2004

GROWTH PERFORMANCE SUSTAINABILITY

ANNUAL REPORT

ANZ

sustainable

growing

performing

low risk

specialised

low cost

customer

different

community

creative

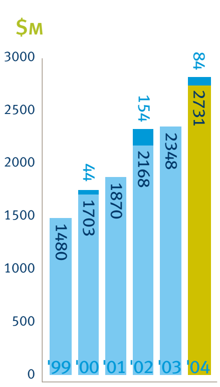
open

2004 INVESTOR SNAPSHOT
THE YEAR AT A GLANCE

Our goal is to become Australasia's leading, most respected and fastest growing major bank. We came a long way in 2004 while at the same time delivering another good financial performance. Importantly we have rewarded our shareholders and shared the benefits with customers, our people and the community.

2004 HIGHLIGHTS

- Completed the $4.9 billion acquisition of The National Bank of New Zealand and made good progress with the integration of our New Zealand business.
- Undertook a successful $3.6 billion Rights Issue.
- Created strong momentum in the Personal and Corporate divisions, which performed well delivering improved service for customers and growing market share.
- Established a sustainable foundation for the Institutional division through more efficient use of capital and lower risk.
- Produced solid performances in New Zealand, Asia Pacific, Esanda and ING Australia.
- Took further steps in a multi-year program of structural de-risking which is now largely complete with ANZ's risk profile now comparable with other major Australian banks.
- Continued to create an environment of opportunity, challenge and development for our people. Staff satisfaction now stands at 85%.
- Developed innovative programs to strengthen our connection with the community including responses to major social issues that involve the financial services industry such as financial literacy and savings.

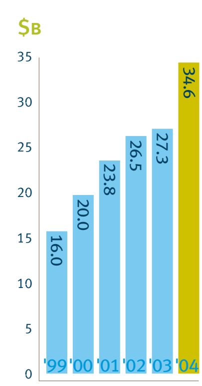


STRONG PROFIT GROWTH

YEAR ON YEAR NET PROFIT

Our profit in 2004 of $2,815 million represents an increase of 20% over the previous year. This was driven by the acquisition of The National Bank of New Zealand during the year, combined with solid underlying growth in most parts of the Group. The Institutional result was flat, as we continued to reduce risk. Costs increased slightly.

SIGNIFICANT ITEMS (A)



MARKET CAPITALISATION DOUBLED IN 5 YEARS

MARKET CAPITALISATION AT 30 SEPTEMBER

Over the past five years ANZ's market capital value has more than doubled, driven mainly by strong growth in underlying earnings.

STRATEGIC PRIORITIES

SUSTAINABLE SHAREHOLDER VALUE

MARKET LEADERSHIP & SUPERIOR MARKET GROWTH

LOW COST & LOW RISK

DISTINCTIVE CUSTOMER SERVICE

EARNING COMMUNITY TRUST

CREDIT RATING

Maintained AA- Credit Rating

KEY TO GRAPHS

(A) SIGNIFICANT ITEMS In the year ended 30 September 2004 there were significant items of $84 million, including gain related to the buy-back of TrUEPrS preference shares ($84 million after tax), gain on finalising ING Australia completion accounts ($14 million after tax), and incremental costs associated with the NBNZ integration ($14 million after tax). There were significant items totalling $154 million after tax in 2002 and $44 million in 2000.

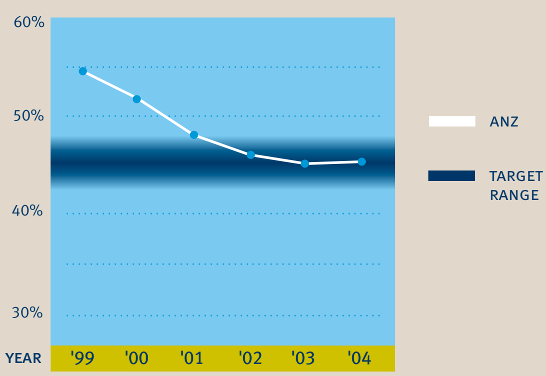
(B) COST TO INCOME RATIO Excludes the effect of significant items and goodwill amortisation.

FINANCIAL TERMS AND KEY DEFINITIONS

Can be found in the Glossary of Financial Terms.

FURTHER EXPLANATION OF KEY MEASURES

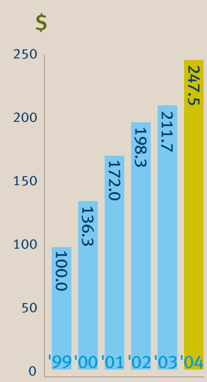
Can be found in the Chief Financial Officer's Review.



WORLD-LEADING PRODUCTIVITY

COST TO INCOME RATIO (B)

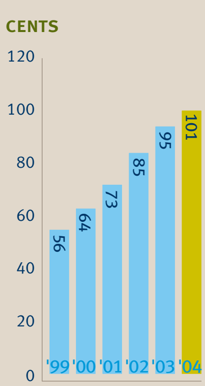
During 2004 our cost to income ratio remained broadly stable at 45.3%, staying within our target range. ANZ remains one of the most efficient major banks in the world. We continued to increase the rate of organic investment in the Australian franchise to increase market share, particularly in Personal and Corporate.



HEALTHY SHAREHOLDER RETURNS

VALUE OF $100 INVESTMENT IN ANZ SHARES OVER 5 YEARS

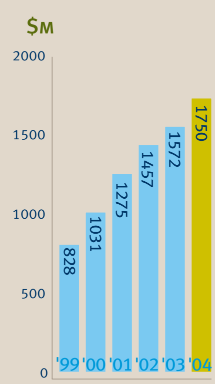
Share price re-based for rights issue. Assumes re-investing of dividends. Total shareholder return (TSR) in 2004 was 17%. The TSR annualised for the last five years, assuming full reinvestment of dividends, was 20%. This was driven by steadily increasing dividends and strong growth in the share price.



STRONG DIVIDEND GROWTH

DIVIDENDS PER SHARE

The 2004 dividend was a record with a 47 cents interim dividend and a 54 cents final dividend, both 100% franked. Adjusting for the bonus element of the Rights Issue, dividends grew by 10.8% broadly in line with the growth in earnings per share excluding significant items and goodwill amortisation.



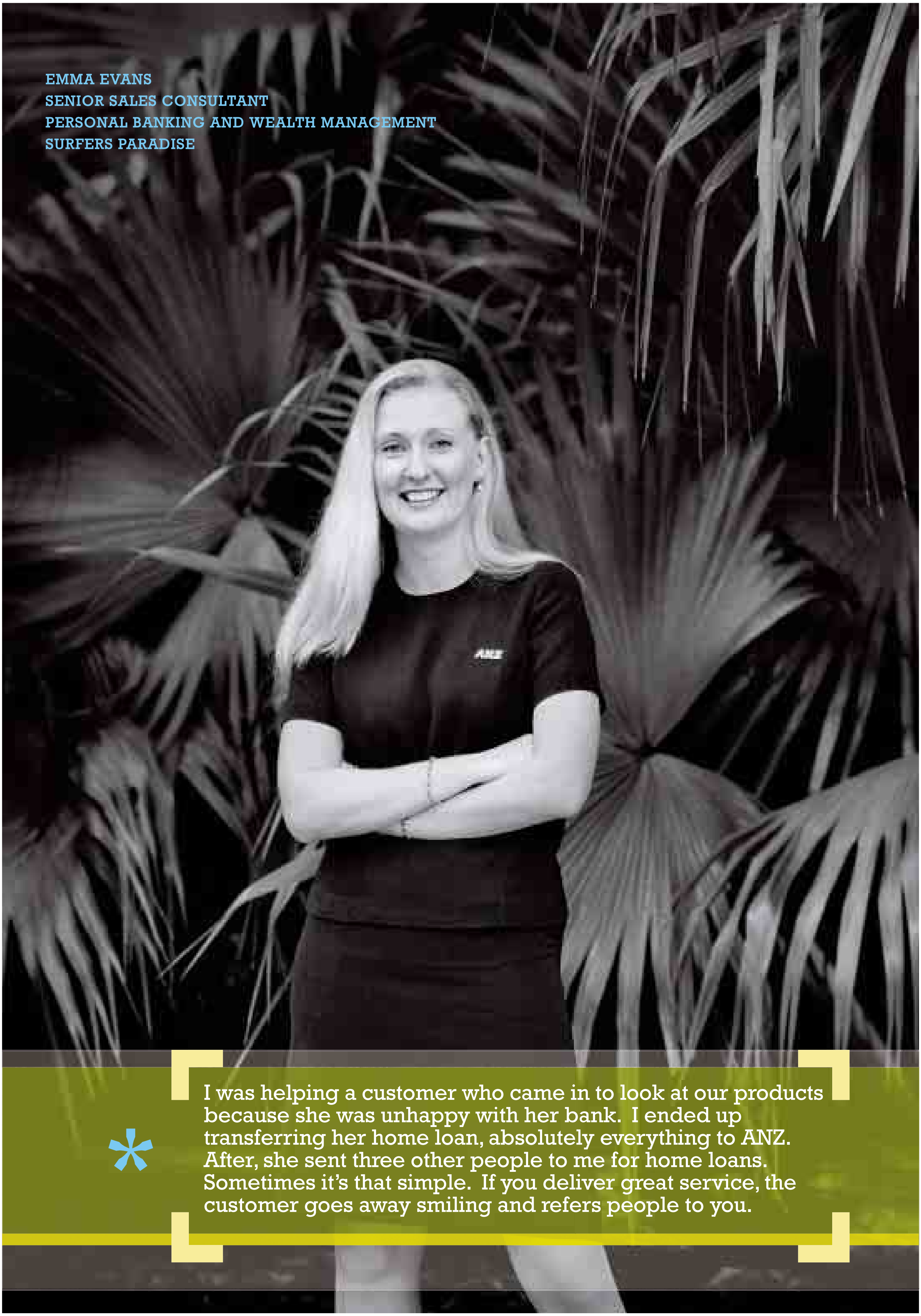
INCREASED SHAREHOLDER VALUE AS MEASURED BY EVA™

EVA™

Economic value added (EVA™) grew by 11% in 2004, driven by sound underlying performance and continued success in reducing risk across the Group, particularly in our Institutional division.

ANZ'S GOAL IS TO BECOME
AUSTRALASIA'S LEADING, MOST RESPECTED
AND FASTEST GROWING MAJOR BANK.

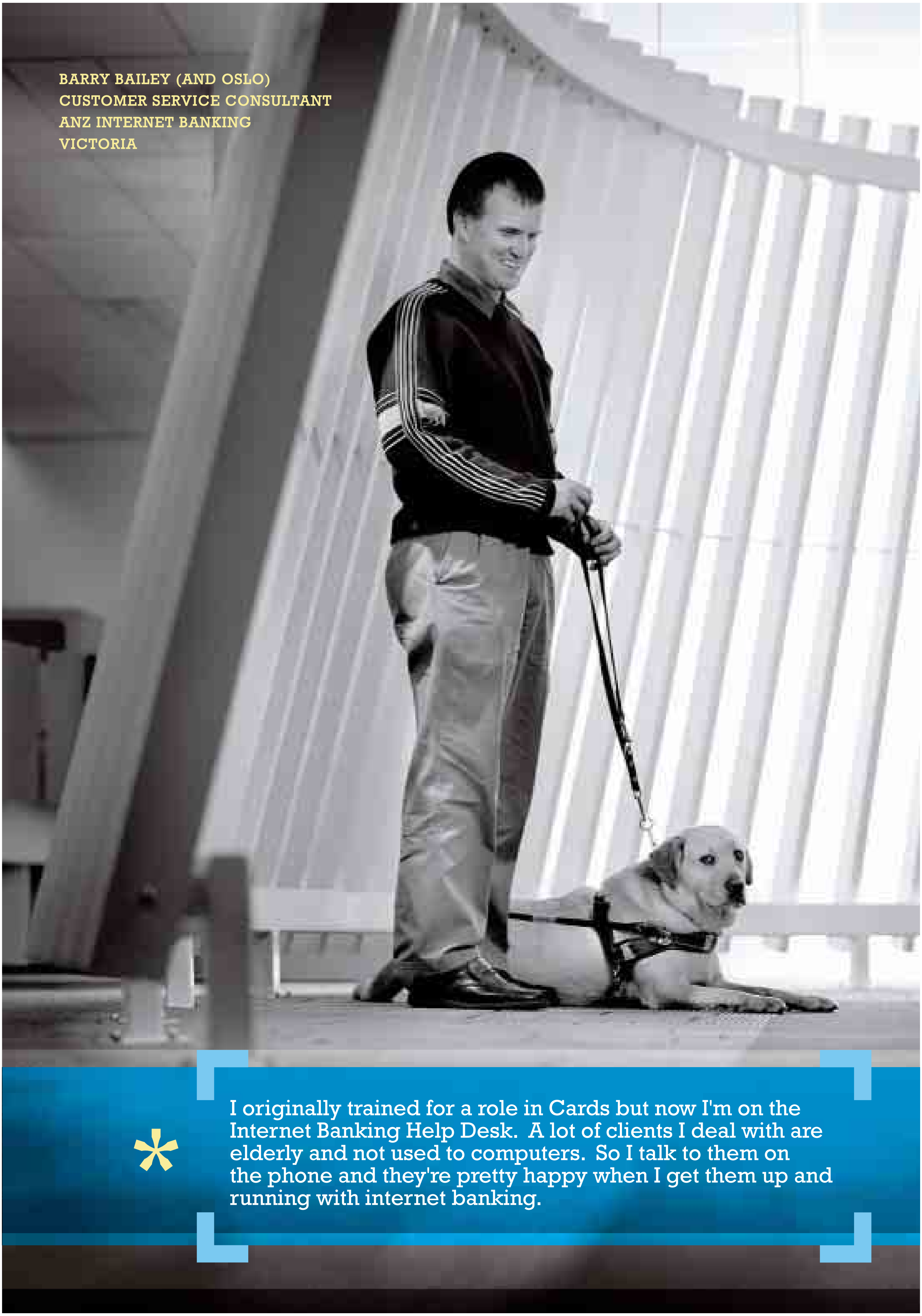
EMMA EVANS
SENIOR SALES CONSULTANT
PERSONAL BANKING AND WEALTH MANAGEMENT
SURFERS PARADISE



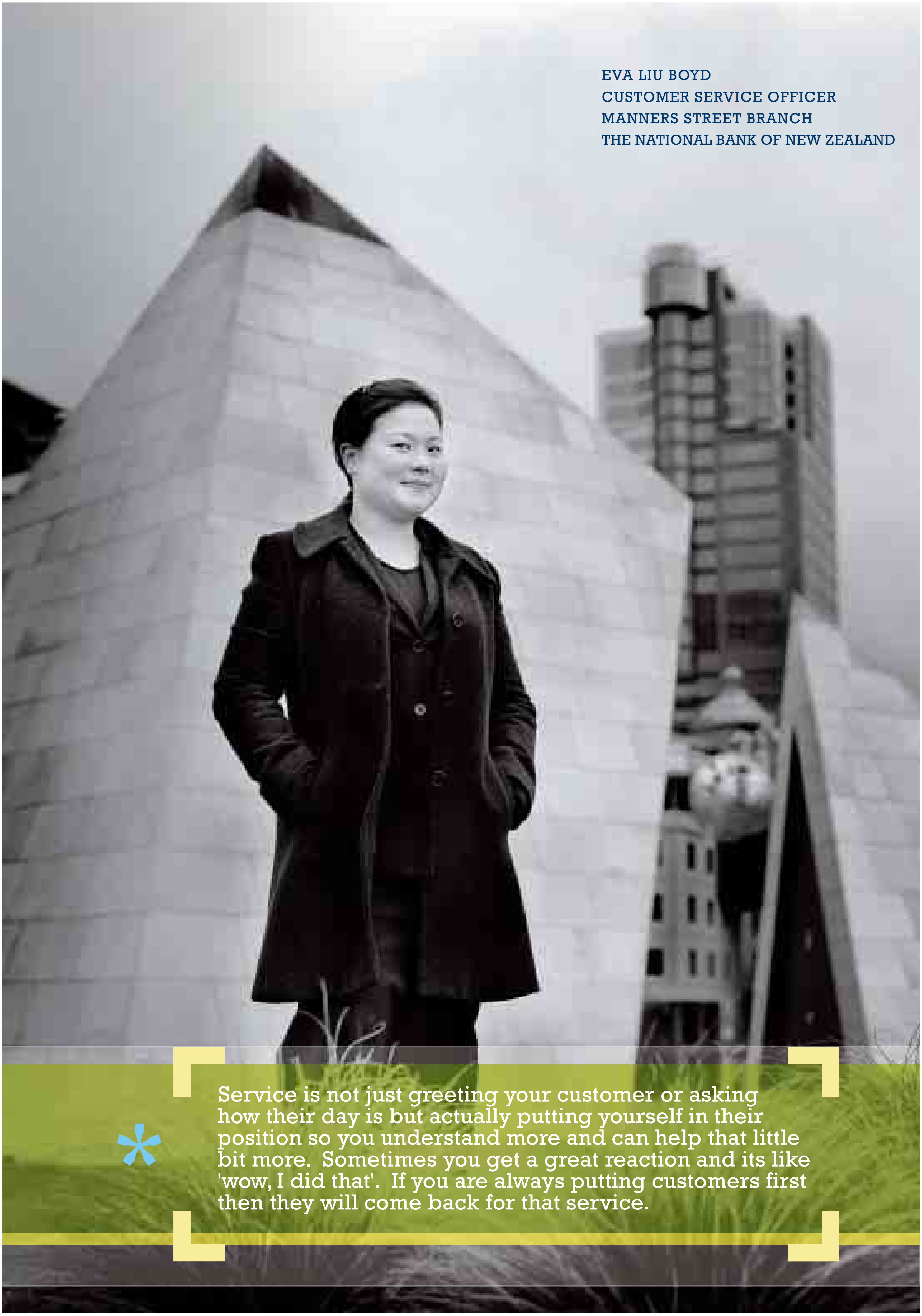
*

I was helping a customer who came in to look at our products because she was unhappy with her bank. I ended up transferring her home loan, absolutely everything to ANZ. After, she sent three other people to me for home loans. Sometimes it's that simple. If you deliver great service, the customer goes away smiling and refers people to you.

