accounted for quantitatively in the framework when assessing the overall capital adequacy of an ADI. Where it is judged appropriate, APRA may require individual ADI s to maintain a minimum total capital ratio above 8 per cent, with at least half of the ratio being in the form of Tier 1 capital.

Tier 1 capital consists of paid up ordinary shares, general reserves, retained earnings, current year earnings net of expected dividends and tax expenses, hybrid Tier 1 capital instruments that include non-cumulative preference shares and other innovative capital instruments not redeemable at the holders option which are approved by APRA, and minority interests in subsidiaries. Tier 1 excludes the retained earnings and reserves of subsidiaries and associates that are not consolidated for capital adequacy purposes, principally subsidiaries in the life insurance and funds management industry. Tier 1 also is after deductions that include intangible assets and goodwill, capitalised expenses and investment in captive lenders insurance subsidiaries. Hybrid Tier 1 capital instruments include capital instruments which are of a permanent and unrestricted commitment of funds, are available to absorb losses, have no fixed servicing obligations and are subordinated to the interests of depositors and other creditors. Provision has also been made so that capital instruments issued via special purpose entities may be eligible for inclusion in Tier 1 capital.

APRA has proposed changes to the composition of Tier 1 capital, with a tightening of the rules around the volume and eligibility of instruments that will qualify as Tier 1 capital, including:

changing the volume of eligible hybrid Tier 1 capital from 25% of Tier 1 capital before hybrid Tier 1 capital instruments and deductions, to 25% of Tier 1 including hybrid Tier 1 capital instruments and deductions, with the 25% being split into 10% for a new category being non-innovative or pure preference shares and 15% for innovative or structured issuances;

introducing a new class of hybrid Tier 1 capital, being non-innovative or pure preference shares . APRA s proposal identifies pure preference shares as non-cumulative irredeemable preference shares without innovative capital features issued directly by the ADI;

including in the innovative Tier 1 hybrid capital classification any issue that has an incentive for the issuer to call, such as a step-up feature or an option to convert into ordinary shares, or an instrument issued through a Special Purpose Vehicle, or any Tier 1 instrument not representing shares ; and

phasing in the new rules between July 2006 and January 2008, with a further transition period to January 2010 for institutions that cannot become compliant at January 2008 based upon the hybrid Tier 1 capital instruments they have on issue at the date of the discussion paper. This timetable is designed to align with the introduction of Basel II requirements.

At the time of publication, the rules are yet to be finalised and accordingly it is not possible to determine the absolute impact the changes will have on the Group s capital position and future strategy. However, it is anticipated that all of the Group s existing hybrid Tier 1 capital issues will continue to be classified as innovative capital and that the Group is likely to be above the new 15% limit at January 2008. ANZ will be requesting that APRA apply transition rules through to 2010.

In addition APRA has proposed changes to the prudential capital standards to adjust, where APRA determines it appropriate, for the impact on the ADI s capital base following the adoption of AIFRS accounting standards by the ADI in preparing its financial statements and records, which ANZ will adopt on 1st October 2005. At the time of publication, the rules are yet to be finalised and accordingly it is not possible to determine the absolute impact the changes will have on the Group s capital position, however based upon the information released to date by APRA, the impact is not expected to be significant.

APRA requires there to be deducted from an ADI s total regulatory capital, investments in non-consolidated subsidiaries for capital adequacy purposes excluding that portion that has been deducted from Tier 1, strategic cross-ADI shareholdings, any non-repayable loan advanced by an ADI under APRA s certified industry support arrangements, any undertaking by an ADI to absorb designated first level of losses on claims supported by it.

An ADI must gain APRA s approval for any reduction in capital including calling any dated capital instrument before its contract maturity date, or repurchasing any undated capital instrument. An ADI must also gain APRA s approval for paying out a periodic coupon on a Tier 1 instrument where the accumulated Tier 1 coupon payments exceed profits in the last two half years.

An ADI should consult with APRA before establishing or acquiring a subsidiary (other than an entity which is to be used purely as a special purpose financing vehicle for the ADI) and committing to any proposal to acquire (whether directly or indirectly) more than 10% of equity interest in an entity which operates in the field of finance. In addition, an ADI should consult with APRA before taking up an equity interest in an entity arising from the work-out of a problem exposure where this exceeds 0.25% of the ADI s Level 2 Tier 1 capital, or will result in the ADI acquiring (whether directly or indirectly) more than 10% of equity interest in the entity, or will result in the ADI s aggregate investment in non-subsidiary entities which are not operating in the field of finance exceeding 5% of the ADI s Level 2 Tier 1 capital.

In calculating an ADI s Level 1 (stand alone) capital base the equity investments in non-subsidiary entities that are not operating in the field of finance in excess of 0.25% of the ADI s Level 2 Tier 1 capital for an individual investment or 5% of the ADI s Level 2 Tier 1 capital in aggregate are deductions from Tier 1 capital.

A bank may not enter into any agreement or arrangement for the sale or disposal of its business or carry on business in partnership with another bank without the consent of the Treasurer of the Commonwealth of Australia (the Treasurer). Although the RBA has the authority, with the approval of the Treasurer, to set interest rates paid or charged by banks, this authority is not currently exercised.

Liquidity is controlled by individual agreements with each bank, which take into consideration the specific operations of each organization. APRA requires that banks have a comprehensive liquidity policy statement which defines the guidelines and systems for managing domestic and foreign currency liquidity. This statement must be approved by the Board of Directors. A bank s liquidity management policy should cater for a range of potential conditions and APRA requires a bank s liquidity risk to be assessed under two specific scenarios. The first scenario is known as the going-concern , refers to the normal behavior of cash flows in the ordinary course of business and forms the day-to-day focus of a bank s liquidity management. The second scenario, known as the name crisis , models the behavior of cash flows where there is a problem (real or perceived) which may include operational issues, doubts about the solvency of a bank or adverse rating changes. APRA expects a bank to have sufficient liquidity to remain cashflow positive for at least 5 business days during this short term crisis. APRA requires banks to report large credit exposures to an individual counterparty or a group of related counterparties at the company and consolidated banking group level (i.e. the bank and its subsidiaries). Banks must consult with APRA before committing to any exposure (includes claims and commitments recorded on and off balance sheet) to any individual counterparty or group of related counterparties which will exceed 10% (subject to exceptions) of the capital base of the company and consolidated banking group level. Banks are required to report quarterly to APRA the largest 10 exposures and all those exceeding, or equal to, 10% of the company and consolidated banking group capital base.

At September 30 2005, at the consolidated level, ANZ reported the following 10 large exposures;

One Government body - S&P rating BBB+, Moody s rating A2

One Corporate - S&P rating A+, Moody s rating A1

One Corporate - S&P rating A+, Moody s rating Aa3

Four Government bodies - S&P rating AAA, Moody s rating Aaa

One Corporate - Not externally rated

One Corporate - S&P rating A-, Moody s rating A2

One Bank - S&P rating AA-, Moody s rating Aa3

Basel II

The common framework for determining the appropriate quantum of bank regulatory capital is set by the Basel Committee , a sub-committee of the Bank for International Settlements, and a new framework has been developed over the past six years that is commonly known as Basel II . A key objective of Basel II is to improve stability of the global financial system by encouraging improved risk management practices and requiring banks to hold levels of regulatory capital commensurate with their risk profile. In particular, Basel II will introduce a more risk-sensitive and detailed regulatory capital regime for credit risk and will introduce for the first time an explicit regulatory capital charge for operational risk. The final version of the new Accord was released in June 2004, and APRA has commenced the release of its version of the Accord through the publication of its draft prudential standards in Australia.

A major innovation of the new Accord is that Basel II allows banks of varying sophistication in their risk management practices to enter the new regulatory capital framework at one of three levels, with incentives embedded (by way of reduced regulatory capital requirements) to attract banks with more sophisticated risk measurement and management approaches to reach the more advanced levels. Banks will need to choose their approach and be accredited at a level of compliance in each of credit and operational risk. Market risk remains largely unchanged from the current Accord, following its revision in 1996. ANZ is already accredited for the most sophisticated approach to market risk.

ANZ is pursuing accreditation under the most advanced approaches for both credit and operational risk, in line with the Group s vision of risk management as a strategic asset and source of competitive advantage. It has projects underway to address all of the necessary requirements for accreditation at the most advanced levels for both areas under Basel II, some of which are complete and others nearing completion. Key structural elements of ANZ s framework, such as a credit risk rating system that measures default probabilities and likely losses in the event of default, and a framework for operational risk measurement and capital allocation, are in place, remaining largely unchanged from ANZ s existing approaches. ANZ s application for accreditation under Basel II, at the most advanced levels within the new framework, was submitted to APRA on 30 September 2005.

New Zealand

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

The Reserve Bank of New Zealand Act 1989 (the Act) requires the Reserve Bank of New Zealand (RBNZ) to exercise its powers of registration of banks and prudential supervision of registered banks for the purposes of:

promoting the maintenance of a sound and efficient financial system or

avoiding significant damage to the financial system that could result from the failure of a registered bank.

The RBNZ s supervisory functions are aimed at encouraging the soundness and efficiency of the financial system as a whole, and not preventing individual bank failures or at protecting creditors. As a consequence the RBNZ places considerable emphasis on a requirement that the banks disclose, on a quarterly basis, information on financial performance and risk positions, and on a requirement that directors regularly attest to certain key matters. These measures are intended to strengthen market disciplines and to ensure that responsibility for the prudent management of banks lies with those who the RBNZ considers are best placed to exercise that responsibility - the directors and management.

The main elements of the RBNZ s supervisory role are:

to require all banks to comply with certain minimum prudential requirements, which are applied through conditions of registration. For ANZ National, these are set out below

to monitor each registered bank s financial condition and compliance with conditions of registration, principally on the basis of published quarterly disclosure statements

to consult with the senior management of registered banks

to use crisis management powers available to it under the Act to intervene where a bank distress or failure situation threatens the soundness of the financial system

The disclosure statements that are required to be issued quarterly by registered banks contain comprehensive corporate details and full financial statements. They are subject to full external audit at the end of each financial year and a limited scope independent review at the end of each financial half year. Each bank director is required to sign his or her bank s disclosure statements and to make certain attestations. A bank and its directors may incur criminal and civil penalties if the bank s disclosure statement contains information that is held to be false or misleading.

The RBNZ currently also requires all registered banks to obtain and maintain a credit rating from an approved organization and publish that rating in the quarterly disclosure statements.

In addition, the RBNZ has wide reaching powers to obtain further information, data and forecasts in connection with its supervisory functions, and to require that information data, and forecasts to be audited.

It also possesses a number of crisis management powers. Those powers include recommending that a bank s registration be cancelled, investigating the affairs of a registered bank, requiring that a registered bank consult with the RBNZ, giving directions to a registered bank, removing, replacing or appointing a director of a registered bank or recommending that a registered bank be subject to statutory management.

The registration of ANZ National as a registered bank is subject to the following conditions:

1. That ANZ National complies with the following requirements at all times:

Capital of ANZ National is not less than 8% of risk weighted exposures

Tier one capital of ANZ National is not less than 4% of risk weighted exposures

Capital of ANZ National is not less than NZD15 million

For the purposes of this condition of registration, capital, tier one capital and risk weighted exposures are calculated in accordance with the RBNZ document entitled Capital Adequacy Framework (BS2) dated March 2005.

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

2. That the banking group does not conduct any non-financial activities that in aggregate are material relative to its total activities, where the term material is based on generally accepted accounting practice, as defined in the Financial Reporting Act 1993.

3. That the banking group s insurance business is not greater than 1% of its total consolidated assets. For the purposes of this condition:

(i) Insurance business means any business of the nature referred to in section 4 of the Insurance Companies (Ratings and Inspections) Act 1994 (including those to which the Act is disapplied by sections 4(1)(a) and (b) and 9 of that Act), or any business of the nature referred to in section 3(1) of the Life Insurance Act 1908;

(ii) In measuring the size of the banking group s insurance business:

(a) where insurance business is conducted by any entity whose business predominantly consists of insurance business, the size of that insurance business shall be:

the total consolidated assets of the group headed by that entity

or if the entity is a subsidiary of another entity whose business predominantly consists of insurance business, the total consolidated assets of the group headed by the latter entity

(b) otherwise, the size of each insurance business conducted by any entity within the banking group shall equal the total liabilities relating to that insurance business, plus the equity retained by the entity to meet the solvency or financial soundness needs of the insurance business

(c) the amounts measured in relation to parts (a) and (b) shall be summed and compared to the total consolidated assets of the banking group. All amounts in parts (a) and (b) shall relate to on balance sheet items only, and shall be determined in accordance with generally accepted accounting practice, as defined in the Financial Reporting Act 1993

(d) where products or assets of which an insurance business is comprised also contain a non-insurance component, the whole of such products or assets shall be considered part of the insurance business

4. That aggregate credit exposures (of a non-capital nature and net of specific allowance for loan losses) of the banking group to all connected persons do not exceed the rating-contingent limit outlined in the following matrix:

Credit rating	**Connected exposure limited (% of the banking group s Tier 1 capital)**
AA/Aa2 and above	75
AA-/Aa3	70
A+/A1	60
A/A2	40
A-/A3	30
BBB+/Baa1 and below	15

Within the rating-contingent limit, credit exposures (of a non-capital nature and net of specific allowance for loan losses) to non-bank connected persons shall not exceed 15 per cent of the banking group s tier 1 capital.

For the purposes of this condition of registration, compliance with the rating-contingent connected exposure limit is determined in accordance with the RBNZ document entitled Connected Exposure Policy (BS8), dated March 2005.

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

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

7. That the chairperson of ANZ National s board is not an employee of ANZ National.

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

9. That a substantial proportion of ANZ National s business is conducted in and from New Zealand.

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

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

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

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

(iv) any action that prohibits, prevents or restricts the authority or ability of the board of ANZ National or any statutory manager of ANZ National (or the board of any member of the banking group or any statutory manager of any member of the banking group) to have unambiguous legal authority and practical ability to control and operate any business or activity of ANZ National (or any member of the banking group)

11. That no appointment of any director, chief executive officer, or executive who reports or is accountable directly to the chief executive officer, shall be made in respect of ANZ National unless:

(i) the RBNZ has been supplied with a copy of the curriculum vitae of the proposed appointee and

(ii) the RBNZ has advised that it has no objection to that appointment

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

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

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

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

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

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

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

(a) the New Zealand dollar accounts and channels servicing the consumer banking market (but potentially also other customer segments); and

(b) the general ledger covering subsidiary ledgers for (a) above, together with a daily updated summary of the subsidiary ledgers running on the international system; and

(c) any other functions, operations or business of, or carried on by, ANZ National (now or at any time in the future) that are not included in, or form part of, the international system.

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

(a) supports foreign currency accounts/transactions

(b) supports cross-border trade, payments and other transactions

(c) supports businesses that operate in global markets

(d) supports accounts and transactions undertaken by institutions, corporates and banks

(e) used to manage large, volatile risk businesses which operate on a global basis

(f) used to service customers who conduct accounts and transactions with the bank in multiple countries

(g) used by the non-bank subsidiary companies

United States

A major focus of US governmental policies affecting financial institutions in recent years has been combating money laundering and terrorist financing. The USA PATRIOT Act of 2001 (the Patriot Act) substantially broadened the scope of US anti-money laundering laws by imposed significant new compliance and due diligence obligations, creating new crimes and penalties and expanding the extra-territorial jurisdiction of the United States. The US Treasury Department has issued a number of regulations implementing various requirements of the Patriot Act that apply to US financial institutions, such as ANZ s New York Branch, US bank subsidiary and US broker-dealer subsidiary.

Those regulations impose obligations on US financial institutions to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing and to verify the identify of their customers. In addition, the US bank regulatory agencies are imposing heightened standards, and US law enforcement authorities have been taking a more active role. Failure of a financial institution to maintain and implement adequate policies and procedures to combat money laundering and terrorist financing could have serious legal and reputational consequences for the institution.

Following the passage of the Gramm-Leach-Bliley Act (GLB , also known as the Financial Modernization Act), ANZ successfully sought certification as a Financial Holding Company (FHC) by the Federal Reserve Board. A FHC is allowed to engage, or acquire companies engaged, in the United States in activities that are determined by the Federal Reserve Board and the Secretary of the Treasury to be financial in nature or incidental thereto, and activities that are determined by the Federal Reserve Board to be complementary to financial activities.

Under GLB, an FHC is subject to restrictions if it is determined that the FHC, or any of its US subsidiary depository institutions, is not well managed or well capitalized or if any of its US subsidiary depository institutions ceases to achieve at least a satisfactory rating under the US Community Reinvestment Act of 1977. In addition, under the GLB, the Federal Reserve Board is the umbrella supervisor with jurisdiction over FHCs.

The Office of the Comptroller of the Currency (Comptroller) regulates federal branches of non-US banks in the United States. Therefore, ANZ s New York Branch is subject to supervision, examination and regulation by the Comptroller under the International Banking Act of 1978 (the IBA) and under regulations adopted pursuant to the IBA. The IBA provides, among other things, that a federal branch of a non-US bank can exercise the same rights and privileges that are available to national banks. In addition, the exercise of any such right or privilege must be subject to the same duties, restrictions, penalties, liabilities, conditions and limitations that apply to national banks at the same location. The federal branch must maintain its accounts and records separate from those of the non-US bank and must comply with such additional requirements as may be prescribed by the Comptroller.

Under the IBA, a federal branch of a non-US bank is subject to the receivership provisions to the same extent as a national bank. The Comptroller may take possession of the business and property of a federal branch. Accordingly, the Comptroller has at its disposal a wide range of supervisory and enforcement tools for addressing violations of laws and regulations and breaches of safety and soundness, which can be used against federal branches. The Comptroller may remove federal branch management and assess civil money penalties. In certain circumstances, the Comptroller may also terminate a federal branch license at its own initiative or at the recommendation of the Federal Reserve Board.

Also under the IBA, a non-US bank is subject to certain restrictions with respect to opening new US domestic deposit-taking branches and establishing new US subsidiary banks in states outside of its home-state , which in ANZ s case is New York.

Other countries

Local banking operations in all of the Issuer s offshore branches and banking subsidiaries are subject to host country supervision by their respective regulators.

Competition

The Australian banking system is highly competitive. In September 2005, the four major banking groups in Australia (being ANZ, Commonwealth Bank of Australia, National Australia Bank Limited and Westpac Banking Corporation, together with their respective banking subsidiaries), held approximately 70% of the total Australian assets of banks that carry on business in Australia. Each of these four banking groups operates a nationwide branch network and, at September 30, 2005, they collectively operated approximately 53% of the total number of bank branches in Australia. The operations of the smaller regional banks are typically limited to servicing customers in a particular State or region, and until recently had a particular emphasis on residential mortgage lending.

The deregulation of the Australian financial system during the early 1980s led to a proliferation of financial institutions that compete in selected markets with the four major banks. Non-bank financial intermediaries such as building societies and credit unions compete principally in the areas of accepting deposits and residential mortgage lending, mainly for owner-occupied housing. Some large building societies were granted banking authorizations under the Banking Act 1959. Specialist non-bank residential mortgage lenders and direct (non-branch) banking operations have become more prominent in recent years.

Competition is particularly intense in the housing lending market, which has been largely driven in recent times by the rise of mortgage originators, and more recently, growth of the mortgage broker industry. Broker originated loans now account for approximately 40% of all transactions in the Australian marketplace. Most banks have embraced broker-originated business whilst continuing efforts to grow market share in the traditional network channel.

The retail deposit market in Australia is currently the focus of increased competition. The recent introduction into the market of a number of high rate cash management accounts by large offshore institutions including Citibank and HBOS, combined with ING s long standing online product, has created a higher degree of competitive intensity. We believe a strong focus on meeting non-price needs will help protect earnings in this segment.

Our Consumer Finance business offers credit card products and personal loans in Australia. In a highly competitive market ANZ holds a strong position, accounting for around 20% of all credit card spending in Australia. Reforms recently introduced by the RBA, which allow merchants to recover the costs of accepting credit cards, determine objective cost-based benchmarks for setting interchange fees and liberalize access to the schemes, are designed to increase competition further in this market.

ANZ s Esanda and UDC businesses offer a range of personal finance products in Australia and New Zealand. The businesses hold leading market positions in motor vehicle and equipment finance. The highly competitive nature of this business in both countries has seen a period of rationalization in recent years that has resulted in a number of our peers divesting their personal finance operations to non-banking institutions.

Institutional offers a wide range of financial market services to our large corporate and institutional customer base including: foreign exchange, derivative and fixed interest activities, project and structured finance, corporate finance (mergers and acquisitions, and other advisory), primary markets origination and syndication and leasing finance. Competitors gain recognition through the quality of their client base, perceived skill sets, reputation and brands. In domestic markets, Institutional s competitors are generally either international investment banks operating in niche markets, the boutique operations of large multi-national banking conglomerates or domestic investment banks with a focus on niche areas. Institutional s key competitive strength is its focused geographic and sector experience, league table rankings and its established client base. This business has experienced declining margins, driven primarily by the decline in global credit spreads.

ANZ s Corporate Australia segment offers traditional relationship management to both its Corporate ($10 million to $150 million turnover), Business Banking ($50,000 Funds Under Management to $10 million turnover) and Small Business Banking (Funds Under Management to $50,000) businesses as well as financial solutions to its larger clients. ANZ has strong market share in the Corporate market that is dominated by the major Australian banks. The profile of the Business Banking market has seen competition intensify amongst the major and regional Australian banks and ANZ s share of this market has increased in recent periods. ANZ is investing in a specialist strategy for the Small Business market and expects solid asset and liability growth from this segment in future periods. The SME sector tends to have a strong need for branch based banking services, particularly relating to cash handling. This represents a key competitive advantage for larger banks such as ANZ.

The funds management industry is an area of strong competition amongst the four major Australian banks and Australia s insurance companies. Competition has increased as the Australian Government has encouraged long-term saving through superannuation by means of taxation concessions and the imposition of a mandatory superannuation guarantee levy on employers. In May 2002, ANZ commenced operations of the joint venture with the ING Australia Group to create a larger and more competitive organization in wealth management. In September 2005, ANZ National Bank Limited sold its funds management and insurance businesses to a joint venture with the ING Group in New Zealand.

On October 24, 2003, ANZ announced that it had purchased NBNZ from Lloyds TSB Group plc. Combined with ANZ s existing New Zealand operations the amalgamated entity holds an approximate 40% market share, and is the leading player in all market segments of the New Zealand banking market. We compete in New Zealand with the Bank of New Zealand (a wholly-owned subsidiary of National Australia Bank Limited), Westpac Trust Corporation (a wholly owned subsidiary of Westpac Banking Corporation), ASB Bank Limited (a wholly owned subsidiary of Commonwealth Bank of Australia) and others.

Competitive intensity is particularly prevalent in the New Zealand Mortgage market, where there has been significant competition in fixed rate mortgages. Margins on the two year fixed rate product were significantly reduced following reduced priced offerings by all New Zealand banks in late 2004. The two year fixed rate margins have increased in the 2005 financial year.

Item 5: Operating and Financial Review and Prospects

Results for 2005, 2004 and 2003

The following discussion is based on the Financial Statements and accompanying notes as prepared under Australian GAAP and set out in the Financial Report. Note 57 to the Financial Report discusses the principal differences between Australian GAAP and US GAAP, as they relate to us and provides a reconciliation of shareholders equity and total assets to US GAAP.

The analysis that follows discusses results after income tax unless otherwise stated.

Overview

ANZ is a leading Australian commercial bank serving approximately 5 million customers in Australia, New Zealand and the Pacific. It also has a presence in Asia, and the major financial markets in the United Kingdom and the United States.

ANZ operates a series of specialist businesses in key segments including Personal, Institutional, Corporate, Esanda and UDC, ING Australia, and its major geographic businesses in Asia Pacific and New Zealand.

ANZ s strategy is to develop a diverse portfolio of specialized businesses, which allows businesses to get closer to customers, to understand their real needs and deliver more valuable products and services. More recently, ANZ has re-organized its specialist businesses into Divisions with the goal of harnessing the synergies between specialist businesses and broadening the offering to customers, while maintaining ANZ s specialisation model.

To support its specialisation strategy, ANZ has had a consistent focus on key areas: the quality of its people; its culture; and creating low risk sustainable businesses. Over the last several years this has involved:

Shifting away from the dependence on higher risk businesses including those in international emerging markets, towards lower risk, more sustainable consumer businesses in our domestic markets (Australia and New Zealand).

Transforming ANZ s cost structure through developing the right technology and enabling our processes to become leaner and more competitive. For the fiscal year ended September 30, 2005, ANZ had a cost-to-income ratio of 45.6%.

Recognising ANZ s long term competitive strength rests with its people. This has involved investing in revitalising ANZ s culture enabling them to deliver more consistently and productively for shareholders and customers.

ANZ is focused on creating sustainable value for its shareholders - now and in the longer term. Much of this involves building on the competitive advantages that exist in our specialist businesses and continually evaluating opportunities to expand in Australia, New Zealand, and elsewhere in Asia and the Pacific.

On December 1, 2003, ANZ acquired NBNZ from Lloyds TSB for $4.9 billion. The acquisition has made ANZ the leading bank in New Zealand and is consistent with ANZ s strategic goal to have sustainable top three positions in each of our core businesses and markets.

For the fiscal year ended September 30, 2005, 34% of our operating income was derived from countries outside Australia compared to 33% and 27% in the years ending September 30, 2004 and 2003 respectively. Movements in foreign currencies against the Australian dollar will therefore affect our earnings through the translation of overseas profits to Australian dollars.

We face substantial competition in all our markets, particularly Australia and New Zealand. Competition affects ANZ s profitability in terms of reduced interest rate spreads and the volume of new lending. See Item 4: Information on the Company - Competition .

Our operations are impacted by government actions such as exchange controls and changes to taxation and government regulations in the countries in which we operate. Our operations in most countries depend on the continuing availability of banking licenses issued by applicable governments. In Australia, in addition to the competition rules overseen by the Australian Competition and Consumer Commission (ACCC), the Commonwealth Government of Australia prohibits any merger between any of the four largest Australian banks. There is no change anticipated to this prohibition in the near term.

Finally, our operations are also constrained by community pressures, most notably in Australia, in keeping fee income, interest rate increases and branch rationalization to acceptable levels.

Changes in Accounting Policy

For reporting periods commencing 1 October 2005, the Group is required to prepare financial statements using AIFRS, issued by the Australian Accounting Standards Board.

On 1 October 2005, the Group commenced application of AIFRS, covering all financial systems and records. The Group will report for the first time in compliance with AIFRS when the results for the half year ending 31 March 2006 are released. Discussion of the impacts of AIFRS have been outlined on in Note 55 of the 2005 Financial Report.

AASB 1044, Provisions, Contingent Liabilities and Contingent Assets became effective for the Group from October 1, 2002. Under the new Standard, provision for dividends cannot be booked unless dividends are declared, determined or publicly recommended on or before balance date. The final 2005 dividend was declared on November 14, 2005 and the final 2004 dividend was declared on November 17, 2004. Accordingly the dividend applicable to the current reporting period has not been booked in this report. However, dividends declared after balance date still need to be disclosed in the notes. The adoption of AASB 1044 results in an increase in Shareholders Equity of $1,077 million at September 30, 2005 and of $983 million at September 30, 2004. The Group will continue its current practice of making a public announcement of the dividend after balance date. Dividend information for the current period is provided in Note 7, Dividends.

Operating Results

ANZ s results for the past three years are summarized below and are discussed under the headings of Analysis of Major Income and Expense Items , Results by Line of Business , and Results by Region , which follow.

	2005 $M	2004 $M	2003 $M
Years ended September 30			
Australian GAAP			
Net interest income	5,798	5,254	4,311
Allowance for loan losses charge	(580)	(632)	(614)
Net interest income after allowance for loan losses charge	5,218	4,622	3,697
Non-interest income	3,552	3,391	2,808
Net operating income	8,770	8,013	6,505
Other operating expenses	(4,515)	(4,026)	(3,228)
Operating profit before income tax	4,255	3,987	3,277
Income tax expense	(1,234)	(1,168)	(926)
Operating profit after income tax	3,021	2,819	2,351
Outside equity interest	(3)	(4)	(3)
Net profit attributable to shareholders of the company	3,018	2,815	2,348
US GAAP (1)			
Operating profit attributable to ANZ shareholders	3,173	2,788	2,380

(1) As detailed in Note 57 to the Financial Report, during 2005 the Group undertook a review of its US GAAP reporting which identified several interpretational differences in ANZ s application of US GAAP. These differences, which impact the current and prior years, have been adjusted for in 2005 as they are not material.

ANZ recorded a profit after tax of $3,018 million for the year ended 30 September 2005, an increase of 7% over the September 2004 year. Basic earnings per ordinary share increased 5% (8 cents) to 161 cents at September 30, 2005. Return on average ordinary shareholders equity reduced 0.8% to 17.3% primarily due to the impact of the New Zealand acquisition in the 2004 year.

Analysis of Significant Items

Our management believes that the exclusion of significant items provides investors with a measure to compare the underlying performance of the operating business without the distortion of one-off gains and losses. Each significant item is non-recurring and therefore is not expected to affect the future financial performance of the Company.

The table below shows the impact of the significant items on our Operating Results for the past three years.

	2005 $M	2004 $M	2003 $M
Profit before significant items	3,004	2,717	2,348
Significant Items			
Recognition of deferred profit from closeout of interest rate swaps upon buy back of TrUEPrS hybrid Tier 1 instrument		84	
Profit from sale of businesses to ING Australia joint venture after tax		14	
Gain on sale of NBNZ Life	14		
Net profit attributable to shareholders of the company	3,018	2,815	2,348

2005

Sale of NBNZ Life and Funds Management businesses

On September 30, 2005 ANZ National sold the NBNZ Life and Funds Management businesses into a joint venture with the ING Group in New Zealand. A profit after tax on sale of $14 million was recognised. It is not considered that this is recurring as it resulted from the sale of businesses. This profit is not recognized for US GAAP purposes as the transaction involved transferring ownership of controlled entities in exchange for a non controlling ownership interest in the joint venture. Further detail on this transaction are provided on page 58.

2004

TrUEPrS

In the fiscal year ended September 30, 2004, the Group bought back TrUEPrS, a hybrid Tier 1 instrument. Previously deferred income that was earned on close out of interest rate swaps that had been hedging the TrUEPrS distributions was recognized in profit. The $84 million after tax impact of TrUEPrS on the 2004 fiscal year, being the release of deferred swap income of $108 million before tax, $2 million other swap income, the periodic and final cash dividends paid to holders of TrUEPrS ($36 million), the funding benefit from holding TrUEPrS for part of the year, and $28 million income tax expense have been classified as significant items. This item has not occurred in the past and is unlikely to occur again.

ING Australia completion accounts profit

In the fiscal year ended September 30, 2004, ANZ finalized the completion accounts on the sale of ANZ funds management and insurance businesses to ING Australia. This sale occurred in 2002. The final settlement of this transaction resulted in a $14 million after tax profit. It is not considered that this is recurring due to final settlement. This final adjustment to profit on sale has been treated as a significant item for Australian GAAP, consistent with the treatment of profit on sale in 2002. This profit is not recognized for US GAAP as the transaction involved transferring ownership of controlled entities in exchange for a non-controlling ownership interest in the joint venture.

2003

There were no significant items for the fiscal year ended September 30, 2003.

Net Profit and Loss

Profit after tax of $3,018 million increased 7% over the 2004 year, 11% after excluding significant items and 10% after also adjusting the 2004 year for an additional two months contribution from NBNZ.

ANZ s revenue comprises net interest income and other operating income.

Net interest income at $5,798 million was 10% higher ($544 million) than the 2004 year including an additional two months contribution from NBNZ ($137 million). Net interest income was driven by lending growth of 12%, particularly in Mortgages (14%), and deposit growth in Personal (10%) and Corporate (12%). Volume growth was partly offset by a 14 basis point decline in margin. The investment of the proceeds from the December 2004 Euro Trust securities issue increased net interest by $21 million ($14 million after tax) but is Earnings per Share neutral.

Other operating income at $3,552 million increased $161 million (5%). Other income growth was driven by volume from growth in fees, higher foreign exchange income, notably in the Pacific, and increased private equity earnings. These increases were offset by reduced profit on trading securities with a higher proportion of income booked as interest. Income from significant items reduced with the 2004 year including $110 million swap income on the redemption of TrUEPrS.

Lending fees increased $41 million (4%) largely as a result of an additional two months contribution from NBNZ and volume related fee increases in Personal and Corporate.

Non-lending fees increased $154 million (11%) with a 12% increase in Personal, an additional two months contribution from NBNZ and higher fees in Institutional, New Zealand Businesses and Esanda and UDC.

Foreign exchange earnings increased $43 million (10%) largely in offshore sites, particularly PNG and Fiji.

Profit on trading instruments reduced $17 million (11%) with a higher proportion of income booked as interest in Institutional due to cash flow funding requirements on derivatives.

Other operating income increased $50 million largely in Institutional and Personal.

The impact of exchange rate movements increased other operating income by $13 million.

Operating expenses at $4,515 million increased 12% (2004: $4,026 million). This increase was driven by an 8% increase in staff numbers with investment in growth initiatives, NBNZ incremental integration costs, an increased marketing spend and higher compliance costs.

Personnel expenses increased $291 million (14%) excluding incremental NBNZ integration costs, driven by an additional two months contribution from NBNZ and an 8% increase in staff numbers.

Premises expenses increased $37 million largely reflecting additional space requirements and increased rental expenses.

Technology costs reduced $11 million with lower merchant line costs and reduced software amortization

Incremental NBNZ integration costs increased $57 million

All other operating costs increased $115 million with an additional two months contribution from NBNZ (including goodwill amortization) and an increased marketing and travel spend. These increases were partly offset by reduced restructuring costs.

The impact of exchange rate movements increased cost growth by $31 million.

Asset quality continued to improve:

Net specific provisions reduced 19% to $357 million with the reduction principally in Institutional. This represented a loss rate of 15 basis points compared to the economic loss provision (ELP   ) charge of 25 basis points.

Net non-accrual loans reduced 14% to $386 million with lower levels of new non-accrual loans and the realisation of two large power exposures in the US.

The Economic Loss Provisions rate reduced 6 basis points over the year in line with the Group   s strengthening risk profile. The Group Center charge for offshore losses reduced by $41 million (2 basis points) and the Economic Loss Provisions rate reduced in all business units over the September 2004 year reflecting lower risk.

The following trends are expected to have an impact on income from continuing operations:

Income increased for the fiscal year ended September 30, 2005 as a result of the consolidation of the full 12 months results of the National Bank of New Zealand following its acquisition on December 1, 2003. There will not be a corresponding increase in 2006 and subsequent years.

Treasury mismatch earnings declined for the fiscal year ended September 30,2005 following an extended period of low and flat yield curves.

ANZ has largely completed the process of de-risking its Institutional portfolio. De-risking commenced in 1998 and by December 2005 has approached its final stages. The result of the de-risking has been a reduction in income from the offshore Institutional loan portfolio and certain non-core structured finance transactions

The tax expense in ING Australia increased for the fiscal year ended September 30,2005 due to the loss of transitional tax relief for life companies from July 1, 2005. This trend will continue with the full year impact from the loss of transitional tax relief in 2006.

De-risking will continue to impact 2006 earnings (net profit after tax impact $45 million) growth following the exit of certain non-core structured finance transactions.

NBNZ Incremental integration costs increased for the fiscal year ended September 30, 2005. This trend is not expected to continue with the costs expected to reduce in 2006 as a result of integration being largely complete as at December 2005.

Margins continued to decline through 2005 as a result of:

Changes in the composition of the portfolio with a higher proportion of mortgages,

Changes in the funding mix with an increased proportion of wholesale funding and customers switching to lower margin (higher rate) deposit products; and

Competitive pricing on mortgages and customer deposit products.

These trends are expected to continue into the foreseeable future.

Underlying asset volume growth has been strong especially in domestic retail markets although there has been a slow down in the Australian housing market for the fiscal year ended September 30,2005 which has seen a softening in demand for mortgage products. This trend is expected to continue into the 2006 financial year.

2004

The Group recorded a profit after tax of $2,815 million for the year ended September 30, 2004, an increase of 20% over the year ended September 30, 2003. Profit excluding significant items and the 10 months contribution from NBNZ increased by 9% to $2,550 million.

ANZ s revenue comprises net interest income and other operating income.

Net interest income at $5,254 million was 22% ($943 million) higher than the 2003 year, due largely to the $708 million contribution from NBNZ. Excluding NBNZ, net interest increased 5% driven by growth in average net loans and advances of $18.4 billion, particularly in Mortgages, and growth in average deposits and other borrowings of $11.9 billion. This growth was suppressed by reduced margins.

Other operating income at $3,391 million increased $583 million (21%). Excluding significant items, other operating income increased $459 million (16%) due largely to the $259 million contribution from NBNZ. The following explanations exclude NBNZ and significant items.

Lending fees increased by $18 million, driven by lending growth in Corporate, Personal and Esanda offset by a $16 million reduction in Institutional reflecting ANZ s offshore risk reduction strategy.

Non-lending fee income increased by $165 million, driven mainly by growth in Personal ($112 million), Institutional ($39 million) and Esanda and UDC ($9 million).

Foreign exchange earnings increased $16 million with increased commodity and structured product sales in Institutional.

Profit on trading instruments increased $31 million, with a lower proportion of revenue booked as interest due to funding of cashflows.

Other operating income reduced $30 million with a reduction in income received on the TrUEPrS swap partly offset by increased equity income from ING Australia.

During the year ended September 30, 2004 the cost to income ratio remained broadly stable at 45.3%, staying within ANZ s target range. ANZ continued to increase investment in organic growth opportunities in the Australian franchise aimed at improving our market share. Operating expenses increased by $798 million, of which $593 million occurred because of the acquisition of NBNZ (including NBNZ incremental integration costs). Excluding these factors operating costs increased by $205 million (6%) driven by:

Personnel expenses increased $110 million as a result of annual salary increases together with an increase in staff numbers of 775, mainly in:

Customer facing positions (600 staff) in New Zealand, Foreign Exchange, Capital Markets, Trade Finance and Personal; and

Central functions (155 staff) driven mainly by an escalating compliance focus and project related activity.

Technology costs increased by $44 million largely due to costs associated with the rollout of the new telling platform and increased depreciation associated with investments in technology.

Premises costs increased $17 million, with increased investments in the branch network and changes in accounting methodology for rental costs.

The appreciation of the Australia dollar suppressed cost growth by $39 million.

Asset quality continued to improve with the economic loss provision rate down 6 basis points. This reflected a reduction in the additional charge taken in the Corporate Center for the offshore losses and the increased proportion of lower risk domestic assets. Net specific allowance for loan losses reduced 19% to $429 million with the reduction assisted by the de-risking of the offshore book.

Impact of NBNZ on September 2005 results

The fiscal year ending September 30, 2004 included only ten months contribution from NBNZ ($195 million) following its acquisition from Lloyds TSB on December 1, 2003 whereas the fiscal year ended September 30, 2005 include a full 12 months contribution from NBNZ. The additional 2 months contribution has resulted in an increase in income, expenses and profit. As the NBNZ businesses have been integrated into ANZ businesses it is not possible to separately determine the contribution from NBNZ in the 2005 fiscal year.

To assist the reader to analyze the income and expense trends, commentary comparing 2005 with 2004 has quantified the impact of the additional two months contribution as half the published four month profit reported to March 31, 2004.

The following table shows the contribution from NBNZ in the 2004 fiscal year.

	Ten months to Sep 04 $M	**Four months to Mar 04 $M**	**Half of four months to Mar 04 $M**
Net interest income	708	273	137
Other operating income	259	106	53
Operating income	967	379	190
Operating expenses	(572)	(222)	(111)
Profit before debt provision	395	157	79
Profit for doubtful debts	(62)	(27)	(14)
Profit before income tax	333	130	65
Income tax expense & Outside equity interest	(138)	(54)	(27)
Net profit	195	76	38

Analysis of Major Income and Expense Items

Net interest income

The following table analyzes net interest income, interest spread and net interest average margin for Australia, New Zealand and overseas markets. Interest income figures included as part of spread and margin calculations are presented on a tax-equivalent basis.

Years ended September 30	**2005 $M**	**2004 $M**	**2003 $M**
Interest income	17,427	14,117	10,215
Interest expense	(11629)	(8863)	(5904)
Net interest income	5,798	5,254	4,311
Average interest earning assets	248,304	212,153	162,154

Interest spreads and net interest average margin	**2005 %**	**2004 %**	**2003 %**
Australia			
Gross interest spread adjusted to include interest forgone	1.92	2.11	2.31
Interest forgone on impaired assets (1)	(0.01)	(0.02)	(0.02)
Net interest spread (2)	1.91	2.09	2.29
Interest attributable to net non-interest bearing items	0.43	0.39	0.41
Net Interest average margin (3)- Australia	2.34	2.48	2.70
New Zealand			
Gross interest spread adjustments to include interest forgone	1.86	2.08	2.30
Interest forgone on impaired assets (1)	(0.01)	(0.01)	
Net interest spread (2)	1.85	2.07	2.30
Interest attributable to net non-interest bearing items	0.51	0.43	0.62
Net interest average margin (3)- New Zealand	2.36	2.50	2.92
Overseas markets			
Gross interest spread adjusted to include interest forgone	1.05	1.34	1.37
Interest forgone on impaired assets (1)	(0.02)	(0.04)	(0.07)
Net interest spread (2)	1.03	1.30	1.30
Interest attributable to net non-interest bearing items	0.49	0.25	0.15
Net interest average margin (3)- Overseas markets	1.52	1.55	1.45
Group			
Gross interest spread adjusted to include interest forgone	1.86	2.08	2.28
Interest forgone on impaired assets (1)	(0.01)	(0.02)	(0.03)
Net interest spread (2)	1.85	2.06	2.25
Interest attributable to net non-interest bearing items	0.50	0.43	0.42
Net interest average margin (3)-Group	2.35	2.49	2.67

(1) Refer Note 14 to the Financial Report

(2) Average interest rate received on interest earning assets less the average interest rate paid on interest bearing liabilities

(3) Net interest income as a percentage of average interest earning assets

Years ended September 30	**2005**	**2004**	**2003**
Average rates			
Average Australian reference lending rate charged by ANZ	9.2%	9.0%	8.6%
Average Australian variable housing loan rate charged by ANZ	6.7%	6.0%	6.2%
Average Australian 90 day fixed term deposit rate (1)	3.6%	3.7%	3.2%
US average prime rate (2)	5.7%	4.1%	4.2%

(1) Source: Reserve Bank of Australia.

(2) Source: Datastream .

2005

Volume

Average net loans and advances grew by $33.3 billion (18%) with growth attributable to Personal ($12.9 billion or 15% with $11.2 billion in Mortgages), Institutional ($5.6 billion or 27%), Corporate ($2.0 billion or 16%) and New Zealand Business ($12.6 billion or 26%) including exchange rate impacts from a stronger New Zealand dollar ($1.8 billion) and the first full year from NBNZ. Average net loans and advances reduced by $0.7 billion (7%) in Overseas Markets as a result of the strategy to reduce higher risk exposures and the exchange rate impact of an appreciating Australian dollar ($0.3 billion).

Average deposits and other borrowings grew $21.0 billion (13%) with growth in Treasury ($4.4 billion) to fund asset growth, Personal Banking ($3.7 billion or 10%), Institutional ($3.0 billion or 18%), and Corporate ($1.6 billion or 10%). Average deposits and other borrowings increased in New Zealand ($9.0 billion or 20%), driven by Treasury ($2.6 billion) and exchange rate impacts ($1.7 billion). Average deposits and other borrowings declined ($2.0 billion or 9%) in Overseas Markets, reflecting the substitution of offshore commercial paper issuance with domestic certificates of deposit, and a $0.9 billion reduction resulting from exchange rate movements.

Margin

Net interest average margin contracted by 14 basis points from the 2004 year:

Funding mix (-3 basis points)

Changes in the funding mix reduced the net interest margin by 3 basis points due to substitution of wholesale funding for customer deposits (3 basis points), with offsetting impacts from movements in customer deposit mix and an increase in net non-interest bearing interest items.

Asset mix (-3 basis points)

Movements in the composition of assets in the portfolio negatively impacted the net interest margin by 3 basis points. This reflects growth in lower yielding Mortgage and Institutional assets (1 basis point) and declining proportions of higher yielding Esanda and UDC, Corporate and Structured Financing and Consumer Finance (3 basis points) lending, partly offset by a decline in liquid assets (-1 basis point).

Competition (-7 basis points)

Competitive pressures reduced margins by 7 basis points with this impact arising mainly in Mortgages (particularly in New Zealand), Institutional, Esanda and higher yielding customer deposits, plus migration of customers to lower yielding credit cards and New Zealand fixed rate mortgages (2 basis points).

Wholesale rates (nil)

Wholesale rate movements had offsetting impacts with less basis risk in variable rate mortgages and credit cards (1 basis point) and increased earnings from the investment of capital and rate insensitive deposits (3 basis points), offset by reduced Treasury mismatch earnings (4 basis points).

Other items (-1 basis point) include:

increased retail broker payments (-1 basis point)

reduced earnings from foreign exchange revenue hedging (-3 basis points)

lower funding costs associated with unrealized trading gains decreased as a result of movements in the AUD. This increase (+1 basis point) is reflected in the net interest margin, however it is directly offset by an equivalent reduction in trading income

reduced interest forgone on non-accrual loans (+1 basis point)

increased proportion of credit cards earning interest (+1 basis point)

2004

Net interest income at $5,254 million was 22% ($943 million) higher than 2003. Excluding significant items and NBNZ, net interest increased 5% ($233 million) to $4,544 million.

Volume

Average net loans and advances grew by $44.8 billion (32%) overall with growth attributable to the acquisition of NBNZ ($26.4 billion), Personal ($14.4 billion or 22% with $13.0 billion in Mortgages), Corporate ($2.3 billion or 22%) and Institutional ($1.8 billion or 10%). Average net loans and advances reduced by $2.4 billion (20%) in overseas markets as a result of the strategy to reduce higher risk exposures ($1.1 billion) and the exchange rate impact of a stronger Australian dollar ($1.3 billion).

Average deposits and other borrowings grew $37.2 billion (31%), with growth from the NBNZ acquisition ($25.3 billion), Treasury ($3.4 billion) to fund asset growth, Personal ($3.4 billion or 10%), and Corporate ($1.7 billion or 13%). Average deposits and other borrowings were flat in overseas markets, with increases resulting from greater commercial paper issuance in the US offset by a $2.6 billion reduction resulting from exchange rate movements.

Margin

Net interest average margin contracted by 18 basis points for the full year:

Changes in the composition of the portfolio negatively impacted the net interest margin by 6 basis points, with a higher proportion of mortgages (1 basis point), and changes in the funding mix, from substitution of wholesale funding for customer deposits, together with transfer from higher margin retail deposits to lower margin retail deposits such as cash management, term deposits and V2 plus (3.5 basis points) and a reduction in net non-bearing interest items (1.5 basis points).

Competitive pressures reduced margins by 3 basis points with this impact arising mainly in Mortgages and Institutional.

Wholesale rate movements had a significant impact, reducing the net interest margin by 6 basis points. Variable rate mortgages, funded by short term liabilities, cost 3 basis points as the yield curve steepened following the RBA s move to a tightening bias, plus the relatively low level of term interest rates during 2004, as interest rates reached the bottom of the cycle, reduced mismatch earnings (3 basis points).

Other items include increases in retail broker payments (-2 basis points), offset by increased earnings from foreign exchange revenue hedging (+2 basis points), higher levels of credit card balances becoming interest earning in the 2004 year (+1 basis point), falling levels of interest foregone (+1 basis point), together with impacts from the replacement of TrUEPrS (+2 basis points).

Funding costs associated with unrealized trading gains increased as a result of the appreciation in the AUD. Whilst this 4 basis point decline is reflected in the net interest margin, it is directly offset by an equivalent gain in trading income.

The acquisition of NBNZ resulted in a 3 basis point decline in the Group s interest margin as a result of the partial funding of the transaction with term wholesale issuances.

Non Interest Income

Years ended September 30	2005 $M	2004 $M	2003 $M
Fee income			
Lending	1,043	1,002	933
Other	1,573	1,419	1,115
Total fee income	2,616	2,421	2,048
Foreign exchange earnings	454	411	348
Profit on trading instruments	134	151	110
Other income	334	284	302
Non interest income excluding significant items	3,538	3,267	2,808
Significant items (1)	14	124	
Total other income	3,552	3,391	2,808

(1) Comprises $14 million after tax gain on sale of NBNZ Life in the fiscal year ended September 30, 2005 and $110 million TrUEPrS swap income and $14 million after tax for gain on finalizing ING Australia completion accounts in the fiscal year ended September 30, 2004.

2005

Non-interest income increased $161 million (5%) or $271 million (8%) after excluding significant items, with an additional two months contribution from NBNZ in the fiscal year ended 2005 of $53 million.

2004

Non-interest income in the fiscal year ended 2004, at $3,391 million, was $583 million (21%) higher than the September 2003 year. Excluding $124 million significant items, other operating income increased $459 million (16%) due largely to a $259 million contribution from NBNZ.

Non-interest income excluding significant items and NBNZ increased 7% ($200 million).

Fee Income

2005

Fee income increased $195 million (8%) including $37 million from the additional two months contribution from NBNZ.

Lending fee income increased $41 million (4%):

The additional two months contribution from NBNZ was $10 million.

Personal increased $12 million (7%) with volume related increases in Consumer Finance and increased package registration and honour fees in Banking Products.

Corporate increased $13 million (6%) driven by increased lending volumes.

Asia Pacific increased $4 million (20%) due to increases in loan approval fees in Kiribati, Fiji and Tonga as a result of lending growth.

Esanda and UDC increased $2 million (5%) due primarily to the full year impact of changes in the fee structure for business lending made in February 2004.

Institutional decreased $3 million (1%) with a $7 million reduction in Client Relationship Group due to lower commercial bill fee income as a result of lower volumes and bill margins, offset by a $3 million increase in Trade and Transaction Services from expansion in trade business and a $3 million increase in structured debt fees in Corporate and Structured Financing.

Non-lending fee income increased $154 million (11%):

The additional two months contribution from NBNZ was $27 million.

Personal increased $70 million (12%) with a $31 million (8%) increase in Consumer Finance driven by volume growth, a rise in cross sell initiatives and higher Bpay revenue. Wealth Management increased $21 million (29%) as a result of increased income generated by financial planners. Banking Products increased $16 million (14%) driven by an uplift in account service and transaction fees with growth in the number of transaction accounts.

Institutional increased $24 million (7%). Corporate and Structured Financing increased $18 million (17%) due to strong performances across Debt Capital Markets, Capital Solutions and advisory fees and Trade and Transaction Services increased $9 million (5%) reflecting growth in the custody business.

New Zealand increased $15 million after adjusting for the additional two months contribution from NBNZ ($27 million) mainly as a result of the appreciation in the NZD.

Esanda and UDC grew $12 million (27%) with an emphasis on generating revenue through the provision of value-added fleet management services and higher predetermination fees from improved collection rates.

2004

Total fee income increased $183 million (9%).

Lending fee income increased $18 million (2%):

Corporate increased $15 million (8%) with $4 million higher loan approval fees with increased lending volumes arising from an increased investment in front line staff and $7 million additional commercial bill fees.

Personal increased $9 million (5%) with Banking Products up $5 million (9%) driven by growth in Breakfree package fees (banking products package for home buyers and residential property investors) with stronger marketing of this offer in the fiscal year ended 2004. There was also an increase in Cards and Merchant Services ($3 million) due to the popularity of the Premier Select product (packaged fee for mortgage and card products).

Esanda and UDC increased $8 million (23%) due primarily to changes in the fee structure for business lending and higher new business writings.

Institutional reduced $16 million (3%) due to a $17 million (25%) reduction in Corporate and Structured Financing reflecting our offshore risk reduction strategy but offset with increased non-lending fees ($21 million).

Non-lending fee income increased $165 million (15%):

Personal increased $112 million (23%) due largely to the $38 million under-accrual of loyalty points on co-branded cards which reduced income in the fiscal year ended 2003, higher merchant revenue and improved business conditions generally. In addition there was a $13 million increase in Banking Products, with growth in fees from core deposit transaction products, higher volume related non-ANZ ATM fees and Executor and Trustee management fees, $3 million increase in insurance commissions and $6 million increase from financial planners driven by an improving Funds Management industry outlook and changes to the pension rules.

Institutional increased $39 million (14%) largely due to Corporate and Structured Financing increasing $21 million (39%) reflecting strong performance in the leasing business and a shift in revenue mix away from net interest and lending fee income with a reduction in balance sheet risk. Trade and Transaction Services increased $16 million (9%) due to strong performance in structured commodity trade transactions and improved revenue from international payments.

Esanda and UDC grew $9 million (27%) with an emphasis on generating revenue through the provision of value-added fleet management services.

The appreciation of the AUD over 2003 suppressed fee income growth by 2%.

Foreign Exchange Earnings

2005

Foreign exchange earnings increased $43 million (10%) with an additional two months contribution from NBNZ ($11 million). Markets increases were primarily driven by offshore sites, particularly in the Pacific where tourism and increased trade benefited PNG and Fiji. Trade and Transaction Services increases were as a result of new revenue channels in Melbourne and Brisbane for international payments as well as improved volumes and spreads.

2004

Foreign exchange earnings increased $16 million (4%):

Earnings in Markets increased $12 million (5%) with increased commodity and structured product sales and a book structured to take advantage of the strengthening USD.

Trade and Transaction Services increased $6 million (14%) reflecting improved foreign exchange spreads and volumes.

A strengthening of the AUD against the NZD and USD since 2003 suppressed foreign exchange earnings growth by $12 million (3%).

Profit and Loss on Trading Instruments

2005

Profit on trading instruments decreased $17 million (11%) with a higher proportion of income booked as interest and a higher cost of the hedge of capital investment earnings in ING Australia ($12 million) reflecting stronger equity markets in the fiscal year ended 2005. This is offset in higher equity accounted income from ING Australia which is reported in other operating income. The additional two months contribution from NBNZ was $2 million.

2004

Profit on trading instruments increased $31 million (28%)

Markets increased $46 million (38%) where a lower proportion of revenue was booked as interest due to funding of cash flows. Total income in Markets was up $11 million (5%) despite difficult market conditions with reduced corporate hedging activity and tightening credit spreads.

Treasury increased $5 million with 2003 impacted by the downward revaluation of the liquidity portfolio (trading securities and allocated hedges).

Income on the hedge of capital investment earnings in ING Australia reduced $10 million, reflecting stronger equity markets in the fiscal year ended 2004.

Corporate and Structured Financing decreased $5 million as profit on sale of available for sale securities in the fiscal year ended 2003 was not repeated.

Other Income

2005

Other operating income increased $50 million (18%) including the additional two months contribution from NBNZ ($3 million).

Institutional increased $19 million with Corporate and Structuring Financing increasing $15 million due to improved private equity and infrastructure trust earnings and Markets making a $10 million gain on sale of Sydney Futures Exchange shares in the fiscal year ended 2005, offset by an $11 million reduction in Client Relationship Group due to finalisation of the sale of development properties in the fiscal year ended September 30, 2004.

Personal increased $18 million (14%) with Consumer Finance increasing $7 million largely from profit sharing arrangement with Diners, Banking Products increasing $3 million due to strong equity accounted earnings from E*Trade, and Wealth Management increasing $9 million due to increased equity accounted profit from ING Australia reflecting stronger equity markets, growth in funds under management, a favourable claims experience and increased insurance sales through the ANZ network.

Esanda and UDC increased $4 million mainly due to the $7 million impact of aligning the revenue recognition on leases in the New Zealand fleet business with Group accounting policies.

Corporate increased $3 million due to earnings from private equity investments reflecting the success of the Wall St to Main St strategy.

Asia Pacific reduced $6 million as a result of lower equity accounted income from PT Panin Bank with lower provision adjustments included in equity accounted earnings ($15 million) and a $11 million withholding tax credit in the fiscal year ended 2004 partly offset by an improved core business performance.

Movements in exchange rates increased total other income by $13 million.

2004

Other operating income decreased $30 million (10%)

A reduction in swap income on the TrUEPrS transaction that contributed $71 million in the fiscal year ended 2003. This reduction has suppressed growth in profit after tax by 2% with the offset being lower preference share coupons.

Equity accounted income increased $39 million. ANZ s share of the joint venture profit from ING Australia increased by $42 million (76%) driven by stronger investment markets with the first half of 2003 impacted by global uncertainty.

Mortgages contributed an additional $12 million (37%) with an increase in Lenders Mortgage Insurance (LMI) sales driven by strong lending volume growth and the favourable impact of a change in recognition of LMI insurance revenues in March 2004.

In the Group Center the release of ING warranty provisions was largely offset by a provision for loss on sale of the Martin Place property.

Institutional Banking reduced with a $27 million profit before tax on the sale of development properties in the fiscal year ended 2003.

Non-Interest Expenses

Years ended September 30	**2005 $M**	**2004 $M**	**2003 $M**
Personnel expenses	2,413	2,122	1,750
Premises expenses	390	353	295
Computer expenses	541	552	465
Goodwill amortization	179	146	18
Other expenses	865	772	640
Restructuring	49	60	60
NBNZ incremental integration costs (1)	78	21	
Non-interest expenses	**4,515**	**4,026**	**3,228**

(1) These costs are personnel costs of $36 million (2004: $9 million, 2003: $nil), computer costs of $17 million (2004: $1 million. 2003: $nil), and other costs of $25 million (2004: $11 million, 2003: nil).

2005

Operating expenses increased $489 million (12%) over the 2004 year partly due to the inclusion of a full twelve month contribution from NBNZ ($111 million including additional goodwill amortisation. Refer page 33) and increased NBNZ incremental integration costs of $57 million.

2004

Operating expenses increased $798 million (25%) with a $572 million increase (including $128 million goodwill amortisation) largely as a result of the NBNZ acquisition and $21 million NBNZ incremental integration costs.

The following explanations on 2004, exclude the additional costs resulting for the NBNZ acquisition. The following explanations for both 2005 and 2004 exclude NBNZ incremental integrations which have been reported on a separate line in the table above. Refer to page 59 for a discussion of Integration activities.

Personnel Expenses

2005

Personnel expenses increased $291 million (14%) partly due to the additional two months contribution from NBNZ ($50 million). Adjusting for this, personnel costs increased $241 million (11%) as a result of annual salary increases together with a 2,221 (8%) increase in staff, mainly in the following business units:

Staff numbers in Personal increased by 8%. Consumer Finance increased by 19% to deal with increased volumes and cross sell activity and higher card acquisition activity, including white labelled card initiatives. Retail Banking increased by 6% due to 15 new branch openings, forward hire for a further 6 new branch openings in early 2006 and higher staff levels to cover increasing network volumes. Regional Commercial and Agribusiness Products increased 5% to support the take a fresh look campaign.

New Zealand Businesses increased by 6% due to the ANZ Turnaround program including increases in branch network staffing levels, a rise in Corporate Banking to support business growth and increases in support staff driven largely by information technology staff with the transition of systems to New Zealand.

Group Center staff numbers were up 10% with Operations, Technology and Shared Services increasing 6% due to technology project-related activity in India.

Asia Pacific staff numbers were up 11% due mainly to the formation of the ANZ Royal Bank joint venture in Cambodia, an increase in staffing in Amerika Samoa Bank and rural banking initiatives in Fiji.

Corporate increased 10% driven by a significant investment in frontline staff in Small Business Banking and continued investment in Corporate and Business Banking.

Institutional increased 6% due to a 21% increase in Trade and Transaction Services reflecting business expansion particularly in the Trade Finance and Custodian Service businesses.

2004

Personnel expenses increased $110 million (6%) as a result of annual salary increases together with an increase in staff of 775 (3%) mainly in the following business units:

New Zealand Businesses staff increased by 205 (7%) largely in New Zealand Banking with increased front line staff to cope with increased business volumes and improving service standards.

Institutional staff increased by 131 (5%) with further investment in Foreign Exchange capability in London and Asia, together with an increased Capital Markets and Trade Finance presence in Asia.

Personal increased by 138 (2%) with an increased number of financial planners in Personal Distribution, front line staff in Rural Banking, and operations staff in Mortgages to service continued high levels of customer activity offset by a reduction in Cards and Merchant Services following the wind down of temporary staff in the customer service team to handle a temporary higher level of calls associated with the RBA interchange reform project.

Group Center up 155 (4%) with Central Functions staff numbers increasing by 96 driven principally by the escalating focus on compliance and an additional 54 staff in Operations, Technology and Shared Services largely due to technology resources and project related activity.

Premises Expenses

2005

Premises costs increased $37 million (10%) with the additional two months contribution from NBNZ ($7 million). The increase was largely in rental expense reflecting additional space requirements, new ATMs, market increases and the sale and lease back of certain properties. There was also a rise in the cost of security services.

2004

Premises costs increased $17 million (6%):

Personal increased $10 million (6%) with an increased investment in the branch network including 3 new branches, 9 branch relocations and associated refurbishments, and 37 completed branch refurbishments.

Operations, Technology and Shared Services increased $6 million (17%) reflecting the impact of a change in the method of accounting for rental costs from and including the fiscal year ended September 30, 2003.

Computer Expenses

2005

Computer costs decreased $11 million (2%) despite the additional two months contribution from NBNZ ($9 million). The reduction was mainly in Personal, down $19 million due to lower merchant acquiring line costs, certain branch banking software now being fully amortized and a higher level of project related technology spend in the fiscal year ended September 30, 2004.