BARRY BAILEY (AND OSLO)
CUSTOMER SERVICE CONSULTANT
ANZ INTERNET BANKING
VICTORIA

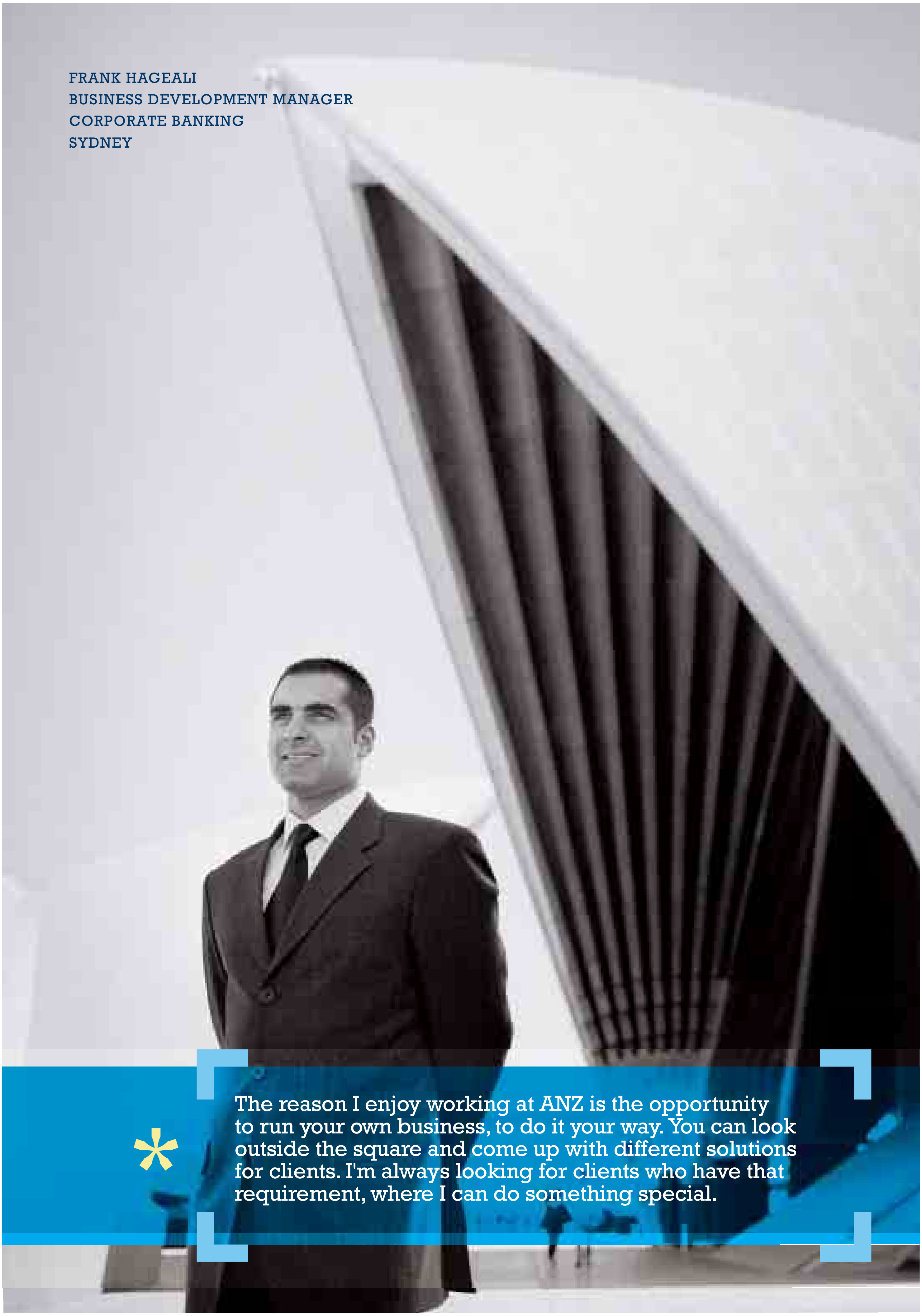


I originally trained for a role in Cards but now I'm on the Internet Banking Help Desk. A lot of clients I deal with are elderly and not used to computers. So I talk to them on the phone and they're pretty happy when I get them up and running with internet banking.



EVA LIU BOYD
CUSTOMER SERVICE OFFICER
MANNERS STREET BRANCH
THE NATIONAL BANK OF NEW ZEALAND

Service is not just greeting your customer or asking how their day is but actually putting yourself in their position so you understand more and can help that little bit more. Sometimes you get a great reaction and its like 'wow, I did that'. If you are always putting customers first then they will come back for that service.



FRANK HAGEALI
BUSINESS DEVELOPMENT MANAGER
CORPORATE BANKING
SYDNEY

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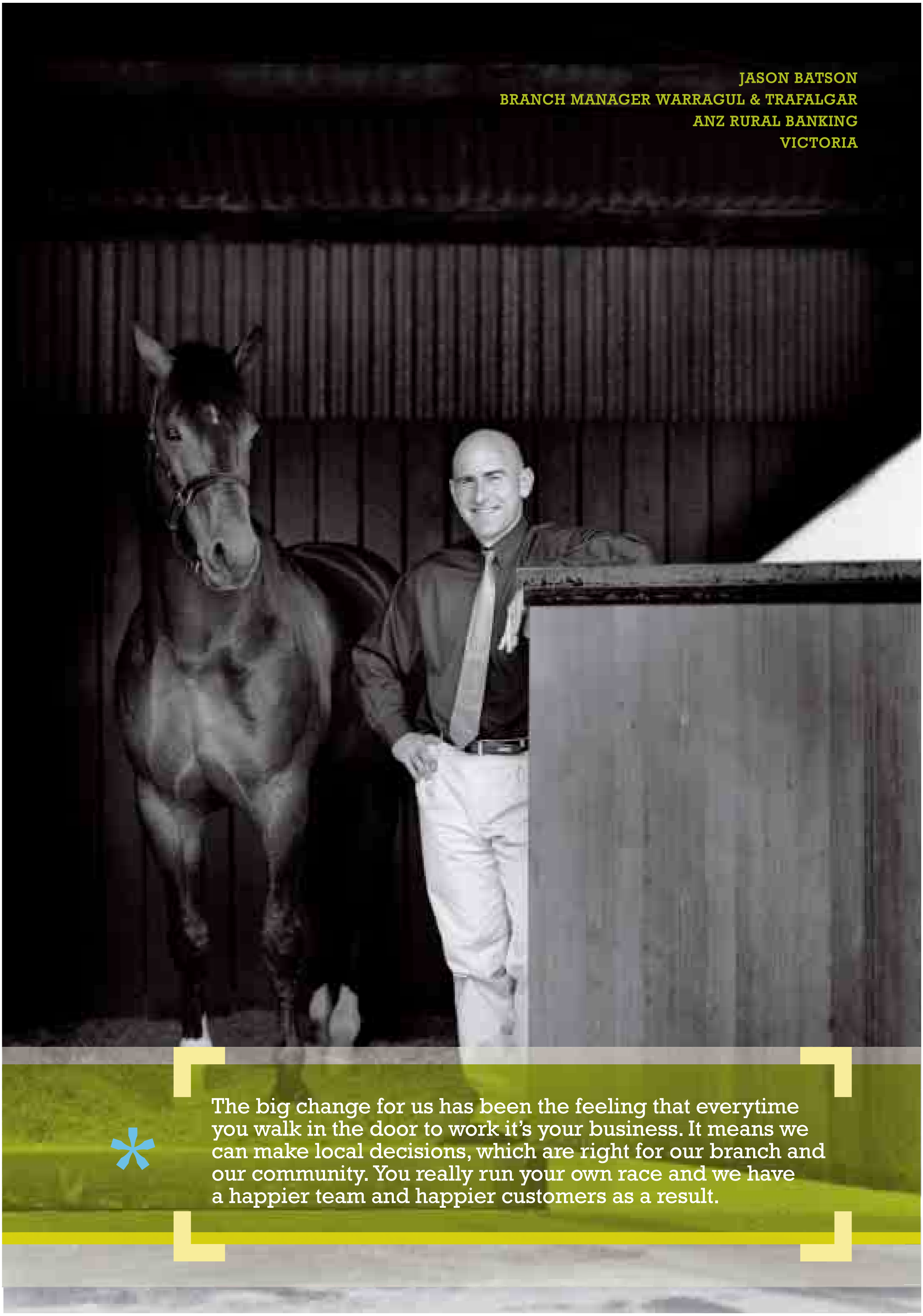
The reason I enjoy working at ANZ is the opportunity to run your own business, to do it your way. You can look outside the square and come up with different solutions for clients. I'm always looking for clients who have that requirement, where I can do something special.



JASON BATSON
BRANCH MANAGER WARRAGUL & TRAFALGAR
ANZ RURAL BANKING
VICTORIA

* The big change for us has been the feeling that everytime you walk in the door to work it's your business. It means we can make local decisions, which are right for our branch and our community. You really run your own race and we have a happier team and happier customers as a result.

DELIVERING PERFORMANCE AND GROWTH

CHAIRMAN'S REPORT

2004 was a good year for ANZ. The Group delivered on its commitments to shareholders, producing a record profit, higher dividends and a strong capital position. Importantly, this was achieved with a prudent approach to risk. Total shareholder return for 2004 was 17%.

Performance

In the year ended 30 September 2004, profit after tax was up 20% to a new record of $2,815 million. This includes ten months' contribution from The National Bank of New Zealand. Excluding The National Bank of New Zealand and significant items, profit after tax was $2,536 million, up 8%.

The Directors were pleased to increase the dividend to $1.01 per share fully franked, an increase of 10.8% taking into account the effect of the Rights Issue. This is the 13th consecutive increase in annual dividends and a further increase in our dividend payout ratio, as ANZ's cash earnings per share have grown.

A strong performance in our Personal Division drove much of our growth. This is an area we have focussed on as part of our specialisation strategy and we are now seeing the benefits.

Understanding shareholders value sustainable growth, we have also continued to focus on the prudent management of margins, risks and capital as well as investing for the future.

The return on ordinary shareholders' equity was down to 18.1% in 2004 from 20.6% in 2003. This reduction is primarily associated with the impact of our New Zealand acquisition. Our cost to income ratio of 45.3% continues to be the lowest of the major Australian banks and reflects our position as one of the most efficient banks in the world. Risks continue to be well managed. Specific provisions were down by 16% to $443 million.

Our capital position is strong, with the Group's adjusted common equity ratio at 5.1%. This is above our target range. We announced plans for an on-market share buy-back to enhance ANZ's capital management.

Expansion and Growth

Our acquisition of The National Bank of New Zealand has provided ANZ with a stronger, more sustainable and diversified domestic business base. We have already made good progress with integration of our New Zealand businesses. Our approach has been low risk, emphasising the priority we have given to retaining customers and protecting our franchise. Legal amalgamation was achieved in June with the creation of ANZ National Bank Limited.

In other areas, we have maintained momentum in our specialist businesses. Our Personal and Corporate Divisions performed well. The Institutional Division was subdued, reflecting in part a strategic decision to reduce risk with consequent earnings sacrifice.

Our specialisation strategy has provided ANZ with focus and vitality. In May 2004 we reorganised our specialist businesses into five customer service divisions: Personal, Institutional, Corporate, New Zealand and Asia Pacific. The change is designed to accelerate growth and build market share by harnessing synergies between the businesses.

Customers and the Community

I have often emphasised our commitment to improving customer service and our position in the communities we serve.

During 2004, on all measures, customer service improved. We have invested in modernising our branches, improving our focus on health and safety and developing innovative new products. As a result, in the Personal Division, not only do our customers say we are doing a better job, our staff are more satisfied and we are gaining market share.

As importantly, we have taken a broader role in the community. While you can read about this in more detail later in this report, I would like to acknowledge the work of thousands of ANZ staff who volunteered their time to help local schools, rebuild community facilities and support the needs of people in financial difficulty.

Governance and Regulation

Regulatory focus continued to increase during the year. New measures included the governance standards associated with CLERP 9 in Australia, the US Sarbanes Oxley Act and International Financial Reporting Standards.

A strong focus on corporate governance and transparency is not only an ethical and stewardship responsibility, it can give ANZ a strong advantage.

Nevertheless the trend toward greater regulation means the cost involved in complying with these regulations is now quite a significant item. We estimate this additional cost has reduced earnings in 2004 by between half and one percent. There is a danger of further regulation diminishing returns for both shareholders and the community.

The Board's Focus in 2004

ANZ's Board met 8 times in 2004 with many specific activities being carried out by the Board's committees. Some of the key issues for the Board were oversight of integration issues related to the acquisition of The National Bank of New Zealand, the long-term strategy for technology and a continuing focus on risk management.

During the year the Board placed more emphasis on developing a long-term growth strategy including our strategy for East Asia. The Board recognises that opportunities to improve our efficiency by cost reduction alone are becoming more limited. While we will ensure ANZ continues to be an efficient bank, we will place increasing emphasis on growth as a means of delivering superior value to shareholders over the coming years.

ANZ has continued to deliver on its promises to shareholders in 2004. We acquired The National Bank of New Zealand making us the leading bank in New Zealand. There was a successful $3.6 billion Rights Issue associated with the acquisition making us the number three bank in Australia based on market capitalisation. And we produced another good financial performance.

New Directors

During 2004, the Board appointed three new directors. These appointments have added to the Board's experience and expertise and allowed careful management of a transition with the planned retirement of John Dahlsen and Brian Scott in 2005.

On 1 February 2004, Dr Greg Clark joined the ANZ Board. Dr Clark has international experience and a distinguished career in technology including leading roles at News Corporation, IBM and presently at Clark Capital Partners. He is also a Director of James Hardie Industries. Dr Clark will especially assist the Board in its deliberations in the area of technology, which is a complex area and one of the major opportunities and challenges facing banking in the 21st Century.

Mr John Morschel and Mr David Meiklejohn joined the Board on 1 October 2004.

Mr Morschel was a Director of Westpac Banking Corporation, including two years as Executive Director. He is currently Chairman of Rinker Group Limited and is a Director of Rio Tinto plc, Singapore Telecommunications Limited and Tenix Pty Limited. He brings with him extensive experience in banking and financial services.

Mr Meiklejohn is currently Chairman of PaperlinX Limited and SPC Ardmona Limited and a director of One Steel Limited and WMC Resources Limited. Mr Meiklejohn has a strong background in finance and accounting including at Amcor Limited where he was Chief Financial Officer and later Executive Director.

Outlook

In 2004, the Australian and New Zealand economies performed well. We benefited from a buoyant property market and low levels of unemployment. Both economies are enjoying one of the best periods of sustained economic growth that we have experienced.

Looking ahead, we expect the economies in Australia and New Zealand to continue to perform relatively well, although there is likely to be some softening in overall credit growth associated with an easing in the housing boom and the modest rises we have seen in interest rates. Overseas markets are expected to continue to strengthen although there are challenges posed by rising oil prices, the twin deficits in the United States and the global security environment.

ANZ has established a reputation for delivering to our shareholders. We have a strong financial foundation and we are making tangible progress in advancing our strategic position. The momentum we have established and our emphasis on growth should enable us to continue to deliver value for our shareholders, our people and the community.

That momentum has come from the talent and hard work of ANZ's people. On behalf of the Board and all shareholders, I thank them for their contribution to ANZ and to their own communities.

Charles Goode
CHAIRMAN

LEADERSHIP AND GROWTH

A MESSAGE FROM JOHN McFARLANE

We have produced good financial performance. Total return to shareholders was a strong 17%.

Delivering sustainable value to shareholders over the longer term involves more than producing superior financial results. It's also about ensuring our customers want to do business with us, our staff want to invest their careers with us and that we have earned the trust of the community.