2004

Computer costs increased $44 million (9%):

Personal increased $37 million (23%) largely due to costs associated with the rollout of the new telling platform and increased depreciation associated with investments in technology.

Operations, Technology and Shared Services increased $5 million (3%) as a result of lower capitalisation of project work.

Other Expenses

2005

Goodwill amortisation expense increased $33 million (23%), principally as a result of an additional two months amortisation of goodwill arising on acquisition of NBNZ.

Other expenses increased $93 million (12%) with the additional two months contribution from NBNZ ($18 million). Adjusting for this other expenses increased $75 million:

Advertising spend increased $31 million including expenditure on the ANZ Now and ANZ Bank of the Year advertising campaigns.

Travel expenses increased $24 million with Operations, Technology and Shared Services increasing $7 million which included increased travel to Indian based technology operations and smaller increases spread across most business units.

Non-lending losses increased $13 million mainly as a result of cheque conversion losses.

2004

Goodwill amortization expense increased $128 million primarily from amortization of goodwill arising on the acquisition of NBNZ.

Other expenses increased by $36 million (6%):

Marketing expenses increased $14 million (15%) mainly in Personal due to expenditure on campaigns including the ANZ Now , ANZ Bank of the Year and the low rate MasterCard campaigns.

Travel costs increased $10 million across most business units.

Insurance costs increased $10 million as a result of a market wide increase in insurance premiums and the renewal of ANZ s long term insurance contract.

Restructuring Expenses

2005

Restructuring expenses of $49 million were recognised in 2005, a reduction of $11 million from 2004. The main components of the 2005 charge were a $20 million write-down of the Sales and Service Platform in the branch network and termination and other staff costs associated with ongoing business initiatives in response to changing market conditions that demand streamlining front and back offices across business units.

In 2005 approximately 47% of restructuring expenses related to one time termination and other staff benefits and for excess premises space (2004: 37%) with the remainder largely technology costs.

The total restructuring provision as at September 30 was distributed as follows:

Years ended September 30	**2005 $M**	**2004 $M**	**2003 $M**
Termination and staff benefits	68	73	58
Excess premises	6	10	22
Other contract termination and associated costs	3	23	12
Total	77	106	92

Restructuring Provision (Total)(3)

	Termination and Staff Benefits $m	**Excess Premises $m**	**Other Contract Termination and Associated Costs (1) $m**	**Total $m**
Carrying amount at beginning of the year - October 1, 2004	73	10	23	106
Provision made during year	51		6	57
Payments made during the year	(20)	(1)	(26)	(47)
Release of provisions (2)	(36)	(3)		(39)
Carrying amount at end of year - September 30, 2005	68	6	3	77

(1) Includes software writedowns

(2) Includes foreign currency movement

(3) The NBNZ restructuring provision for 2005 cannot be disclosed separately as NBNZ has been fully integrated with the New Zealand operation

All restructuring costs are expensed and recorded as operating expenses.

Note 27 to the Financial Report provides additional details on the movements in the provision for restructuring costs.

Details of major projects including expected total spend and spend to date

	Expected Total Spend $m	Spend to date $m
ANZ National integration: Integration of ANZ Bank and NBNZ (restructuring component)	23	9
Personal Banking SSP Genie Project	20	20
Institutional Financial Services business unit restructure	27	14
OTSS restructure	23	3

2004

Restructuring Provision (excluding NBNZ)

	Termination and Staff Benefits $m	Excess Premises $m	Other Contract Termination and Associated Costs (1) $m	Total $m
Carrying amount at beginning of the year - October 1, 2003	58	22	12	92
Provision made during year	24		40	64
Payments made during the year	(11)	(10)	(43)	(64)
Release of provisions (2)	(6)	(7)	(2)	(15)
Carrying amount at end of year - September 30, 2004	65	5	7	77

Restructuring Provision (NBNZ)

Carrying amount at beginning of the year - October 1, 2003				
Acquisition provision (NBNZ)	7	7	13	27
Provision made during year	3		2	5
Payments made during the year	(2)	(2)		(4)
Release of provisions (2)			1	1
Carrying amount at the end of the year - September 30, 2004	8	5	16	29

Total Restructuring Provision 2004

Carrying amount at beginning of the year - October 1, 2003	58	22	12	92
Acquisition provision (NBNZ)	7	7	13	27
Provision made during year	27		42	69
Payments made during the year	(13)	(12)	(43)	(68)
Release of provisions (2)	(6)	(7)	(1)	(14)
Carrying amount at end of year - September 30, 2004	73	10	23	106

(1) Includes software writedowns.

(2) Includes foreign currency movement.

Restructuring expenses of $60 million were recognized in the fiscal year ended September 30, 2004 (2003: $60 million). The main components were the write-off of capitalized software on the Next Generation Switching project following the decision to consolidate the ATM and EFTPOS networks for ANZ and NBNZ on the Tandem platform and the write-down of hardware and software developed to significantly increase the functionality of ATMs.

During 2004 approximately 37% of the total restructuring and surplus leased space expense for the year related to one time termination and other staff benefits, and for excess premises space (2003: 92%) and the remainder for other associated costs including technology costs. The personnel costs related to ongoing business initiatives in response to changing market conditions that demanded streamlining of our front offices across the business units. These restructuring initiatives are expected to be substantially implemented over the next year.

Details of major projects including expected total spend and spend to September 30, 2004

	Expected Total Spend $m	Spend to date $m
ANZ National integration: Integration of ANZ Bank and NBNZ	26	2
Next Generation Switching project: Tandem System replacement product	32	32
Institutional Financial Services business unit restructure	23	
Replacement Transaction Banking System	21	21

Pension Payments

Pension payments are the principal post-retirement benefit. Other post-retirement benefits (which chiefly comprise reduced fees on bank accounts) are not material. Health care is provided to Australian citizens by the government. Accordingly, ANZ does not provide post-retirement health insurance in Australia. Some post-retirement health care is provided in Japan and the United Kingdom.

Allowance for Loan Losses Charge

For discussion of ANZ s Allowance for Loan Losses Methodology, refer page 76.

2005

The Group allowance for loan loss charge was $580 million, a decrease of $52 million (8%) over the September 2004 year. This improvement reflects the strong underlying credit quality and the cessation of the Group Center charge for offshore losses (September 2004: $41 million).

The allowance for loan loss rate decreased 6 basis points over the year in line with the Group s strengthening risk profile, including strong growth in secured Mortgage products. All Business Units experienced reductions in the allowance for loan loss rate over the year.

In September 2004 an additional charge of $41 million (2 basis points) was taken to recognize continued uncertainty and expected levels of default in the offshore lending portfolios, primarily in the UK, US and Europe due to potential Fallen Angels risk and residual risk in the Telecommunications and Power sectors. In 2005 this Group Center charge was discontinued as ANZ has largely completed de-risking its offshore portfolio by removing high-risk assets and has developed asset writing strategies that discourage business in non core markets, unless supporting a core business relationship. As a result overall offshore lending has reduced from 9% of total lending assets in the year ended 2002 to 4% in the year ended 2005.

The net specific allowance for loan loss was $357 million, down $86 million from the year to September 30, 2004. This reduction is a factor of lower large single name losses, coupled with low default levels and strong recoveries, as expected at such a strong point in the credit cycle. This result follows a sustained period of de-risking, including the progressive re-mixing of the portfolio between Retail and Commercial assets, particularly lower risk Mortgage products. The net specific allowance for loan losses increased $55 million in the New Zealand Businesses, this was due to exposure to two medium sized corporate accounts and a few smaller exposures impacted by the significant downturn in the apple and pear export market.

	Allowance for Loan Loss Charge 2005 $M	Net Specific Allowance for Loan Loss 2005 $M	Allowance for Loan Loss Charge 2004 $m	Net Specific Allowance for Loan Loss 2004 $m	Allowance for Loan Loss Charge 2003 $m	Net Specific Allowance for Loan Loss 2003 $m
Personal	198	146	183	137	n/a	n/a
Institutional	139	(17)	160	166	n/a	n/a
Corporate	66	41	61	43	n/a	n/a
New Zealand Businesses	92	91	97	36	n/a	n/a
Esanda and UDC	62	72	67	47	n/a	n/a
Asia Pacific	23	24	23	14	n/a	n/a
Group Center			41		n/a	n/a
	580	357	632	443	n/a	n/a

	Allowance for Loan Loss Charge 2004 $m	Net Specific Allowance for Loan Loss 2004 $m	Allowance for Loan Loss Charge 2003 $m	Net Specific Allowance for Loan Loss 2003 $m
Personal	183	138	169	131
Institutional	159	171	165	217
Corporate Australia	59	43	55	63
New Zealand Business	99	30	37	20
Esanda and UDC	67	47	63	72
Asia Pacific	23	14	19	1
Group Center	42		106	23
	632	443	614	527

(1) Line of business breakdown for 2003 cannot be provided on a comparable basis to 2004 and 2005 without unreasonable effort or expense.

2004

The Group allowance for loan loss charge was $632 million, an increase of $18 million (3%). The allowance for loan loss charge excluding NBNZ reduced $44 million (7%) to $570 million due largely to a lower Group Center charge. The allowance for loan loss charge to operating segments (excluding NBNZ) increased $16 million (3%) with volume growth partly offset by lower risk.

The allowance for loan loss charge rate decreased 8 basis points over the year in line with the Group s improving risk profile. This is a result of sound growth in low risk domestic assets (principally mortgages), the acquisition of the NBNZ franchise, the continued de-risking of offshore and high-risk assets, and a lower Group Center charge reflecting lower offshore losses.

The net specific allowance for loan losses was $443 million, down $84 million from the year to September 2003. The reduction in losses is principally in the international operations of Institutional, which fell $121 million over the year. Net specific allowance for loan losses in the Australian and New Zealand portfolios increased over the year by 11% and 56% respectively. The increase in Australia was primarily due to a provision raised for Reach ($87 million), whilst in New Zealand the acquisition of NBNZ added an additional $14 million over the year. As a percentage of average net lending assets, net specific allowance for loan losses reduced to 22 basis points, down from 34 basis points in September 2003.

The Group s general allowance for loan loss balance at September 30, 2005 was $2,167 million (0.99% of risk weighted assets) an increase of $175 million from $1,992 million (1.01% of risk weighted assets) at September 30, 2004. This represents a surplus of $525 million over the APRA minimum guideline.

Income Tax Expense

Years ended September 30	2005 $M	2004 $M	2003 $M
Total income tax expense including significant items	1,234	1,168	926
Effective tax rate	29.0%	29.3%	28.3%
Australian corporate tax rate	30%	30%	30%

2005

The Group s income tax expense increased by $66 million to $1,234 million resulting in an effective tax rate of 29.0%, a decrease of 0.3% from the September 2004 year. This decrease reflects the net effect of several small items including the non-taxability of profit on sale of the NBNZ Life and Funds Management businesses and the Sydney Futures Exchange shares and higher earnings in lower tax rate jurisdictions. This has been partly offset by higher goodwill amortisation due to a full year contribution from NBNZ and the lower tax benefit due to the run off of certain New Zealand structured financing transactions.

2004

The Group s income tax expense increased by $242 million to $1,168 million resulting in an effective tax rate of 29.3%, an increase of 1.0% from September 30, 2003. The increase in the effective tax rate was largely due to an increase in goodwill amortisation expense, which is non-deductible, and a higher overseas tax rate differential due to higher earnings in New Zealand, where the statutory tax rate is 33%, partly offset by an increase in non-assessable equity accounted income.

Results by Line of Business

Years ended September 30 (1)	2005 $M	2004 $M	2003 $M (2)
Personal	1,013	883	n/a
Institutional	923	857	n/a
Corporate	376	341	n/a
New Zealand Businesses	614	513	n/a
Esanda and UDC	159	143	n/a
Asia Pacific	95	111	n/a
Operating Segments Total	**3,180**	**2,848**	**n/a**
Group Center (5)	(176)	(131)	n/a
Profit excluding significant items (4)	**3,004**	**2,717**	**n/a**

As published in the September 2004 Financial Report

	2004 $M	2003 $M
Personal	802	693
Institutional	788	802
Corporate Australia	344	311
New Zealand Business	584	211
Esanda and UDC	143	129
ING Australia	108	82
Asia Pacific	111	100
Operating Segments Total	**2,880**	**2,328**
Group Center (5)	(163)	20
Profit excluding significant items (4)	**2,717**	**2,348**

(1) Results are equity standardized. Refer definition on page 138 of the Financial Report.

(2) Results for the fiscal year ended September 30, 2003 have been restated to reflect changes to line of business in the fiscal year ended September 30, 2004.

(3) Line of Business results for 2003 cannot be provided on a comparable basis to 2004 and 2005 without unreasonable effort and expense. Management and reporting structures, revenue sharing arrangements and cost allocations have changed between 2004 and 2005. 2004 financial data has been restated to be comparable to 2005, however, restating 2003 data is unduly burdensome.

In addition ANZ believes that a comparison of the fiscal year ended September 30, 2004 line of business results with 2003 results in a format that reflects the management and reporting structures that applied in 2004 financial year, which gives a better indication and comparison of business performance in that time period than artificially restating numbers to reflect 2005 management and reporting structures. Refer to the table above for line of business results under these 2004 management and reporting structures as published in the September 2004 Financial Report.

(4) Significant items are detailed on page 29.

(5) Includes Treasury, Operations, Technology and Shared Services, Corporate Center, Risk Management and Group Financial Management and goodwill amortization.

During the year ended September 30, 2005, ANZ managed its business activities along the following lines of business: Personal Banking Australia, Institutional, Corporate, New Zealand Businesses, Esanda and UDC, Asia Pacific and Group Center.

The following commentary compares the 2005 result with the results for 2004. Commentary comparing the 2004 result with the result for 2003 has also been included. This has not been restated to reflect changes to lines of business in the fiscal year ended September 30, 2005 for reasons noted in footnote 3 of the table above.

2005

Personal comprises Regional Commercial and Agribusiness Products, Banking Products, Mortgages, Consumer Finance, Wealth Management and other (including the branch network, Private Banking and marketing and support costs).

Profit after tax increased by 15% with strong performances across all businesses. Credit card lending grew by 21%, Mortgage lending increased 14% and deposits grew 10%, making ANZ the number three retail bank in Australia (as measured by share of main financial institutions). Within Other, a strong performance in Private Banking was offset by higher marketing and brand spend. Staff engagement was at record levels and customer satisfaction for the year to August 2005 (as measured by Roy Morgan Research) was up 1.7% to 75.3%, the highest of the major Australian banks. Performance was underpinned by our award-winning product range, winning Personal Investor Bank of the Year award for the sixth straight time, and the continuing re-investment and expansion in our distribution network to improve convenience and simplicity for customers.

Significant factors affecting the result were:

Net interest income increased 10%.

Mortgages net interest income increased 14%, consistent with lending growth. Consumer Finance net interest income grew 11% with lending growth of 21% being offset in part by a margin decrease of 12 basis points, due largely to growth in the low rate MasterCard product. Regional Commercial and Agribusiness Products net interest income increased 10% with lending growth of 15% offset by a 30 basis point reduction in margin due to mix and competitive pressures. Banking Products net interest income increased 5% underpinned by 9% growth in deposit volumes mainly in lower margin cash management and term deposit products.

Other external operating income increased $101 million (11%).

Fee income increased by $83 million (11%). Banking Products fees increased by 12% underpinned by 8% growth in the number of Transaction accounts and new fee initiatives. Wealth Management fees increased 28% driven by higher sales through our financial planners. Consumer Finance fees grew 9%, reflecting increases in merchant and credit card accounts.

Other operating income increased by $18 million (14%) due to increased equity accounted income from ING Australia operating businesses and E*Trade, and the profit sharing arrangement with Diners.

Operating costs increased 7%. Personnel costs were up 11% due to both increases in salaries and staff numbers (up 697 or 8%), mainly in the front line to handle higher business volumes and service new points of representation. Computer expenses decreased $19 million (10%) due to lower merchant acquiring line costs, a high level of technology spend in the previous year and certain branch banking software now being fully amortized. Premises costs increased by $26 million reflecting the Footprint expansion including opening 15 new branches and installing 330 (net) new ATMs, and security upgrades. Other costs increased $28 million reflecting increased marketing spend in Cards and Mortgages, ANZ NOW brand advertising, and increased EFTPOS interchange expenses driven by account acquisition.

Allowance for loan loss charge increased by 8% reflecting volume growth in mortgages partly offset by higher recoveries in credit cards. Non-accrual loans remained stable reflecting continuing sound credit quality in existing businesses.

Institutional comprises Client Relationship Group, Trade and Transaction Services, Markets, Corporate and Structured Financing and Non-Continuing Business.

Profit after tax increased by $66 million (8%), including an additional two months contribution from NBNZ of $16 million. The impact of exchange rate movements was immaterial. The result reflects the successful outcomes of strategic initiatives to return the business to sustainable growth. This was achieved despite a $18 million reduction in earnings following the sale of the London-headquartered project finance business and the exit from certain non-core structured finance transactions. The focus of the business is now on further initiatives to deliver revenue growth, combined with disciplined use of capital and continuing strong risk management.

Profit increased in three of the four Institutional businesses. Strong deal flow and increased M&A activity delivered a 32% earnings increase for Corporate and Structured Financing s continuing business, while an improved performance from the International Trade Finance business underpinned a 13% increase for Trade and Transaction Services. Profit from Markets increased by 15%, due to stronger client sales activity. Asset growth in the Client Relationship Group was offset by tighter credit spreads and competitive pressures, resulting in reduced margins and a 2% decrease in earnings.

Significant factors affecting the result were:

Net interest income grew by $54 million (8%). Trade and Transaction Services increased $37 million due to increased lending and deposit volumes and improved margins in International Trade Finance. Markets increased $20 million as a reduction in funding costs associated with unrealised trading gains resulted in a higher proportion of revenue being booked as interest. Client Relationship Group increased by a modest 2%, with lending growth of 18% offset by ongoing margin erosion. Net interest from non-continuing operations decreased by $23 million due to the sale of the London-headquartered project finance business.

Overall loan volumes increased 15%, deposit volumes increased 10% and net interest margin decreased by 13 basis points.

Other operating income increased $77 million (6%). Markets increased $37 million (8%) on the back of strong client flow. Corporate and Structured Financing increased other operating income by $37 million (20%), reflecting the contributions from structured debt, advisory and the private equity portfolio. This result was offset by a decrease of 6% in Client Relationship Group, due to lower fee income and a $14 million reduction in non-continuing operations.

Operating expenses have increased by 6%, reflecting investment in people and systems in the transaction banking and custodian services businesses.

Allowance for loan loss charge was 13% lower reflecting improved credit quality and lower offshore exposures, including the London project finance assets. Net specific provisions were $183 million lower, with no individually large new specific provisions in the year and writebacks on some offshore accounts. Net non-accrual loans have decreased by 44% due to continuing improvements in the portfolio quality.

Income tax expense increased $33 million, driven by increased profit and reduced non-taxable income, as certain structured finance transactions roll off.

Corporate comprises Corporate Banking Australia, Business Banking Australia and Small Business Banking.

Profit after tax increased by 10%. Significant influences on the result were:

Net interest income increased 9% driven by growth in both average lending (13%) and average deposits (10%).

The growth in average lending (Corporate Banking 10% and Business Banking 16%) and average deposit volumes (Corporate Banking 12%, Business Banking 9% and Small Business Banking 12%) resulted from a continued focus on new customer acquisition as well as growth from existing customers. Key factors in achieving growth were ANZ s competitive customer service proposition, continued investment in people and process simplification, as well as the industry and local market specialisation approach to customers. Overall balance sheet growth has continued to slow in the Business Banking segment. This reflects the impact of a modest reduction in growth in new business due to the slowdown in the property market and increased competition combined with the impact of on-going loan amortisation flowing from the continued strong cash performance of businesses in this market segment.

The net interest margin declined by 5 basis points, with the fall weighted to the second half of the year. For the year, the fall was largely driven by portfolio mix changes. Competitive pressure had a modest impact on both deposit and lending margins.

Other external operating income increased 7%, with an improved contribution from the success of the Wall St to Main St proposition, which has included private equity exit profits and deal fees. Higher net inter business unit fees reflects continued investment in the branch network.

Operating expenses increased only 5% despite an increased investment in frontline staff in Small Business Banking and ongoing investment in Business Banking. Despite the set-up investment in Small Business staff, revenue per FTE has remained relatively stable over the period and the cost to income ratio reduced from 33.8% to 32.8%.

Allowance for loan loss charge increased by 8%. This is below the growth in average lending assets and reflects the sound credit quality and strong focus on risk management and compliance in both the Business Banking and Corporate Banking segments.

Net specific provisions, at $41 million, were down 5% and below economic loss provisioning levels. Consistent with the emphasis placed on credit quality, non-accrual loans decreased to a low level of 0.19% of net advances.

New Zealand Businesses comprises ANZ Retail, NBNZ Retail, Rural Banking, Corporate Banking, Central Support (including Treasury) and excludes Institutional, UDC, Integration and Central Funding.

Profit after tax for the New Zealand businesses increased $101 million (20%) including an additional two months contribution for the fiscal year ended September 30, 2005 from NBNZ ($50 million). After adjusting for an additional two months contribution from NBNZ for the fiscal year ended September 30, 2005 and the impact of a 4% strengthening in the average NZD exchange rate, which impacted all trends, profit after tax growth for the fiscal year ended September 30, 2005 was 5%.

NBNZ Retail, Corporate Banking and Rural Banking posted strong profit growth with increases of 45%, 35% and 36% respectively (including the additional two months contribution from NBNZ). Solid asset and deposit growth and favourable wholesale funding impacts were partly offset by lower margins from price competition and unfavourable product mix switching. ANZ Retail profit after tax was flat, reflecting the competitor-driven net interest margin reduction, an increased proportion of low margin fixed rate mortgages, and reduced fee income from the restructuring of honour fees to address customer concerns as part of the ANZ Turnaround initiative. Lower Treasury mismatch earnings was the main driver of the reduction in Central Support earnings.

Key influences on the result excluding the impact of the 4% strengthening in the average NZD exchange rate include the following:

Net interest income increased 14% ($178 million). This included an additional two months contribution from NBNZ ($125 million). Excluding this net interest increased 3%. Lending volumes increased 13% with growth in NBNZ Retail (13%), ANZ Retail (11%), Corporate Banking (18%) and Rural (12%). Deposit volumes increased 7% in customer businesses with deposit growth in ANZ Retail (8%), NBNZ Retail (6%), Corporate Banking (8%) and Rural (5%). Treasury wholesale funding volumes increased by $5.5 billion to fund asset growth across the New Zealand businesses.

Net interest margins have reduced 15 basis points impacted by: competition from the mortgage price war and customer migration from variable rate to fixed rate mortgages, increasing wholesale funding costs, changes in deposit mix with growth in lower margin call and term deposit products in ANZ Retail, and a $26 million reduction in Treasury due to lower mismatch earnings and from a rising interest rate environment. Lending margins in Rural decreased slightly. These factors were partially offset by stronger deposit margins in NBNZ Retail.

Other operating income increased 9% due largely to the additional two months contribution from NBNZ ($37 million). Excluding this, other operating income was flat with growth in loan approval fees in ANZ Retail and NBNZ Retail impacted by significant competitor-driven fee discounting and waivers. Fees in ANZ Retail reduced $12 million with a change in fee structures as part of the ANZ Turnaround initiative. Rural Banking and Corporate Banking fees increased 7% and 10% respectively, driven by lending growth. NBNZ Retail achieved growth in sales commissions and Life Company profits.

Operating expenses increased 13%. Excluding the additional two months contribution from NBNZ ($79 million) expense growth was contained to 4%. Salary increases and an increase in numbers of front-line staff (6% higher) were offset by constraints on discretionary spend growth, and reduced internal charges from Australia following the transfer of support functions back to New Zealand and certain branch software now being fully amortized.

Allowance for loan loss charge reduced by $9 million. The additional two months contribution from NBNZ ($12 million) and increased lending volumes were offset by a reduction in expected loss factors in NBNZ following further analysis of loss history, improved credit quality and an increased proportion of low risk residential and rural lending. Net specific provisions and non accrual loan increases relate to two isolated corporate accounts and exposures to the apple and pear export industry.

Esanda and UDC

Profit after tax increased 11%. Profit growth in Australia (15%) was partly offset by a flat result in New Zealand, which was impacted by structural changes and competitive pressure. Significant influences on the result were:

Net interest income grew 3% with a 5% increase in lending volumes due to solid new business writings in Australia offset by reduced volumes in New Zealand. An 11 basis point decline in margins resulted from the run-off of higher yielding loans during the year which were increasingly replaced by new business from lower risk, lower margin segments.

Other operating income grew 16%, due to increased fees from value-added fleet management services, the full year impact of changes in the fee structure, higher new business writings, higher predetermination fees and the $7 million impact of aligning the revenue recognition on leases in the New Zealand Fleet business with Group accounting policies.

Operating expenses increased by 1% due to annual salary increases and an increased investment in growth with additional front-line staff. The continued control of expenses and growth in income has resulted in the cost to income ratio being reduced to 39.1% from 40.8% for the fiscal year ended September 30, 2004.

Allowance for loan loss charge decreased by 7% despite a 5% increase in lending volumes reflecting the continued improvement in credit quality over recent years. Net specific provisions were higher compared to the 2004 historically low level, largely associated with the commercial loan portfolio and the exited aircraft lease business ($9 million).

In May 2005, Esanda On-Line Saver was launched nationally. By the end of September $163 million in deposits were held, with approximately 66% of On-Line customers new to the Group.

Asia Pacific

Profit after tax decreased by 14%. Excluding the impact of exchange rate movements profit reduced 12%. Core business performance was offset by lower equity accounting earnings for PT Panin Bank with lower provision adjustments included in the equity accounted result ($15 million) and a $6 million tax credit for the fiscal year ended September 30, 2004.

Excluding exchange rate movements the main drivers of the results were:

Net interest income increased 11%. A 23% growth in lending volumes and 16% growth in deposits were largely offset by the structural change in the interest rate environment in PNG, with average Treasury Bill rates falling by approximately 600 basis points in the March 2005 half year.

Other external operating income increased 4%. Fee growth increased 12% largely in Fiji, PNG and the Cards business in Indonesia and was partly offset by lower equity accounting earnings for PT Panin Bank.

Operating expenses increased $33 million as a result of costs associated with building partner relationships in China, Vietnam and Cambodia, and continued support for the centralisation of regional operations in Fiji. In addition, the management team in Asia has been strengthened to provide additional specialist product skills to support higher growth rates in Asia.

Allowance for loan loss charge increased by 9% mainly due to growth in assets. The increase in net specific provisions is due to provisioning for one account.

Income tax expense increased $1 million with the higher effective tax rate resulting from a $6 million tax credit arising from the repayment of foreign currency loans upon the exercise of options in PT Panin for the fiscal year ended September 30, 2004 which reduced the rate for that year.

Group Center includes Group People Capital, Group Risk Management, Treasury, Group Strategic Development, Group Financial Management and Operations, Technology and Shared Services.

The result for the Group Center was a loss of $124 million compared with a loss of $117 million for the fiscal year ended September 30, 2004. Significant influences on the result were:

The strengthening of the average NZD exchange rate resulted in a $29 million after tax reduction in income on contracts put in place to hedge NZD denominated earnings. These losses were offset in New Zealand Businesses, and the New Zealand component of the Institutional and Esanda and UDC businesses. In addition the maturity of contracts put in place to hedge USD revenues resulted in a further decline of $11 million after tax.

The investment of the Euro Trust securities issue proceeds and retained profits increased profit after tax by approximately $14 million.

Group Treasury earnings reduced $34 million largely as a result of reduced domestic mismatch income attributed to a benign interest rate environment, combined with lower earnings resulting from a restructuring of Asian balance sheet management books.

Other operating income reduced $5 million with lower capital investment earnings (net of hedge earnings) from ING Australia.

Operating expenses increased $99 million with increased risk management and compliance costs including Basel II, GST, AIFRS and the US Sarbanes Oxley legislation. Goodwill amortisation increased $33 million, largely as a result of an additional 2 months related to the NBNZ acquisition. The non-lending losses charge increased $15 million mainly related to cheque conversion fraud. Includes growth projects.

Allowance for loan loss charge reduced $41 million with no additional charge in the Group Center as a result of an end to the provision for unexpected offshore credit losses.

2004

Personal comprises Personal Banking Distribution (including Regional Commercial and Agribusiness Products), Banking Products, Mortgages and Cards and Merchant Services.

Profit after tax increased by 16% with strong momentum in each of the core businesses. Mortgage lending increased 18% and deposits grew 12% delivering increases in market share. After adjusting for the $27 million after tax effect of the under-accrual of card loyalty points in the March 2003 half year, which is not indicative of the core business performance, profit after tax increased 11% in Personal Banking and by 30% in Cards and Merchant Services.

Significant factors affecting the result were:

Net interest income increased 8%.

Mortgage lending grew 18% over the year (or 19% excluding the impact of securitization). Rural Banking volumes increased 18% reflecting ANZ s focus on this market and increased investment by rural businesses. Cards and Merchant Services lending grew 6%.

Deposit volumes increased 12% as a result of successful campaigns throughout the year targeted at growing V2 Plus and term deposits. Mortgage offset deposit volumes increased 16%.

Net interest average margin reduced by 26 basis points. Mortgages margin was down 14 basis points mainly due to higher funding costs following increases in the cash rate, and market rates rising in anticipation of further cash rate rises which did not eventuate. The average net interest margin was also adversely impacted by the mix effect of relatively higher growth in the Mortgage business than in higher margin Cards and Merchant Services and Banking Products businesses. Margin in Cards and Merchant Services increased 16 basis points due to a reduction in the proportion of transactor volumes following product changes consequent to the Reserve Bank of Australia s (RBA) interchange reforms. Banking Products margin was 2 basis points higher with the benefit of increases in the cash rate on deposit margins largely offset by higher growth in lower margin cash management and term deposits.

Other external operating income increased $131 million (19%). Of this, $38 million related to the under-accrual of card loyalty points in the fiscal year ended September 30, 2003. Excluding this amount other income increased 13%.

Mortgages contributed $14 million of the increase driven by a strong performance from the mortgage insurance business and lending volume growth.

Banking Products fees were up 12%, mainly due to growth in account numbers, while sales and retention payments from ING Australia were up 7%, reflecting a strong sales performance and improvement in the equity markets.

Operating costs increased $112 million (8%). Personnel costs were up $44 million due to annual salary increases together with a 3% increase in staff in Mortgages to service continued high levels of customer activity, a temporary increase in Cards and Merchant Services staff in the first quarter to handle the higher level of calls associated with the RBA interchange reform project, increased financial planners and increased staffing in Rural Banking. Computer expenses increased $37 million following the rollout of the new telling platform in Personal Banking Distribution and increased depreciation associated with investments in technology. Premises and other cost increases reflect investment in the branch network, growth in the business and an increased marketing spend.

Allowance for loan loss charge increased 8%, driven by lending volume growth. Non-accrual loans and net specific allowance for loan losses remained low reflecting sound credit quality.

Institutional comprises Institutional Banking, Markets (formerly Foreign Exchange and Capital Markets), Trade and Transaction Services and Corporate and Structured Financing.

Profit after tax reduced by 2%. After adjusting for the impact of the appreciating Australian dollar on translation of offshore earnings, profit after tax was flat.

This result was also affected by the progress made in refocusing the business to lower risk sectors. This strategy has contributed to reduced earnings in Institutional Banking ((2)%), Corporate and Structured Financing ((14)%) and Markets ((2)%) through the exit of higher risk offshore assets and non-core complex structured transactions, and through the flow on impact to the Markets business of lower levels of structured finance activity. Profit increased 10% in Trade and Transaction Services where focus has been given to investing in growth initiatives.

Key factors affecting the result were:

Net interest income decreased 7% due to a $52 million reduction in Markets, where a lower proportion of revenue was booked as interest due to funding costs associated with unrealized trading gains, largely as a consequence of the appreciation of the AUD during the period. This is offset by an equivalent gain in other operating income. Adjusted for this, net interest income was flat. Trade and Transaction Services increased 12%, driven by increased custody and cash management deposit volumes. Institutional Banking decreased 1% due to asset reductions offshore, partly offset by loan volumes being 3% higher in Australia. Corporate and Structured Financing reduced 13%, where offshore lending assets have been substantially reduced as part of the strategy to lower risk.

Overall loan volumes were flat, deposit volumes increased 7% and net interest margin was 8 basis points lower largely reflecting mix changes in deposits and competitive pressures.

Other operating income increased 4%. Excluding a $27 million profit before tax on the final sale of development properties in the fiscal year ended September 30, 2003, and the $52 million increase described above, other operating income increased 2%.

Non-interest income increased 8% in Trade and Transaction Services, reflecting improved trade volumes, higher revenue from international payments, and strong growth in Custody and Cash management revenue. Corporate and Structured Financing increased 2%, reflecting continued progress in shifting the revenue mix away from net interest income. Fee revenue in Institutional Banking was flat. Total revenue in Markets increased 1%, reflecting difficult market conditions, with lower levels of corporate hedging activity and tightening credit spreads.

Operating expenses were 4% higher due to increased pension funding costs in the United Kingdom ($8 million), the impact of a full years cost related to the consolidation of the TradeCentrix processing hub in the September 2003 half, increased technology investments in Markets and Transaction Services, and higher staff costs, with further investment in Markets capability in London and Asia, growth in Custody, Commodity Trade Finance in Asia, and International Payments.

Allowance for loan loss charge was 4% lower reflecting lower offshore exposures and modest asset growth in Australia. Net specific allowance for loan loss was 21% lower, with new specific allowance for loan loss of $171 million relating largely to further allowances against the power, telecommunications and mining sectors in Australia and offshore.

Corporate Australia comprises Small Business Banking, Business Banking Australia and Corporate Banking Australia.

Profit after tax increased by 11%. Key influences on the result were:

Net interest income increased 11% driven largely by growth in both average lending (21%) and average deposits (13%).

The growth in average lending (Corporate Banking +17%, Business Banking +27%) and average deposit (Corporate Banking +13%, Business Banking +13%) volumes resulted from increased activity with existing customers and new customer acquisition. Key factors in achieving growth were our customer service proposition, expansion of our geographic footprint and success in specialized business segments.

Net interest average margins reduced by 5 basis points. Margins in both Corporate and Business Banking declined primarily due to changes in product mix reflecting a combination of faster growth in lending than deposits in Business Banking and also higher growth rates in lower margin products in both businesses. Product margins remained relatively stable, albeit slightly down.

Other external operating income increased 8%, driven by higher lending and bill fees from growth in business volumes.

Net inter-business unit fees, which represents net payments made to the branch network, were 7% higher with increased commissions paid on Small Business Banking deposits, increased investment in the branch network and increased transaction volumes associated with customer growth.

Operating expenses increased 11% as a result of business growth. Personnel costs accounted for the largest part of this increase with annual salary increases and the investment in around 70 new frontline staff. Non-lending losses increased from a low base in the fiscal year ended September 30, 2003. Cost to income ratio remained low at 32.0%.

Allowance for loan loss charge has increased $4 million (7%). Credit quality in both the Business Banking and Corporate segments remains sound with the portfolio quality reviewed regularly to detect any early adverse trends.

Net specific allowance for loan losses, at $43 million, are down 32%. Allowance for loan loss levels in the fiscal year ended September 30, 2003 were inflated by charges against two large corporate customer exposures. The reduction in net non-accrual loans has predominantly been driven by the successful management of the non-accrual loan portfolio.

New Zealand Business comprises ANZ New Zealand Banking, Mortgages, Consumer Finance and NBNZ.

Profit after tax increased $373 million to $584 million, with NBNZ contributing $375 million (excluding incremental integration costs) since acquisition on December 1, 2003. Profit after tax in ANZ New Zealand businesses increased $9 million (4%), despite a $3 million reduction resulting from the depreciation in the average NZD exchange rate. Integration and other costs for the year were $11 million. Of this result, the Consumer Finance business increased $9 million, ANZ New Zealand Banking increased $3 million, whilst Mortgages reduced $4 million.

Key influences on the result include the following:

Net interest income increased $797 million. Excluding the contribution of NBNZ of $789 million and the effect of the depreciation in the New Zealand dollar, net interest income increased $17 million. Lending volumes increased 9% in the ANZ businesses driven by growth in Mortgages (8%), Consumer Finance (8%), Corporate (12%) and Business and Rural (11%). Lending in NBNZ has increased 8% since acquisition, including an 8% increase in both home loans and rural lending. These were partly offset by repayments in Corporate and Institutional lending which were expected at the time of acquisition.

Both ANZ New Zealand Banking and NBNZ retail deposits increased 3%.

Net interest average margins have reduced in asset based businesses, particularly in Mortgages as a result of the rises in wholesale market rates, partly offsetting the growth in lending, deposit volumes and deposit margins.

The NBNZ contribution to other operating income was $259 million in the 10 months to September 2004. Other operating income in the ANZ New Zealand businesses increased 4% with a 10% increase in Consumer Finance and flat fees in Mortgages with competitor driven fee discounting offsetting volume growth. Fee growth in ANZ New Zealand Banking was flat. The ANZ result also benefited from NBNZ capital markets customers transacting through ANZ systems.

Operating expenses increased $464 million, of which $443 million related to the inclusion of NBNZ. Non-incremental integration costs of $9 million have been incurred to date. Cost growth in ANZ New Zealand businesses has been contained to $4 million (1%) despite increases in staff numbers in ANZ New Zealand Banking (frontline) and Mortgages (support) to cope with increased business volumes, and increased brand spend and sales training.

Credit quality remains sound with the increase in the allowance for loan loss charge in ANZ New Zealand being driven by lending volumes. Allowance for loan loss provisioning methodologies have been implemented in NBNZ and a $62 million charge recognized in the ten months to September 2004. The NBNZ businesses added $81 million to non-accrual loan volumes which were partly offset by $8 million in reduced non-accruals in the ANZ New Zealand businesses.

Esanda and UDC

Profit after tax increased by 11%. Key influences on the result were:

Net interest income grew by 3% with an 8% increase in lending volumes reflecting continued new business writings. This was partly offset by a 12 basis point decline in net interest average margins brought about by the run off of higher yielding loans during the year and increasing new business from better credit quality, high growth segments that are lower margin.

Other operating income increased by 21% due primarily to changes in the fee structure for business lending, fees on higher new business writings and increased fees from value-added fleet management services.

External operating expenses increased by 2% as a result of annual salary increases and increased indirect taxes, partly offset by back office efficiency gains. Internal charges increased 17% reflecting growth in the business and increasing compliance costs. The continued control of expenses and growth in income has resulted in the cost to income ratio falling to 40.9% from 41.8% in the fiscal year ended September 30, 2003.

Allowance for loan loss charge increased by 6% driven by an 8% increase in lending volumes. Net specific allowance for loan loss was $25 million lower than last year, reflecting the $20 million write-down associated with residual value losses on aircraft in the 2003 year and continued improvement in the underlying credit quality of the loan book.

ING Australia

Profit after tax increased by 32%. Key influences on the result were:

Funds management income increased 13%, driven by strong investment markets.

Risk income increased by 15% with increased sales of life insurance products through the ANZ network and continued favourable claims experience being the major contributors.

Capital investment earnings increased by 93% due to strong investment markets, with the first half of 2003 impacted by the global uncertainty at that time. ANZ continues to partially hedge against volatility in this income stream; as a result, gains in capital investment earnings were partially offset by hedge losses.

Costs increased 11% due to insourcing of investment management services, the costs of which were previously classified in net income. In addition, increased investment was made in product systems and process improvements - the majority of these costs are non-recurring.

Tax expense increased due to the increased capital investment earnings and operating profit.

Asia Pacific

Profit after tax increased by 11%. Excluding the impact of exchange rate movements, profit increased 15%. Key influences on the result, excluding exchange rate movements, were:

Net interest income increased 16% as external assets increased 18%. Lending volumes in Fiji increased 13% due to continued economic growth, particularly in the tourism industry. Net interest income increased 76% in the Indonesian Cards business reflecting strong volume growth.

Other operating income increased 3% with fee income increasing 20% driven by a 16% increase in loan volumes and higher transaction volumes in the Indonesian Cards business. Foreign exchange earnings increased 4%, however these were offset by lower profits from PT Panin Bank predominantly as a result of a $16 million reduction in bond sales, partly offset by an $11 million withholding tax credit in the fiscal year ended September 30, 2004.

Operating expenses increased 5% as capability building in Quest continued to increase the level of support to the Pacific operations.

Credit quality remains sound with the allowance for loan loss charge increasing due to growth in credit card volumes in Indonesia. The increase in net specific allowance for loan loss results from a number of recoveries and allowance for loan loss reassessments in the fiscal year ended September 30,2003.

Income tax expense decreased $5 million largely due to a tax credit, arising from the repayment of foreign currency loans upon the exercise of options in PT Panin.

Group Center includes Treasury, Operations, Technology and Shared Services, Group People Capital, Group Strategic Development, Group Risk Management and Group Financial Management.

The result for the Group Center was a loss of $149 million compared with a profit of $20 million in the fiscal year ended September 30, 2003. Key influences on the result were:

The level of the Group s surplus capital reduced as a result of the acquisition of NBNZ partly offset by growth in retained earnings and further de-risking of offshore credit portfolios.

Income in the fiscal year ended September 30, 2003 benefited from $71 million earnings on an interest rate swap that hedged the distributions to TrUEPrS investors. The combined effect of the replacement of TrUEPrS with StEPS is a reduction in net profit after tax of $35 million or 1% of reported profit.

The strengthening of the AUD over the year resulted in gains on contracts put in place to hedge NZD and USD denominated offshore earnings.

Group Treasury mismatch profit reduced $31 million following an extended period of low and flat interest rates as higher yielding investments matured.

Settlement of the ING Australia warranties enabled the release of provisions held against potential claims; this was largely offset by a provision for loss on the proposed sale of ANZ s Sydney headquarters in Martin Place.

Goodwill amortization increased $128 million principally due to the NBNZ goodwill amortisation of $129 million. Goodwill amortisation is booked in the Group Center. Other external operating expenses increased as a result of a higher technology spend, and additional spend on compliance requirements including: Basel II, GST, International Accounting Standards and the US Sarbanes Oxley legislation.

Allowance for loan loss charge reduced $64 million. De-risking of the offshore lending portfolio and reduced defaults have allowed a reduction in the charge that was taken in the last two years. This charge is based on uncertainty in offshore portfolios.

Results by Region

Years ended September 30	**2005 $M**	**2004 $M**	**2003 $M**
Operating profit before income tax and including significant items			
Domestic Markets			
Australia	2,975	2,785	2,371
New Zealand	832	763	495
	3,807	3,548	2,866
Overseas	448	439	411
	4,255	3,987	3,277
Income tax expense			
Domestic Markets			
Australia	(816)	(802)	(672)
New Zealand	(303)	(266)	(147)
	(1,119)	(1,068)	(819)
Overseas	(115)	(100)	(107)
Income tax expense	(1,234)	(1,168)	(926)
Outside equity interest			
New Zealand	(1)		
Overseas	(2)	(4)	(3)
Operating profit after income tax including significant items by region	3,018	2,815	2,348
Domestic Markets			
Australia	2,159	1,984	1,699
New Zealand	528	495	348
	2,687	2,479	2,047
Overseas	331	336	301
Operating profit after income tax including significant items (1)	**3,018**	**2,815**	**2,348**
Significant items after tax			
Domestic Markets			
Australia		98	
New Zealand	14		
	14	98	
Overseas			
	14	98	
Operating profit after income tax and excluding significant items			
Domestic Markets			
Australia	2,159	1,886	1,699
New Zealand	514	495	348
	2,673	2,381	2,047
Overseas	331	336	301
Operating profit after income tax excluding significant items (1)	**3,004**	**2,717**	**2,348**

(1) Significant transactions are detailed on pages 29 to 30.

Australia

Selected Australian economic indicators are shown below:

Year ended June 30	2005	2004	2003
Nominal rates of growth (1) in Gross Domestic Product	7.3%	7.7%	5.7%
Inflation rates	2.5%	2.5%	2.7%
Real rates of growth in Gross Domestic Product (2)	2.6%	4.4%	2.3%

Source: Australian National Accounts: National Income and Expenditure, ABS Cat. no. 5206.0 and 6401.0

(1) Not restated for the effects of changes to price levels.

(2) Nominal rates of Gross Domestic Product restated for the effect of changes to price levels.

The Commonwealth Government of Australia has forecast the real rate of growth in Gross Domestic Product for the year ending June 30, 2006 to be 3.0% (Australian National Accounts: Income and Expenditure).

2005

Profit after tax increased by 9%. Excluding the Australian component of significant items (refer page 29), profit increased by 14%. Significant influences on the result were:

Net interest income increased by 10%. Average net loans and advances increased 17%, driven by growth in Personal 15%, Institutional 27%, Corporate 16% and Esanda 8%. Average deposit and other borrowing volumes increased 15%, comprising Personal Banking Australia 10%, Institutional 18%, Corporate 10%, Group Treasury 33% and Esanda 12%. Margins decreased 14 basis points with a change in the asset mix increased volumes of wholesale funding, lower earnings on contracts put in place to hedge offshore revenue, and competition in Institutional, Mortgages and retail deposits. This was partly offset in Markets, where a higher proportion of revenue was booked as net interest ($29 million), partly offset by lower other operating income.

Fee income increased by 9% with a 11% increase in Personal underpinned by growth in transaction account Merchant and card numbers and higher income from financial planners. Institutional increased 5% with growth in Corporate & Structured Financing offsetting the impact of increased competition in Client Relationship Group. Esanda grew 18% reflecting increased new business volumes and higher predetermination fees.

Other operating income decreased $119 million. The 2004 year included $124 million profit from significant items, (refer page 29). Markets decreased $13 million, offset by higher net interest income. Excluding these impacts, other operating income increased 3% with higher earnings from the sale of equity securities (including Private Equity).

Operating expenses increased by 9% reflecting an increased investment in frontline staff, annual salary increases, and increased compliance costs including the US Sarbanes Oxley legislation and AIFRS.

Provision for doubtful debts decreased by 6% driven by a $41 million reduction in the Group Center. The impact of volume growth was partly offset by improved credit quality in most portfolios. Net specific provisions decreased $109 million mainly in Institutional reflecting an improvement in overall credit quality and no new large credit provisions during the year.

2004

Profit after tax in Australia increased by 17%. Significant influences on the result were:

Net interest income increased by 7% as higher lending volumes offset a decline in net interest margin of 23 basis points including a $72 million reduction from Capital Markets where a lower proportion of revenue was booked as interest. The growth in net interest income was mainly due to Corporate ($60 million), Mortgages ($32 million) and Consumer Finance ($26 million).

Fee income increased by 12%. Lending fee income increased 4% driven by Corporate ($14 million) and Personal ($11 million) on higher lending volumes. Non-lending fees increased 13% driven by Cards and Merchant Services with the $38 million under accrual of loyalty points that reduced income in the fiscal year ended September 30,2003, reduced loyalty costs and increased merchant revenues, and by Trade and Transaction Services from increased international payments revenue.

Other operating income increased largely as a result of the TrUEPrS swap income, and in Capital Markets where a $72 million increase was offset by an increased cost of funding cash flows booked in net interest. This was partly offset by a reduction in Institutional Banking where $27 million profit on the final sale of development properties was booked in the fiscal year ended September 30, 2003.

Operating expenses increased by 8% mainly due to higher personnel expenses ($112 million) from annual salary increases and increased staff numbers, an increase in computer expenses ($56 million) with the rollout of the new telling platform and increased premises costs ($20 million) from investment in the branch network.

Allowance for loan loss charge decreased by 6% reflecting the stable credit quality of the portfolio and the de-risking of the offshore portfolios allowing a reduction in the charge taken in prior periods. Net specific allowance for loan losses increased $37 million as a result of an $87 million provision on Reach exposure.

Excluding the Australian component of significant items ($98 million profit in the fiscal year ended September 30, 2004) profit increased by 12%.

New Zealand

2005

Profit after tax from New Zealand operations was $528 million.

Profit after tax increased by 7%. After adjusting for the impact of a 4% strengthening in the average NZD exchange rate, which impacted all trends, $14 million profit on sale of the NBNZ Life businesses and the inclusion of an additional two months contribution from NBNZ in 2005 ($29 million including acquisition and funding costs) which ANZ believes are not indicative of core business performance improvement, profit after tax reduced 5%. Increased profit in New Zealand Businesses has been offset by higher funding costs from rate rises, reduced profit as a result of the planned roll-off of certain structured finance transactions and increased integration spend.

Key influences on the result excluding the impact of exchange rates (which is not indicative of core business performance) include:

Net interest income increased $160 million including an additional two months contribution from NBNZ ($127 million including acquisition and funding costs). Lending volumes increased 14% with growth in New Zealand businesses (13%) and Institutional (40%, mainly in Client Relationship Group and Structured Financing) offsetting a reduction in UDC (-12%). Customer deposit volumes increased 7% in New Zealand businesses. Net interest margins declined 14 basis points as a result of the mortgage price war and migration of customers to floating from fixed rate loans, higher funding costs from growth in wholesale debt and lower margin deposits, slight margin reductions in UDC, Rural and Institutional Banking, and lower Treasury mismatch earnings.

Fee income increased $39 million as a result of an additional two months contribution from NBNZ ($38 million) with retail loan approval fees constrained, as a result of competitive discounting, and a decision to restructure the honour fee in ANZ Retail, offsetting volume driven growth in fees in Institutional.

Other operating income was $43 million higher with an additional two months contribution from NBNZ ($15 million), profit on sale of NBNZ Life ($14 million after tax) and increased income from private equity transactions.

Operating expenses increased $215 million including an additional two months contribution from NBNZ ($115 million including goodwill amortisation) and an increased integration spend ($34 million). An increased investment in front-line staff and integration has resulted in staff numbers increasing by 8%.

Allowance for loan loss charge reduced by $10 million with increased lending volumes being offset by the revision of expected loss factors in NBNZ following further analysis of loss history and an increased proportion of low risk residential and rural lending. Increased net specific provisions and non-accrual loans result largely from two corporate accounts and exposures to the apple and pear export industry.

2004

Profit after tax from New Zealand operations was $495 million.

	2004				2003
	New Zealand $m	NBNZ $m	New Zealand Geographic Acquisition and fundraising $m	New Zealand ex NBNZ(1) $m	
Net interest income	1,371	786	(127)	712	675
Other operating income	638	259		379	394
Operating income	2,009	1,045	(127)	1,091	1,069
Operating expenses	(1,128)	(443)	(148)	(537)	(519)
Profit before allowance for loan losses	881	602	(275)	554	550
Allowance for loan loss charge	(118)	(62)		(56)	(55)
Profit before income tax	763	540	(275)	498	495
Income tax expense	(266)	(164)	48	(150)	(147)
Outside Equity interest	(2)	(1)		(1)	
Net profit	**495**	**375**	**(227)**	**347**	**348**

(1) Includes integration costs

NBNZ contributed $375 million profit (excluding goodwill amortisation, acquisition funding costs, incremental integration costs and employee share plan costs) in the ten months since acquisition on December 1, 2003:

The National Bank experienced 8% annualized growth in lending volumes since December 1, 2003 with strong growth in the residential housing market and in rural lending partly offset by institutional repayments.

Retail deposits have grown 3% since our acquisition of NBNZ.

Other operating income for the 10 months since December 1, 2003 reflects a slightly lower trend than prior to acquisition, with lower fee income from the corporate and capital markets businesses and certain structured finance transactions.

Operating expenses were well contained with continued focus on integration activities.

Allowance for loan loss methodologies have been implemented in NBNZ with a $62 million charge in the 10 months to September 30, 2004 representing an annualized charge of 0.23% of net lending assets.

Profit after tax was flat in New Zealand excluding NBNZ and New Zealand Geographic acquisition and funding costs, or a 2% increase after allowing for the negative impact of a weaker New Zealand Dollar. Profit growth was driven mainly by the retail businesses with deposit margins widening as interest rates rose. There was a lower contribution from Institutional with lower lending volumes and higher repayments. This result also includes $22 million after tax incremental integration costs and $12 million (post tax) of non-incremental integration costs. Following completion of integration, these resources will be dedicated to other Group projects. Key influences on the result include:

Net interest income increased 5% with lending volumes increasing 3% driven by growth in Mortgages (5%) and Business and Rural (5%). Deposit volumes increased 5%, assisted by strong growth in Trade and Transaction Services. The result was also assisted by a reduction in the cost of term funding. Reduced asset margins, including a 5 basis point reduction in mortgage margins as a result of a reduction in spread between the cash rate and 90 day funding rates, were offset by increased deposit margins.

Other operating income decreased 4% with volume related lending fee growth in Consumer Finance (10%) and Corporate (12%) offset by reduced revenue in Institutional with lower trading revenue in Financial Markets, reduced activity in the private equity business and run off of certain structured finance activities.

Operating expenses increased 3%. Incremental integration costs of $22 million after tax have been incurred by New Zealand. Of this, $14 million was incremental to the Group. Non-incremental integration costs are $12 million after tax ($2 million after tax is in NBNZ). Excluding integration costs, operating expenses were flat with annual salary increases, an increased number of frontline staff and a increased spend on brand image and sales training being offset by cost savings in support areas.

Credit quality remains sound with total allowance for loan loss charge well in excess of net specific allowance for loan losses.

Overseas Markets

	2005 $M	2004 $M	2003 $M
Asia Pacific	184	191	184
United Kingdom	102	88	58
United States	29	49	59
Other	16	8	
Profit after tax	331	336	301

2005

Profit after tax from overseas markets decreased 1% to $331 million.

Profit after tax from the Asia Pacific area decreased 4%, with 2004 including adjustments to equity accounted earnings (refer page 39). The appreciation of the AUD suppressed profit growth by 2% ($3 million).

Excluding exchange rate movements:

Net interest income increased 3% with strong growth in lending volumes largely offset by the impact of the structural change in the interest rate environment in PNG, with average Treasury Bill rates falling by approximately 600 basis points in the March 2005 half. Stronger trade volumes in Asia were offset by reduced Treasury earnings in Singapore.

Fee income increased 12% with higher transaction volumes in Corporate & Structured Financing, Trade & Transaction Services and Cards in Asia and higher lending volumes in the Pacific.

Other external operating income increased 12% with ANZ s strong market position in the Asia Pacific region increasing foreign exchange earnings. This was partly offset by reduced equity accounting adjustments in PT Panin Bank.

Operating expenses increased 18% with costs associated with building partner relationships in China, Vietnam and Cambodia, centralisation of regional operations in Fiji and the increase in specialist resources in Asia.

Allowance for loan loss charge reduced by 2% largely due to the focus on lower risk trade transactions in Asia. The increase in net specific provisions is a result of provisioning for one large account.

Income tax expense increased, despite lower profit before tax, largely as a result of a tax credit arising from the repayment of foreign currency loans upon the exercise of options in PT Panin in the fiscal year ended September 30, 2004.

Profit after tax in overseas markets other than Asia Pacific increased 1%. Excluding the impact of exchange rates, profit increased by 7%. Significant influences on the result were:

Net interest income decreased 8%. Higher earnings on capital following interest rate increases and higher earnings on funds lent to New Zealand were offset by a decline in Institutional following the sale of the London headquartered project finance business and the continued strategy to de-risk the overseas portfolios. A reduction of $9 million in Markets due to the increased cost of funding derivative positions was offset by an increase in other operating income.

Fee income reduced 20% following the sale of the project finance businesses.

Other operating income increased 51% mainly due to the profit on sale of the project finance businesses ($4 million) and a $14 million increase in Markets.

Operating expenses decreased 14% as a result of the sale of the project finance business, predominantly personnel expenses. Reductions in staff numbers resulting from the sale of the project finance business were offset by increases in technology staff in India, however, the increased costs in India were charged to other businesses.

Allowance for loan loss charge decreased 44% as a result of the sale of the project finance business and the reduction in exposure to the US and UK Power sectors. The credit to specific provisions resulted from the recovery of several bad debts previously provided for. Net non-accrual loans reduced as a result of the realisation of two large power exposures in America and the sale of the project finance business.

Income tax expense increased by 23% due mainly to the release in the fiscal year ended September 30, 2004 of a $7 million tax provision relating to prior year tax expense in the US.

2004

Profit after tax from overseas markets increased 12% to $336 million.

Profit after tax from the Asia Pacific area increased 4% despite the impact of an appreciation in the AUD. Excluding the impact of exchange rate movements, profit increased by 11% as a result of:

Net interest income increased 14% driven by continued growth in the Indonesian Cards business, increased mortgage lending by Personal Banking in Singapore and a 13% increase in Fiji lending volumes as economic conditions, particularly in the tourism industry, continued to improve.

Fee income increased 16%, driven by the growth in Indonesian Cards business, and growth in lending fees in Fiji with the drawdown of several large corporate deals. The Trade Finance focus on trade flows between Australia and Asia also contributed to this improvement.

Other operating income reduced 18% as a result of a $12 million reduction in equity-accounted profit from PT Panin. This was partially offset by a withholding tax credit in PT Panin in the current year, a $2 million contribution from the newly-acquired stake in Metrobank Card Corporation in Philippines, increased foreign exchange earnings and a $2 million gain on surplus property sales in Fiji, Vanuatu and Papua New Guinea.

Operating expenses increased by 6% as the Institutional business invested in frontline staff in Asia, capacity was built in Quest to support the centralization of regional operations in Fiji and promotional spend was increased in the Indonesian Cards business. These cost increases were partially offset by lower technology expenditure due to the rationalisation of non-core projects.

Allowance for loan loss charge increased by 15%, largely due to the growth in the volume of Cards business. The overall quality of the Asian corporate loan book continues to improve, reflecting a much more focused approach to the regional Asian strategy.

Profit after tax in overseas markets other than Asia Pacific increased by 24%. Excluding the impact of exchange rates profit increased by 42%. Significant influences on the result excluding the impact of exchange rates were:

Net interest income increased 18% driven by an additional $49 million of interest earnings in the UK on increased capital levels associated with funding of the acquisition of NBNZ. This increase was partly offset by a reduction in Corporate and Structured Financing in the UK and US, reflecting the strategy to de-risk offshore portfolios and a reduction in Treasury mismatch earnings with the run-off of higher yielding assets following an extended period of low and flat USD and GBP interest rates.

Fee income increased 9% with increases in non-lending fees in Corporate and Structured Finance and Institutional Banking in the UK partly offset by a reduction in lending fee income reflecting the impact of the de-risking strategy on lending volumes and the push for non-lending income.

Other operating income increased by 15% mainly due to a $12 million increase in foreign exchange earnings in the UK driven by higher customer demand.

Operating expenses increased 8% driven by a 14% increase in personnel expenses (which constitute approximately 75% of expenses) with an additional 67 technology staff and an additional $8 million funding for the UK defined benefit pension plan.

Allowance for loan loss charge decreased 17% reflecting the reduction in lending volumes, particularly the US and UK Power and Telecommunications sectors. Net specific allowance for loan loss decreased 86% due to a reduction in large allowance for loan loss required against the remaining US and UK Power and Telecommunications exposures.

Balance Sheet

Years ended September 30	2005 $M	2004 $M	2003 $M
Assets			
Liquid assets & due from other financial institutions	17,948	11,144	9,019
Trading securities and investment securities	13,226	13,224	8,980
Net loans and advances	230,952	204,962	149,465
Customers liability for acceptances	13,449	12,466	13,178
All other assets	17,610	17,549	14,949
Total Assets	293,185	259,345	195,591
Liabilities			
Due to other financial institutions	12,027	7,349	6,467
Deposits and other borrowings	185,693	168,557	124,494
Liability for acceptances	13,449	12,466	13,178
Creditors and other liabilities	11,607	14,212	13,611
Bonds, notes and loan capital	48,210	36,077	22,202
All other liabilities	2,711	2,759	1,852
Total Liabilities	273,697	241,420	181,804
Net Assets	19,488	17,925	13,787
Total Shareholders Equity	19,488	17,925	13,787

Liquid Assets & Due From Other Financial Institutions

2005

Liquid assets increased by $5.2 billion (82%) to $11.6 billion at 30 September 2005. Australia increased $1.9 billion due largely to an increase in customer-related repo activity and overnight lending in Institutional. New Zealand increased $1.7 billion as a result of larger holdings of bank certificates of deposit for liquidity purposes. Overseas Markets increased $1.6 billion due to increased trade bills and letters of credit volumes.

Due from other financial institutions increased by $1.6 billion (33%) to $6.3 billion at 30 September 2005 due largely to increase in volume of bank overdrafts, securities borrowing volumes in Trade and Transaction Services Australia and interbank lending in New Zealand and the United Kingdom.

Details of the Group s cash flows are included within the Financial Report within the Statement of Cash Flows and Note 41.

2004

Liquid assets reduced by $0.2 billion (3%) to $6.4 billion at September 30, 2004. Excluding NBNZ ($0.6 billion) and the impact of exchange rate movements ($0.1 billion) liquid assets decreased by $0.9 billion (14%), due largely to a reduction in liquidity levels in New Zealand where the 2003 balance had been built up in expectation of the purchase of NBNZ and also included holdings of NBNZ certificates of deposit, which have been eliminated on consolidation following the acquisition.