ANZ has come a long way in 2004 while at the same time delivering another good financial performance. Importantly we have rewarded our shareholders and shared the benefits with our customers, our people and the community.

› We completed the $4.9 billion acquisition of The National Bank of New Zealand and have made good progress with the integration of our New Zealand businesses. The acquisition has been immediately accretive to cash earnings per share.

› There was a $3.6 billion Rights Issue to fund the acquisition. The Rights Issue was over subscribed and rewarded shareholders who participated.

› Our Personal and Corporate divisions performed well following several years of hard work. They have good momentum, delivering improved service for customers and growing market share.

› Institutional Division was subdued but we have now established a more sustainable foundation for the Division having increased economic value added through more efficient use of capital and lower risk.

› Our New Zealand business performed reasonably in the face of significant competition and the normal uncertainties associated with a major acquisition. Our Pacific business performed well, but Asia was subdued. Esanda, our asset finance business, also performed well, and ING Australia continued to show improvement.

› We have largely completed a seven-year program of structural de-risking. As a result ANZ's risk profile has been substantially reduced and is now comparable with other major Australian banks.

› We have continued to develop our culture, which we now consider a competitive advantage. We have created a new structure for our specialist businesses, led by an experienced team with a strong track record, to help accelerate growth and build market share.

› We have developed innovative programs to strengthen our connection with the community. This includes responses to some of the major social issues involving the financial services industry such as financial literacy and savings, and programs which help our people engage with the community.

The acquisition of The National Bank of New Zealand has made us the leading bank in New Zealand and the clear number three Australian bank based on market capitalisation. Our market capitalisation has increased from $27.3 billion in 2003 to $34.6 billion. We have done this while delivering a strong 17% total shareholder return during the year, well above the sector average.

Outcomes like these don't just happen. They come about through the hard work and enthusiasm of our people. Similarly, our future aspirations are only good intentions unless they are accompanied by a focussed and disciplined strategy, hard work and genuine sense of excitement about the future.

Sustainable Performance and Value

We have now established the foundation to lift our sights and be clear that ANZ's aspiration is to become Australasia's leading, most respected and fastest growing major bank.

This reflects my strong belief that delivering value to shareholders is not just about building the capacity of the organisation to perform and grow consistently in the short term but ensuring ANZ can stand the test of time and deliver sustainable performance and value over the long term.

The aspiration also reflects my views about what makes successful companies and translates into a clear set of priorities for ANZ.

› Companies who combine superior revenue growth with superior efficiency generally produce the highest earnings growth and share price multiples.

The acquisition of The National Bank of New Zealand has made us the leading bank in New Zealand. We are now focused on organic expansion in Australia, selective investments in Asia Pacific, and consolidating our position in New Zealand.

We will have a greater emphasis on superior revenue growth and on increased investment to achieve this.

Our approach in recent years has involved moderate revenue growth and significant efficiency gains. ANZ is now very efficient, among the most efficient banks globally, and so our priority has to be to generate superior revenue growth.

› Companies with market leadership generally produce the highest long-term shareholder returns. We are now the leading bank in New Zealand and have a number of other leading positions in Australia and the Pacific. We now need to increase market share in each of our core businesses, particularly in those lower risk, more sustainable businesses where we are underweight such as Australian personal banking and small business banking.

› Companies with distinctive relationships and service generally increase market share and produce the highest sustainable revenue growth. Specialisation has helped us make real progress in this area. It has provided our businesses with focus and vitality and we have great products for our customers. This year, we reorganised to harness synergies between the specialist businesses and to broaden and deepen their offering to customers. It is good progress but we need to do more to develop tangible reasons for customers to choose ANZ over our competitors.

› Companies that manage costs effectively are able to improve earnings, offer lower prices and free up resources for investment in future revenue growth. We are going to support growth with increased investment funded by reallocating resources to growth businesses, re-investing funds generated by growth and continuing to run our business in a lean, agile way.

› Companies that engage in non-core or risky activities generally produce sub-standard and volatile shareholder returns and divert management attention from what is important. We have had a consistent strategy of ceasing high-risk activities and narrowing our focus to core businesses where we have realistic leadership prospects.

Value for all Stakeholders

I want to emphasise, however, that our aspiration recognises that delivering sustainable value to shareholders in the long-term involves more that just a focus on growth, costs and managing risk. It's about sharing the benefits of our success with customers, staff and the community. It recognises companies do not serve shareholders exclusively, but others as well. We are making progress here too.

We established a program of cultural change in 1999 and it continues today. This program has been designed to transform ANZ's culture from the traditional, bureaucratic banking culture into a modern, vibrant organisation.

Over 18,000 people within ANZ have been through this 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. We are currently working at getting the whole organisation aligned to the customer and to superior revenue growth.

The program reflects our people are an investment rather than a resource. As a result, we have seen a radical rise in staff satisfaction, which now stands at 85%.

In the 1990s, there was much resentment of banks in the community. Now, with the community programs we have put in place, and by running the bank in a way we can be proud of, I believe community sentiment has improved.

We announced a moratorium on rural branch closures in 1999 and we have stuck to it. We have assisted our staff to connect with their local communities through paid volunteer leave and the establishment of the ANZ Community Fund. We have also set out an ambitious agenda on issues like financial literacy and savings through business-community partnerships.

We have created a very different bank at ANZ. A bank that has a sustainable foundation, that is positioned for growth and one that I believe will continue to deliver value for shareholders over the short and the longer term.

JOHN MCFARLANE
CHIEF EXECUTIVE OFFICER

7 GOOD REASONS
FOR INVESTING IN ANZ

1 PROFIT GROWTH AND EARNINGS PER SHARE

Earnings per share, or EPS, and core profit growth are two of the key measures used to understand ANZ's performance,

EPS represents the earnings of the company divided by the weighted average number of shares on issue. Excluding significant items and goodwill amortisation from EPS provides a measure of performance sometimes referred to as Cash EPS, which we consider provides a clearer picture of the core performance of the group.

During the year, ANZ completed the purchase of The National Bank of New Zealand (NBNZ). In addition, our profit was affected by a number of significant items including a net gain of $84 million after tax from release of deferred swap income associated with the TrUEPrS hybrid instrument. This gain is not expected to recur. The final coupon paid to holders of TrUEPrS ($36 million) is also classified as a significant item.

EARNINGS PER SHARE

Earnings per share increased 7.5% to 153.1 cents. Cash EPS increased 10.1% to 161.1 cents affected by:

› Growth in existing ANZ businesses (+14.3 cents).

› Accretion from the NBNZ purchase, and its capital funding (+2.3 cents).

› The issuance of shares under the dividend reinvestment and bonus option plans and employee share option schemes (-1.8 cents).

PROFIT GROWTH

The Group recorded a profit after tax of $2,815 million for the year ended 30 September 2004, an increase of 20% over the year ended 30 September 2003.

Profit excluding significant items and the 10 months' contribution from NBNZ increased by 8% to $2,536 million with:

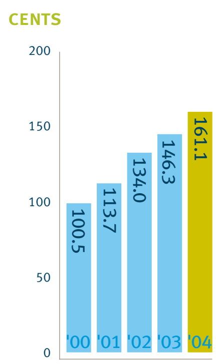
› Net interest income increasing by 5% driven by solid lending growth particularly in Mortgages and deposit growth in Personal and Corporate, partly offset by lower net interest margins.

› Other income increasing 7% driven by growth in non-lending fees based on higher business volumes, the under-accrual of card loyalty points in 2003 and an increased contribution from ING Australia, offset by reduced income from the TrUEPrS swap which contributed $35 million to profit after tax in 2003.

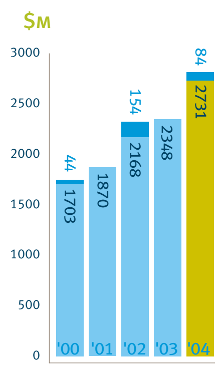
› Operating expenses increasing 6%, largely driven by an increase in staff numbers as our focus turns to growth.

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

PICTURED ABOVE - Anna McGill (centre), Ben Hall (left) and Bianca Snee (right) ANZ Courtenay Place Branch - Wellington, New Zealand

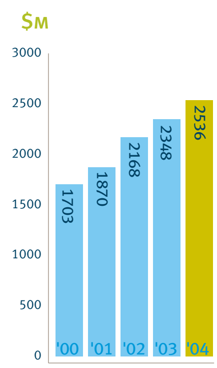


CASH EARNINGS PER SHARE
2004 maintains the upward trend in cash earnings per share growth.



NET PROFIT AFTER TAX
2004 profit boosted by NBNZ acquisition and continued core earnings growth.

SIGNIFICANT ITEMS



PROFIT GROWTH EXCLUDING NBNZ AND SIGNIFICANT ITEMS
Excluding the positive impacts of the NBNZ acquistion, ANZ's core earnings demonstrated continued growth.

2 DIVIDENDS AND TOTAL SHAREHOLDER RETURNS

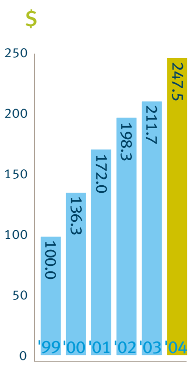
The total return to an investor over a given period comprises the combination of dividends paid and the movement in the market value of their shares over that period. This combination is commonly referred to as the Total Shareholder Return (TSR).

TSR not only reflects the immediate return to shareholders by way of the dividend, but also any change in the market's assessment of the long term value which the company is building, which will be seen as a change in the share price.

In order to maintain a balance between dividends and reinvestment in the business, ANZ's practice in recent years has been to increase dividends at approximately the same rate as the growth in earnings per share excluding significant items and goodwill amortisation (Cash EPS). In the year ended 30 September 2004, Cash EPS grew by 10.1% to 161.1 cents. The fully franked dividend for the year grew by 10.8% after adjusting for the bonus element of the Rights Issue, with an annual dividend of $1.01. The interim dividend of 47 cents and the final dividend of 54 cents were both records for ANZ, reflecting our continuing growth. The Group expects that it will be able to maintain full franking for the foreseeable future.

TSR in the year to 30 September 2004 was 17%. Over the past five years, the TSR for an investor in ANZ who fully reinvested all dividends, was 20% compound, reflecting our continuing delivery of growth and value to our shareholders.

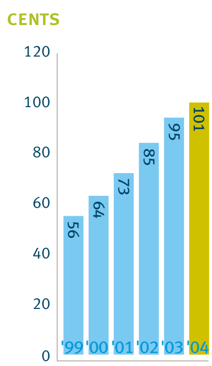
PICTURED ABOVE - Tomoko Sakai, ANZ Surfers Paradise.
RIGHT - Tracy Waters and Michael Turner, ANZ Warragul Branch



SHAREHOLDER RETURNS

VALUE OF $100 INVESTMENT IN ANZ SHARES OVER 5 YEARS

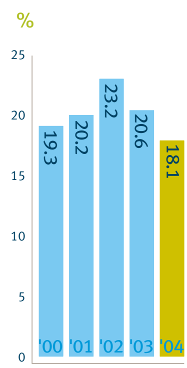
Share price re-based for Rights Issue. Assumes re-investing of dividends.



DIVIDEND GROWTH

DIVIDENDS PER SHARE

The 2004 dividend was a record with a 47 cents interim dividend and a 54 cents final dividend, both 100% franked. Adjusting for the bonus element of the Rights Issue, dividends grew by 10.8% broadly in line with the growth in earnings per share excluding significant items and goodwill amortisation.



RETURN ON EQUITY

Return on equity was dampened by the effects of accounting for goodwill following the NBNZ acquisition.

3 REVENUE AND BALANCE SHEET GROWTH

Revenue growth is one of the most important measures of our performance, reflecting our success in gaining new customers and winning more business from our existing customers. Revenue growth is the essential foundation for sustainable growth in profits and shareholder value.

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

NET INTEREST INCOME at $5,254 million increased by $943 million (22%), driven by:

Volume
Average net loans and advances grew by $44.8 billion (32%) overall with growth mainly attributable to the acquisition of NBNZ ($26.4 billion), Mortgages Australia ($13.0 billion), Corporate ($2.3 billion) and Institutional Australia ($1.8 billion). Average net loans and advances reduced by $2.4 billion (20%) in overseas markets as a result of our risk reduction strategy and exchange rate movements.

Average deposits and other borrowings grew $37.2 billion (31%), largely driven by growth from the NBNZ acquisition ($25.3 billion), Treasury ($3.4 billion), Personal ($3.4 billion), and Corporate ($1.7 billion).

Margin
Net Interest Margin contracted by 18 basis points owing to:

› Changes in the mix of assets and liabilities that negatively affected the net interest margin by 6 basis points.

› Competitive pressures reduced margins by 3 basis points, mainly arising in the Institutional and Mortgages businesses.

› Wholesale rate movements had a significant impact, reducing the net interest margin by 6 basis points.

› Margins were also reduced by 2 basis points by increases in retail broker payments.

› Funding costs associated with the acquisition of NBNZ resulted in a 3 basis point decline in the Group's interest margin.

› Funding costs associated with unrealised trading gains reduced margins by 4 basis points, directly offset by equivalent gains in trading income.

› A number of other factors, including foreign exchange revenue hedging income, credit card volumes carrying interest and the substitution of USD TrUEPrS hybrid with AUD StEPS, combined to contribute a 6 basis point increase in net interest 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.

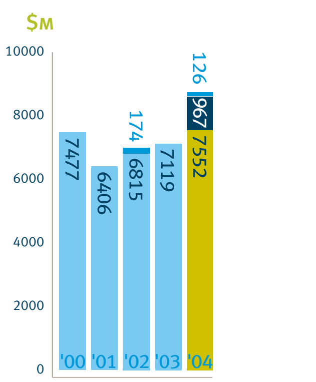
Lending fees increased by $18 million, driven by lending growth in Corporate, Personal and Esanda offset by a $16 million reduction in Institutional reflecting our offshore risk reduction strategy.

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

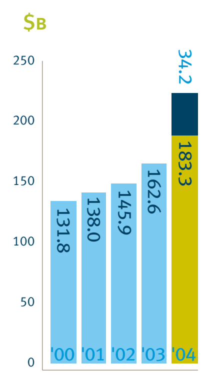
Foreign exchange earnings increased $16 million with increased commodity and structured product sales in Institutional.

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

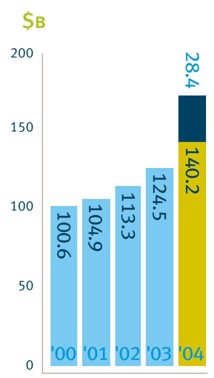
Other operating income reduced $30 million with a reduction in income received on the TrUEPrS swap partly offset by increased equity accounted income from ING Australia.



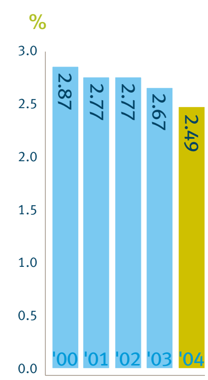
REVENUE
Continued revenue momentum was a feature of the 2004 result.
SIGNIFICANT ITEM NBNZ



NET LENDING ASSET GROWTH
Profit growth was volume driven, more than offsetting lower margins.
NBNZ



DEPOSIT AND BORROWINGS GROWTH
Deposits continued to grow, although stronger lending growth required more wholesale funding.
NBNZ



NET INTEREST MARGIN
Net interest average margins have decreased this year in line with long term trends for the industry.

4 COST PERFORMANCE

Controlling costs and ensuring that we operate efficiently is one of the ways we maximise returns to our shareholders. The cost to income ratio expresses the Group's expenses as a percentage of revenue and is one of the clearest and most widely used measures of efficiency in the banking industry.

During the year ended 30 September 2004 the cost to income ratio remained broadly stable at 45.3%, staying within our target range (see chart below). We 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 $572 million occurred because of the acquisition of NBNZ with a further $21 million in NBNZ incremental integration costs. Excluding these factors operating costs increased by $205 million (6%) driven by:

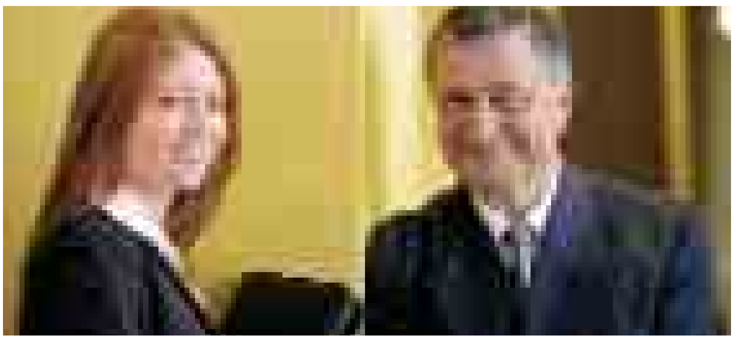
› Personnel expenses increased $110 million as a result of annual salary increases together with an increase in staff numbers of 775, mainly in:
  – customer facing positions (600 staff) in New Zealand, Foreign Exchange, Capital Markets, Trade Finance and Personal; and
  – central functions (155 staff) driven mainly by an escalating compliance focus and project related activity.