Due from other financial institutions increased by $2.4 billion to $4.8 billion at September 2004. The increase was driven by an additional $1.8 billion resulting from the acquisition of NBNZ and the investment of surplus liquidity in the interbank market in New Zealand and Asia. This was partly offset by customer driven reductions in vostro balances in Australia. The appreciation of the AUD resulted in a 2% reduction in Due from Other Financial Institutions.

Trading and Investment Securities

2005

Trading securities volumes increased $0.8 billion (15%) to $6.3 billion at 30 September 2005 due largely to more active trading in Institutional Australia ($1.4 billion) partly offset by reduced holdings in Treasury ($0.8 billion) with changes in the composition of the liquidity portfolio.

Investment security volumes decreased $0.8 billion to $6.9 billion at 30 September 2005 due to changes in the composition of the liquidity portfolio and reduced holdings related to discontinued structured finance activities in New Zealand ($0.5 billion).

2004

Trading security volumes increased $1.3 billion (30%) to $5.5 billion at September 2004. Excluding NBNZ ($0.4 billion) and exchange rate movements trading securities increased by $0.8 billion due to:

Treasury increasing the minimum level of assets held in the liquidity portfolio following the acquisition of NBNZ ($0.3 billion)

An increase in the volume of securities held for trading purposes in Institutional ($0.7 billion)

Investment security volumes increased $3.0 billion to $7.7 billion at September 2004. Excluding NBNZ ($0.3 billion) and exchange rate movements investment securities increased by $2.7 billion (56%) due largely to Treasury increasing liquidity levels following the acquisition of NBNZ leading to higher volumes in Australia ($2.0 billion), New Zealand ($0.2 billion) and Overseas ($0.5 billion).

Net Loans, Advances and Acceptances

2005

Net loans, advances and acceptances increased 12% ($27.0 billion) since September 30, 2004 to $244.4 billion.

Net loans and advances increased 13% ($26.0 billion) since September 2004. Excluding the impact of exchange rate movements, the increase was 14% ($28.2 billion).

Growth in Australia of 15% ($21.1 billion) was largely the result of increases in the following businesses:

Personal (14% or $12.8 billion), predominantly in Mortgages ($10.8 billion) as a result of growth in housing loans. Consumer Finance increased $1.1 billion reflecting the success of the low rate MasterCard product. Regional Commercial and Agribusiness Products grew $0.7 billion and Banking Products grew $0.2 billion.

Institutional (24% or $5.4 billion) largely in Client Relationship Group ($4.0 billion) driven by increased demand for funding of mergers and acquisition activity. Growth of $0.8 billion in Corporate and Structured Financing was due mainly to increased project finance activity, and higher volumes in Trade and Transaction Services ($0.7 billion) were as a result of growth in overdrafts.

Corporate (14% or $1.9 billion) largely in Business Banking ($1.1 billion) driven by continued investment in frontline staff and process simplification, the industry specialisation approach to customers and a competitive customer service proposition.

Esanda (9% or $1.0 billion) driven by new business writings, particularly in the Commercial Asset Finance and Broker channels.

New Zealand grew by $6.2 billion (11%). Excluding the impact of exchange rates, growth was $7.8 billion, or 14%, with increases in NBNZ Retail ($2.6 billion), ANZ Retail ($1.4 billion), Institutional ($1.9 billion) and Corporate Banking ($1.4 billion).

Overseas Markets declined by $1.3 billion largely due to the sale of the London headquartered project finance business and the impact of exchange rate movements ($0.7 billion).

Customer s liability for acceptances increased by $1.0 billion to $13.4 billion at 30 September 2005 with growth predominantly in Institutional ($0.5 billion) and Corporate Banking ($0.3 billion). Commercial bills accepted but not held in portfolio are accounted for and disclosed as a liability with a corresponding contra asset.

2004

Net loans, advances and acceptances increased 34% ($54.8 billion) to $217.4 billion.

Net loans and advances increased 37% ($55.5 billion) since September 30, 2003. Excluding NBNZ, growth was 14% ($21.3 billion).

Growth in Australia of 16% ($19.0 billion) was largely the result of increases in the following businesses:

Personal ($13.6 billion or 18%), predominantly in Mortgages ($12.0 billion) as a result of growth in housing and equity loans, Rural Banking ($0.9 billion) and Banking Products ($0.3 billion) with growth in margin lending.

During the second half of 2004, the Group issued $1.5 billion of notes backed by mortgage loans. Including the value of the securitized loans as at September 30, 2004, growth in Personal Banking was $14.9 billion.

Corporate ($2.5 billion or 23%) mainly in Business Banking ($1.8 billion) from increased activity with existing customers and new customer acquisition through a very competitive customer service proposition and footprint growth.

Institutional ($2.1 billion) largely in Institutional Banking.

Esanda ($0.9 billion) with strong growth in equipment financing.

Excluding NBNZ, New Zealand increased by $2.7 billion largely in Mortgages ($0.8 billion), ANZ New Zealand Banking ($0.5 billion) and the impact of a stronger New Zealand dollar ($1.4 billion).

Overseas Markets declined by $0.4 billion largely due to reduction in exposures of the US and UK markets ($(0.3) billion) and exchange rate movements ($(0.2) billion).

Customer liability for acceptances reduced $0.7 billion to $12.5 billion at September 30, 2004 with growth in Corporate ($0.5 billion) being offset by a $1.1 billion increase in bills held in the trading portfolio, which are reported as trading securities.

All Other Assets

2005

All other assets increased $0.1 billion to $17.6 billion as at September 30, 2005. An increase in trade dated asset volumes was largely offset by a $0.4 billion reduction in goodwill, lower treasury instrument revaluation balances and a reduced investment in associates and joint venture entities following a repatriation of capital from INGA.

The December 1, 2003 acquisition of NBNZ by ANZ has resulted in consideration being given to booking an asset in respect of the customer deposit relationships. SFAS 141 Business Combinations allows for a period not exceeding one year to allocate fair values to identifiable assets and liabilities acquired in an acquisition. Applying this allocation period, during the financial year ANZ recognised a core deposit intangible separately from goodwill in relation to this acquisition for US GAAP purposes. This asset is not recognised for Australian GAAP purposes. This intangible asset is equal to $316 million and is to be amortized on a non-linear basis over a period of approximately 4 years.

2004

All other assets increased by $2.6 billion as at September 2004 principally due to a $3.1 billion increase in goodwill arising from the acquisition of the National Bank of New Zealand partially offset by a reduction in the gross revaluation gains on derivative instruments assisted by increased use of collateral arrangements.

There are no additional deferred tax assets to be recognized under US GAAP. The only potential source of additional deferred tax assets that are currently not booked relate to tax losses. The only potential future benefit arising from unbooked tax losses is an amount of $67m relating to capital losses. Since capital losses can only be recovered against capital gains, and not against revenue generally, and the prospect of generating the necessary future capital gain is not probable, the potential future benefit cannot be booked.

We have a holding of freehold and leasehold land and buildings (largely within Australia) for our business purposes. These premises, which include branches, administration centers and residential accommodation for employees and had a carrying value at September 30, 2004 of $498 million (market value of $464 million as at June 30, 2003)(2002 carrying value: $426 million).

The Group last valued this class of assets, based on independent valuations, as at June 30, 2002. Whilst an independent valuation is conducted only every 3 years, an annual impairment review, which may involve independent valuation if required, is conducted in order to satisfy Australian Accounting Standards.

There were no material movements in property values in the period to September 30, 2004. At September 30, 2004, a recoverable amount review of this class of assets was conducted. Properties were reviewed for existence of impairment indicators that might provide evidence that the property s recoverable amount exceeded carrying value. One property was identified and a loss of $2 million was booked.

The Group has assessed the implication of SFAS No. 147 Acquisition of Certain Financial Institutions in relation to two acquisitions, NBNZ and Bank of Hawaii. The Group adopted SFAS No. 147 on October 1, 2002 but did not make any material purchases that fall within its scope in the year ended September 30, 2003. In fiscal year 2004, the acquisition of NBNZ has been treated in accordance with the new Standard and the required disclosures have been set out in Note 57 to the Financial Report. An asset is required to be booked at fair value on acquisition for long term customer relationship intangible assets which meet the criteria identified in SFAS 141. The recent acquisition of NBNZ by ANZ has resulted in consideration being given to booking an asset in respect of these relationships. Appendix A to SFAS 141 provides guidance on how to apply the recognition criteria to such assets. NBNZ is based in New Zealand and its customers are predominantly domiciled in New Zealand. Legislation and common law applying to banks in New Zealand prohibit an entity from selling, leasing, or otherwise exchanging information about some or all of its customers.

The Group believes that any intangible asset related to long term customer relationships in respect of its acquisition of certain business of the Bank of Hawaii are immaterial. US Federal law requires financial companies to tell customers about their policies regarding the privacy of their personal information, and must give them the opportunity to opt out of some information sharing with companies which are not part of the same corporate group (unaffiliated). They may also be given the right to opt out of certain information sharing with affiliated companies. The value and ability of customer information to be sold, transferred, licensed, rented or exchanged was not considered in assessing the value of the transaction to the Group and at the time of acquisition was considered negligible. Hence the Group has not recognized an asset for such relationships in the financial statements.

Due to Other Financial Institutions

2005

Due to other financial institutions increased $4.7 billion (64%) to $12.0 billion at 30 September 2005.

Volumes in Australia increased $2.0 billion. The increase was mainly in Institutional notably in Markets ($1.2 billion) with increased interbank repo activity and increased Clearing Services volumes in Trade and Transaction Services ($0.8 billion).

Excluding exchange rate movements New Zealand increased $1.5 billion largely in Structured Finance, and Overseas Markets increased $1.4 billion largely in the United Kingdom with reduced Certificate of Deposit and Term Deposit issuance in Treasury.

2004

Due to other financial institutions increased $0.9 billion (14%) to $7.3 billion at September 2004. An increase of $1.2 billion resulting from the acquisition of NBNZ and increased interbank funding in Asia, largely due to changes to thin capitalisation rules in Korea, were offset by reduced call funding in ANZ New Zealand.

The exchange rate impact was negligible.

Deposits and Other Borrowings

2005

Deposits and other borrowings increased $17.1 billion (10%) to $185.7 billion at 30 September 2005. Exchange rate movements reduced deposits and other borrowings by $2.7 billion with a $1.4 billion reduction in New Zealand and a $1.3 billion reduction in Overseas Markets. Excluding exchange rate movements:

Australia increased $16.1 billion (17%) largely as a result of increases in the following businesses:

Treasury funding increased $7.4 billion with higher certificates of deposit volumes to meet the Group s increased short term funding requirements.

Personal increased $3.7 billion due to high yielding term deposit and cash management account products.

Institutional increased $2.0 billion largely due to several corporate deposits in Trade and Transaction Services.

Corporate increased $1.9 billion.

Esanda increased $1.1 billion.

New Zealand Businesses increased $4.7 billion, largely in Treasury ($2.1 billion) with an increase in commercial paper and certificate of deposit issuance to help fund the growing New Zealand balance sheet. Deposits grew in ANZ Retail and NBNZ Retail by $1.7 billion.

Overseas Markets decreased $0.9 billion, with Americas decreasing $1.4 billion, UK & Europe decreasing $0.5 billion and Asia/Pacific increasing $1.1 billion. Reduced funding resulting from the Euro trust securities issue has been partly offset by additional funding requirement given increased asset volumes.

2004

Deposits and other borrowings increased $44.1 billion (35%) to $168.6 billion, at September 2004 including $28 billion resulting from the acquisition of the NBNZ. Exchange rate movements contributed $0.5 billion to the increase with an increase of $1.2 billion due the strengthening of the NZD partly offset by appreciation of the AUD against other currencies.

Excluding NBNZ and exchange rate movements, deposits and other borrowings increased by $15.2 billion (12%) due to:

Treasury funding increasing $5.4 billion with higher certificates of deposit ($6.7 billion) offset by lower commercial paper issuance ($1.3 billion) to meet the Group s increased short term funding requirements.

Institutional volumes increasing $2.0 billion with an increase in trade related deposits and higher cash management account volumes with the acquisition of a number of new large customer accounts during 2004.

Personal increasing $4.0 billion. Term deposit volumes increased $1.4 billion with increased marketing and competitive pricing. Other interest bearing deposit volumes increased $1.7 billion reflecting strong growth in the V2 Plus, Access, Mortgage offset, E*Trade and business transaction products account products.

Corporate increasing $1.4 billion with increased interest rates and competitive pricing on term deposits.

Esanda and UDC volumes increasing $1.4 billion with increased commercial paper ($0.9 billion) and debentures ($0.5 billion) to fund asset growth and reduce the reliance on internal funding.

Creditors and Other Liabilities

2005

Payables and other liabilities decreased $2.6 billion (18%) to $11.6 billion at 30 September 2005 with a reduction in securities lending volumes and lower unrealized losses on revaluation of derivative instruments.

2004

Creditors and other liabilities increased $0.6 billion (4%) to $14.2 billion as at September 2004. Excluding $1.9 billion in NBNZ and a 1% increase from exchange rate movement, payables and other liabilities decreased by $1.4 billion (10%) with a reduction in the revaluation of derivative instruments ($3.0 billion) partly offset by growth in securities lending cash collateral ($1.5 billion). The increase in all other liabilities of $0.9 billion is due to an increase in tax liabilities. The balances relating to lease finance and treasury instruments reflect the ever-changing profile of the underlying product books driven by the ebbs and flows of customer demand and external factors such as exchange rates. The changes in the remainder of the deferred tax liability are caused by changes in provisions for taxation matters and by a variety of timing differences relating to operating expenditure including capitalized expenditure and capital allowances.

Bonds, Notes and Loan Capital

2005

Bonds and notes increased $11.5 billion (42%) to $39.1 billion at 30 September 2005. Excluding exchange rate movements, bonds and notes increased by $13.3 billion (48%) in response to increased term funding requirements.

Loan capital increased $0.7 billion (8%) to $9.1 billion at 30 September 2005 or $1.1 billion (13%) excluding exchange rate movements.

2004

Bonds and notes increased $11 billion (67%) to $27.6 billion, at September 2004. Excluding the $2.1 billion in NBNZ, bonds and notes increased by $9.1 billion (55%) in response to increased funding requirements.

Loan capital increased $2.8 billion (51%) to $8.5 billion, at September 2004 including $0.3 billion in NBNZ. The main drivers for the increase were:

The USD1.1 billion US Trust Securities issued in November 2003 to support the capital and funding base of the Group following the decision to acquire NBNZ. The issue was made in two tranches:

USD750 million tranche with a coupon of 5.36%

USD350 million tranche with a coupon of 4.484%

If the Trust Securities are not redeemed or bought back prior to December 15, 2053 they will convert into preference shares, which in turn will mandatorily convert into a number of ordinary shares, based on the formula in the offering memorandum. The US Trust Securities qualify as Tier 1 capital as defined by APRA, however, the securities are reported as debt under Australian International and US Accounting Standards, with the coupon payments classified as interest expense.

New issues of $1.2 billion to meet funding and capital adequacy requirements.

Capital, qualifying capital, on balance sheet assets and off balance sheet exposures

Years ended September 30	2005 $M	2004 $M	2003 $M
Shareholders equity (including outside equity interests)	19,488	17,925	13,787
Loan capital (subordinated debt)	9,137	8,475	5,630
Total	28,625	26,400	19,417
Liabilities excluding loan capital	264,560	232,945	176,174
Total assets	293,185	259,345	195,591
Risk weighted assets	219,573	196,664	152,164
Tier 1 capital	15,157	13,566	11,740
Tier 2 capital	8,574	7,844	6,065
Deductions	(784)	(1019)	(920)
Total qualifying capital	22,947	20,391	16,885
	%	%	%
Tier 1 capital ratio	6.9	6.9	7.7
Tier 2 capital ratio	3.9	4.0	4.0
Deductions	(0.3)	(0.5)	(0.6)
Total capital adequacy ratio	10.5	10.4	11.1
Adjusted common equity (ACE) (1)	5.1	5.1	5.7

(1) Tier 1 capital, less hybrid Tier 1 capital (converted at September 30, 2005 rates), less deductions.

2005

The ACE ratio at 5.1% remains above the Group s targeted capital range with only $204 million of the planned $350 million buy-back having been completed. During the period, ACE ratio declined 2 basis points principally due to:

current period earnings before goodwill amortisation and after preference share dividends of $3.2 billion (+161 basis points);

ordinary share dividend commitments of $2.0 billion (-102 basis points);

reduced capital deductions of $0.1 billion (+6 basis points) principally due to a capital repatriation from ING Australia being offset by profit retention in funds management businesses and an increase in capitalized expenses;

buy-back of ordinary equity of $204 million (-10 basis points) being offset by share issues of $309 million (+16 basis points) through the Bonus Option Plan, Dividend Reinvestment Plan, option conversions and issues to staff;

increase in risk weighted assets, excluding the impact of exchange rate movements (-67 basis points); and exchange rate movements (-5 basis points).

The Group commenced an on-market buy-back of $350 million of ordinary equity on 10 January 2005. In the period to September 30, 2005, the Group had repurchased approximately 9.6 million shares at an average cost of approximately $21.15 per share for a total of approximately $204 million. The buy-back period has been extended to 30 March 2006.

Details of the Group s off balance sheet arrangements are detailed in Notes 46 and 47 of the Financial Report.

Period	**Total Number of Shares Purchased**		**Average Price Paid per Share (A$)**	**Total number of Shares Purchased as Part of Publicly Announced Plans or Programs**		**Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (A$)**
January 2005	3,086,435	$	20.43	3,086,435	$	286,945,159
February 2005	1,807,335	$	20.95	1,807,335	$	249,090,494
March 2005	728,679	$	21.54	728,679	$	233,391,576
April 2005						
May 2005	777,000	$	21.62	777,000	$	216,589,562
June 2005	1,694,353	$	21.90	1,694,353	$	179,487,759
July 2005	1,033,975	$	21.52	1,033,975	$	157,238,378
August 2005	493,000	$	21.65	493,000	$	146,563,649
September 2005	10,000	$	21.85	10,000	$	146,345,149
Total	9,630,777			9,630,777	$	146,345,149

The Group raises hybrid Tier 1 capital to supplement the Group s ACE capital to further strengthen the Group s capital base and ensure compliance with APRA s prudential capital requirements, principally its Tier 1 capital requirements.

In December 2004 the Group raised $871 million (+44 basis points) through the issuance of a 500 million hybrid Tier 1 capital instrument (Euro Trust Securities) into the European market. The instrument is similar in structure to the Group s existing Australian (ANZ StEPS) and US Trust Securities, with full details of the issue provided in Item 10: Additional Information.

The Euro Trust Securities issue, coupled with the items identified within the ACE Capital discussion, resulted in the Group s Tier 1 ratio remaining unchanged over the full year.

2004

The Group s central capital management target is formulated around Adjusted Common Equity (ACE) with a benchmark of ACE/RWA in the range of 4.5% to 5.0% as at September 30, 2004. This benchmark range was revised from the previous range of 5.25% to 5.75% to reflect progress made in rebalancing our portfolios and a change in the way APRA requires us to calculate Tier 1.

The Group s capital ratios declined during the year principally due to the acquisition of NBNZ and the buy back of the TrUEPrS hybrid. Adjusted Common Equity (ACE) reduced from 5.7% to 5.1%, Tier 1 from 7.7% to 6.9% and Total Capital from 11.1% to 10.4%.

During the year the following significant events affected the ACE ratio:

NBNZ acquisition resulted in a reduction of 58 basis points due to the net of:

Rights Issue of ordinary equity in November 2003, which raised $3,562 million (net of issue costs).

Goodwill deductions increasing by $3.1 billion.

Risk weighted assets increasing by $28 billion.

Capitalized Expenses - From July 1, 2004 APRA required the deduction of capitalized costs from Tier 1, and consequently from ACE. Capitalized costs include loan origination fees, commissions paid to originators and brokers, securitization establishment costs, and costs associated with debt and capital raisings. At September 30, 2004 the Group s deduction was $0.5 billion.

At 5.1%, the ratio is above the Group s target range and provides capacity to pursue capital management initiatives in the next six months, including a share buyback of at least $350 million, whilst providing a buffer against potential adverse impacts on the Group s capital base arising out of the implementation of International Accounting Standards on October 1, 2005 (which is now not expected to be significant).

The Group generated 68 basis points of capital from earnings (net of dividend payments) and a further 19 basis points from share issues to employees and shareholders through established share issue plans. This capital growth supported risk weighted asset growth of 11% excluding the initial risk weighted assets of NBNZ and increases in capital deployed in the Group s funds management, securitization and Insurance businesses.

In addition to the items noted above, the following hybrid Tier 1 capital issues affected the Group s Tier 1 capital ratio during the year:

On November 27, 2003, ANZ raised USD1.1 billion via the issue of 1.1 million US Trust Securities comprising an interest paying note issued by a wholly owned subsidiary of ANZ and a preference share on which dividends will not be paid whilst it is stapled to a note. If the US Trust Securities are not redeemed or bought back prior to December 15, 2053 they will convert into preference shares, which in turn will mandatorily convert into a number of ordinary shares, based on the formula in the offering memorandum. The US Trust Securities qualify as Tier 1 capital as defined by the APRA, however, the securities are reported as debt under Australian, International and US Accounting Standards, with the coupon payments classified as interest expense.

On December 12, 2003, the Group bought back its TrUEPrS preference shares that were issued for USD775 million in 1998. Income, expenses and dividends relating to the TrUEPrS transaction including $84 million profit after tax from the close out of interest rate swaps have been recorded as significant items.

Capital Resources

ANZ pursues an active approach to capital management, which involves a continual review of the level and composition of the Group s capital base, assessed against a range of objectives that include:

Maintaining sufficient capital so that ANZ retains its AA category credit rating;

Capital levels are maintained commensurate with the risk in the business;

Capital is in accordance with APRA s prudential requirements;

Maximizing shareholder returns; and

Capital base should be stable and prudently managed.

As part of this process, the Group has identified the ACE capital ratio target as its primary measure of capital. ACE is supplemented with hybrid Tier 1 capital, and Tier 2 subordinated debt issuances to meet the APRA prudential requirements. The ACE capital ratio is defined as ACE capital (Tier 1 capital less hybrid Tier 1 capital (at current rates) and Total Capital deductions) as a percentage of RWA (Risk Weighted Assets).

The Group generates ACE capital internally through the retention of current year earnings, net of dividend payments on ordinary equity, and hybrid Tier 1 capital and the issuance of ordinary shares to existing employees and shareholders through established share issuance plans. Based upon current profitability, dividend payout ratio and participation rates in the respective share issuance plans, the Group generates upwards of $1.2 billion of ACE a year which funds organic growth of the Group s balance sheet, minor strategic acquisitions and new prudential requirements. ACE required to fund major strategic transactions would be via issuances of ordinary shares, either through a private placement or a public issue depending upon the size of the funding required. The Group has a presence, and access to global markets, through existing Australian, New Zealand, US and European programs which enables it to issue Tier 1 capital, Tier 2 capital and senior debt into these markets. Examples of significant capital raising transaction that the Group has undertaken over recent years is outlined above in the discussion of capital movements over the last two years.

Commitments

The Group leases land and buildings under operating leases expiring from one to five years. Leases generally provide the Group with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either movements in the Consumer Price Index or operating criteria. Contingent rentals are not included in lease rental commitments, are not provided for due to their immateriality, therefore are expensed as incurred.

The table below shows total commitments for the three year period ended September 30, 2005.

Years ended September 30	**2005 $M**	**2004 $M**	**2003 $M**
Capital expenditure			
Contracts for outstanding capital expenditure			
No later than 1 year	80	60	55
Later than 1 year but not later than 5 years			1
Total capital expenditure commitments	80	60	56
Lease rentals			
Future rentals in respect of leases			
Land and buildings			
Not later than 1 year	205	201	164
Later than 1 year but not later than 5 years	547	495	391
Later than 5 years	431	442	441
Total land and building lease rental commitments	1,183	1,138	996
Furniture and equipment			
Not later than 1 year	21	13	17
Later than 1 year but not later than 5 years	21	19	23
Total furniture and equipment lease rental commitments	42	32	40
Total lease rental commitments	1,225	1,170	1,036
Total commitments	1,305	1,230	1,092

Credit related commitments

The credit risk of the following facilities may be less than the contract amount, but as it cannot be accurately determined, the credit risk has been taken to be the contract amount.

	2005 $M	2004 $M	2003 $M
Undrawn facilities	87,319	78,851	65,381
Underwriting facilities		63	15
	87,319	78,914	65,396

Contingent liabilities and Contractual Obligations

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

The credit risk of these facilities may be less than the contract amount, but as it cannot be accurately determined, the credit risk has been taken to be the contract amount.

Table of Contingent Liabilities

	2005 $M	2004 $M	2003 $M
Guarantees	4,878	5,065	4,954
Credit derivatives - sold	1,775	2,636	2,409
Standby letters of credit	1,446	1,057	1,406
Bill endorsements	125	168	148
Documentary letter of credit	3,015	2,262	1,755
Performance related contingents	10,160	9,625	9,027
Other	1,433	1,336	854
Total contingent liabilities	22,832	22,149	20,553

The details and estimated maximum amount of contractual obligations payable are set out below.

Contractual Obligations (1)	**Total** **$m**	**Less than 1 year** **$m**	**1-3 years** **$m**	**3-5 years** **$m**	**More than 5 years** **$m**
Long Term Debt	55,481	10,112	26,229	14,463	4,677
Capital Lease Obligations					
Operating Leases	1,225	226	244	324	431
Unconditional Purchase Obligations					
Other Long-term Obligations					
Total Contractual Cash Obligations	56,706	10,338	26,473	14,787	5,108

(1) Excludes capital expenditure set out on page 70.

Customer Financings

Customer financing through redeemable preference shares is undertaken as part of an in-house debt/equity hybrid capability making investments in small medium enterprise (SMEs) customers. Redeemable preference shares take the form of convertible redeemable preference notes, with an equity conversion right in the event of an IPO, trade sale or other specified trigger event.

Although legally described as preference shares, advances to customers using this product meet the definition of financial assets under both Australian and US GAAP, and therefore would be recorded as part of net loans and advances or investments if appropriate. Income received on these products, consistent with their recognition as assets, would be recorded as part of interest income. Our policies for management of lending in the form of redeemable preference shares are consistent with our policies for general lending of similar amounts to similar clients.

Liquidity Resources

The core objective of the Group s liquidity management framework and processes is to ensure that ANZ has sufficient liquidity to meet its obligations as they fall due under all but systemic crisis conditions including during an ANZ specific name crisis.

The key principles of ANZ s liquidity management framework are:

A diverse retail and wholesale funding base, avoiding undue concentrations of funding maturity, source and currency.

Strong standing in financial markets to ensure timely access to wholesale funding by minimising the possibility of adverse market sentiment. The Group has established issuance programs: domestic debt, US and Euro commercial paper and US and Euro medium term note.

Holding an appropriate level of readily liquefiable assets to buffer the Group against short-term adverse conditions, in addition to the level of liquid assets required to support normal daily operations.

Accurate and timely identification of all material sources and uses of funds, together with a strong understanding of the business s underlying cashflows.

Monitoring and appropriate management of cashflow concentrations, particularly wholesale funding maturities and large-value net payments.

Liquidity scenario analysis under a variety of normal and stressed business conditions.

The Group targets various funding metrics to allow the external benchmarking of wholesale debt ratios. These ratios include:

the minimum level of customer (non-wholesale) funding to External Assets less Regulatory Capital; and

a ratio of customer assets that are to be financed with term wholesale debt with a maturity greater than 12 months.

The earnings of the Group are not its primary source of liquidity, which is customer deposits and wholesale primary markets. Accordingly, restrictions on the repatriation of earnings from offshore subsidiaries, back to the parent, would not materially affect the Group s liquidity. A number of our subsidiaries are domiciled in foreign jurisdictions and are controlled by local regulators. As such, repatriation of earnings from such entities is subject to local regulatory approval. Approval can be expected to be granted during normal business conditions subject to compliance with local capital and liquidity regulations. We are not currently aware of any restrictions on our ability to repatriate earnings.

Wholesale Funding

ANZ is funded from both retail or customer, and wholesale deposits. The proportion of liabilities sourced from customer deposits decreased to 58% at September 30, 2005 from 63% at September 30, 2004. This decline in customer retail deposits as a proportion of funding, resulted in the level of wholesale debt outstanding increasing from $94 billion as of September 2004 to $118 billion as of September 2005. This funding is met from short term (less than 1 year duration) and long-term (greater than 1 year) wholesale financial markets globally.

The short-term wholesale funding requirements are raised and managed through the Group s Global Treasury and Markets operations. Long-term wholesale debt funding is managed and executed through its Treasury operations in Australia and New Zealand. These Treasury operations had $55 billion of term wholesale funding outstanding at September 30, 2005, up from $40 billion at September 2004. The portfolio is well diversified by type of product, currency of issue and investor base. In the 2005 financial year, the Treasury operations issued approximately $21 billion of new term wholesale debt through 161 transactions with a weighted average term to maturity of approximately 3.5 years. It is anticipated that in the 2006 financial year, a further $14 billion will be issued with a weighted average term to maturity of approximately 3.5 years.

Maturity Profile of Funding

AUD	Senior $M	Subordinated $M	Total $M
1 year	9,487	625	10,112
2 years	15,440	500	15,940
3 years	8,804	1,485	10,289
4 years	6,882	834	7,716
5 years	4,590	2,157	6,747
> 5 years	1,141	3,536	4,677
	46,344	9,137	55,481

Liquidity Portfolio

ANZ holds a minimum $10.4 billion ($9.1 billion as at September 30, 2004) portfolio of high quality (A- rated and higher), diversified, highly liquid securities to support payment obligations and contingent funding in the event of a market disruption. The portfolio is managed on a global basis through the Group s major funding centers i.e.: Melbourne, New York, London, Wellington and Singapore. The total level of readily liquefiable assets held to minimize the impact of any liquidity disruption was $10.9 billion at September 2005. The currency composition of the portfolio is outlined in the table below.

AUD	**Total $M**
AUD	4,658
NZD	2,843
USD	2,405
EUR	190
GBP	734
SGD	36
	10,866

For further details of financial instruments, refer to Note 37 to the Financial Report.

Supplementary Financial Information

Group Risk Profile

ANZ uses a two-dimensional risk grading system, which measures both the customer s ability to repay (probability of default) and the loss in the event of default (a factor of the security taken to support the facilities). The bank uses financial and statistical tools to assist in the risk rating of much of the Bank s business and consumer borrowers. Customer s risk ratings and loan facilities are reviewed periodically (typically at least annually for the large Retail and Commercial customers) to ensure the risk ratings reflect the credit risk of the customer and the prevailing economic conditions. Similarly, the performance of the risk rating tools used in the credit rating process are reviewed periodically to ensure they remain statistically valid and reflect current loss experiences.