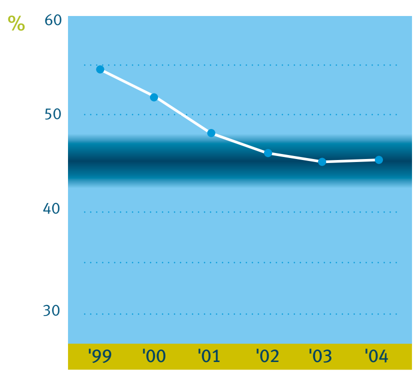
› Technology costs increased by $44 million largely due to costs associated with the rollout of the new telling platform and increased depreciation associated with investments in technology.

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

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

PICTURED BELOW LEFT Sonya Witton and Peter Kotanidis ANZ Dorcas Street, Melbourne. BELOW RIGHT Meg Llewellyn and David Young, ANZ Dorcas Street Melbourne.

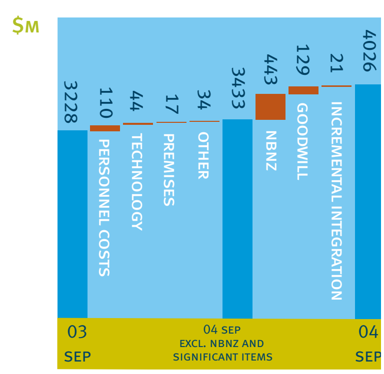




COST TO INCOME RATIO

ANZ remains an efficient bank with a cost to income ratio within our target range.

ANZ TARGET RANGE



ANALYSIS OF EXPENSE GROWTH

Cost growth was mainly driven by the acquisition of NBNZ and our investment in sustainable growth areas of the Group.

5 LOW RISK

The economic environment in Australia and New Zealand remained positive throughout the year, with robust economic growth, unemployment at low levels and low interest rates. This was complemented by strong global economic growth, creating a relatively benign credit environment.

Arrears and loss rates in the consumer portfolio, including residential property, continued to track at or near record lows. ANZ nonetheless continues to adhere to conservative lending criteria, for example, assessing borrowers' capacity to absorb an increase in interest rates in the loan approval process for residential property.

Integration of NBNZ into ANZ's global risk framework is progressing well.

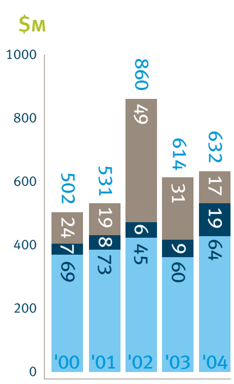
We continued to apply our conservative approach to market risk. One indicator which reflects this approach is our low level of Value at Risk, covering both physical and derivative trading positions, relative both to our peers and historic levels.

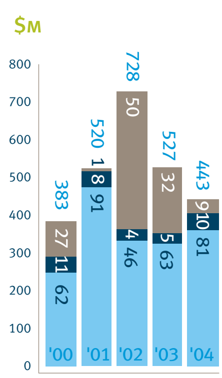
ANZ continued to pursue its risk reduction strategy, with continued rebalancing of the Group's lending portfolio towards core customers, domestic markets and consumer businesses. The combination of the economic environment and consistent application of our risk reduction strategy was reflected in the 2004 results.

ECONOMIC LOSS PROVISION

The Group economic loss provision (ELP) charge was $632 million compared with $614 million in the year to September 2003. The increase was driven by volume growth and $62 million arising from the acquisition of NBNZ offset by lower risk in our existing businesses.

PICTURED
Robin Sloan
ANZ Dorcas Street
Melbourne

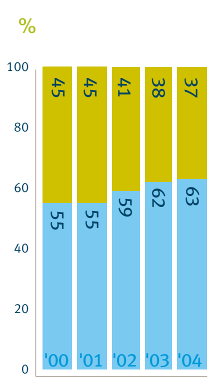




ECONOMIC LOSS PROVISION (ELP) **NET SPECIFIC PROVISIONS (NSP)**

Lower risk is reflected in both ELP rate and NSP reductions.

OFFSHORE (IN%) NEW ZEALAND (IN%) AUSTRALIA (IN%)



LENDING ASSET BUSINESS MIX

Lending portfolio mix is now lower risk and more sustainable.

COMMERCIAL CONSUMER

The ELP rate decreased 8 basis points over the year in line with the Group's improving risk profile. This was a result of sound growth in lower risk domestic assets (principally mortgages), the acquisition of the relatively low risk NBNZ franchise, the continued de-risking of the offshore portfolio and a lower central charge for unexpected offshore losses.

NET SPECIFIC PROVISIONS

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

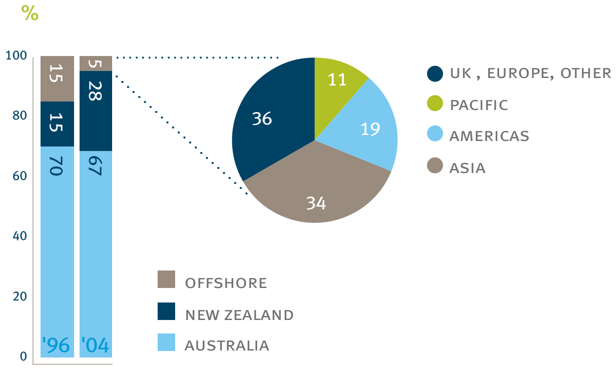
GROSS NON-ACCRUAL LOANS

Gross non-accrual loans decreased to $829 million, down from $1,007 million as at September 2003. This improvement was achieved notwithstanding the inclusion of $81 million of NBNZ non-accruals loans in the portfolio this year. The overall reduction in non-accruals was primarily the result of realisations, upgrades and write-offs of a number of large balances in the Institutional portfolios. The default rate (new non accruals/average gross lending assets) has decreased since September 2003 by 10 basis points, from 63 basis points to 53 basis points in the year to September 2004.

GENERAL PROVISION BALANCE

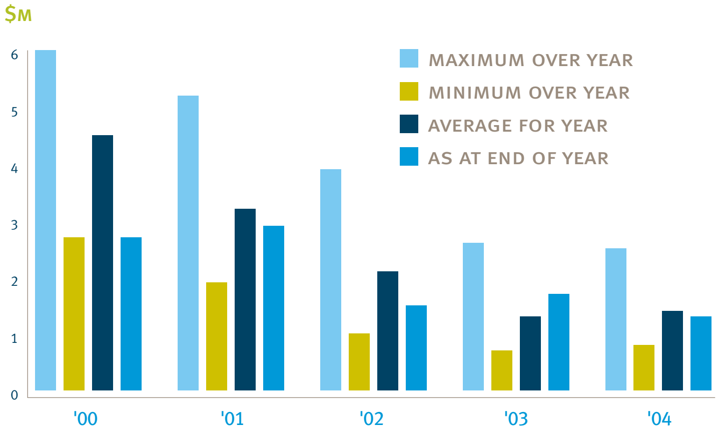
The general provision balance at 30 September 2004 remained strong at $1,992 million (1.01% of risk weighted assets), compared with $1,534 million (1.01% of risk weighted assets) as at 30 September 2003. The general provision balance increased $458 million during the year, due to the ELP rate being higher than the actual loss rate, plus the general provision of $282 million included as part of the acquisition of NBNZ. This represents a surplus of $532 million over the Australian Prudential Regulatory Authority (APRA) minimum guideline.

PICTURED RIGHT: Jane Pettit, ANZ Surfers Paradise (background, Heather Hastings, ANZ Surfers Paradise)



LOCATION OF LENDING

Lending assets are increasingly located in core domestic markets with a consequent reduction in risk profile.



ANZ VALUE AT RISK

97.5% CONFIDENCE LEVEL

A low level of Value at Risk reflects our conservative approach.

6 CAPITAL EFFICIENCY

PICTURED:
Cheryll Christensen
ANZ Surfers Paradise Branch.

We regard shareholders' capital as a scarce resource, to be managed carefully and efficiently.

In recent years, ANZ has been progressively re-balancing its lending portfolio, with a higher proportion of assets now in lower risk asset classes. For example, we have reduced the proportion of assets outside our domestic markets so that by 30 September 2004, 95% of our lending assets were located in Australia and New Zealand. Similarly we have re-weighted the portfolio more heavily towards consumer lending, which is generally less capital intensive than corporate lending. This re-balancing has allowed us to reduce the amount of capital we are required to hold as a proportion of risk-weighted assets.

The Group's capital ratios declined during the year, principally because of the acquisition of NBNZ and the redemption of the TrUEPrS preference shares. ANZ's total capital adequacy ratio (as a proportion of risk-weighted assets) decreased from 11.1% to 10.4% over the year to September 2004, with the Tier 1 ratio also decreasing from 7.7% to 6.9%.

Adjusted common equity (ACE) reduced from 5.7% to 5.1% to be slightly above our target range of 4.5% to 5.0%. This has provided us with the capacity to pursue capital management initiatives.

The ACE target range was reduced by 25 basis points at the time of the NBNZ acquisition, reflecting the progress made in re-balancing the portfolio. More recently the target range was reduced by a further 25 basis points, in recognition of the fact that APRA's requirement to take a deduction for capitalised expenses did not change the underlying economic risk of the business.

In addition to growth in retained earnings, some of the significant events affecting the capital ratios during the year were:

› Risk weighted assets increased by $45 billion during the year including $28 billion associated with the purchase of NBNZ.

› ANZ issued ordinary shares by way of a two for eleven rights issue at $13 per ordinary share, raising capital of $3,562 million to fund the NBNZ acquisition.

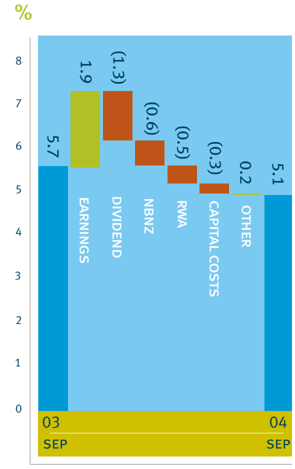
› The dividend reinvestment plan resulted in a $135 million increase in share capital.

› ANZ raised USD1.1 billion via the issue of stapled securities. This hybrid loan capital, classified as debt on ANZ's balance sheet, qualifies as Tier 1 capital for capital adequacy reporting.

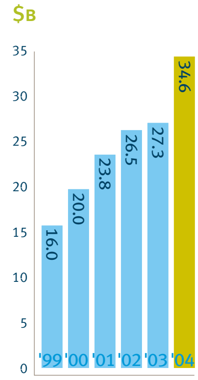
› In December 2003, ANZ bought back its TrUEPrS preference shares, issued for USD775 million in 1998.

› Purchased goodwill on the acquisition of NBNZ of $3.1 billion was deducted from Tier 1 capital.

PLEASE REFER TO PAGES 92 - 93 FOR A COMPLETE GLOSSARY



ACE RATIO DRIVERS
Exceeding our ACE target range of 4.5% to 5.0% provides the capacity to pursue capital management initiatives.



ANZ MARKET CAPITALISATION
ANZ's market capitalisation has more than doubled over the past five years.

7 SHAREHOLDER VALUE

PICTURED: Sandra Kay Ross, ANZ Warragul Branch.

One way of measuring shareholder value is Economic Value Added (EVA™) growth relative to prior periods. EVA™ for the year ended 30 September 2004 was $1,750 million up 11% from $1,572 million in the prior year.

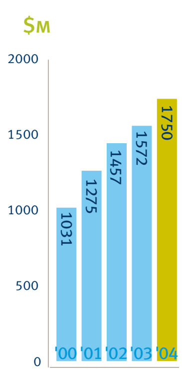
We consider EVA™ to be one of the most effective ways of determining how much shareholder value we are creating and we have embedded EVA™ methodology into all important decision-making processes throughout the Group. We use EVA™ as a key measure for evaluating business unit performance and correspondingly it is a key factor in determining the variable component of remuneration packages.

EVA™ adjusts our profit for the cost of capital involved in generating that profit. It is based on operating profit after tax available to ordinary shareholders, adjusted for significant items, the cost of capital, and imputation credits (measured at 70% of Australian tax). Of these, the major component is the cost of capital, which at ANZ is calculated on ordinary capital at a rate of 11%.

We allocate economic capital to each business unit based on the unit's inherent risk profile. It is allocated for several risk categories including: credit risk, operating risk, interest rate risk, basis risk, mismatch risk, investment risk, trading risk and other risk. This method is designed to help drive appropriate risk management and business strategies throughout the organisation.

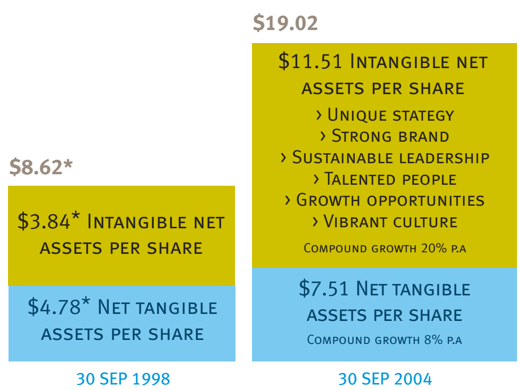
One of the key drivers of our efforts to reduce risk in our balance sheet has been EVA™. In our Institutional business, for example, whilst risk reduction has contributed to flatter profits in the immediate term, using EVA™ it becomes clear that our strategy is in the best interests of our shareholders. Institutional has continued to generate positive EVA™ in spite of the short term flattening of traditionally measured profit.

The importance of EVA™ for investors is that it allows them to determine how much value management has created. Using this methodology, the market value of a company is the combination of its capital plus the present value of expected future EVA™, or in other words, capital plus the present value of expected future excess returns over the cost of that capital.



EVA™

Continued profit growth combined with a reduction in risk have resulted in EVA™ growth improving value for shareholders.



ANZ'S VALUE IS LARGELY REPRESENTED BY INTANGIBLE ASSETS

Market expectations of future performance determine our current share price.

* adjusted for 2003 Rights Issue

SENIOR MANAGEMENT
LEADERSHIP AND SUSTAINABLE PERFORMANCE

Our challenge is not only building the capacity of an organisation to perform and grow in the near term, but also ensuring ANZ delivers sustainable value over the long term. It leads to the concept of self-renewal, which needs to be directed. This is the role of leadership – to create a self-renewing organisation.

PETER MARRIOTT	MIKE GRIME	STEVE TARGETT	BRIAN HARTZER	SIR JOHN ANDERSON	JOHN MCFARLANE
CHIEF FINANCIAL OFFICER	MANAGING DIRECTOR OPERATIONS, TECHNOLOGY AND SHARED SERVICES	GROUP MANAGING DIRECTOR INSTITUTIONAL (SEATED)	GROUP MANAGING DIRECTOR PERSONAL DIVISION	CHIEF EXECUTIVE ANZ NATIONAL BANK LIMITED	CHIEF EXECUTIVE OFFICER

Of the top 20 companies in Australia by market capitalisation in 1980, only five remained in the top 20 in 2004. ANZ is one of those that has survived and thrived.

This statistic however highlights that companies, in and of themselves, are not always sustainable entities. Many deliver shareholder value for a period and then tend to atrophy unless long-term sustainability is made a real priority.

Developing sustainable performance and value at ANZ has meant the traditional concept of the leader at the top, which others follow, has had to disappear. These days every person has to be a leader whether they are at the moment of contact with a customer or at the moment of a decision in their day-to-day role.

It is people who serve customers, create new ideas and make companies great. So it is easy to understand why ANZ has placed so much emphasis on creating an environment which can engage and involve everyone in the organisation and where leadership is fostered at all levels.

We have been transforming ANZ from a traditional banking-type culture into a modern, vibrant organisation through a program called Breakout. It is a program which emphasises leadership, diversity, coaching and development and creates a shared vision of an exciting organisation.

How people feel about working in the organisation and how passionate and engaged they are in its agenda, is what makes the difference between a good and a great company.

As leaders, one of our main responsibilities therefore is to create an environment of opportunity, challenge and development for our people. That involves enhancing their capacity to produce and create, and to stimulate, release and focus the energy that without effective leadership would remain latent.

Details of Senior Management qualifications and experience can be found on www.anz.com/corporateinformation/anzmanagement

BOB EDGAR
CHIEF OPERATING OFFICER

ELIZABETH PROUST
MANAGING DIRECTOR ESANDA (SEATED)

GRAHAM HODGES
GROUP MANAGING DIRECTOR CORPORATE

MARK LAWRENCE
CHIEF RISK OFFICER (SEATED)

SHANE FREEMAN
GROUP GENERAL MANAGER PEOPLE CAPITAL AND BREAKOUT

ELMER FUNKE KUPPER
GROUP MANAGING DIRECTOR ASIA PACIFIC

PETER HAWKINS
GROUP MANAGING DIRECTOR GROUP STRATEGIC DEVELOPMENT

PERSONAL DIVISION
MAKING A PERSONAL CONNECTION WITH CUSTOMERS
A CONVERSATION WITH BRIAN HARTZER

ANZ's Personal Division is made up of its specialist retail businesses in Australia – Personal and Wealth Distribution, Mortgages, Credit Cards, Merchant Services and Deposit Products. It involves over 10,000 people working to provide personal financial services to the 3.25 million Australian customers who use ANZ's network of 742 branches, 1,228 ATMs, 70,000 EFTPOS devices and internet banking. Brian Hartzer is the Group Managing Director of the Personal Division.