To measure the probability of default the Group applies a risk rating scale of 0 to 10 to its lending - with ratings 0 through 8 representing productive ratings, and 9 and 10 representing non-accrual loans. Institutional, Corporate and Commercial risk grades, 1 to 8 have + and - modifiers, making a total of 27 separate risk grades. In the Personal portfolio, some lending is portfolio graded.

To measure security coverage, a seven grade scale is applied, ranging from A through G. Security Indicator A represents more than 130% security coverage, while G is applied to unsecured customer borrowings. Institutional, Corporate and Commercial have four additional security indicators, K, M, S and I (K   Cash Cover, M   Mezzanine, S   Sovereign and I   Intragroup).

The table below shows the mix of assets by rating in ANZ s portfolio as at September 30, 2005. Outstandings (as opposed to limits) are documented, as they more closely relate to information disclosed on the balance sheet. Over the 2005 year the quality of the portfolio has improved, with the percentage of lending assets graded 7   10 decreasing as a percentage of the total portfolio and the percentage of accounts graded 0-3 increasing.   Continual strong growth in Australian Mortgages of $10.8 billion (portfolio graded 4B) saw the percentage of accounts graded 4 increase (62% of risk rating 4 are portfolio graded Australian Mortgages).

In the 2004 year the percentage of accounts graded 0-3 decreased as a result of strong growth in Australian Mortgages of $12.1 billion (18% in a portfolio graded 4B) and the acquisition of NBNZ, which had only 11.9% of lending assets rated 0-3 as opposed to 12.8% in the pre NBNZ ANZ portfolio.

Overall, the portfolio remains well diversified. The general allowance for loan losses is considered sufficient to insulate against losses inherent in the portfolio.

Years ended September 30			**2005**	**2004**	**2003**
ANZ	**S&P**	**Moody s**			
CCR 0-3	AAA to BBB+	Aaa to Baa2	11.5%	11.3%	12.8%
CCR 4	BBB-	Baa3	57.7%	57.2%	55.3%
CCR 5	BB+ to BB	Ba1 to Ba2	16.8%	15.8%	15.3%
CCR 6	BB-	Ba3	12.1%	13.5%	13.7%
CCR 7-8	B+ to CCC	B1 to Caa	1.6%	1.8%	2.3%
CCR 9-10	D/Non Accrual	Non Accrual	0.3%	0.4%	0.6%

Loan Quality

ANZ s policy relating to the recognition and measurement of impaired assets conforms with APRA guidelines.

Loans are classified as either accrual or non-accrual. Accrual loans are credit risk assets where interest is accrued to income. Non-accrual loans are credit risk assets where, generally, there is reasonable doubt about the ultimate collectability of any of the interest and/or principal under contractual terms; accordingly, the crediting to profit of interest and fees on such loans ceases unless the amounts are actually received.

2005

Gross non-accrual loans decreased to $642 million, down from $829 million as at 30 September 2004. This was assisted by strong credit quality, favourable economic conditions and fewer large single name defaults. Over the year several large non-performing exposures were finalized, including many of the Power and Telecommunication legacy accounts. New Zealand businesses gross non-accrual loans increased $76 million this was due to exposure to two medium-sized corporate accounts and a few smaller exposures impacted by the significant downturn in the Apple market.

The default rate (new non accruals/average gross lending assets) has reduced by 12 basis points since September 2004 to 41 basis points. This improvement is largely the result of lower new non-accrual loans in the Institutional business.

The Group has a specific allowance for loan loss coverage ratio of 40%. Net non-accruals are $386 million (September 2004: $451 million) and represents 2.0% of shareholders equity at September 2005.

2004

Gross non-accrual loans decreased to $829 million from $1,007 million at September 2003 (notwithstanding the inclusion of $81 million of NBNZ non accruals). The overall reduction was primarily the result of realizations, upgrades and write-offs of a number of large outstanding balances in the Institutional portfolios. New non-accruals of $1,075 million in the September 2004 year represented an increase of $87 million compared to the September 2003 year. Notwithstanding this increase the default rate (new non-accruals/average gross lending assets) decreased 10 basis points since September 2003, from 63 basis points to 53 basis points in the year to September 2004. The principal sources of new non-accrual loans in the fiscal year ended 2004 were four legacy customers in the power and telecommunication sectors, and two resource customers.

As at 30 September 2004 the Group s specific allowance for loan loss coverage ratio was 46%. Net non-accruals were $451 million (September 2003: $525 million), this represented 2.5% of shareholders equity at September 2004.

Non-Accrual Loans

Set out below are our non-accrual loans classified as loans carrying specific allowances and loans not carrying specific allowances. Non-accrual loans are credit risk assets where, generally, there is reasonable doubt about the ultimate collectability of any of the interest and/or principal under contractual terms.

September 30,	**2005 $M**	**2004 $M**	**2003 $M**
Gross non-accrual loans	642	829	1,007
Subject to specific allowance for loan losses	511	714	913
Without specific allowance for loan losses	131	115	94

Gross Non Accrual Loans by Region

September 30,	**2005 $M**	**2004 $M**	**2003 $M**
Australia/New Zealand	549	537	544
US/UK Europe	42	233	376
Asia	11	20	50
Other international	40	39	37
Total	642	829	1,007

New Non Accrual Loans by Region

September 30,	**2005 $M**	**2004 $M**	**2003 $M**
Australia/New Zealand	867	826	636
US/UK Europe	55	216	320
Asia	21	25	11
Other international	20	8	21
Total	963	1,075	988

Years ended September 30	2005 $M	2004 $M	2003 $M	2002 $M	2001 $M
Gross non-accrual loans subject to specific allowance					
Australia	273	339	502	445	597
New Zealand	191	109	17	30	74
Overseas markets	47	266	394	597	269
Total	511	714	913	1,072	940
Specific allowance for loan losses	(256)	(378)	(482)	(575)	(490)
Net exposure	255	336	431	497	450
Gross non-accrual loans not subject to specific allowance					
Australia	82	82	20	78	195
New Zealand	3	6	5	7	6
Overseas markets	46	27	69	46	119
	131	115	94	131	320
Net non-accrual loans (1)	386	451	525	628	770
Gross non-accrual loans					
Australia	355	421	522	523	792
New Zealand	194	115	22	37	80
Overseas markets	93	293	463	643	388
Total	642	829	1,007	1,203	1,260
Specific allowances for loan losses	(256)	(378)	(482)	(575)	(490)
Net non-accrual loans (1)	386	451	525	628	770
Ratio of specific allowances for loans losses to gross non-accrual loans	39.9%	45.6%	47.9%	47.8%	38.9%

(1) Excluding off-balance sheet commitments that have been classified as unproductive of $26 million (2004: $23 million, 2003: $37 million, 2002: $44 million and 2001: $31 million) net of an allowance of $17 million (2004: $6 million, 2003: $2 million, 2002: $10 million and 2001: $10 million).

Accruing Loans Past Due 90 Days or More

Set out below are aggregate amounts of loans, which are past due by over 90 days. A facility is past due when a contracted payment (principal or interest) has not been met when due or it is otherwise outside contracted arrangements (e.g. an overdraft is over limit). This category comprises accrual loans in arrears 90 days and over which we believe are well secured, and accrual portfolio managed facilities past due from 90 to 180 days.

Years ended September 30	**2005** **$M**	**2004** **$M**	**2003** **$M**	**2002** **$M**	**2001** **$M**
Australia	282	188	175	176	277
New Zealand	66	77	18	25	63
Overseas markets	33	28	20	15	11
Total past due loans	381	293	213	216	351

Restructured Loans

Set out below are aggregate amounts of loans where the original contract terms have been modified to provide concessions of interest and/or principal due to the financial difficulties of the customer. For these loans, interest and fees earned are recognized as income on an accrual basis.

Under APRA guidelines, restructured loans include loans with an effective yield above our cost of funds and below our prevailing reference rate for that form of lending. Restructured loans with an effective yield below our average cost of funds at the date of restructuring are classified as non-accrual loans.

Years ended September 30	2005 $M	2004 $M	2003 $M	2002 $M	2001 $M
Australia	28	32		1	1
New Zealand					
Overseas markets					
Total restructured loans	28	32		1	1
Other potential problem loans					

Other Potential Problem Loans

We do not use the category potential problem loans for loans that continue to accrue interest. If a loan is identified as a potential problem, it is classified as non-accrual and if necessary an allowance is raised.

Interest Forgone

The following table shows the estimated amount of interest income that would have been recorded during the years ended September 30, 2005, 2004 and 2003 had interest on the above non-accrual loans and restructured loans been accrued to income for those years (or, in the case of restructured loans, had interest been accrued at the original contract rate), and the amount of interest income received with respect to such loans.

Years ended September 30	2005 $M	2004 $M	2003 $M
Gross interest receivable on non-accrual loans and restructured loans			
Australia	26	29	36
New Zealand	9	8	2
Overseas markets	16	25	31
Total gross interest receivable on non-accruals and restructured loans	51	62	69
Interest income received			
Australia	(10)	(6)	(10)
New Zealand	(5)	(1)	(1)
Overseas markets	(10)	(12)	(12)
Total interest received	(25)	(19)	(23)
Net interest forgone			
Australia	16	23	26
New Zealand	4	7	1
Overseas markets	6	13	19
Total net interest forgone	26	43	46

Allowance for Loan Losses

The allowance for loan losses reflects management s estimate of the losses inherent in the lending portfolio.

Per Australian GAAP non current assets must not be carried at amounts greater than their recoverable amount. When ANZ recognizes a write down in an individual asset or portfolio of assets, ANZ is recognizing that future economic benefits (previously assessed as being available to the entity) no longer exist. Thus, at the date of ANZ s assessment, the asset is impaired with the level of impairment across the portfolio represented by the allowance for loan losses.

ANZ s methodology for determining the total allowance for loan losses establishes both a specific (allocated) and general (unallocated) component. The specific allowance represents the results of analysis of individual loans within ANZ s portfolio. ANZ regularly reviews its loan portfolios and monitors adherence to terms, conditions and lending covenants. The reviews undertaken employ a variety of statistical and intuitive measures to determine the continuing collectability of credit facilities. When doubt arises as to the collectability of a credit facility, the exposure is classified and reported as a Non Accrual. When a credit facility is classified as Non Accrual, a Specific Allowance , calculated on the principal exposure less a conservative estimation of asset realization, is transferred from the General Allowance and allocated against the Non Accrual Loan.

The unallocated allowance (general allowance for loan losses) is established for losses inherent in the portfolio, but yet to be specifically identified. The unallocated allowance is regularly reviewed to ensure it is adequate, having regard to the loss rate and term of the portfolio. The allowance for loan loss charge represents the average one year loss expected based on the current portfolio over an economic cycle for the particular loan portfolio. Expected loss is determined from analysis of both individual loan and portfolio risk gradings and associated default and loss expectancy rates. The Bank s risk rating framework separately identifies the probability of default from the loss given default.

Australian and US GAAP principles for the identification of impaired loans are similar. Differences arise in the measurement of the loan impairment. US GAAP requires the use of a discounted cash flow methodology for measuring impairment of individual loans where recovery is based on estimated cash flows; this is not required under Australian GAAP. As discussed above, ANZ splits the calculation of allowance for loan losses into two components. ANZ does not discount the associated cash flows when computing the specific component of the allowance for loan losses.

APRA guidance note AGN 220.2 - Security Valuation and Provisioning, suggests a licensed bank should maintain its allowance for loan losses net of tax above 0.5% of total risk weighted assets as a benchmark.

Years ended September 30	**2005 $M**	**2004 $M**	**2003 $M**
Specific allowances for loan losses			
Australia	160	209	267
New Zealand	90	68	9
Principal domestic markets	250	277	276
Overseas markets	23	107	208
Total specific allowance for loan losses	**273**	**384**	**484**
General allowance for loan losses	**2,167**	**1,992**	**1,534**
Total allowance for loan losses	**2,440**	**2,376**	**2,018**
General allowance for loan losses			
Balance at start of period	1,992	1,534	1,496
Acquisition (disposal) of provisions	(13)	216	
Adjustment for exchange rate fluctuations	(35)	53	(49)
Charge to profit and loss	580	632	614
Transfer to specific allowance for loan losses	(471)	(525)	(588)
Recoveries	114	82	61
	2,167	1,992	1,534
Specific allowance for loan losses			
Balance at start of period	384	484	585
Acquisition of provisions		57	
Adjustment for exchange rate fluctuations	(11)	(2)	(49)
Bad debts written off	(571)	(680)	(640)
Transfer from general allowance for loan losses	471	525	588
	273	384	484
Total allowance for loan losses	**2,440**	**2,376**	**2,018**
Allowance movement analysis			
New and increased allowance for loan losses			
Australia	378	459	418
New Zealand	146	80	45
United Kingdom	45	32	78
United States	1	28	64
Other overseas markets	34	26	70
	604	625	675
Allowance for loan loss releases	(133)	(100)	(87)

	471	525	588
Recoveries of amounts previously written off	(114)	(82)	(61)
Net specific allowance for loan losses	357	443	527
Net credit to general allowance for loan losses	223	189	87
Charge to profit and loss	**580**	**632**	**614**

The following table shows ANZ s specific allowance for loan losses against loans by geographic region in addition to specific allowances against off balance sheet commitments and ANZ s general allowance for loan losses for each of the past five years ended September 30.

Years ended September 30	**2005 $M**	**2004 $M**	**2003 $M**	**2002 $M**	**2001 $M**
Specific allowances for loan losses					
Australia	154	209	266	208	300
New Zealand	83	69	9	20	32
Overseas markets	19	100	207	347	158
Allowances against loss	256	378	482	575	490
Allowances against off-balance sheet commitments	17	6	2	10	10
Total specific allowances	273	384	484	585	500
General allowance for loan losses	2,167	1,992	1,534	1,496	1,386
Total allowance for loan losses	2,440	2,376	2,018	2,081	1,886

Allowance for Loan Losses Industry Analysis

See Notes 4 and 5 of the Financial Information section of the Financial Report for details.

Concentrations of Credit Risk / Loans and Advances by Industry Category

See Note 4 of the Financial Information section of the Financial Report for details.

Although ANZ s loan portfolio is spread across many countries, 69% of loans and advances are booked in Australia (September 2004: 67%) and 27% are booked in New Zealand (September 2004: 28%). The percentage of loans and advances booked in New Zealand increased after the acquisition of NBNZ in December 2003. The inherent risk characteristics of ANZ s loan portfolio are therefore very much linked to general economic conditions in Australia and New Zealand where the portfolio is diversified across different regions, industries, customer types and products.

As at September 30, 2005, ANZ s largest credit exposure in Australia was in the category Real estate - mortgage (58%) which principally comprises owner occupied residential property loans with the remainder comprising loans made for residential investment (non-owner occupied) and commercial property purchases. Over the year, strong growth was recorded in ANZ s Mortgages Australia portfolio (14%) with growth in the portfolio continuing to benefit from the strong Australian housing market coupled with strong and competitive products and distribution networks.

As at September 30, 2005, 14% of ANZ s Australian loans and advances were in the category Personal , which covers non-business loans to individuals through overdrafts, personal loans, credit cards and fully drawn advances.

ANZ s largest overseas credit exposure is to Real estate - mortgage , where most of the exposure and associated growth is in New Zealand. This category s percentage share of ANZ s New Zealand and overseas loan portfolio was 54% in the fiscal year ended September 30, 2005.

ANZ s prudent credit practices coupled with strong economic conditions in both Australia and New Zealand have ensured that ANZ s consumer delinquency and loss rates have remained at very low levels. ANZ s risk policies remain firmly based on principles of loan-to-value ratios, conservative debt servicing capacity and the avoidance of speculative lending. ANZ s prudent approach to Inner City residential Mortgages Lending, which are potentially higher risk, has meant that ANZ s exposure to this market has remained low and delinquencies negligible.

Notwithstanding the strength of ANZ s credit quality, latent credit losses in selected industries are expected if oil prices settle at or above USD70 a barrel. Industries with sub sectors identified as being directly at risk include; road transport, motor vehicle retailing, motor vehicle manufacturing, motor vehicle wholesaling and plastics manufacturing. Other sectors indirectly impacted to lesser degrees will include: retail, hospitality and tourism.

Issues identified in 2002 in the power and telecommunications sectors are now considered resolved.

2004

Although ANZ s loan portfolio is spread across many countries, 67% of loans and advances are booked in Australia (September 2003: 79%) and 28% are booked in New Zealand (September 2003: 14%). The percentage of loans and advances booked in New Zealand increased after the acquisition of NBNZ in December 2003. The inherent risk characteristics of ANZ s loan portfolio are therefore very much linked to general economic conditions in Australia and NZ where the portfolio is diversified across different regions, industries, customer types and products.

As at September 30, 2004, ANZ s largest credit exposure in Australia was in the category Real estate - mortgage (58%) which principally comprises owner occupied residential property loans with the remainder comprising loans made for residential investment (non-owner occupied) and commercial property purchases. Over the year strong growth was recorded in ANZ s Mortgages Australia portfolio (18%, or 19% excluding the impact of securitization) with growth in the portfolio continuing to benefit from the strong Australian housing market coupled with ANZ s products and distribution networks.

As at September 30, 2004, 14% of ANZ s Australian loans and advances were in the category Personal , which covers non-business loans to individuals through overdrafts, personal loans, credit cards and fully drawn advances.

ANZ s largest overseas credit exposure is to Real estate - mortgage , where most of the exposure and associated growth is in New Zealand. This category s percentage share of ANZ s New Zealand and overseas loan portfolio was 52% in the fiscal year ended September 30, 2004.

ANZ s prudent credit practices coupled with Australia s and NZ s strong economic conditions have seen the Group s consumer delinquency and loss rates remain at very low levels. ANZ s risk policies remain firmly based on sound principles of loan-to-value ratios, conservative debt servicing capacity and the avoidance of speculative lending. ANZ s prudent approach to Inner City residential Mortgages Lending, which is potentially higher risk, has meant that ANZ s exposure to this market has remained low and delinquencies negligible.

The National Bank of New Zealand Limited (NBNZ)

Acquisition, funding costs and contribution

NBNZ was purchased by ANZ Banking Group (New Zealand) Limited on December 1, 2003. As a result of the acquisition of the NBNZ on December 1, 2003, the Group undertook the following capital initiatives:

Issued $3,562 million (net of $37 million of issuance costs) in ordinary shares through a two for eleven rights issue at $13 per ordinary share;

On November 27, 2003, ANZ raised USD1.1 billion via the issue of 1.1 million stapled securities which are classified as liabilities on the balance sheet, but qualify as Tier 1 capital;

Internal funding to New Zealand was provided by three main sources: $1.0 billion of ordinary shares, $1.3 billion of redeemable preference shares and $2.6 billion of intra-group interest bearing debt.

The actual purchase price of $5,112 million differed from the $4,940 million published in the Renounceable Rights Issue prospectus due to adverse exchange rate movements and the impact of hedging, offset by reduced acquisition costs. The resulting goodwill of $3,266 million is being amortized in accordance with Australian Accounting Standards over 20 years with a charge of $129 million in the twelve months to September 30, 2005 (2004: $129 million).

As a result of amendments to thin capitalisation tax rules in New Zealand, the Group restructured its internal funding of the New Zealand group on 23 September 2005. This involved the replacement of NZD1.129 billion of intercompany debt with redeemable preference share capital. It is expected that this will increase profit in New Zealand by approximately NED million after tax in 2006. However, it is also expected that this will be partly offset by the impact of unwinding certain structured finance transaction which are also impacted by thin capitalisation amendments. The franking and profit impact on the Group of the change in New Zealand funding is expected to be limited due to redirecting capital from United Kingdom to New Zealand.

Integration

The primary focus of the integration programme in the fiscal year ended September 30, 2005 has been the delivery of integrated technology and business solutions in line with the overall integration objectives which ensure that customer satisfaction levels are maintained or improved, operational risk is minimized and the transition for staff is seamless.

Integration has progressed well in the fiscal year ended September 30, 2005 with the expected organisational and financial outcomes delivered. The overall integration objectives remain unchanged and include:

Satisfying the Reserve Bank of New Zealand (RBNZ) Conditions of Registration

Maintaining separately branded retail, corporate and commercial banking business;

Strengthening our Rural banking business primarily under The National Bank brand;

Growing our Institutional business under the ANZ brand;

Merging and rationalizing head office and support functions; and

Realisation of integration synergies.

The key integration achievements for 2005 have been:

agreement with the RBNZ that the systems plans are a reasonable basis to satisfy the Conditions of Registration with the domestic systems to be completed as planned by 31 December 2005 and the international systems to be completed by 30 June 2006;

completed new IT infrastructure establishment in New Zealand to support the systems migrating from Australia to New Zealand;

completed the migration to New Zealand of target systems in General Ledger, Procurement, Property and HR/Payroll;

commenced the migration to ANZ Group systems in Institutional, Corporate and Commercial; and

completed the Rural integration programme while maintaining its number one market share in this segment.

As the full impact of RBNZ requirements has been clarified during the year, the total cost of integration is now estimated to be NZD240 million, a modest increase on the original estimate of NZD220 million. To date integration costs of NZD188 million have been incurred in line with expectations.

The RBNZ recently announced a changed approach to its Outsourcing Policy which has driven a change in the Conditions of Registration. An analysis has commenced on how this may change the nature and cost of compliance.

In the fiscal year ended September 30, 2005 there was little revenue attrition relating to integration activities evident. The cost synergies and revenue benefits forecast for 2007 of approximately NZ$110 million remains on track.

Expenditure on the integration of ANZ National Bank includes both the reallocation of existing resources to integration and incremental integration costs. Incremental costs are those costs that will not recur once integration is complete and thus do not form part of the core ongoing cost base. During the 2005 year $52 million after tax (2004: $14 million) of incremental integration costs were incurred.

ING Australia

On April 10, 2002, the Group entered into a contract to sell certain life and general insurance and funds management businesses to a joint venture with ING Group, and acquire a 49% interest in the joint venture.

Key details of the transaction are:

ING Australia Limited (INGA) is owned 51% by ING Group and 49% by ANZ.

Both shareholders have an equal say in strategic decisions with a number of matters requiring the approval of both Shareholders. These include major items of capital expenditure, acquisitions or disposals in excess of $20 million and changes to the Board structure.

Equal board representation with four ANZ nominees and four ING Group nominees. All key issues (including business plans, major capital expenditure, acquisitions etc) require unanimous Board approval.

The Joint Venture was valued in April 2002, at $3,750 million with ING contributing businesses valued at $2,874 million; ANZ contributing businesses valued at $879 million. ANZ s contribution to the Joint Venture was by way of selling a controlling interest in ANZ Life Assurance Company Limited, ANZ Managed Investments Limited, ANZ General Insurance Limited and Investment and Administration Services Limited, as well as making a capital contribution of $960 million.

The Joint Venture includes the majority of ANZ s and ING s funds management and insurance activities in Australia and New Zealand.

As a result of the transfer of ANZ s life insurance, general insurance and funds management subsidiaries into the new joint venture company, ANZ Life Assurance Company Limited, ANZ Managed Investments Limited, ANZ General Insurance Limited and Investment and Administration Services Limited are no longer consolidated within the results of the ANZ Group as subsidiaries. ANZ Group s investment in INGA is accounted for under the equity accounting method with 49% of both the net profit before tax and net assets from the joint venture recognized. The equity accounting method has been applied on the basis of INGA being under the joint control of ANZ and ING.

The profit on sale in 2002 was $170 million and a further $14 million on finalisation of completion accounts in 2004 financial year under Australian GAAP as a 49% interest in the businesses was retained. Under US GAAP all profit on sale was eliminated as it occurred as a result of a non-monetary transaction, which involved transferring ownership of controlled entities in exchange for a non-controlling ownership interest in the joint venture.

INGA, the wealth management joint venture between ANZ and ING Group, provides and distributes integrated wealth creation products, management and protection products and services aligned to ANZ distribution and the open market.

In the fiscal year ended September 30, 2005, INGA ceased being reported as a separate business segment. The results are now incorporated principally into the Personal and Group Center divisions.

The net return to ANZ from INGA in 2005 increased by 12% to $75 million.

Funds management income in the fiscal year ended September 30, 2005 INGA increased by 5% to $465 million based on higher average funds under management underpinned by strong investment markets, and improved net flows in both personal investments and employer super businesses.

Risk income in INGA increased by 28% to $232 million due to growth in in-force premiums and continued favourable claims experience. Sales growth was primarily in group life insurance products.

Operating costs in INGA increased 9% to $488 million. Core operating costs were lower than 2004, offset by an increase in investment management fees due to higher funds under management. Additional costs were incurred on projects remediating past unit pricing issues and upgrading systems and processes. These projects should be completed in 2006.

Capital investment earnings in INGA were 10% ($16 million) higher than 2004, but negatively impacted by interest costs of $26 million (nil in the fiscal year ended September 30, 2004) related to a return of shareholder capital during the year. ANZ partially hedged against volatility in this income stream. As a result, gains in capital investment earnings were partially offset by hedge losses. ANZ ceased hedging capital investment earnings from 1 October 2005.

Tax expense in INGA increased 46% due to the loss of transitional tax relief for the life companies from July 1, 2005, higher operating profit and higher capital investment earnings.

ING New Zealand

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

On 30 September 2005:

ANZ National Bank Limited and INGII invested NZD163 million and NZD170 million respectively into INGNZ.

ANZ National Bank Limited sold the NBNZ Life and Funds Management businesses to INGNZ for NZD158 million resulting in the following impact on the Group s financial statements:

Reduction in unamortized goodwill of NZD114 million.

Recognition of approximately NZD16 million ($14 million) profit on sale of 51% of the NBNZ Life and Funds Management businesses.

An investment in INGNZ of NZD145 million (being initial investment adjusted for unrecognized profit on ANZ National Bank s 49% share of the profit on sale of the NBNZ Life and Funds Management businesses joint venture and costs).

The profit on sale was $14 million under Australian GAAP as a 49% interest in the businesses was retained. Under US GAAP, the entire profit on sale was eliminated as it occurred as a result of a non-monetary transaction, which involved transferring ownership of controlled entities in exchange for a non-controlling ownership interest in the joint venture.

The intangible and tangible components of the investment in INGNZ are deducted from Tier 1 and total capital, respectively, in the Group s capital adequacy ratio.

INGNZ acquired at market value the New Zealand-based businesses previously owned by INGA. The profit on sale of the New Zealand-based businesses of approximately $40 million is recognized in INGA, however, ANZ s share of this profit is eliminated on consolidation.

Average Deposits

Details of our average deposits and balances due from other banks for each of the past three fiscal years is provided in the Average Balance Sheet analysis in Note 33 to the Financial Report.

Certificates of Deposit and Other Time Deposit Maturities

See Note 2 of the Financial Information section to the Financial Report for details.

Short Term Borrowings

See Note 6 of the Financial Information section to the Financial Report for details.

Volume and Rate Analysis

See Note 3 of the Financial Information section to the Financial Report for details.

Accounting Developments

For reporting periods commencing 1 October 2005, the Group is required to prepare financial statements using Australian Equivalents to International Financial Reporting Standards (AIFRS), issued by the Australian Accounting Standards Board.

On 1 October 2005, the Group commenced application of AIFRS, covering all financial systems and records. The Group will report for the first time in compliance with AIFRS when the results for the half year ending 31 March 2006 are released.

The Group is required to prepare an opening balance sheet in accordance with AIFRS as at 1 October 2004. Most accounting policy adjustments to retrospectively apply AIFRS will be made against retained earnings in this opening balance sheet. However, transitional adjustments relating to those standards for which comparatives are not required will only be made on 1 October 2005. The standards are AASB 132: Financial Instruments: Disclosure and Presentation, AASB 139: Financial Instruments: Recognition and Measurement, and AASB 4: Insurance Contracts.

The impacts of transition to AIFRS are outlined in Note 55 of the Financial Report.

United States GAAP

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement No. 123 (revised 2004) *Share-Based Payment.* This Statement requires measurement of the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost is recognized over the period during which an employee is required to provide service in exchange for the award the requisite service period (usually the vesting period). This Statement eliminates the alternative to use the intrinsic value method of accounting that is currently applied by ANZ. ANZ will be required to adopt this Statement in 2006 fiscal year.

Critical Accounting Policies

The Group prepares its consolidated financial statements in accordance with Australian Accounting Standards and other authoritative accounting pronouncements. However, notwithstanding the existence of relevant accounting standards, there are a number of critical accounting treatments, which include complex or subjective decisions or assessments. All material changes to accounting policy are approved by the Audit Committee of the Board.

Historical changes

There have been no material changes to the Group s critical accounting policies or their related methodologies over the last 3 years except to the extent that these will be impacted by the Group s transition to AIFRS as outlined in Note 55 to the Financial Report.

A brief discussion of the Group s current critical accounting policies, and their impact on the Group, follows:

a) Allowance for Loan Loss Charge

Description and Significance

The Group recognizes an expense for credit losses allowance for Loan Losses based on the average one year loss expected to be incurred if the same loan portfolio was held over an economic cycle. The allowance for loan losses is booked to the General allowance for loan loss which is maintained to cover the losses inherent in the Group s existing loan portfolio. The method used by the Group for determining the expense charge is referred to as ELP. The Group uses ELP models to calculate the expected loss by considering:

- the size, composition and risk profile of the current loan portfolio; and

- the history of credit losses for each type and risk of lending.

Ongoing reviews

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

To the extent that credit losses are not consistent with previous loss patterns used to develop the assumptions within the allowance for loan loss methodology, the existing General allowance for loan loss may be determined to be either in excess of or insufficient to cover credit losses not yet specifically identified.

As a result of the reassessments, allowance for loan loss levels may be periodically increased or decreased with a direct impact on profitability.

As part of its review of the allowance for loan loss model outputs, the Group also regularly evaluates the overall level of the General allowance for loan loss. The Group is required, by APRA prudential standards, to have policies which cover the level of General allowance for loan loss required to absorb estimated losses inherent in the credit portfolio. In some limited circumstances, the assessment of the inherent losses in the portfolio may require an additional charge to profits to ensure the adequacy of the General allowance for loan loss charge. The Group considers it appropriate to maintain its General allowance for loan loss in excess of the APRA guidelines.

Quantification of Sensitivity

The average charge to profit for the allowance for loan loss charge was 0.25% of average net lending assets or $580 million (2004: 0.31% or $632 million; 2003: 0.39% pr $614 million).

As at September 2005, the balance of the General allowance for loan loss of $2,167 million (Sep 2004: $1,992 million) represents 99% (Sep 2004: 1.01%) of risk weighted assets.

b) Specific Allowance for Loan Loss Charge

Description and Significance

The Group maintains a specific allowance for loan loss arising from its exposure to organisations and credit counterparties. When a specific debt loss is identified as being probable, its value is transferred from the General allowance for loan loss to the specific allowance for loan loss. Specific allowance for loan losses is applied when the full recovery of one of the Group s exposures is identified as being doubtful resulting in the creation of a specific allowance for loan loss charge equal to the full amount of the expected loss plus any enforcement/recovery expenses.