Retail is detail

BH: We have real momentum in our personal banking business around strong day-in, day-out management of customer satisfaction, costs and sales growth. It shows in our results this year where we have seen an improvement in all the right measures. Whether it is customer satisfaction, sales volumes, revenue growth, profit growth, staff satisfaction – they are all going in the right direction.

We've made good progress with the initiatives we put in place to revitalise our branch banking business. We have great information systems for our managers and a very different local management model where we have given our people a sense of ownership about their branch. Now in every market, in every branch, in every role in those branches, we have people who have the right attitude, who are well-trained, who are proud of what they're doing and want to connect with customers. This has unleashed incredible energy and given us the right foundation.

Servicing is not the same as service

BH: It's timely to be thinking harder about service. What we have done as an industry in the past 10 to 15 years is focus on servicing, which I would define as processing hundreds of thousands of interactions per day, in an efficient way. This is different to service, which is about personal connection, listening, exploring needs, and then executing.

I think most of our energy up until a couple of years ago was really spent on servicing, not service. What we've gradually started to do is recognise the importance of service in the way that I define it. It's refocusing on what service is really about which, when you look at the customer satisfaction scores, that has begun to differentiate us from the other major banks.

That isn't to say we couldn't do a lot better, we can, but we do have real momentum.

Listening for subtle clues

BH: One of the things everyone talks about is the need to focus on the customer. To me the issue is about how we design the propositions and the service experience that we put out there from the way a customer sees it, or the way a customer would think it was of value.

What I want us to do is to really listen to the customer for those subtle clues about what actually matters. What does this particular service mean for that person in their life at that point in time? How do they think about it? What's important to them about it?

So part of being customer-focused is about understanding what is going on in the customer's mind and in their life. It's about trying to deliver to fit in with that, rather than make them fit in with us.

Sometimes that might lead to how you design your product, sometimes it might lead to how you bundle your product, sometimes it might lead you to recreate the process of acquiring that product or the process of how you service it after the sale is made. But it's about looking at the particular opportunity through the eyes of the customer, through the lens they are applying.

Branches are important

BH: In the mid-90s there were lots of people running around talking about the death of the branch and that everything was going electronic. There's no question there has been a massive shift in people's behaviour. But that doesn't translate into 'by the way you don't need branches anymore'!

In fact branches play an important role for pretty much all customers, even if they don't go into them. It's because part of our proposition is the ability for customers to go to see someone and talk about their financial affairs. Frankly, there are certain types of conversations that you don't want to have over a telephone.

So we have recognised this but we need to really firm this up. We need to make sure our branch network is well located and well signed and staffed to support those kinds of personal interactions with customers. In fact we are opening branches in more areas, including some of the higher growth areas. My aim is to open up to 80 branches over the next three years. It's about recognising the importance of the branch network in a multi-channel world.

Big opportunities

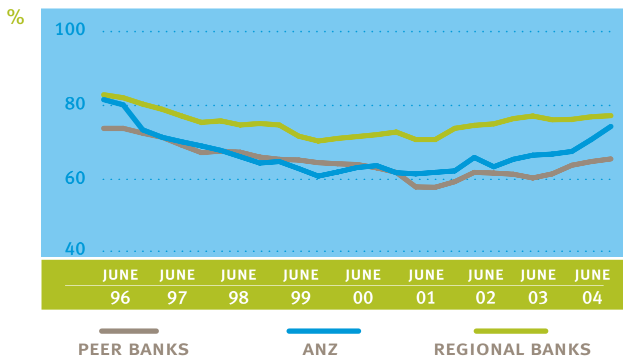
BH: One of the big opportunities that has really struck me in my visits around the network is the burden that we've put on the people in the network in terms of day-to-day administration. So one of things we need to do is have a fresh look at all that stuff and say: how do we trim it down to free up time, so our people can spend less time looking toward head office and more time looking out toward customers.

We are also making great progress on training. We've opened training facilities in Sydney and Melbourne, there's one about to open in Brisbane, and eventually we'll have one in every capital city. It will ensure we have more consistent training for new staff and greater ability to keep our people up-to-date with training on a regular basis.

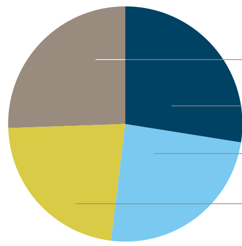
It's not a wholesale change in our business; it is about tweaking just to make sure all of the little elements that make up our business system are aligned to generating customer value, over a long period of time.

CUSTOMER SATISFACTION WITH MAIN FINANCIAL INSTITUTION

Source: Roy Morgan Research – Main Financial Institution Satisfaction, % satisfied (very or fairly satisfied), 6 monthly moving average



PERSONAL DIVISION EARNINGS BY BUSINESS



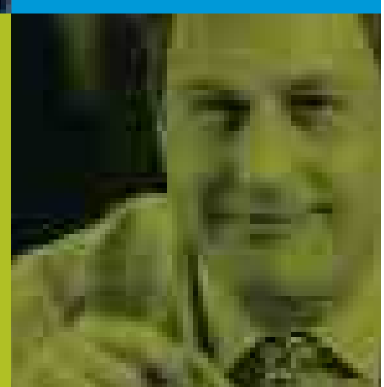
‘Retail is detail’, but it's also about personal connections. That means you need energised people who feel good about what they’re doing, who see how they contribute, and who want to engage customers in a real discussion about their needs.

Energy

Efficient

Momentum

People



Service

Community

INSTITUTIONAL DIVISION
AIMING TO STAY A MARKET LEADER
A CONVERSATION WITH STEVE TARGETT

The Institutional Division provides financial services to large corporations, institutions and governments. It brings together customer relationship management with ANZ's specialist investment banking businesses of financial markets, corporate advisory services and trade and transaction services. Steve Targett, who joined ANZ this year from Lloyds TSB in the United Kingdom, is the Group Managing Director of the Institutional Division.

Staying a market leader

ST: It's been a tough landscape out there for us this year. There has been intense competition, asset spreads have been contracting and there's been a lack of volatility in financial markets.

We have a great franchise and a good overall business model. Our industry segmentation model is a key strength for us and it's been a way of differentiating ourselves with clients.

We're now pushing that even further and looking at how we can be effective in a range of more specialist industry sectors.

We have also made good progress working with our colleagues in corporate banking on an initiative called Wall Street to Main Street – in other words taking investment banking capabilities into our core franchise in the corporate bank.

Being relevant to our customers

ST: The next thing for us, which is really critical, is building on our strengths in presenting ourselves to clients and making it seamless.

The biggest competitive issue we have is just continuing to out-execute our competitors in the view of our clients. We've got to stay relevant in terms of understanding their needs and giving them the right solutions. That sounds motherhood and apple pie but that's what works – getting the right people in the right jobs in front of clients.

The growth challenge

ST: The other part of our challenge is to look at the areas where we can grow. Our best performing business this year was Trade and Transaction Services and there's scope to go out and really build that business in areas like custody.

We also see growth opportunities right across Institutional building products to sell into other segments of the market that we haven't sold into before, such as private banking and doing more in Asia.

We're also having a fresh look at our distribution and our sales team. If I look at the way we've built the business over recent years, we've put a lot of emphasis on originating business but now we need more on distribution – in Australia, in New Zealand and in our international business.

And as I said, our industry segmentation model is a real strength and we can grow the business by specialising further – for example within Healthcare, taking market leadership into a segment like aged care.

It's about people

ST: We have to remember this business is about people. We have a real depth in people and I believe we are getting the right people in the right jobs.

Having such a depth of good people means two things for us. One, our people continue to strive to meet the competition and meet the strategic challenges that face us. They also challenge the status quo and we'll always need that.

The other thing good people do is continue to operate in a very disciplined way and that's critical as they bring discipline in terms of the deals you originate and the sort of structures you use. That helps ensure we avoid credit and structural problems emerging. It's why the people agenda is critical in this business.

Balancing the international portfolio

ST: We've done a great job in taking the risk out of our offshore balance sheet so it's now only 3% of ANZ's assets. That's the result of a deliberate strategy to de-risk and improve the quality of the portfolio.

We've also announced we'll exit the majority of our London and New York based project finance activities through the sale of our international project finance business. As a result we've largely completed a structural de-risking program that has been underway for a number of years.

At the same time we're starting to see success offshore by supporting Australian and New Zealand linked customers in their global banking needs. Here again, our industry specialisation model is key, like Natural Resources, Utilities and Food, Beverages and Agribusiness.

We are developing our business in Asia too, and it's not just about lending. We can use our balance sheet to some extent but the opportunities are more around securitisation, developing products for private bank clients, seeing more of the investment flows and getting our foreign exchange business performing strongly. Trade finance is definitely a big opportunity in the region, although we're selective about identifying customers, commodities and the sort of markets that we want to play in.

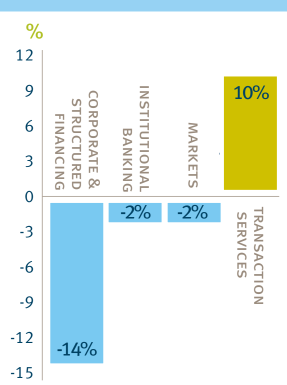
We have a new head for our institutional business in Asia and we have identified some exciting opportunities so I'm confident we can grow successfully in Asia.

Being spot on with risk

ST: When I think about growing, I think of first making sure that we've got the right portfolio balance in terms of risk, that we've got credit risk nailed and we've got structural risk nailed. So that's an area where we have to be absolutely spot-on.

I think this is a quality business with real potential to grow, and if we manage risk sensibly, that growth will be sustainable.

> We're a market leader and we aim to stay a market leader. To do that, we've got to keep doing the things that show our people and our clients that we really mean business and that we can get things to market quickly.



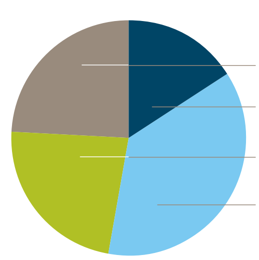
GROWTH IN NPAT IMPACTED BY DE-RISKING

2004 v 2003

DE-RISKING LOW IMPACT BUSINESS

DE-RISKING HIGH IMPACT BUSINESS

INSTITUTIONAL DIVISION EARNINGS BY BUSINESS



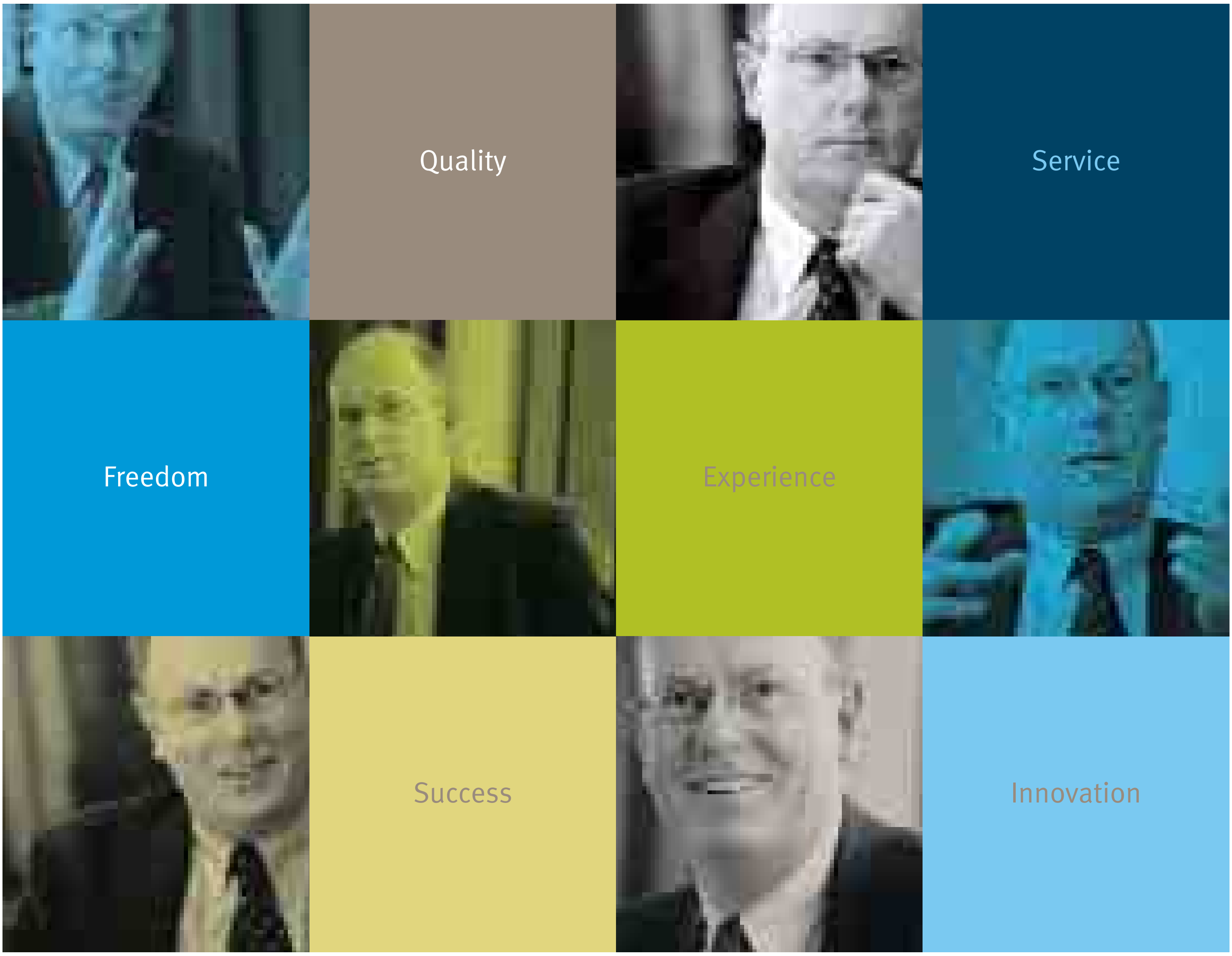
24% MARKETS $185M

16% CORPORATE & STRUCTURED FINANCING $126M

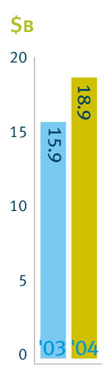
23% TRANSACTION SERVICES $181M

37% INSTITUTIONAL BANKING $296M

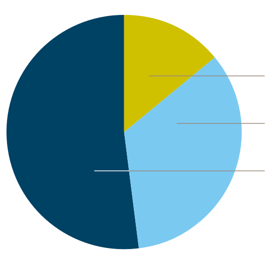
CORPORATE DIVISION
BUILDING STRONGER CLIENT PROPOSITIONS, INVESTING IN GROWTH
A CONVERSATION WITH GRAHAM HODGES



We've given our people more ability to manage their own businesses and we have recognised them for their performance. They feel successful and their success has allowed us to invest more in growing the business.



19% LENDING GROWTH
(NET LENDING ASSET
FUNDS UNDER MANAGEMENT)



CORPORATE DIVISION
EARNINGS BY BUSINESS

14% SMALL BUSINESS BANKING $49M
34% CORPORATE BANKING $118M
52% BUSINESS BANKING $177M

The Corporate Division is ANZ's specialist business banking division in Australia, serving businesses from sole traders to corporations with up to several hundred million dollars in turnover. Graham Hodges is the Group Managing Director of the Corporate Division.

Building powerful client propositions

GH: We've delivered a strong financial performance this year but that's an outcome from a number of years of hard work in building a better service proposition for our clients.

It's what we've been aiming to do across each of the businesses. By having better people and more of them in the marketplace, developing more niche business segments where we can provide specialist services, and by engaging with the broker market we have been able to grow market share.

Virtuous circle of growth

GH: We have a strategy in the business called 'earning the right to grow'. It's about creating that virtuous circle of growing revenue and investing some of the revenue growth in the business for a stronger performance in the next year.

It's something we've tried to follow for four years now and it's worked well for us, but it does require quite a lot of discipline about the way you invest, where you invest and the paybacks you get for those investments. Some of the really good options we've found right under our feet. For example, we're underweight in New South Wales and Queensland so we've invested strongly in putting more people in those markets.

Finding jewels in the business

GH: Growth is also about finding the jewels within the business where we have a high probability of success rather than going for long-shot opportunities. For example, we've developed niche markets where we have specialised in building strong customer propositions. These include a couple of areas such as pharmacies, aged care and franchising. This idea is really at the heart of our specialisation strategy because, in fact, business banking is made up of a whole lot of specialty sectors.