Recoveries resulting from proceeds received from accounts which were written off in prior years are transferred back to the General allowance for loan loss.

Quantification of Sensitivity

The recognition of losses has an impact on the size of the General allowance for loan loss rather than directly impacting profit. However, to the extent that the General allowance for loan loss is drawn down beyond a prudent amount it will be restored through a transfer from the current year s earnings. The amount of net transfer from the General allowance for loan loss to the Specific allowance for loan loss, net of recoveries, during the year was $357 million (Sep 2004: $443 million; Sep 2003: $527 million).

c) Deferred acquisition costs, software assets and deferred income

Description and Significance

The Group recognizes assets and liabilities that represent:

Deferred acquisition costs direct costs from the acquisition of interest earning assets;

Software assets direct costs incurred in developing software systems; and

Deferred income liabilities representing income received in advance of services performed.

Deferred acquisition costs Initially, expenses related to the acquisition of interest earning assets are recognized as part of the cost of acquiring the asset and written-off as an adjustment to its yield over its expected life. For assets subject to prepayment, expected life is determined on the basis of the historical behaviour of the asset portfolio, taking into account prepayments. Commissions paid to third party mortgage brokers are an example of expenditure that is deferred and amortized over the expected average life of a mortgage of 4 years.

Software assets Costs incurred in acquiring and building software and computer systems are capitalized as fixed assets and expensed as depreciation over periods of between 3 and 5 years except for the branch front end applications where 7 years is used. The carrying value of these assets is subject to a recoverable amount test to determine their value to the Group. If it is determined that the value of the asset is less than its book value, the asset is written down to the recoverable amount. Costs incurred in planning or evaluating software proposals, or in maintaining systems after implementation, are not capitalized.

Deferred income Income received in advance of the Group s performance of services or in advance of having been earned, is initially recorded as a liability. Once the recognition criteria are met, it is then recognized as income.

Quantification of Sensitivity

Deferred acquisition costs At September 30, 2005, the Group s assets included $524 million (Sep 2004: $465 million) in relation to costs incurred in acquiring interest earning assets. During the year, amortisation of $258 million (Sep 2004: $218 million) was recognized as an adjustment to the yield earned on interest earning assets.

Software assets At September 30, 2005, the Group s fixed assets included $381 million (Sep 2004: $430 million) in relation to costs incurred in acquiring and developing software. During the year, depreciation expense of $121 million (Sep 2004: $129 million) was recognized. Following prior periods of above average project activity which replaced significant parts of the Group s core infrastructure, the software depreciation expense is expected to stabilize going forward. Consistent with US accounting rules on software capitalization, only costs incurred during configuration, coding and installation stages are capitalized. Administrative, preliminary project and post implementation costs including determining performance requirements, vendor selection and training costs are expensed as incurred.

Deferred income At September 30, 2005, the Group s liabilities included $79 million (Sep 2004: $156 million) in relation to income received in advance. This income is largely comprised of two components: (1) fees received for services not yet completed; and (2) profit made on interest rate swaps from a shortening investment term of capital. Under Australian Accounting Standards, this profit is deferred and recognized when the hedged transaction occurs, or immediately if the hedged transaction is no longer expected to occur.

The balances of deferred assets and liabilities at September 30, were:

	Deferred Acquisition Costs		Software Assets		Deferred Income	
	2005 $m	2004 $m	2005 $m	2004 $m	2005 $m	2004 $m
Personal	153	145	241	296	27	36
Esanda	284	250	5	8		
New Zealand Businesses	61	38	15	30	15	41
Institutional	6	10	47	43	19	11
Other	20	22	73	53	18	68
Total	524	465	381	430	79	156

Deferred acquisition costs analysis

	2005			2004		
	Brokerage amortized $m	Brokerage capitalised (2) $m	Balance (3) $m	Brokerage amortized $m	Brokerage capitalised $m	Balance $m
Personal	63	71	153	64	66	145
Esanda	165	199	284	147	170	250
New Zealand Business	20	43	61	7	30	38
Institutional	4	0	6	n/a	n/a	10
Other (1)	6	4	20	n/a	24	22
Total	258	317	524	218	290	465

(1) Include Group Center, Corporate Australia and Asia Pacific

(2) Costs capitalized during the year exclude trailer commissions paid, relating to the acquisition of mortgage assets of $83 million (2004: $87 million)

(3) Includes capitalized debt raising expenses

d) Derivatives and Hedging

Description and Significance

The Group buys and sells derivatives as part of its trading operations and to hedge its interest rate risk, foreign exchange risk and equity risks (in INGA). The derivative instruments used to hedge the Group s exposures include:

- swaps;
- foreign exchange contracts;
- forward rate agreements;
- futures;
- options; and
- combinations of the above instruments.

The Group classifies derivatives into two types according to the purpose they are entered into: trading or hedging.

Income and loss relating to trading derivatives is reported in the statement of financial performance as trading income. The fair value of trading derivatives is recorded on a gross basis as other assets or other liabilities as appropriate unless there is a legal right of set off. The fair value of a derivative financial instrument is the net present value of future expected cash flows arising from that instrument.

In order to be classified as a hedging derivative the hedging relationship must be expected to be effective. Hedging derivatives are accounted for in the same manner as the underlying asset or liability they are hedging. For example, if the hedged instrument is accounted for using the accrual method, the hedging instrument will also be accounted for using the accrual method.

Accounting treatment Derivative instruments entered into for the purpose of hedging are accounted for on the same basis as the underlying exposures or risks.

Derivative instruments entered into to hedge exposures that are not recorded at fair value, do not have their fair values recorded in the Group s Statement of Financial Position.

Exposures hedged by derivatives not recorded at their fair value include risks related to:

- revenues from and capital invested into foreign operations;
- structured lending transactions;
- lending assets; and
- funding liabilities.

Hedge accounting is only applied when the hedging relationship is identified at the time the Group enters into the hedging derivative transaction. If a hedge ceases to be effective, the hedging derivative transaction will be recognized at fair value. Gains and losses on derivative instruments not carried at their fair value amounts are recognized at the same time as the gain or loss on the hedged exposure is booked.

Movements in the value of foreign exchange contracts that are hedging overseas operations are not recognized as income or expenses. Instead these movements are recognized in the Foreign Currency Translation Reserve together with the net difference arising from the translation of the overseas operation.

Fair value determination Derivatives entered into as part of the Group s trading operations are carried at their fair values with any change in fair value being immediately recognized as part of trading income. Where liquid markets exist, fair value is based on quoted market prices. For certain complex or illiquid derivative instruments, it may be necessary to use projections, estimates and models to determine fair value.

e) Special purpose and off balance sheet vehicles

The Group may invest in or establish Special Purpose Entities (SPEs), to enable it to undertake specific types of transactions.

Where the Group has established SPEs which are controlled by the Group to facilitate transactions undertaken for Group purposes, these are consolidated into the Group s financial statements.

The table below summarizes the main types of SPEs that are not consolidated into the Group, the reason for their establishment, and the key risks associated with them.

Type of Special Purpose Vehicle (SPE)	Reason for establishment	Key Risks	SPE Assets 2005 $m	SPE Assets 2004 $m	SPE Assets 2003 $m
Securitization vehicles	Assets are transferred to an SPE which funds the purchase by issuing securities. Enables ANZ or customers to increase diversity of funding sources. The amount disclosed here is the total assets of SPEs managed or arranged by ANZ. It includes SPE s that purchase assets from sellers other than ANZ.	ANZ may manage securitization vehicles, service assets in a vehicle or provide liquidity or other support and retains the risks associated with the provisions of these services. Credit and market risks associated with the underlying assets are not retained or assumed by ANZ except to the limited extent that ANZ provide arm s length services and facilities.	15,181	13,013	9,954
Structured finance entities	These entities are set up to assist with the structuring of client financing.	ANZ may retain liquidity risk, if it provides liquidity support to the vehicle. ANZ may also manage these vehicles.	1,243	1,993	2,124
Managed funds	These funds invest in specified investments on behalf of clients.	INGA, INGNZ and certain subsidiaries at ANZ National Bank Limited, as managers of the funds, expose ANZ to operational and reputational risk.	44,779	39,544	28,655

	2005	2004	2003
Securitization vehicle assets that were managed or arranged by ANZ that related to assets previously (1):			
Sold by ANZ	1,650	2,316	1,311
Sellers other than ANZ	13,531	10,697	8,643
	15,181	13,013	9,954
Securitization vehicle assets that were managed or arranged by ANZ that related to assets (1):			
Sold by ANZ during the year		1,383	
Sold by ANZ in previous years	1,650	933	1,311

(1) Balances represent total assets as at year end.

For details of amounts of cash flows arising from assets securitized by ANZ, refer to Note 39 of the Financial Report.

The following interests are retained by ANZ in relation to the SPEs

Securitization vehicles: credit and market risks associated with the underlying assets within securitization vehicles are not retained or assumed by ANZ, except to the limited extent that ANZ provides arms length services, for example, credit enhancement or hedging facility.

Structured finance entities: liquidity risk is retained

Managed funds: As a manager of funds, ANZ is exposed to operational and reputational risk.

Details of facilities provided by ANZ to the securitization vehicles are provided in the table below. ANZ earns fees at a commercial rate for providing these facilities.

Type of facility	**2005**	**2004**	**2003**
Liquidity facility	4,554	4,070	3,760
Settlement limits	226	1,527	90
Hedging facilities	758	996	451
Loans and securities (1)	954	654	436
Credit enhancement facilities	137	197	196
Performance L/C s (2)	305	265	242

(1) Facilities provided by ANZ to the SPE which are not classified as credit enhancement facilities.

(2) Facilities provided by ANZ to a third party in favour to the SPE.

ANZ is also entitled to receive residual income in SPEs that relate to assets that ANZ has sold.

The transfer of financial assets to SPEs has been, and will continue to be treated as a sale where the following conditions are met:

(a) the transferred assets have been isolated from ANZ and are beyond its reach in receivership. In other words, the assets are transferred to a bankruptcy remote SPE;

(b) the holder of the financial assets has the right to pledge or exchange the assets; and

(c) ANZ does not maintain effective control through redemption rights prior to maturity or the unilateral right to require the SPE to return specific assets.

When these conditions are met, the assets are removed from ANZ s balance sheet, as they no longer meet the definition of assets under Australian GAAP.

In accordance with current Australian accounting standards and the interpretation thereof, ANZ did not control these vehicles and consolidation was not required for the following reasons:

the activities of the SPEs are not being conducted on behalf of ANZ according to its specific business needs so that ANZ obtains benefits from the SPE s operations;

ANZ does not have decision making powers to obtain the majority of the benefits of the activities of the SPE or by setting up an autopilot mechanism, the entity has delegated these decision making powers;

ANZ does not have rights to obtain the majority of the benefits of the SPE, nor is it exposed to risks incident to the activities of the SPE; or

ANZ does not retain the majority of the residual or ownership risks related to the SPE or its assets in order to obtain benefits from its activities.

f) Valuation of investment in INGA

Description and significance

The Group adopts the equity method of accounting for its 49% interest in INGA. As of September 30, 2005 the Group s carrying value is $1,479 million (Sep 2004: $1,697 million).

The carrying value is subject to a recoverable amount test, to ensure that this does not exceed its recoverable amount at the reporting date.

Any excess of carrying value above recoverable amount is written off to the Statement of Financial Performance.

Quantification of sensitivity

During the year the Group engaged Ernst and Young ABC Limited (EY ABC) to provide an independent valuation of INGA for March 31, 2005 assessment purposes. The valuation was a stand alone market based assessment of economic value, and excluded the Group s specific synergies and hedging arrangements. The independent valuation was based on a discounted cashflow approach, with allowance for the cost of capital. EY ABC presented an independent valuation range of $3,458 million to $3,727 million, reflecting a range of sales and cost base assumptions. Based on this review, ANZ believed that no change was required to the carrying value of the investment as at March 31, 2005.

A review for September 30, 2005 reporting purposes revealed there were no indicators of impairment and a further independent review was not required.

g) Valuation of goodwill in ANZ National Bank Ltd

Description and significance

Goodwill arising from the National Bank of New Zealand (NBNZ) acquisition is systematically amortized over the period of time during which the benefits of the acquisition are expected to arise, such period of benefit not exceeding 20 years.

The carrying value of goodwill is reviewed at each balance date and is written down, to the extent that it is no longer supported by probable future benefits.

The Group obtained an independent valuation of ANZ National Bank Limited as at 31 March, 2005. This valuation, based on capitalization of earnings methodology, calculated the value on ANZ National Bank Limited at a New Zealand geographic and New Zealand business unit reporting level. Based on the results of this valuation, no write-down in the carrying value of goodwill was required.

At 30 September, 2005, a management review was conducted to determine whether there were any indicators of impairment in the carrying value of NBNZ goodwill. The assessment did not indicate the existence of impairment indicators and accordingly no write-down was required.

Risk Management

Vision and Strategy

ANZ recognizes the importance of effective risk management to its business success. Management is committed to achieving strong risk control, and a distinctive risk management capability that enables ANZ business units to meet their performance objectives.

ANZ approaches risk through managing the various elements of the system as a whole rather than viewing them as independent and unrelated parts. The risk function is independent of the business with clear delegations from the Board and operates within a comprehensive framework comprising:

The Board, providing leadership, setting risk appetite/strategy and monitoring progress.

A strong framework for development and maintenance of Group-wide risk management policies, procedures and systems, overseen by an independent team of risk professionals.

The use of sophisticated risk tools, applications and processes to execute the global risk management strategy across the Group.

Business Unit level accountability, as the first line of defence , and for the management of risks in alignment with the Group s strategy.

Independent oversight to ensure Business Unit compliance with policies, regulations and laws, and to provide regular risk evaluation and reporting.

The various risks inherent in the operations of the Group may be broadly grouped together under the following major categories:

Credit Risk

The Group has an overall lending objective of sound growth for appropriate returns. The credit risk management framework exists to provide a structured and disciplined process to support this objective.

The framework is top down, being defined firstly by the Group s Vision and Values and secondly, by Credit Principles and Policies. The effectiveness of the credit risk management framework is validated through various compliance and monitoring processes. These, together with portfolio selection, define and guide the credit process, organization and staff.

Risk Management s responsibilities for credit risk policy and management are executed through dedicated departments, which support the Group s business units. All major business unit credit decisions require approval by both business writers and independent risk personnel.

Market Risk

Market risk is the risk that ANZ will incur 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. It also includes the risk that the Group will incur increased interest expense arising from funding requirements during periods of poor market liquidity.

The market risk framework is discussed in more details at Item 11: Quantitative and Qualitative Disclosures about Market Risk.

Operational Risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems, or from external events.

Risk Management is responsible for establishing the Group s operational risk framework and associated Group-level policies. Business units are responsible for the identification, analysis, assessment and treatment of operational risks on a day-to-day basis.

A Risk Drivers and Controls (or Scorecards) Approach to operational risk measurement is used to measure the operational risk profile of individual business units, and to allocate operational risk economic capital. This approach gives business managers a strong and clear incentive to reduce operational risk.

Compliance

Compliance is the risk of failure to comply with all applicable legal and regulatory requirements and industry standards and the corresponding impact on ANZ s business, reputation and financial condition. Group Compliance governs the compliance framework and each division has responsibility for embedding that into its business.

Other

There are a number of other risks, which are not classified as Market, Credit or Operational Risk or Compliance, that need to be managed effectively and for which ANZ holds economic capital. These include, but are not limited to, items such as investment risk and fixed asset risk. ANZ adopts a prudent approach to allocating capital for these risks.

Key Risk Enhancements

Credit Derivatives

Credit derivatives are used for Portfolio Management and for trading purposes. Credit derivative activity over the year has been modest, with close ongoing monitoring by the Market Risk team.

Credit derivatives for Portfolio Management purposes are used as an efficient mechanism for reducing large exposures and diversifying the risk in lending portfolios. A comprehensive policy framework of strong controls exists around this activity, including restricting the sale of credit derivatives (undertaken to reshape the portfolio mix) to Australian and New Zealand names that meet investment grade and other specific criteria.

Credit Default Swap (CDS) positions in the year ended September 30, 2005

AUD millions	Bought	Sold	Net
Portfolio Management	503	(463)	40
Matched Trades	4,618	(4,618)	
Outright Positions	2,279	(1,644)	635
Trading Books	6,897	(6,262)	635
Total CDS	7,400	(6,725)	675

Credit derivatives in the trading book are used to support customer activity with trades typically matched off into the market place within a period of 180 days. This trading is subject to the usual market risk controls such as VaR limits, term limitations, asset quality requirements, and daily revaluation of all positions independently overseen by Market Risk.

In addition to direct use of credit derivatives for Portfolio Management and Trading Book purposes, as reflected in the above table, ANZ holds investments in two structured transactions and has brokered ten collateralized debt obligation (CDO) trades. Each of these exposures is excluded from the table above.

ANZ investment in each of these structured transactions is in the amount of USD250 million, where ANZ has indirect exposure to a sold First-to-Default basket of credit derivatives in the amount of USD500 million, with a first-loss limit of USD250million. The underlying exposures are to a highly diversified group of 43 names, with no individual aggregate exposure in excess of USD 60 million. To date, credit protection totalling USD93 million has been purchased as a hedge against 5 of the underlying names.

The brokered transactions are portfolio credit default swaps referencing tranches with a total notional value of USD 705 million. The total subordination is USD 1,041 million. The underlying exposures are to a highly diversified group of approximately 1500 names, with no individual exposure in excess of USD 90 million. ANZ has no market risk as a result of these transactions. For bought counterparties not rated AAA, collateralisation mechanisms have been put in place to mitigate the counterparty credit risk exposure.

As with credit derivative activity associated with Portfolio Management and the Trading Book, these exposures are independently monitored by Market Risk.

Operational Risk Management Framework

ANZ s Operational Risk Framework has been recently updated to reflect progressive changes and to incorporate Basel II requirements. Operational risk policies are in place and continually developed and refreshed to support the Operational Risk framework and to assist in the control and mitigation of operational risks.

A robust process exists for the identification, evaluation and treatment of operational risks. All business activity and new initiatives must be risk assessed in order to ensure that unacceptable risk is designed out of the business. ANZ s approach to management of Operational risk is consistent with the Australia & New Zealand Risk Management Standard 4360: 2004.

ANZ uses a Scorecard or Risk Drivers and Controls Approach (RDCA) underpinned by a statistical quantification model, to measure ANZ s Operational Risk profile and to determine and allocate operational risk capital. This is an expert system, which:

Assesses the level of ANZ s exposure to specified risk drivers,

Assesses the scope and quality of ANZ s internal control environment, key operational processes and risk mitigants, and

Links these assessments to operational risk capital.

The approach directly connects risk measurement with the operational risk management process in ANZ, by providing a road map for reducing risk and direct incentives to invest in internal controls. The process is well embedded in ANZ s day-to-day risk management systems and culture. It has been undertaken on a bi-annual basis since its introduction in ANZ in 2000 and is now an accepted and integral component of ANZ s operational risk framework. The capital calculation methodology was reviewed recently in the fiscal year ended September 30, 2005 against Basel II Advanced Measurement Approach (AMA) qualifying requirements, and as a result refinements to the approach have been made to incorporate the required Basel II elements.

Business Continuity and Crisis Management

ANZ s business continuity and crisis management capabilities continue to be reviewed, tested and, where necessary, strengthened in response to new and emerging threats.

Business Continuity is viewed as a critical management responsibility within the overall operational risk framework, which seeks to minimise the likelihood of a disruption to normal operations, constrain the impact were an event to occur and achieve efficient and effective recovery.

Crisis Management planning at Group and Country levels supplements Business Continuity Plans in the event of a broader Group or country crisis. Crisis Management plans include crisis team structures, roles, responsibilities and contact lists, and are subject to periodic testing.

Technology and Projects

A specialist function has been established to enhance the approach to technology risk management and to provide additional focus on large and high-risk projects. Governance and reporting has been strengthened with executive oversight and monitoring performed by the Project Initiative Review Committee.

Training programs are also designed and implemented by this team for the project and risk community to ensure continued learning and development occurs to further enhance quality output.

Off Balance Sheet Arrangements

For Derivatives refer to Note 38 of the Financial Report. For Capital Expenditure related commitment refer Note 46. Credit Commitments and Contingent Liabilities refer Note 47 and Securitisation, Note 39 details cash flows from Securitization activities. A summary of the types of SPE s that are not consolidated into the Group is set out on page 87.

Item 6: Directors, Senior Management/Executives and Employees

Directors

In accordance with the rules of the Constitution, and except as otherwise required by the Corporations Act 2001 (Cth), any other applicable law, and the Listing Rules of the Australian Stock Exchange, the Board of Directors has power to manage the business of the Company. The Board may exercise all powers not required to be exercised at a general meeting of shareholders. On the date hereof the Directors of the Company are:

Director s Name	Position held	Year appointed	Age
C B Goode, AC	Director / Chairman of the Board	1991	67
G J Clark	Director	2004	62
R S Deane	Director	1994	64
J K Ellis	Director	1995	68
D M Gonski, AO	Director	2002	52
M A Jackson, AC	Director	1994	52
J McFarlane	Chief Executive Officer	1997	58
D E Meiklejohn	Director	2004	63
J P Morschel	Director	2004	62

Under the Constitution, a non-executive Director must not hold office for more than three years was since last elected or re-elected and, in addition, the office of a Director automatically becomes vacant if the person who holds the office reaches 70 years of age. Messrs Goode, Gonski and Dr Deane offered themselves for re-election at the 2005 Annual General Meeting on December 16, 2005. As Mr Gonski and Dr Deane were re-elected, both of these Directors will be required to retire (although they may offer themselves for re-election) on or before the 2008 Annual General Meeting. As Mr Goode was re-elected at the 2005 Annual General Meeting, he will be required to retire (although he may offer himself for re-election) on or before the 2008 Annual General Meeting. Messrs Meiklejohn and Morschel, Ms Jackson and Dr Clark were each elected or re-elected at the 2004 Annual General Meeting, and therefore each of these Directors will be required to retire (although they may offer themselves for re-election) on or before the 2007 Annual General Meeting. Mr Ellis was also re-elected at the 2004 Annual General Meeting and, will be required to retire (although he may offer himself for re-election) on or before the 2007 Annual General Meeting.

Mr McFarlane s employment contract with the Company was extended in October 2004 for a further year until September 30, 2007.

Directors profiles

Mr C B Goode, AC

B Com (Hons) (MELB), MBA (Columbia University, New York), Hon LLD (Melb), Hon LLD (Monash)

Chairman

Independent Non-Executive Director

Non-executive director since July 1991.

Mr Goode was appointed Chairman in August 1995 and is an ex-officio member of all Board Committees.

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

Current directorships:

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

Director: Singapore Airlines Limited (from 1999).

Age: 67. Residence: Melbourne.

Dr G J Clark

PhD, BSc (Hons)

Independent Non-Executive Director

Chairman of Technology Committee

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

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

Current directorships:

Director: James Hardie Industries NV (from 2002).

Former directorships:

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

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

Dr R S Deane

PhD, B Com (Hons), FCA, FCIS, FNZIM

Independent Non-Executive Director

Chairman of ANZ National Bank Limited in New Zealand

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

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

Current directorships:

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

Director: Woolworths Limited (from 2000).

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

Age: 64. Residence: Wellington, New Zealand.

Mr J K Ellis

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

Independent Non-Executive Director

Chairman of the Risk Management Committee

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

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

Current directorships:

Chairman: Pacifica Group Limited (Director from 1999), National Occupational Health and Safety Commission (Director from 2003), Future Director Directions International Pty Ltd (from 2003), Landcare Australia Limited (from 2004) and Golf Australia (from 2005).

Chancellor: Monash University (from 1999)

Member: Australia-Japan Foundation (from 1999)

Former directorships: Former Chairman: Black Range Minerals Limited (2000-2004). Former Director: Australian Minerals & Energy Environment Foundation (1999-2003), GroPep Limited (2000-2005)

Age: 68. Residence: Melbourne.

Mr D M Gonski, AO

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

Independent Non-Executive Director

Chairman of the Nominations, Governance & Corporate Responsibility Committee

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

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

Current directorships:

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

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

Director: The Westfield Group (from 1985).

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

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

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

Age: 52. Residence: Sydney.

Ms M A Jackson, AC

B Ec, MBA, HON LLD, FAICD, FCA

Independent Non-Executive Director

Chairman of the Compensation & Human Resources Committee

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

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

Current directorships:

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

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

Member: Australia-Japan Foundation (from 2002).

Former directorships: Former Deputy Chairman: Southcorp Limited (2004 2005) and People Telecom Limited (2000 2002). Former Director: John Fairfax Holdings Limited (2003 2004).

Former Member: Brain Research Institute (1999 2004).

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

Age: 52. Residence: Melbourne.

Mr J McFarlane, OBE

MA, MBA

Chief Executive Officer

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

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

Current directorships:

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

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

Former directorships: Former Director: Business Council of Australia (1999 2003) and Australian Graduate School of Management Ltd (1999 2003), London Stock Exchange (1989 1991), Auditing Practices Board (1991 1997), The Securities Association (1989 1990), Capital Radio Plc (1995 1998), Financial Law Panel (1994 1999) and Cranfield School of Management (1992 1996).

Age: 58. Residence: Melbourne.

Mr D E Meiklejohn

B Com, Dip. Ed, FCPA, FAICD, FAIM

Independent Non-Executive Director

Chairman of the Audit Committee

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

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

Current directorships:

Chairman: PaperlinX Limited (from 1999). Director: Coca-Cola Amatil Limited (from 2005).

Vice President: Melbourne Cricket Club (from 1987).

Former directorships: Former Chairman: SPC Ardmona Limited (2002 2005) and former Deputy Chairman of GasNet Australia Limited (2001 2004). Former Director: WMC Resources Limited (2002 2005) and OneSteel Limited (2000 2005).

Age: 63. Residence: Melbourne.

Mr J P Morschel

DIPQS, FAIM

Independent Non-Executive Director

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

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

Current directorships:

Chairman: Rinker Group Limited (from 2003).

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

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

Age: 62. Residence: Sydney.

Senior Management and Executives

At the date of the 20-F executive officers and senior management of ANZ were:

Executive Officers	Position held	Year appointed to position	Year joined Group
J McFarlane	Chief Executive Officer 32 years in the Banking and Financial Services Industry	1997	1997
J Anderson	Chief Executive and Director ANZ National Bank limited, New Zealand (to retire December 31, 2005.) Over 30 years experience in the Finance Services Industry	2004	2004
S M Buggle	Group General Manager, Finance Over 20 years finance experience	2005	2003
R J Edgar	Senior Managing Director 28 years experience in the Financial Services Industry	2003	1984
S A Freeman	Group General Manager, People Capital 27 years experience in Human Resources, including Industrial Relations	2001	2001
E Funke Kupper	Group Managing Director, Asia Pacific 17 years experience in Financial Services and consulting roles, covering Risk Management, International and Retail Banking	2004	1995
M A Grime	Managing Director, Operations Technology and Shared Services 24 years experience in senior Operations and Technology roles	2003	2003
B C Hartzer	Group Managing Director, Personal 12 years experience in Strategic Consulting to the Financial Services Industry and 4 years managing a global credit card business and running the Personal division	2004	1999
D Hisco	Managing Director, Esanda over 25 years experience in the Financial Services Industry	2005	1980
P J O Hawkins	Group Managing Director, Group Strategic Development (to retire effective July 3, 2006) Over 30 years experience in International and Commercial Banking	2002	1971
G K Hodges	Chief Executive Designate (from November 2005), then Chief Executive ANZ National Bank Limited in New Zealand (effective January 1, 2006) 28 years experience across Corporate Banking and Commercial Banking	2005	1991
P Hodgson	Chief Risk Officer Over 20 years experience in the Corporate and Investment Banking Sectors	2004	1997
T L Estrange	Group General Counsel and Company Secretary Over 20 years legal and management experience spanning a range	2003	2003

	of industry sectors		
P R Marriott	Chief Financial Officer 26 years experience in International Banking, Finance and Auditing	1997	1993
R G Moore	Group General Manager, Internal Audit 30 years experience in Audit and Risk Management consulting to the Investment Services Industry	2004	2004
M D Paton	Group Managing Director, Corporate Over 20 years of industry experience in Institutional Banking	2005	1988

Executive Officers	Position held	Year appointed to position	Year joined Group
E M Proust	Managing Director, Esanda (to retire effective July 3, 2006) Over 20 years Senior Management experience in major public and private sector organisations, and Finance Services Industry.	2002	1998
S C Targett	Group Managing Director, Institutional Director, Institutional Services 20 years experience in financial markets world-wide	2004	2004

There are no family relationships between or among any of the directors or executive officers.

Remuneration Report

Note 50 Section A Remuneration Tables

Refer to pages 76 to 79 of the Financial Report

Note 50 Section B Non-Executive Directors Remuneration

Refer to page 80 of the Financial Report

Note 50 Section C Remuneration Structure

Refer to pages 81 to 84 of the Financial Report

Note 50 Section D Chief Executive Officer s Remuneration

Refer to page 85 of the Financial Report

Note 50 Section E Specified Executives   Contract Terms

Refer to pages 86 to 87 of the Financial Report

Note 51 Equity Instrument Relating to Directors and Specified Executives

Refer to pages 90 to 97 of the Financial Report

Corporate Governance

This report sets out the Company s corporate governance framework.

ANZ s shareholders depend on the Company s Board for strategic guidance and oversight of the Company as set out in the Board Charter. The Board recognizes its overriding responsibility to act honestly, fairly, diligently and progressively, in accordance with the law, in serving the interests of ANZ s shareholders and all other stakeholders.

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

ANZ shares and related securities are listed on the Australian (ASX), the New Zealand (NZX) and the New York (NYSE) Stock Exchanges. ANZ must comply with a range of requirements including listing requirements in Australia and New Zealand as well as overseas requirements such as the US Sarbanes-Oxley Act of 2002, the US Securities and Exchange Commission (SEC) rules and the New York Stock Exchange listed company requirements.

In addition, ANZ strives to achieve best practice by taking into account the principles and guidelines set out by the ASX Corporate Governance Council, the New Zealand Securities Commission and the Combined Code of the United Kingdom.

In general, the Board seeks:

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

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

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

Alignment with Australian and overseas corporate governance issues

International

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

ANZ is on track to achieve this reporting schedule.

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

Australia

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

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

For the 2005 financial year, ANZ complies with all the new requirements.

New Zealand

NZX Corporate Governance Rules and Principles The NZX has introduced a Corporate Governance Best Practice Code. As an overseas listed issuer on the NZX, ANZ is deemed to comply with the NZX Listing Rules provided that it remains listed on the ASX. A New Zealand Stock Exchange disclosure is available on page 110.

Other Jurisdictions

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

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

Ethical and responsible decision-making

The Board encourages management to promote and maintain a culture within ANZ which draws upon a set of unifying values to guide the actions and decisions of the Board and all employees.

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

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

ANZ Directors Code of Conduct sets ethical standards for the directors. They are expected to pursue the highest standards of ethical conduct in the interests of shareholders and all other stakeholders.

ANZ (Employee) Code of Conduct sets ethical standards for ANZ staff to embrace and advocate. It establishes an environment in which ANZ staff can excel, regardless of race, religion, age, ability or gender.

ANZ Code of Conduct for Financial Officers (adopted from G100 Code of Conduct for Chief Financial Officers) provides a practical guide for the CFO and financial staff in their everyday dealings as to the standards of ethical behaviour expected in the performance of their duties in addition to the ANZ Employee Code of Conduct.

Commitment to shareholder communication

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

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

ANZ encourages shareholders to take an active interest in the Company. It seeks to provide shareholders with quality information in a timely fashion generally through ANZ s reporting of results, the Company s Annual Report, briefings and half yearly newsletters.

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

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

Continuous disclosure

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

to all relevant stock exchanges on which ANZ s securities are listed; and

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to the market and community generally through ANZ s media releases, website and other appropriate channels.

Through ANZ s Continuous Disclosure Policy the Company demonstrates its commitment to continuous disclosure. The policy reflects relevant obligations under applicable stock exchange listing rules and legislation.

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

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

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

To allow as many shareholders as possible to have an opportunity to attend a meeting, ANZ rotates shareholder meetings around regional capital cities. Webcast technology has been introduced which makes it possible to attend presentations to listen to the speakers and simultaneously view presentations over the internet.

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

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

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

Board responsibility and delegation of authority

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

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

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

The Board monitors management and performance on behalf of shareholders.

Role of the Chairman

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

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

Access to directors

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

Board composition, selection and appointment

The Board strives to achieve a balance of skills, knowledge, experience and perspective among its directors. Details regarding the skills, experience, expertise of each director in office at the date of this Report can be found on pages 93 to 96.

The Nominations, Governance & Corporate Responsibility Committee is responsible for the nominations process which includes a regular review of board composition and succession for the Board including the Chairman.

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

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

Receipt of appointment-related documents including:

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

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

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

Adherence to Directors Code of Conduct As presented earlier, this code sets out that directors will pursue the highest standards of ethical conduct.

Meeting share qualification Non-executive directors are required to accumulate a holding in shares in the Company that is equivalent to at least 100% of a non-executive director s base fee and 200% of this fee for the Chairman.

Election at next Annual General Meeting - The ANZ Constitution and the Corporations Act 2001 both permit the Board to appoint a person to be a director of ANZ at any time, but that person must seek election by shareholders at the next Annual General Meeting.

Independence and Materiality

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

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

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

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

making decisions on matters likely to come regularly before the Board or its committees;

objectively assessing information and advice given by management;

setting policy for general application across ANZ; and

generally, carrying out the performance of his or her role as director.

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

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

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

Dr Deane is Chairman of Telecom New Zealand Ltd. ANZ acquires communication services from Telecom New Zealand for the Company s New Zealand operations.

Mr Gonski is a director of Westfield Holdings Ltd. ANZ leases properties from Westfield for its branch network in Australia.

Ms Jackson is Chairman of Qantas Airways Limited. ANZ has commercial relationships with Qantas as a partner in the co-branded ANZ Frequent Flyer Visa Cards, as a lessor of airport terminal properties in Australia and New Zealand for ANZ automatic teller machines (ATMs), and as an acquirer of travel services for ANZ people.

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

Directors do not participate in any decisions regarding transactions with organisations which they are associated as acquirer or supplier (see Conflict of Interest on page 105). Directors biographies on pages 93 to 96 highlight their associations outside of ANZ.

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

Independent advice

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

Tenure and Retirement

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

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

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

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

Performance Evaluations

Performance evaluations are conducted internally and cover the Board, each non-executive director and Board Committees. The framework used to assess the directors is based on the expectation they are performing their duties in a manner which should create and continue to build sustainable value for shareholders, and in accordance with the duties and obligations imposed upon them by the ANZ Constitution and the law.

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

the charting of direction, strategy and financial objectives for ANZ;

the monitoring of compliance with regulatory requirements and ethical standards;

the monitoring and assessing of management performance in achieving strategies and budgets approved by the Board;

the setting of criteria for, and evaluation of, the Chief Executive Officer s performance; and

the regular and continuing review of executive succession planning and executive development activities.

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

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

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

The outcome of the 2004 annual review led to several Board and Committee related changes during this financial year. Firstly, there was an expansion of responsibility and change of name for the Nominations, Governance & Corporate Responsibility Committee. To provide greater focus on technology and technology risk, the Technology Committee was established (see page 107).

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

Each Board committee conducts a self-evaluation at least annually (see page 105).

Continuing education

ANZ directors take part in a range of training and continuing education programs. In addition to a formal induction program (see page 102), continuing education sessions are held throughout the year focusing on a range of topics including People Capital issues, emerging economic topics, technical developments, pending legislation, accounting standards, taxation, risk management and corporate governance.

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

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

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

Conflict of interest

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

Under the Director s Disclosure of Interest Policy and Policy for Handling Conflicts of Interest (see page 110), a director may not exercise any influence over the Board if a potential conflict of interest exists. The process set out is such that a director may not receive relevant Board papers, may not be present for Board deliberations on the subject, and may not vote on any related Board resolutions. These matters, should they occur, are recorded in the Board minutes.

Board Committees

Each of the five main Committees is comprised solely of independent directors, has its own Charter and has the power to initiate any special investigations it deems necessary. Committee membership is reviewed annually. Membership criteria are based on a director s skills and experience, as well as his/her ability to add value to the Committee. Board Committee attendance is contained on page 108.

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

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

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

the Company s financial reporting principles and policies, controls and procedures;

the work of Group (Internal) Audit which reports directly and solely to the Chairman of the Audit Committee (refer to Group (Internal) Audit on page 109 for more information);

the Audit Committees of subsidiary companies such as ANZ National Bank;

the integrity of the Company s financial statements and prudential returns; and

compliance with regulatory requirements and independent audit thereof.

The Audit Committee is also responsible for:

the appointment, evaluation and oversight of the external auditor;

compensation of the external auditors; and where appropriate, replacement of the external auditor.

Under the Committee Charter, all members of the Audit Committee must be financially literate and that at least one member of the Committee be a financial expert as defined in the US Sarbanes-Oxley Act. Mr Meiklejohn and Ms Jackson were designated as the Audit Committee s financial experts for this purpose for the 2005 financial year. Refer to pages 95 and 96 for their qualifications.

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

Some 2005 financial year activities included:

Monitoring the work of Group (Internal) Audit During the year, the Committee received regular comprehensive reports on Group (Internal) Audit covering its activities, governance, staff, customers, quality and management. In addition, the Chairman of the Audit Committee attended a number of senior Group (Internal) Audit team meetings and the team conference. He also took part in small group discussions with the Group (Internal) Audit staff.

Review of the transition to AIFRS The Group is required to report in accordance with these standards for the 2006 financial year. The Committee monitored the Group s preparations for transition to the new standards including staff education and skill enhancement, systems modifications, new systems development and financial reporting changes.

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

Some 2005 financial year activities included:

Planning for Directors Retirement Scheme closure The Committee reviewed the scheme, considered alternative approaches taking into account best practice and has overseen the planning for the closure of the scheme on September 30, 2005.

Introduction of shareholding guidelines To ensure strong alignment between non-executive directors, the Chief Executive Officer, senior executives and shareholders, the Committee monitored the development and implementation of shareholding guidelines.

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

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

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

Some 2005 financial year activities included:

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

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

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

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

Some 2005 financial year activities included:

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

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

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

Newly established in the fiscal year ended September 30, 2005, the **Technology Committee** assists the Board of Directors in the effective discharge of its responsibilities in relation to technology related matters. The Committee is responsible for the oversight and evaluation of new projects in technology above $50 million and security issues relevant to ANZ s technology processes and systems. It is also responsible for the review and approval of management s recommendations for long-term technology planning and the overall framework for the management of technology risk.

Some 2005 financial year activities included:

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

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

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

Additional Committees

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

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

Role Of Company Secretary

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

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

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

Directors   Meetings

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

	Board		**Risk Management Committee**		**Audit Committee**		**Compensation & Human Resources Committee**		**Nominations, Governance & Corporate Responsibility 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**
C B Goode	8	8	7	7	9	9	6	6	5	5	2	2	7	7	4	4	4	4
G J Clark	8	8							5	5	2	2						
J C Dahlsen (2)	3	3			4	4							1	1			1	1
R S Deane (1)	8	8	3	3			6	6			2	2	2	2				
J K Ellis	8	8	7	7	9	8							2	2				
D M Gonski	8	8	7	7					5	5			3	3	1	1		
M A Jackson	8	8			9	9	6	6					3	3				
J McFarlane	8	8											7	7	1	1	3	3
D E Meiklejohn	8	8			8	8			5	5					3	3		
J P Morschel	8	8	7	7			6	6					3	3	1	1		
B W Scott (2)	5	5					4	4	2	2			3	3	1	1		

(1) New Zealand resident

(2) Retired during the year. Mr Dahlsen February 3, 2005 and Dr Scott April 23, 2005

Risk management and compliance

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

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

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

For further information on risk management, please see page 130.

Financial Controls

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

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

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

Audit

Group (Internal) Audit

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

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

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

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

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

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

External audit

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

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

The policy also stipulates that the Audit Committee:

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

regularly reviews the independence of the external auditor;

evaluates the effectiveness of the external auditor.

Details of non-audit services are on pages 112.

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

The lead partner position of the external auditor is required to rotate off the ANZ audit after five years and cannot return for a further five years. Other senior audit staff are required to rotate off after a maximum of seven years. Any potential appointments of ex-partners or ex-employees of the external auditor to the ANZ finance staff, at senior management level or higher, must be pre-approved by the Chairman of the Audit Committee.

Codes of Conduct and Policies

Below is an overview of ANZ s key codes and policies which apply to directors and employees.

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

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

Critical Accounting Policies Details of the critical accounting policies and any changes in accounting policies made since the date of the 2004 Annual Report are set out on page 83 in this Report and in the 2005 Financial Report. Key contact Group General Manager Finance.

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

Employee Indemnity Policy This policy provides that the Group will indemnify employees against any liability that they incur in carrying out their role subject to meeting certain requirements. Key contact General Manager Operational and Technology Risk.

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

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

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

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

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

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

New Zealand Stock Exchange Disclosure

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

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

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

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

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

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

Restrictions on buy-backs and financial assistance covered by the NZX Listing Rules are not addressed in the ASX Listing Rules, but are covered in Australia s Corporations Act. Details on ANZ s corporate governance are set out on pages 99.

Comparison to NYSE Corporate Governance Standards

The New York Stock Exchange (NYSE) Listing Rules, Section 303A, recently instituted a broad regime of new corporate governance requirements for NYSE-listed companies. Under the NYSE Listing Rules, foreign private issuers, such as ANZ, are permitted to follow home country practice in lieu of the requirements of Section 303A, except for the Listing Rule relating to compliance with Rule 10A-3 of the Securities Exchange Act of 1934 (Exchange Act) and certain notification provisions contained in Section 303A of the Listing Rules. The relevant home country practice for ANZ is the Australian Stock Exchange (ASX) Corporate Governance Council - Principles of Good Corporate Governance and Best Practice Recommendations.

Section 303A.11 of the Listing Rules, however, requires ANZ to disclose any significant ways in which ANZ corporate governance practices differ from those followed by US domestic listed companies under these NYSE Listing Rules. ANZ has compared the Company s corporate governance practices to the requirements of the Section 303A of the NYSE Listing Rules that would otherwise currently apply to foreign private issuers and notes the following significant difference:

Equity Compensation Plans

Shareholders are not provided under Australian law with the opportunity to vote on certain new equity compensation plans or material revisions to existing equity compensation plans. Under the NYSE s rules, shareholder approval is required for such plans or for material revisions to such plans. Australian law does, however, require the issue of shares to certain people under equity compensation plans to be approved by shareholders.

This disclosure is also available on our website at http://www.anz.com under the heading Other Corporate Governance Matters-Comparison with NYSE Corporate Governance Standards .

United States Sarbanes - Oxley Act of 2002

The United States Sarbanes Oxley Act was signed into law on July 30, 2002. As ANZ has securities registered under the Securities Exchange Act of 1934 and files disclosure documents with the United States Securities and Exchange Commission (the SEC), ANZ is subject to the provisions of this Act. The SEC has been delegated authority to adopt rules to implement many of SOX provisions. At present, some of these rules do not yet apply to ANZ as a foreign private issuer.

In addition, under the NYSE Listing Standards, ANZ is required to provide a brief description of the significant differences between ANZ s corporate governance practices and those applicable to US listed companies under the NYSE listing rules in lieu of complying with those US domestic listed company standards. For a description of these significant differences, please see Comparison to NYSE Corporate Governance Standards above.

Audit Committee determination of independence and financial experts

The Sarbanes Oxley Act of 2002 (SOX) requires that each member of the ANZ Audit Committee be a member of the ANZ Board of Directors and meet certain criteria for independence. In addition, SOX requires there to be at least one financial expert on the Committee.

The Audit Committee is composed solely of non-executive directors. The ANZ Board has reviewed the independence criteria in SOX, and determined that each non-executive director on the Committee is independent.

The current Committee membership is Mr David Meiklejohn (Chairman) (from October 1, 2004), Ms Margaret Jackson and Mr Jerry Ellis, each of whom is a non-executive, independent Director. Mr Charles Goode (Board Chairman) is an ex-officio member of the Audit Committee. The Committee includes members who have appropriate financial expertise and an understanding of the industry in which ANZ operates. All members of the Committee satisfy the independence requirements under Section 10A-3 of the Exchange Act and the rules of the NYSE.

The Board has determined that Ms Margaret Jackson and Mr David Meiklejohn are audit committee financial experts as defined under SOX. Although the Board also has determined that these individuals have the requisite attributes defined under the rules of the SEC, their responsibilities are the same as those of the other Audit Committee members. They are not auditors, do not perform field work and are not full-time employees.

The SEC has determined that an audit committee member who is designated as an audit committee financial expert will not be deemed to be an expert for any purpose as a result of being identified as an audit committee financial expert. The Audit Committee is responsible for oversight of management in the preparation of ANZ s financial statements and financial disclosures. The Audit Committee relies on the information provided by management and the external auditor. The Audit Committee does not have the duty to plan or conduct audits to determine that ANZ s financial statements and disclosures are complete and accurate. ANZ s Audit Committee Charter provides that these are the responsibility of management and the external auditor.

Services outside the scope of practice of auditors

SOX prohibits the external auditor of ANZ from providing certain non-audit services to the Company. The Audit Committee of the ANZ Board announced in April 2002 a revised policy on the provision of audit-related and non-audit services. Since that date, the policy has been reviewed at least annually and updated to ensure it meets current best practice standards as well as relevant domestic and overseas regulatory requirements. The policy lists services which may be perceived to be in conflict with the role of the auditor, and precludes the external auditor from providing such services. ANZ s policy, which is consistent with SOX, requires the Audit Committee to approve all services provided by the external auditor.

Work of External Auditor

Our Audit Committee is directly responsible for the appointment, remuneration and oversight of the external auditor. The former KPMG lead auditor concluded his term at the conclusion of the 2004 audit activities and a new lead auditor took responsibility for the Group s audit in the 2005 financial year.

Section 404

Please see commentary on page 108 under Financial Controls.

Responsibility for Financial Reports

As required by SOX, our CEO and CFO have provided 302 certification for this 20-F filing. This certification follows an audit of the disclosure controls and procedures. See Item 15 for a further description of this evaluation of disclosure controls and procedures. The audit was conducted by the Group s internal audit function during September and October 2005. A report on the findings of this audit was presented to the Audit Committee and to the external auditor.

Code of Ethics

ANZ has written a Code of Conduct that applies to ANZ s principal financial officer, principal accounting officer and other financial officers. ANZ has also written Codes of Conduct for directors and employees that applies to ANZ s Chief Executive Officer, all directors and all ANZ employees.

Share Trading Policy

The share trading policy adopted by the Group specifically prohibits trading in ANZ shares by directors, certain employees, contractors and consultants working in specific areas of the Group during black out periods. The Group s policy is consistent with SOX.

Complaints

As required by SOX, the Audit Committee has established a Whistleblower Protection Policy and related procedures which provide a mechanism by which ANZ staff, consultants and contractors may voice concerns anonymously regarding questionable accounting or auditing matters.

Employment Contracts

Arrangements or undertakings between executive officers and ANZ are covered by an employment agreement under which remuneration is at such rates and terms as ANZ shall determine from time to time.

Fees paid to Auditors and Pre-approved Policies and Procedures

Summary of Fees

Summary of Fees	**2005 $ 000**	**2004 $ 000**	**2003 $ 000**
KPMG Australia			
Audit or review of financial reports of the Company (1) or an entity in the Group	4,981	2,981	2,640
Other audit-related services (2)	1,060	567	2,083
Other assurance services (3)	927	2,934	3,891
	6,968	6,482	8,614
Taxation		563	775

Total	6,968	7,045	9,389
Overseas Related practices of KPMG Australia			
Audit or review of financial reports of Group entities	1,977	1,834	1,293
Other audit-related services (2)	1,475	1,494	1,503
Other assurance services (3)	188	77	1,473
	3,640	3,405	4,269
Taxation	4	65	83
Total	3,644	3,470	4,352
Total remuneration of auditors	**10,612**	**10,515**	**13,741**

(1) 2005 includes services in relation to the transition to Australian equivalents to International Financial Reporting Standards.

(2) Includes services for the audit or review of financial information other than financial reports, including prudential supervision reviews for central banks, prospectus reviews, trust audits and other audits required for local statutory purposes.

(3) 2004 includes due diligence oversight review of The National Bank of New Zealand and markets co-sourcing internal audit work which ceased in April 2004. 2003 includes assessing the Group s compliance with the requirements of the US Patriot Act.

It is Group policy that KPMG Australia or any of its related practices may provide assurance and other audit-related services that, while outside the scope of the statutory audit, are consistent with the role of auditor. These include regulatory and prudential reviews requested by the Company s regulators such as the Australian Prudential Regulation Authority. KPMG Australia or any of its related practices may not provide services that are perceived to be materially in conflict with the role of auditor. These include consulting advice and subcontracting of operational activities normally undertaken by management, and engagements where the auditor may ultimately be required to express an opinion on its own work. However, non-audit services that are not perceived to be materially in conflict with the role of auditor may be provided by KPMG Australia or any of its related practices subject to the approval of the ANZ Audit Committee.

KPMG has confirmed to ANZ that it has policies in place on loans from audit clients that are in accordance with Rule 2-01 of Regulation S-X and that neither KPMG nor any covered person or immediate family member have any loans outstanding for the Company and its related parties, that are part of the audit client, that are not in compliance with that rule.

Audit Fees

The aggregate fees billed in the fiscal years ended 2005, 2004 and 2003 for professional services rendered by KPMG, our external auditor and an Independent Registered Public Accounting Firm, for the audit of the annual financial statements or services that are normally provided by the accountant in connection with statutory filing engagements for those fiscal years are $6,958,000, $4,815,000 and $3,933,000, respectively.

Audit Related Fees

The aggregate fees billed in the fiscal years ended 2005, 2004 and 2003 for assurance and related services by KPMG that are reasonably related to performance of the audit or review of ANZ s financial statements and are not reported under Audit Fees are $2,535,000, $2,061,000 and $3,586,000, respectively. The nature of services comprising the fees disclosed under the category are audit of completion accounts, the audit or review of financial information other than financial reports, including prudential supervision reviews for central banks and other audits required for local statutory purposes.

Tax Fees

The aggregate fees billed in the fiscal years ended 2005, 2004 and 2003 for professional services rendered by KPMG for tax compliance and related services are $4,000, $628,000 and $858,000, respectively. The nature of services comprising the fees disclosed under the category are assistance in relation to compliance obligations including the Australian tax consolidations regime, the Goods and Services Tax (GST) regime, review of tax returns and review of correspondence with taxation authorities.

All Other Fees

The aggregate fees billed in each of the last two fiscal years for products and services provided by KPMG, other than services reported under Audit Fees, Audit-Related Fees and Tax Fees are $1,115,000, $3,011,000 and $5,364,000, respectively. The nature of services comprising the fees disclosed under the category are the oversight of the NBNZ due diligence process, markets co-sourcing internal audit work (ceased in April 2004), advice on AIFRS, and other sundry agreed upon procedures engagements, including securitization reviews, Sarbanes Oxley oversight and assessment of ANZ s compliance with the requirements of the Patriot Act (2003 only).

U.S. Securities and Exchange Commission Information Request

In the context of an investigation by the U.S. Securities and Exchange Commission (the SEC) into certain Australian companies registered with the SEC and accounting firms relating to the U.S. auditor independence rules, the SEC has requested that we produce documents and information relating to non-audit services provided by our external auditors, KPMG Australia, since October 1, 2000. We have provided documents and information to the SEC.

During the period covered by the SEC s information request a number of KPMG Australia employees provided non-audit services, including regulatory, tax, accounting, financial modelling and project management services, for varying periods of time to entities in the Australia and New Zealand Banking Group while on secondment to entities in the Group. While KPMG Australia has reported that some of the secondment engagements in the 2001 and 2002 financial years were potential violations of U.S. auditor independence rules, KPMG Australia has affirmed to our Audit Committee and to the SEC that, in its opinion, the provision of these non-audit services did not compromise the independence of the firm.

While we cannot predict what action the SEC may take as a result of its ongoing investigation and the other matters referred to above, the SEC has authority to impose or negotiate any one of a number of possible sanctions for any breaches of its rules resulting from secondments or any other non-audit services provided by KPMG Australia. These sanctions could include fines, the entry of cease-and-desist orders or injunctions, or a requirement to engage a different accounting firm to perform procedures and report on aspects of the relevant accounts or financial statements relevant to areas raising auditor independence concerns.

Employees

At September 30, 2005 ANZ employed 30,976 (2004: 28,755) people worldwide on a full-time equivalent basis (FTEs), of which 29,471 were permanent employees and 1,505 were temporary. There were 18,043 FTEs in Australia at September 30, 2005 compared with 16,815 FTEs at September 30, 2004 (refer to table below).

Approximately 31% of employees in Australia are members of the Finance Sector Union of Australia. ANZ has a specific industrial award that contains terms and conditions of employment that apply in differing degrees to all ANZ staff. The award is supplemented by a collective enterprise bargaining agreement and in addition the majority of senior management and executive staff are covered by individual common law contracts of employment.

Under enterprise bargaining in Australia, terms and conditions of employment, including salaries, are dependent on agreements negotiated between unions and management. The Australian Industrial Relations Commission has the power to ratify these agreements and ensure legally enforceable minimum conditions of employment are retained.

ANZ s current Australian collective enterprise bargaining agreement was entered into in August 1998 and continues to legally operate despite passing its nominal expiry date of February 2001. ANZ paid a 5% salary increase to most non-management staff in 2005.

ANZ has nine superannuation/pension plans worldwide. Notes 49 and 57 to the Financial Statements give further detail on ANZ s superannuation commitments. ANZ also provides loans at concessional rates to eligible employees and senior management but excluding executives and directors.

Staff Numbers, at September 30,	**2005**	**2004**	**2003**
Personal	9,616	8,919	8,795
Institutional	3,103	2,936	2,795
New Zealand Businesses	8,580	8,066	2,939
Corporate Australia	1,941	1,761	1,596
Esanda and UDC	1,351	1,297	1,311
Asia Pacific	2,432	2,221	1,624
Group Center	3,953	3,555	4,077
	30,976	28,755	23,137
Australia	18,043	16,815	16,400
New Zealand	9,515	8,816	3,822
Overseas Markets	3,418	3,124	2,915
	30,976	28,755	23,137

The ANZ Employee Share Acquisition Plan was approved by shareholders at ANZ s Annual General Meeting on January 21, 1998. At the invitation of ANZ, the Plan allows for permanent employees who have had continuous service for one year with ANZ and its subsidiaries, to each be issued with up to $1,000 worth of ANZ shares each year at no cost to the employee. The first offer to employees under the Plan was made on November 30, 1998. Subsequent offers have been made in 1999, 2000, 2001, 2002, 2003, 2004 and an eighth issue will be made in December 2005. The Plan also includes a section that allows for the issue of deferred shares to selected employees in lieu of cash bonuses.

The ANZ Share Option Plan provides benefits, in the form of share options, to selected employees. More detailed information regarding ANZ s employee share and option plans, remuneration of directors and remuneration of executives is contained in the Financial Report.

Major Shareholders

We are not directly or indirectly owned or controlled by another corporation, any foreign government or any other natural or legal person(s), separately or jointly. At December 9, 2005 we know of no person who is the beneficial owner of more than 5% of our ordinary shares.

The following table identifies the shareholders which, at December 2005, December 2004 and December 2003 were registered as holding 3% or more of our issued ordinary shares:

Shareholder (1)	Number of Shares Held	% of Total
December 9, 2005		
National Nominees Limited	245,434,541	13.43
Chase Manhattan Nominees Limited	229,897,948	12.58
Westpac Custodian Nominees Limited	201,266,894	11.01
ANZ Nominees Limited	99,764,741	5.46
Citicorp Nominees Pty Limited	91,751,277	5.02
December 2, 2004		
National Nominees Limited	248,667,130	13.66
Chase Manhattan Nominees Limited	240,389,349	13.20
Westpac Custodian Nominees Limited	230,503,315	12.66
Citicorp Nominees Pty Limited	88,027,953	4.83
RBC Global Services Australia Nominees Pty Limited	59,849,448	3.29
December 1, 2003		
J P Morgan Nominees Australia Limited	250,872,670	14.05
National Nominees Limited	220,520,868	12.35
Westpac Custodian Nominees Limited	211,004,977	11.82

(1) The nominee companies indicated hold shares on behalf of other beneficial owners none of which are to our knowledge beneficially entitled to more than 5% of our ordinary shares.

Our major shareholders have the same voting rights as other holders of ordinary shares.

At December 9, 2005, there were no entries in the Register of Substantial Shareholdings (5% or more of the votes attached to voting shares).

At December 9, 2005, 1,766,913,084 ordinary shares representing 96.7% of our total ordinary share capital were held by 249,400 record holders with registered addresses in Australia and 916,747 ordinary shares representing 0.05% of our total ordinary share capital held by 338 record holder with registered addresses in the United States and its territories.

The following table outlines the total number of ordinary shares and share options in ANZ owned by our directors and executive officers as at December 9, 2005:

Title of Class	Identity of Group	Amount of Shares/Options Owned	% of Class
Ordinary shares - fully paid	Directors and Executive Officers (25 persons)	6,491,173	0.36

Share options over ordinary shares	Directors and Executive Officers (16 persons)	7,551,779	20.74

As at December 9, 2005, no individual director or executive officer beneficially owned more than 1% of the outstanding share capital of the Company.

The acquisition of shares in Australian companies by foreign interests is regulated by the Foreign Acquisitions and Takeovers Act 1975 (the Foreign Takeovers Act). The Foreign Takeovers Act applies to any acquisition or issue of shares which results in either:

(a) foreign person and its associates being in a position to control 15% or more of the voting power or hold any legal or equitable interest in 15% or more of the issued shares; or

(b) two or more foreign persons and their associates being in a position to control 40% or more of the voting power or hold any legal or equitable interest in 40% or more of the issued shares.

In either of these cases, the Federal Treasurer may prohibit the acquisition if it would be contrary to the Australian national interest.

The Financial Sector (Shareholdings) Act 1998 prohibits a person, or two or more persons under an arrangement, from acquiring shares in a financial sector company if the acquisition would result in a person holding a stake in the company of more than 15%. However, the Federal Treasurer may grant approval to a person to hold a stake of greater than 15% but only if satisfied that it is in the Australian national interest. No such approvals have been granted in respect of our shares.

Any person acquiring voting shares in a company is subject to the control of the acquisition of shares provisions contained in Chapter 6 of the Australian Corporations Act 2001 (Corporations Act). Subject to certain limited exceptions, Section 606 of the Corporations Act prohibits a person from acquiring a relevant interest in voting shares in a company if, because of a transaction, the person s or someone else s voting power in the company increases:

(a) from 20% or below to more than 20%; or

(b) from a starting point above 20% and below 90%

One of the exceptions to Section 606 is that the law will allow a person who has been entitled to voting power in the company of at least 19% for at least six months to acquire an additional 3% of the company s voting power in any six month period.

For the purposes of the Corporations Act, a person s voting power in a company is the total number of votes attached to voting shares in respect of which the person and its associates (which are broadly defined) have a relevant interest (which is also broadly defined) as a proportion of the total number of votes attached to all voting shares in the company.

Change in Control

There are no arrangements known to ANZ, the operation of which may at a subsequent date result in a change in control of ANZ.

Related Party Transactions

All related party loans were made in the ordinary course of business, were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and entities, and did not involve more than the normal risk of collectability or present other unfavorable features.

More detailed information regarding related party disclosures is contained in Note 51, 52 and 53 to the Financial Report.

Item 8: Financial Information

For financial information refer to Attachment 1.

Legal Proceedings

There are outstanding court proceedings, claims and possible claims against the Group, the aggregate amount of which cannot readily be quantified. Appropriate legal advice has been obtained and, in the light of such advice, provisions as deemed necessary have been made.

Dividend Distribution Policy

The Board of Directors of the Company will determine and declare the amount and timing of dividend distributions to shareholders based on the financial performance and financial position of the Group.

Item 9: The Offer and Listing

Our principal ordinary share listing and quotation is on the Australian Stock Exchange Limited (the Australian Stock Exchange , ASX). Our ordinary shares are also quoted on the New Zealand Stock Exchange. Our ANZ stapled exchangeable preferred securities (ANZ StEPS) are listed on the ASX and the ANZ Euro trust securities, on the Luxembourg Stock Exchange.

American Depositary Receipts

Our ordinary shares are traded in the United States by means of American Depositary Receipts (ADRs). We entered into a Deposit Agreement dated December 9, 1988 with The Bank of New York. The Bank of New York, acting as depositary, issues ADRs. Each ADR represents an American Depositary Share (ADS), which in turn represents five ANZ ordinary shares. This agreement was amended to permit listing of the ADRs on the New York Stock Exchange, Inc. (NYSE), and on December 6, 1994 trading of the ADRs commenced on the NYSE. At December 9, 2005, 3,273,188 ADRs representing 16,365,940 or 0.90% of our ordinary shares were outstanding and there were 333 record holders of ADRs.

The following table sets out, for the calendar periods indicated, the high and low market quotations for both our ordinary shares as reported by the Australian Stock Exchange and our ADRs as quoted on the NYSE.

	Per Ordinary Share ($)		Per ADR (USD)	
	High	**Low**	**High**	**Low**
Year ended September 30,				