We have also invested just as much on the risk management side as we have on the business development side: investing in quality assurance managers and making sure we have the right management information systems keeping everyone alert to the risk issues.

Linking our businesses

GH: We run corporate banking and business banking as separate businesses because they have different customer bases and there are different strategies for each business. However we've created a lot more synergy between the businesses. I mean, we're working together to look for business opportunities. We're holding customer functions together, we're referring clients to each other and we've created opportunities for people to move across from one business to the other to expand their career paths.

We're now taking the same approach with small business – the sole traders and very small businesses with just a few employees. It will be a strategy that links our business banking capability with our branch banking capability and delivers a really strong client proposition. That will take a bit of time but, if we do it well, we should be able to attract a lot more business customers.

Wall Street to Main Street

GH: Another area we've had terrific success in this year is our Wall Street to Main Street strategy. Essentially it's bringing investment banking solutions used by large corporations to mid-sized businesses. So, for example, if you're a family business facing generational change or you're trying to grow rapidly and you don't have sufficient capital to do it but there's a terrific opportunity to expand your business, ANZ can sit behind you as either an equity partner, providing leverage finance or providing corporate finance advice.

It's a strategy that we've been building now for almost five years but in the past 12 months we have made real progress. And of course it opens a whole wealth of opportunities in terms of what we can do with our clients and allows us to move them from being satisfied to genuinely delighted.

We've now offered, for the first time, a product called Development Capital. This allows fast-growing small businesses that are performing well, but don't have sufficient equity and capital behind them, to take that next step by providing capital support for them. To see that success happen has been terrific.

Cocktails and gold watches

GH: The other thing, which has been really interesting, is the recognition we have given to people with 30 or more years service. We have regular functions to recognise people who perform well and who have done special things in the business. What's interesting is that many people who are getting gold watches for long service are also the ones who have the best performance.

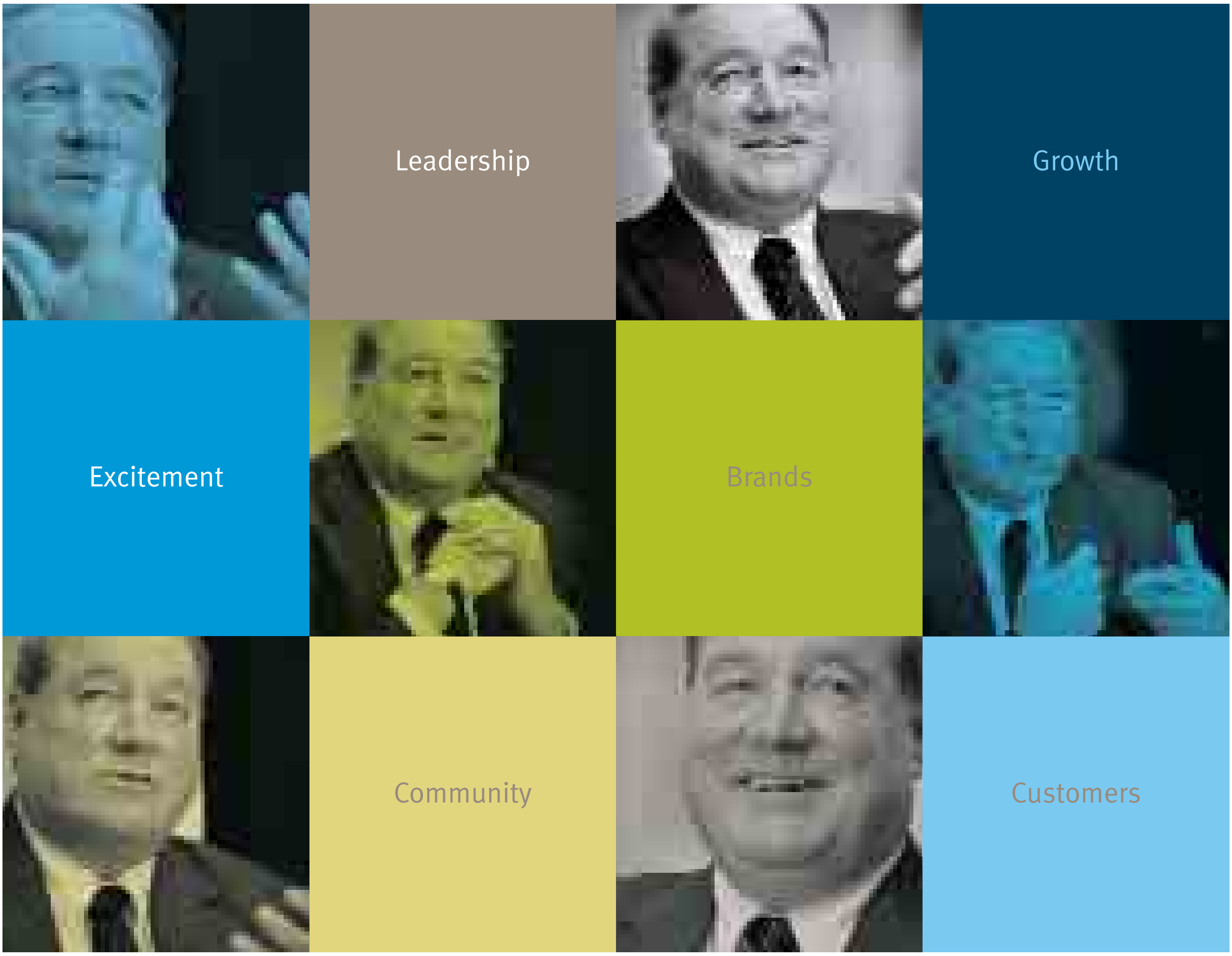
We've got a group of quite experienced bankers who are contributing significantly. They've probably surprised themselves to some extent at how much more they can do and how much more energised they can be when they're given the opportunity and the freedom to get out there and drive things.

These people are actually the mainstay of the business in terms of getting things done and providing that experience to people who perhaps are still learning how to be effective in the marketplace. For example, we took on some 60 graduates this year and to see the cocktail of the really experienced people who've been with ANZ for 20 or 30 years and the energy of the new graduates coming in, is really quite exciting.

NEW ZEALAND

LEADING POSITIONS, QUALITY EARNINGS, CONTINUED GROWTH

A CONVERSATION WITH SIR JOHN ANDERSON



The New Zealand Division, known formally as ANZ National Bank Limited, was created following ANZ's $4.9 billion acquisition of The National Bank of New Zealand from Lloyds TSB in December 2003. It is New Zealand's largest bank employing 8,500 people with leading positions in all market segments. It operates under two brands, ANZ and The National Bank of New Zealand. Sir John Anderson is the Chief Executive of ANZ National Bank Limited.

An unusual merger

JA: This has been quite an unusual merger. Normally one brand consumes the other's name and operations but ANZ and The National Bank have such a large market share we've gone down a two-brand strategy path. In fact, since the merger, the further we've gone the better it is working.

The approach we followed was to take six months working out exactly what to do, then rapidly driving integration. There's a real logic in this. You really have to know where you're going so you can head in the right direction.

Getting to know each other

JA: In late 2003, after we announced the merger, many of us in the bank received feedback from customers saying: 'look, we're just going to wait and see; we're not quite sure what all of this means to us'. We don't get that feedback now. Customer feedback and customer growth have been positive.

In the first six months, everyone got to know each other. ANZ and The National Bank staff have very similar values which have seen both brands and the teams working extremely well together. We have very skilled and competent people in our business in both brands.

We have also spent time setting up good governance structures. So, you might say we've spent time getting all the building blocks in place to go forward. While we've been doing that, we've still been able to do business as usual very well.

Enhancing our ability to grow

JA: By and large we've already finished non-technology integration. That means 95% of our people are now focused on the business rather than being distracted by integration.

There's been a lot of time spent on reviewing the way forward for systems because it's not only a New Zealand solution that we're looking at, it's also a Group solution. We've reached the right outcome, which for retail involves maintaining separate systems to reduce the risk and complexity of integration and place greater emphasis on maintaining market share and future growth. We plan to integrate all our other systems by the end of 2005.

That's the battleground

JA: Our three competitive levers are price, speed to market and customer service. That's the battleground.

The National Bank has had a huge advantage in having a single customer view. That's a key driver of our high levels of service, satisfaction and growth in the personal businesses. We are aiming to have that capability in both brands.

The other lynchpin to customer relationships is the business being part of the community. Both ANZ and The National Bank are recognised for their community involvement and this will continue in the future.

Excitement and urgency

JA: For both ANZ and The National Bank it has been exciting for the two companies to come together under one group. ANZ had started on a very positive path of reviving the ANZ brand in retail markets in 2003. It has done very well in other markets, like institutional banking.

On The National Bank side, the retail businesses are still growing well, while the integration with ANZ businesses have strengthened the business market and operational areas.

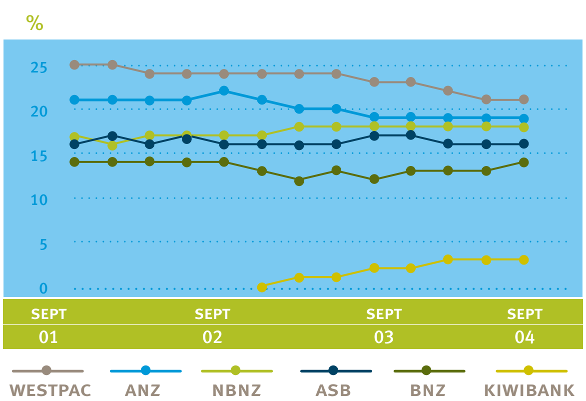
We've got a plan, a commitment, and a way forward which has been communicated to all our people. There's a sense of excitement and urgency in the business now many of the distractions of integration are out of the way.

Continued growth

JA: We've got great businesses now the infrastructure is set up. We're now there in every market and we're making sure we have the leading edge and are getting it right in servicing the customer.

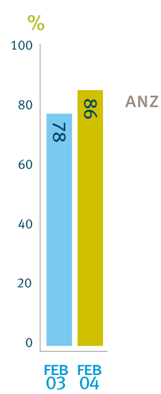
We have also expressed the intention that we would look at floating some of the ANZ National shares in New Zealand. We can't do that until integration has finished, of course, because you have got to have stable, quality earnings to go forward on and there are many other complex issues to be considered. But it would give a whole new emphasis and impetus to staff and to customers because then they feel even greater ownership of the organisation. So it's quite an interesting time ahead.

We're planning on continued growth and delivering quality earnings. Quality earnings underpin the business strategy and provide the platform for growth in market share in the future.



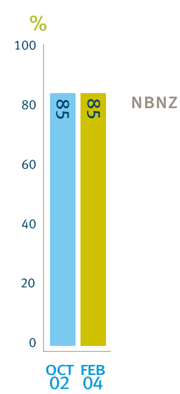
ANZ AND NBNZ SHARE OF PERSONAL CUSTOMERS (MAIN BANK) IS STABLE

Source - ACNielsen Consumer Finance Monitor



STAFF SATISFACTION

Based on ANZ Snapshot Survey and NBNZ Viewpoint Survey



ASIA PACIFIC

CREATING A NEW PLATFORM FOR GROWTH
A CONVERSATION WITH ELMER FUNKE KUPPER

ANZ's Asia Pacific Division covers 10 countries in the Pacific where it provides a full range of retail and commercial banking services and 11 countries in Asia where it primarily serves Australian, New Zealand and Asian corporations doing business across the region. The Division also has a local retail partnership with Panin Bank in Indonesia and a credit card joint-venture with Metrobank in the Philippines. Elmer Funke Kupper is the Group Managing Director of the Asia Pacific Division.

Extending leadership in the Pacific

EFK: In Asia Pacific we have three big growth agendas. The first of these is in the Pacific where we're already the leading financial institution. It's really one of our core 'domestic' businesses, like Australia and New Zealand.

Growth in the Pacific can come from three areas: growth in the number of customers, growth in the business we do with each customer and growth in the number of markets we serve.

Given our size in the region, organic growth may look harder for us. However, there are still opportunities based on improvements in our products, our sales approach and customer service. For example, our investments in electronic banking and insurance have given us new revenue streams, and by offering specialist advice in areas such as tourism, we can give customers more complete solutions.

Finally, we can grow by entering countries that we are not in today. We've proven with a number of smaller acquisitions in recent years that we can add real value, not just to the banks we acquire, but also to customers by offering new products and services.

Building relationships

EFK: Our aim in the Pacific is to be the number one financial institution and most respected company in the region. Part of our success though, will have to come from building stronger relationships with local communities and supporting the economic growth in the region. A good example of this is in Fiji, where we are working with the United Nations Development Program to bring basic banking services to 400,000 people in remote rural communities.

There's also a great pool of talented people in the region and increasingly we're relying on our local staff to run the business. It's been a great journey for us all in the Pacific over the better part of a decade and very successful for ANZ.

Growing the Asian network

EFK: The second part of the growth agenda is our ANZ network in Asia. We can't underestimate the importance of Asia to Australia's future. The flow of trade, investment and people will continue to grow. For example, China is undergoing the greatest economic expansion ever witnessed anywhere in the world.

ANZ is in a unique position to grow with the region. There are very few banks that have positions in 11 Asian countries, and combining this with our traditional strength in corporate banking really gives us something to build on. We've shown a commitment to the region by supporting our customers through the financial difficulties Asia faced in the late 90s. We're now adding more expertise and people in trade finance, capital markets and foreign exchange to deliver the right solutions to our customers.

This expansion follows several years of 'de-risking' the business and putting tighter asset writing policies in place to establish a foundation for growth. The result has been several years of low credit losses and non-accrual loans are down to very modest levels.

Partnerships in Asia

EFK: The third growth agenda is our consumer business in Asia, where economic growth is fuelling tremendous growth in retail banking.

Increasing wealth is leading to higher levels of savings - we estimate US$1.7 trillion of new retail savings will be generated in Asia in the next five years. Growth in savings is going to be rapidly followed by higher spending and increased borrowing. The growth rates in financial services which result from this are likely to dwarf what we will see in well developed markets.

We believe we can participate in this growth by developing partnerships with local banks. In most markets, local banks tend to dominate in retail banking and Asia will be no different. So joining forces with a local bank that can benefit from ANZ's experience in retail banking makes a lot of sense.

The idea isn't new for us and we already have experience in making it work. For example, with Panin Bank in Indonesia and with Metrobank in the Philippines. In each case, we have a minority shareholding and we add value through our experience in credit cards, mortgages, car finance and retail distribution. Both those businesses are doing well.

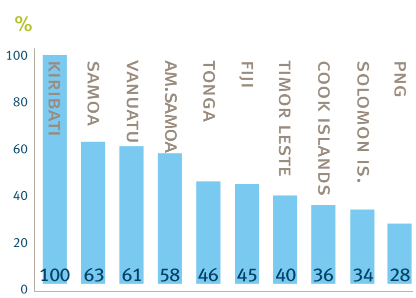
Over the next five years we'll build more partnerships with a focus on retail banking. We've recently signed a Memorandum of Understanding with a Shanghai-based credit cooperative and are now working with them to improve their risk management processes ahead of them becoming a commercial bank.

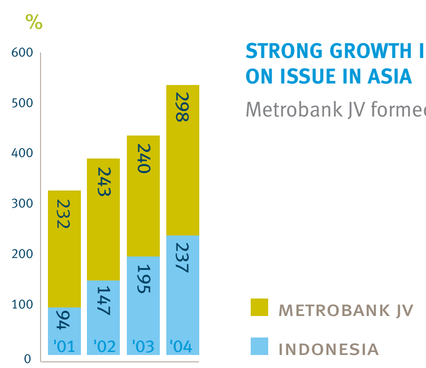
This strategy isn't risk free and we're careful in selecting our partners. We're focusing on consumer banking, which is fundamentally lower risk than corporate banking, we're making modest investments and we're contributing ANZ's expertise in risk management and personal banking. This approach gives us a really good chance of success.

The upside of this strategy could be material over the longer term. Asia has been on the recovery path from the economic issues of the late 1990s. Wealth is growing very rapidly and financial institutions are moving to take advantage of this. Our strategy is to give ANZ a new growth platform by participating in Asia's economic expansion.

Asia Pacific is an important part of our long-term future and it's a new platform for ANZ's growth. We already have great existing businesses in the region and what we're building now is a number of new options that can give us growth five years out or more.

PACIFIC MARKET SHARE





STRONG GROWTH IN CARDS ON ISSUE IN ASIA

Metrobank JV formed in October 2003

ESANDA
THINKING OUTSIDE THE SQUARE
A CONVERSATION WITH ELIZABETH PROUST

Specialist

Culture

The market has been a little tougher this year, but we're demonstrating we can turn around a mature business and create growth by thinking outside the square and creating a more entrepreneurial culture.

Esanda is ANZ's specialist asset finance business in Australia, operating as UDC in New Zealand. It is Australia's largest asset-based finance company and a leading provider of vehicle and equipment finance solutions and fixed interest investments. Elizabeth Proust is Esanda's Managing Director.

The growth challenge

EP: We had a solid result this year, having delivered 11% earnings growth. Some of our traditional business however is mature – relatively low growth, low return. So, the challenge for us is to see how we can turn some or all of our businesses into growth businesses.

Our focus has increasingly been to emphasise the parts of the business which are growing faster and to invest in new opportunities. For example, car dealerships are an important source of business to us but it's a very competitive area and we have had great success in providing more finance for cars directly to end-customers though channels like the internet.

What we are trying to do is to strip away some of the bureaucratic constraints and make our people more entrepreneurial. It gives them the opportunity to show that we can grow within our traditional business and by creating new businesses.

Creating a successful culture

EP: We have also focused on creating a successful culture. We have had a series of programs with our people that have played an important role in making the business more vibrant and a great place to work.

I'm also passionate about diversity and its role in the businesses success. It's both an economic and equity issue. Our people should reflect our customer base and the broader community. That includes ethnic, gender and age diversity. So when I am hiring managers I make sure there is a woman on every selection panel and that there is someone from another part of our business. And when I use recruitment firms to find new people, they need to think outside the square and find a wide range of people who can do the job.

It's not just ensuring women get into leadership roles, for example. It's also helping get them into line management so they are seen as being able to manage people, be responsible for large budgets and for running a business. We need more of that in Esanda and UDC, and more broadly within ANZ.

Simplicity, savvy, focus

EP: The other part of being successful and growing is really understanding customers. Our customers aren't buying our products; they're buying a car or a truck and our products are a means to an end. So what they want from us is simplicity: that we're easy to do business with and we will get it right the first time.

That's why we have worked to reengineer our processes to make Esanda easier to do business with and to redevelop the Esanda brand. The challenge for finance companies is that products are increasingly commoditised and we want to stand for something a little different. For us, it's simplicity, savvy, focus, independence.

We have had a very positive response to our new positioning. Our staff like it, our customers like it and, this will sound like a small thing, our customers are now for the first time getting statements in a user-friendly format. I see that as a real sign that we are changing.

ING AUSTRALIA

GETTING BACK TO GROWTH
A CONVERSATION WITH PAUL BEDBROOK

Growth

Efficient

Compulsory superannuation is a growth engine and that will continue into the foreseeable future. Greater complexity in tax and retirement income policies has seen the need for advice increase, with a huge increase in the financial advice and planning industry.

ING Australia is a joint venture between ANZ and leading global financial institution, ING Group. ING Australia is one of Australia's leading fund managers and life insurers with over $30 billion in assets under management. Paul Bedbrook is Chief Executive Officer of ING Australia.

Growth and efficiency

PB: It's been a good year for us, for the joint venture. We have come through a tougher period, with the bear market in 2001-2002 and part of 2003, and now business performance is continuing to improve.

After a period of industry consolidation the major players now have a much bigger market share. The industry is maturing and is now in what I would call the efficiency phase. It means managing performance is about operating efficiently on low margins and high volume, whereas previously, in the mid and late 90s, it was all about growth with minimal finesse.

Providing solutions

PB: Around 95% of our business is through intermediaries, such as adviser groups. So a big part of our philosophy is to service advisers well and to provide solutions to facilitate what they're trying to do with their client base.

Having said that, we certainly have a consumer brand which is very well thought of. Our advertising campaign featuring Billy Connolly communicates that 'we speak your language', and 'we identify with you as consumers'. So a lot of what we do is ensuring the business lives up to the brand. We've made good progress but there's still a way to go.

Long term business

PB: Managed funds and life insurance are long-term businesses. They're about building funds under management and life insurance premiums – you have to have business on the books for a period of time to get the returns coming through.

One of the challenges is how you grow your financial planning network when for the first year or so they don't make you money, but they will in the long run.

To be more successful in terms of growth we need more planners over time. For ANZ it probably means a range of planners: some that work at the medium end of the market - the average customer; others that move more upmarket and perhaps 20% of planners that can deal with the private bank clients and can have much more sophisticated strategies that suit our clients.

People are paramount

PB: This is actually a people/relationship business – they're absolutely paramount. We have a range of programs around the development of all our staff. For example, we'll get a business school to run courses for first-time supervisors. We have a program at the moment with Macquarie University, which is focused on developing our middle to senior managers. In addition, the ING Business School, based in Amsterdam, runs programs in Europe and locally for senior executives.

Looking ahead

PB: We need to get strong growth going again on the funds management side, instead of relying on recent gains through efficiencies. We need to grow inflows and our life insurance business, which does well, but which we think we can accelerate compared to where it is at the moment – that's exciting for us.

Part of this involves growing our distribution network. We can increase planner numbers organically but there may also be opportunities, where advisers are reviewing where they're going to be positioned longer-term, for acquisition opportunities. And of course, we'll be pushing very hard with ANZ financial planning to help that network grow.

There are really four priorities for ING Australia now – we've got to grow funds under management, accelerate the insurance growth, grow distribution numbers and continue the efficiency program.

OUR BUSINESS PERFORMANCE

PERSONAL

Personal Banking Distribution (including Rural and Private Banking), Banking Products, Cards and Merchant Banking Services, Mortgages

$M	2004	2003	%
Operating Income	**2,879**	2,593	11%
Operating expenses	**(1,551)**	(1,439)	8%
Provisions	**(183)**	(169)	8%
Profit before tax	**1,145**	985	16%
Income tax expense	**(343)**	(292)	17%
Net profit	**802**	693	16%
Cost to income ratio (CTI)	**53.9%**	55.5%	– 3%
Staff (FTE)	**8,934**	8,795	2%

PERFORMANCE

› **Profit** – Profit after tax increased by 16% with profit growth of 58% in Cards and Merchant Services, 22% in Banking Products and 6% in Personal Banking Distribution offsetting a 2% reduction in Mortgages.

› **Cost to Income Ratio** – Decreased by 53.9%. Income growth of 11% outpaced expense growth of 8%. Income growth driven by lending volume growth of 18%.

› **Risk Management** – Provision for doubtful debts increased 8%, driven by lending volume growth. Non-accrual loans and net specific provisions remained low reflecting sound credit quality.

› **Staff** – 3% increase in staff in Mortgages to service continued high levels of customer activity, a temporary increase in Card and Merchant Services staff in the first quarter to handle the higher level of calls associated with changes associated with the Reserve Bank of Australia interchange reforms, an increased number of financial planners in Personal Banking Distribution and increased staffing in Rural Banking.

ACHIEVEMENTS

› Maintained product leadership - our leadership has been recognised through Personal Investor Bank of the Year 2004, Home Lender of the Year 2004 and Best Transaction Accounts 2004 (Money Magazine).

› Improved service delivery - customer satisfaction at 73.6% (Roy Morgan August 2004) up 7.2 points in the past 12 months and compares to the peer average 66%.

› Improved sales productivity and cross-sell - both sales productivity and cross sales are up, benefiting from our investment in customer relationship management.

GOALS

› Accelerate the momentum in our specialist businesses

› Grow deposit share.

› Deepen relationships with our customers.

› Move costs from "back" to "front" (ie enhance our branch network and streamline process costs).

› Further strengthen our people and culture initiatives.

INSTITUTIONAL

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

$M	2004	2003	%
Operating Income	**1,927**	1,922	0%
Operating expenses	**(701)**	(675)	4%
Provisions	**(159)**	(165)	– 4%
Profit before tax	**1,067**	1,082	– 1%
Income tax expense	**(279)**	(280)	0%
Net profit	**788**	802	– 2%
Cost to income ratio (CTI)	**36.4%**	35.1%	4%
Staff (FTE)	**2,926**	2,795	5%

PERFORMANCE

› **Profit** – 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 substantial progress made in refocusing the business to lower risk sectors.

› **Cost to Income Ratio** – Increased 4% due to flat revenue growth, and 4% increase in expenses due to pension funding costs in the United Kingdom ($8 million), the impact of the consolidation of TradeCentrix processing hub, increased technology investments in Markets and Transaction Services, and higher staff costs.

› **Risk Management** – Provision for doubtful debts was 4% lower reflecting lower offshore exposures and modest asset growth in Australia.

› **Staff** – Further investment in Markets capability in London and Asia, growth in Custody, Commodity Trade Finance in Asia, and International Payments.

ACHIEVEMENTS

› Deepened domestic position - Underpinned by increasing the range of products and services offered to our institutional clients.

› Developed new revenue streams - Through broadening ANZ's distribution capability in domestic and offshore markets.

› Built visible offshore franchise - Leveraging the strengths of our domestic business and repositioning relationship management of global corporate clients, particularly in the Northern Hemisphere. In Asia, continued focus on capability development.

› Maintained excellence in risk management - Established central Institutional Risk and Compliance function to manage operating risk and compliance obligations for all divisions (domestic and overseas).

GOALS

› Increase revenue and cost efficiency by combining our Markets businesses and providing a sharper customer focus.

› Continue to maintain excellence in risk management through low offshore exposure and further investment in our compliance and risk infrastructure.

› Revise the Institutional business model to increase customer focus, leading to deeper product penetration and greater non-lending income.

CORPORATE

Corporate Banking Australia, Business Banking Australia
Small Business Banking

$M	2004	2003	%
Operating Income	810	733	11%
Operating expenses	(259)	(234)	11%
Provisions	(59)	(55)	7%
Profit before tax	492	444	11%
Income tax expense	(148)	(133)	11%
Net profit	344	311	11%
Cost to income ratio (CTI)	32.0%	31.9%	0%
Staff (FTE)	1,671	1,596	5%

PERFORMANCE

› **Profit –** Increased by 11% with net interest income growth of 11% due to strong volumes in average lending and average deposits. Business growth from increased activity with existing customers and new customer acquisition through a competitive customer service proposition.

› **Cost to Income Ratio –** Remains well controlled at 32.0%

› **Risk Management –** Provision for doubtful debts increased $4 million (7%), driven by growth in business volumes partly offset by changes in the portfolio risk profile. Credit quality in the Business Banking sector remains sound with the portfolio quality reviewed every quarter to detect any early adverse trends.

› **Staff –** Continued investment in people with capability training and a 5% increase in front line and specialist staff.

ACHIEVEMENTS

› Maintained strong business growth - Continued to expand the business in under-represented geographies; developed our broker origination channel; grew specialist business propositions (eg. franchising and invoice finance); and increased momentum in delivery of 'Wall Street to Main Street' solutions to Corporate Banking customers.

› Improved customer services and turn around times due to improvements in straight through processing for loans and customer documentation and automated credit scoring technologies; re-engineered frontline processes.

› Expanded specialist business offerings - Launched and developed new specialist business offerings, including pharmacy and aged care.

› Enhanced staff and management capabilities - Developed capability based people learning and development curriculum for all frontline roles; focused on re-alignment of leadership of the business and targeted development of talented staff.

GOALS

› Maintain strong business growth, including further development of specialist businesses and customer propositions.

› Establish sustainable business model for new Small Business Banking segment.

› Further invest in platform and process efficiencies - "Easy to do business with".

› Foster specialist and leadership capabilities.

NEW ZEALAND

ANZ New Zealand Banking, ANZ New Zealand Mortgages, The National Bank of New Zealand, ANZ New Zealand Consumer Finance

$M	2004	2003	%
Operating Income	1,817	756	large
Operating expenses	(866)	(402)	large
Provisions	(99)	(37)	large
Profit before tax	852	317	large
Income tax expense	(268)	(106)	large
Net profit	584	211	large
Cost to income ratio (CTI)	47.7%	53.2%	– 10%
Staff (FTE)	7,988	2,939	large

PERFORMANCE

› **Profit –** Profit after tax increased $373 million, with the National Bank of New Zealand (NBNZ) contributing $375 million (excluding integration costs of $11 million) since acquisition on 1 December 2003.

› Profit after tax in ANZ New Zealand businesses increased $9 million, despite a $3 million reduction resulting from the depreciation in the NZD over the year, of which Cards increased $9 million, ANZ New Zealand Banking increased $3 million, whilst Mortgages reduced $4 million. Integration costs incurred in the year totalled $28 million after tax.

› **Cost to Income Ratio –** Improved to 47.7% inclusion of NBNZ which has a lower Cost to Income Ratio than ANZ New Zealand Business (NBNZ 42.1% for 2004).

› **Risk management –** Credit quality remains sound with the increase in the provision for doubtful debts charge being driven by the NBNZ acquisition. Economic loss provisioning methodologies have been implemented in NBNZ and a $62 million charge recognised in the ten months to September 2004. The NBNZ businesses added $81 million to gross non-accrual loan volumes with non-accruals in the ANZ New Zealand businesses reducing.

› **Staff –** Aside from the additional staff from NBNZ, we added staff in ANZ New Zealand Banking (frontline) and Mortgages (support) to cope with increased business volumes.

ACHIEVEMENTS

Integration of the two New Zealand registered banks has successfully progressed through a number of key milestones. The most important of these was completion of legal amalgamation on 26 June 2004. On 28 June 2004, the amalgamated registered bank in New Zealand changed its name from ANZ Banking Group (New Zealand) Limited to ANZ National Bank Limited.

To date, the integration program has delivered:

› The completion of merged organisation structures for all the business segments.

› Alignment of People Capital policy and processes.

› Implementation of the Rural Integration Plan.

› Integration programs completed for most central support areas.

› The merging of Institutional Markets operations, including the restructuring of dealing rooms.

GOALS

› Manage a successful integration.

› Leverage the complimentary strengths of both banks to build a better bank.

› Accelerate the turnaround of slow growth businesses.

ASIA PACIFIC

Provides primarily retail banking services in the Pacific Region and Asia, including ANZ's share of PT Panin Bank in Indonesia

$M	2004	2003	%
Operating Income	**295**	289	2%
Operating expenses	**(138)**	(142)	– 3%
Provisions	**(23)**	(19)	21%
Profit before tax	**134**	128	5%
Income tax expense	**(23)**	(28)	– 18%
Net profit	**111**	100	11%
Cost to income ratio (CTI)	**46.8%**	49.1%	– 5%
Staff (FTE)	**1,711**	1,624	5%

PERFORMANCE

› **Profit –** Increased by 11%. Excluding exchange rate movements net interest income grew by 16% as external assets increased 18%, and other operating income grew 3% with fee income increasing 20% driven by a 16% increase in loan volumes and higher transaction volumes in the Indonesian Cards business.

› **Cost to Income Ratio –** Improved to 46.8% due to centralisation of services to Quest, our Fiji shared services centre.

› **Risk Management –** Credit quality remains sound with the provision for doubtful debts increasing due to growth in credit card volumes in Indonesia. The increase in net specific provision results from a number of recoveries/provision reassessments in 2003.

› **Staff –** Increased capability development and training in Quest to meet increased demand in the Pacific operations.

ACHIEVEMENTS

› Best Practice Business Operating Model - Successful implementation of standardised sales and service operating practices in all Pacific countries.

› Leveraged the strengths of the domestic businesses into Asia – Established two 'hubs' in Hong Kong and Singapore and increased presence of new product/industry experts.

› Improved decision-making around asset and liability management and pricing practices - Increased rigour in capital and liquidity management has resulted in improved funding positions across the Pacific.

› Continued centralisation into Quest - Additional back office functions relocated from a number of Pacific countries.

› Further expanded sales model focusing on customer relationships – Customer advocacy and complaints frameworks being rolled out progressively across all Asia Pacific countries.

GOALS

› Continue to build a viable offshore franchise which adds value to our global customers.

› Maintain our leadership position in the Pacific though improved processing efficiency and service delivery, enhanced sales productivity and deeper customer relationships.

› Participate in consumer banking growth in Asia by building on existing partnerships and developing new opportunities.

ESANDA AND UDC

Provides vehicle and equipment finance and rental services. Operates in Australia as Esanda and Esanda Fleetpartners and in New Zealand as UDC and Esanda Fleetpartners

$M	2004	2003	%
Operating Income	**455**	428	6%
Operating expenses	**(186)**	(179)	4%
Provisions	**(67)**	(63)	6%
Profit before tax	**202**	186	9%
Income tax expense	**(59)**	(57)	4%
Net profit	**143**	129	11%
Cost to income ratio (CTI)	**40.9%**	41.8%	– 2%
Staff (FTE)	**1,292**	1,311	– 1%

PERFORMANCE

› **Profit –** Increased by 11% with 3% growth in net interest income resulting from continued strong new business writings. This was partly offset by the run-off of higher yielding loans and increasing new business from better 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.

› **Cost to Income Ratio –** Improved to 40.9% due to continued control of expenses and growth in income.

› **Risk Management –** Provision for doubtful debts increased by 6% driven by increase in lending volumes. Net specific provisions were $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.

› **Staff –** Continued focus on capability development and 'back office' efficiency.

ACHIEVEMENTS

› Grew usage segment and lifted returns on the traditional asset finance business - Delivered substantial growth in the volume of funded vehicles and equipment finance; launched vehicle usage product into SMB segment; traditional finance business continued to improve.

› Redeveloped and revitalised our brand - Successful launch of the Esanda brand with new advertising improved customer awareness and willingness to trial.

› Improve sales capability through improved training and new incentive scheme – Focused on technical and behavioural skill building, regular sales conferences to enhance learning across the teams; introduced new incentive scheme to encourage revenue growth performance.

› Progressed implementation of operations platform and expand to New Zealand and Esanda FleetPartners – Completed process re-engineering programme and significantly improved productivity during a time of booming new car sales.

GOALS

› Grow the Fleet and asset usage businesses across all customer segments in Australia and New Zealand.

› Build the Consumer Finance business through new product development.

› Grow Commercial Finance through existing ANZ relationships and vendor relationship development.

› Continue to improve the cost efficiency while investing in future growth.

ING AUSTRALIA

A joint venture between ANZ and ING Group, provides integrated manufacture and distribution of wealth creation, management and protection products and services aligned to ANZ distribution and the open market

$M	2004	2003	%
ANZ share of INGA earnings	**138**	99	39%
ANZ Capital hedges	**(13)**	(6)	large
Net Funding Cost	**(17)**	(11)	55%
Net return to ANZ	**108**	82	32%

PERFORMANCE

› **Profit –** Profit increased 32% driven by increased funds management and capital investment earnings with strong investment markets in 2004 and global uncertainty impacting equity market returns in 2003. Risk income increased with higher sales of insurance products through the ANZ network and a favourable claims experience.

› **Risk Management –** Successfully managed transition to new regulatory environment under Financial Services Reform Act. Significant additional staff training and process redesign completed.

ACHIEVEMENTS

› Improved cross-sell to bank customers – Alignment of sales and organisational structures continues to improve cross-sell particularly in insurance.

› Strengthened Life Risk business – Increased market share, income and won an award from Personal Investor magazine for the income protection product.

› Enhanced product range – Re-launched range of investment platforms – OneAnswer – a simple flexible retail offering; Optimix – a specialist multi-manager solution; and PortfolioOne – a premium wrap account service. Launched a new Term allocated pension.

GOALS

› Grow our business – in both funds management and life risk.

› Be efficient and cost effective – implement projects to simplify product systems and improve processes.

› Be easy to do business with – deliver e-business and workflow initiatives and target straight through processing.

› Improve accountability and focus – realign organisation structure along key product lines.

GROUP CENTRE

Operations, Technology, Shared Services, Group People Capital, Group Risk Management, Group Strategic Development, Group Financial Management including Treasury and significant items

$M	2004	2003	%
Operating Income	**369**	324	14%
Operating expenses	**(325)**	(157)	large
Provisions	**(42)**	(106)	– 60%
Profit before tax	**2**	61	large
Income tax expense	**(67)**	(41)	63%
Net profit	**(65)**	20	large
Staff (FTE)	**4,232**	4,077	4%

PERFORMANCE

› **Profit –** The $65 million loss in 2004 was due to an additional $128 million goodwill amortisation largely associated with the NBNZ acquisition that is booked in the Group Centre. Mismatch profit in Treasury reduced by $31 million after tax and the replacement of TrUEPrS with StEPS reduced profit by a further $35 million after tax.

These were partly offset by a reduction in the doubtful debt charge for unexpected offshore losses ($45 million after tax) and $84 million profit after tax on significant items including the gain related to buying back the TrUEPrS securities ($84 million), the gain on finalising the ING Australia completion accounts ($14 million) and incremental NBNZ integration costs ($14 million).

ACHIEVEMENTS

› Extended customer access via web for “self service” enquiries - system built to enable corporate customers ready access to voucher images via internet channels.

› Replaced New Zealand payroll system - project successfully completed.

› Rolled-out telling platform in branch network - project successfully completed and rolled out across branch network in Australia. The new telling system is an innovative, flexible, and easy-to-use telling system that will serve ANZ well for many years.

› Implemented managed vendor project for learning delivery - managed vendor system was integrated with ANZ's on-line training system to enable ANZ staff to select from 130 contracted external providers and co-ordinate training requirements.

› Expanded wholesale funding base - Issued ANZ StEPS and US Stapled Trust Security together with diversified currency issuances.

GOALS

› Implement NZ systems and infrastructure integration.

› Relocate the disaster recovery and development data centre to new facility.

› Develop long-term strategy and options for streamlining the core banking systems and enhancing single-view-of-the-customer capability.

› Pilot workflow automation initiative in the Operations environment and develop opportunities for further application.

BUILDING COMMUNITY TRUST

ANZ's aim to deliver sustainable value recognises that companies do not serve shareholders exclusively, but others as well. Part of delivering on our aspiration involves engaging and contributing to the community.

ANZ's approach to building community trust has increasingly been to address those issues which directly relate to the relationship between financial services organisations and the community.

Our work has been guided by Australia's first national survey of adult financial literacy conducted in 2003. It identified a strong association between socio-economic status and financial literacy. The research indicated the 20% of people with the lowest financial literacy were over-represented by those with lower education levels, those not employed, people with lower incomes, low year savings and people at both extremes of the age profile – 18 to 24 year olds and those aged 70 years and over.

ANZ's focus recognises that issues around the effective use and management of money, and access to financial products and services can have a profound effect on people in the most vulnerable sections of the community. For many others in the community, who understand the fundamentals of money management, empowering them with stronger financial skills, knowledge and information means they are better placed to make informed decisions about their money and avoid being misled on financial matters.

Making a Difference

By taking targeted steps to improve levels of financial literacy, encourage savings and develop more accessible products and services, ANZ believes it can make a long-term difference to the circumstances of people facing disadvantage.

ANZ has also sought to differentiate itself by the scope and nature of its approach. This has involved:

› showing community leadership on financial literacy

› funding research and knowledge-building activities which assist policy makers, community organisations and the financial services industry

› addressing the needs of ANZ's own customers through better communication, simpler products, and aware and informed staff

› creating genuine business-community partnerships to deliver innovative programs.

Saver Plus

During 2004, ANZ conducted a pilot matched savings program, Australia's first. Called Saver Plus, it has involved establishing partnerships with The Brotherhood of St Laurence in Melbourne Berry Street Victoria in Shepparton, Victoria and The Benevolent Society in Sydney to assist 270 families on low incomes to save for costs associated with their children's secondary education. ANZ matches every dollar saved with two additional dollars and program participants have also been provided with financial skills training and personal coaching.

Research from the pilot indicates matched savings programs can make a real difference by helping people develop financial skills, change their saving and spending behaviours and create assets for their families, which can improve their circumstances. As a result, ANZ has announced it will contribute a further $1 million to expand the program with its existing partners and through a new partnership with The Smith Family in Queensland.

ANZ was recognised for Saver Plus in the Prime Minister's 2004 Awards for Excellence in Community Business Partnerships in the Victorian Large Business category.

MoneyMinded

ANZ has worked with the Australian Financial Counselling and Credit Reform Association and the Australian Securities and Investments Commission to develop MoneyMinded, Australia's first comprehensive adult financial education program.

MoneyMinded is not ANZ-branded and has been developed specifically for use by financial counsellors and community educators, recognising they play a critical role in reaching adults who can benefit most from financial education. ANZ will partner with 100 community organisations during the next five years to deliver the MoneyMinded program to 100,000 people nationally.

The Brotherhood of St Laurence will be the first organisation to use the program. It will use MoneyMinded in its work with people on low incomes and will facilitate training of other community organisations interested in using the program.

Community Development Finance

ANZ has also conducted a community consultation and research program to examine how community development finance can bring about greater levels of financial inclusion in Australia. Community development finance is an umbrella term which encompasses programs such as small loans, loans for enterprise development, matched savings schemes, financial counselling and advice and financial literacy training.

As a result we will develop new products during 2005 to reduce the exclusion of low-income earners from mainstream financial services and provide alternatives to 'pay day' lenders and 'loan-sharks'. We will also facilitate opportunities for indigenous Australians to access micro-credit and to encourage savings.

Financially Fit Workforce

We also believe it is difficult for us as a bank to build trust in the community if people are confused because our products and fee structures are complex, they do not understand their financial position or cannot access mainstream financial services. These issues are fundamental to our customers' relationship with ANZ and relate directly to our responsibilities as a provider of financial services.

This is why we have taken steps to create simpler products, sought to communicate with customers in Plain English and invested in additional training for our staff to help identify and assign people struggling with financial literacy or facing financial difficulty. We have also created a range of materials to help people who want to use and manage their money effectively.

We have made good progress in building the community's trust but we know there is still much to do. We believe we can take our relationship with the community to a new level by focusing on those areas that directly relate to our responsibilities as a financial services company and delivering innovative responses that make a genuine difference to our customers and the community.

PICTURED: Michelle Wakeford and Sonia McCann, Brotherhood of St Laurence, Frankston

SAVER PLUS PARTICIPANT

"Saver Plus has meant an amazing change in my life. It's taught me to save from a background of nothing."

Julie, a young mother in Shepparton, Victoria is participating in ANZ's Saver Plus program with our partners at Berry Street Victora.

"The kids can ask me for something now and I can say I'm capable of saving for that. I've never felt so proud of anything in my life."

"It's not just something that's taught to me and then goes away. It's a long-term tool that I can also share with my children."

Her immediate target is to have enough money to buy a computer and printer for her son who is entering Year 8 in 2005.

Julie says her newfound budgeting skills will also enable her to pay for uniforms, school fees and school camps each year.

STAFF INVOLVEMENT

"It's been a learning curve for me but also for the rest of the branch, about the things that we take for granted."

Dianne Mills is ANZ's Karingal Branch Manager in Victoria. Participants in Frankston Saver Plus program have accounts at her branch and Dianne has been assisting in financial literacy sessions.

"The biggest learning for me is knowing the challenges that people in difficulty face. It was a big shock when I went to the introduction sessions and there were families with children who had never been on a school camp or didn't have the right uniform. That hit hard."

"It's just been a fantastic opportunity for everyone. First for ANZ to get out there in the community and give something back. And for the people involved it's an opportunity for them to save, be rewarded and to get a feeling of empowerment about their finances."

SUSTAINABLE GROWTH AND THE ENVIRONMENT

PICTURED FROM LEFT: Richard Gates, John Clarke and Mike Grime

ANZ recognises it has an opportunity to reduce its environmental impact and improve the natural environment. This includes managing the impacts from our day-to-day activities and the companies we lend to by financing projects of environmental benefit, and contributing to change by working with others.

We are committed to understanding the full impact of our operations on the environment and to develop innovative solutions that will help us to meet our objectives and the interests of the community. This includes:

› reducing our environmental 'footprint' and managing issues in our supply chain

› balancing business and environmental risk in Corporate and Institutional lending decisions

› investing in the environmental sector and providing specialist solutions to deliver sustainable benefits

› engaging with community groups and stakeholders

› measuring, reporting and improving our performance.

2004 Achievements

Our progress can be gauged by the work we have completed in 2004. This includes:

› completing a detailed review of our Corporate and Institutional lending policies and procedures in relation to social and environmental impacts of our customers. Areas of focus include climate change, water management, land clearing, salinity, air quality, safety, community well-being and human rights

› establishing an environmental management system based on the International Standard ISO400 which has formed the basis for improved environmental reporting and driving further reductions in our direct environmental impacts

› conducting a review of our supply chain for opportunities to incorporate greater environmental consideration in the procurement of goods and services

› partnering with Pratt Water to assist in the provision of a total funding package for primary producers to promote the use of water saving irrigation systems

› strengthening the position of ANZ's specialist infrastructure services business as a leader in financing of renewable energy and water infrastructure projects

› improving our environmental rating in the Dow Jones Sustainability World Index and maintaining membership of the Financial Times FTSE4Good Index based on meeting heightened environmental criteria.

Future Priorities

The progress we have made has formed the foundation for a new set of priorities, which include:

› addressing the findings of our review of lending practices to ensure lending policies and procedures adequately address emerging environmental and social issues and risks

› further reducing our direct environmental impacts through targeted action plans for greater resource efficiency and waste recycling

› enhancing our existing procurement protocols to address environmental risks and opportunities in our supply chain

› implement programs and initiatives developed in partnership with Greening Australia to deliver targeted social, environmental and business outcomes

› enhancing our data collection capabilities and public reporting of environmental performance including third party verification of data

› finalise and publicly release ANZ's policies relating to key environmental issues.

ANZ has also increased its public reporting of its approach, initiatives, performance and commitments for environmental improvement. This can be found on ANZ's web site at www.anz.com/australia/aboutanz

ANZ's approach to the environment reflects a view that value can be created for shareholders through strong financial growth based on environmentally sound business practice. Our aim is to ensure long-term business success and make a sustainable contribution to society.

Leading environmental change

A conversation with senior management

During 2004, three members of ANZ's senior management team with specific responsibilities and interests in our environment program, sat down to talk about the issues and the opportunities to create value through environmentally sound business practice.

Mike Grime is Managing Director, Operations, Technology and Shared Services with responsibilities including property and supply chain management. John Clarke is Managing Director, ANZ Infrastructure Services. This business specialises in advisory and private equity investments in the utilities and infrastructure sectors including specialist capabilities in renewable energy assets. Richard Gates, Head of Business Services, Healthcare and Education in Institutional Banking, has given leadership to ANZ's environmental and social risk in lending project.

Managing impacts and risks

MG: We're a services organisation but with over 30,000 staff and 1,000 properties, the amount of energy, paper and water we use is really quite significant. It creates a direct impact on the environment but of course there are also the impacts associated with all the suppliers we have of goods and services.

RG: The environment's also an issue in our day-to-day business with clients. We've made headway in managing our direct impacts but, really, we have to think about the indirect impacts, particularly the social and environmental impacts of customers we finance. The majority of our corporate customers, and the broader community, expect this. A priority for us is to build the environmental and social risk assessment capabilities of relationship and credit managers and give them rating tools and procedures they need to back this up.

MG: I agree. The challenge is providing service in a social and environmentally sound way. But if we can build that into the way the organisation thinks, my view is we can find the right balance to improve the business, reduce costs and risk, and reduce our impact on the environment.

Paper usage is a good example. By targeting areas that consume large amounts of paper as an environmental initiative we can also identify process efficiency opportunities, and reduce costs. There are other opportunities in setting targets to reduce greenhouse gas emissions, improving office fit out standards and working with our suppliers to think and act greener.

Investing in change

JC: That's also creating opportunities for us in areas like environmental technologies, where we can provide private equity for investment in infrastructure and utilities. We've been concentrating more and more on energy because it offers fair rates of return and we also have strong capabilities.

We've spent a lot of time looking at these emerging technologies - solar, biomass, wind-power and bio-diesel. The key thing here is not to take a major technology risk - you must have good technology so wind power becomes a focus, as does bio-diesel. We've supported a number of projects as a result, and these form an important renewable segment within our diversified energy vehicle, the Energy Infrastructure Trust. Investment in sustainable water processing and delivery systems is also important given the water scarcity issues facing Australia.

Policy, culture, capabilities

RG: Part of what is required to lift our game in this area is strong leadership to counter inertia and to empower and educate our staff to see and manage risks and opportunities, and then to engage our customer base. This needs to extend right accoss the bank, not just in the Corporate and Institutional businesses. For example, Credit Cards have been doing some interesting work which fits into the social risk area by helping customers understand the financial implications of lending products.

MG: We have come quite a way with this in our Property and Strategic Sourcing functions. Revising our procurement policy and contract conditions is one thing, which is very important, however the other element is working with our businesses to adopt alternative goods and services that have better environmental outcomes. That's where having group policy and the right culture helps.

JC: Yes and we get comments back from a number of people saying what we are doing on the renewable energy side is innovative. Really though, I see it as part of our core business in bringing our skills in providing equity, contract negotiations and in structuring contracts to complete these projects. It gives you a great deal of satisfaction.

RG: What you're also highlighting is why our approach has to be collaborative. That's not only working together in the business but I think it also involves listening and working with our customers and the community.

THE BOARD OF DIRECTORS

Working together to achieve performance, growth and sustainability.

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

Age 66

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

Experience and expertise
Mr Goode has 29 years of experience in the finance industry and has been a professional non-executive director since 1989. Mr Goode brings relevant skills and significant experience in the finance industry to his role as Chairman of the Board.

Current Directorships
Chairman: Woodside Petroleum Ltd (Director from 1988), Australian United Investment Company Ltd (Director from 1990), Diversified United Investment Ltd (Director from 1991) and The Ian Potter Foundation (Director from 1997).

Director: Singapore Airlines Limited (from 1999) and the Howard Florey Institute of Experimental Physiology and Medicine (from 1987).

Residence Melbourne.

MR J McFARLANE, OBE

MA, MBA

Chief Executive Officer

Age 57

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

Experience and expertise
Mr McFarlane brings broad skills and extensive experience in banking of over 30 years. 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
Chairman: The Australian Bankers Association (from October 1997).

Director: The Financial Markets Foundation for Children (from 1999).

President: The International Monetary Conference (June 2004).

Member: The Australian Business Arts Foundation (from 2000) and Asia Business Council (from 2004).

Former Directorships
Former Director: Business Council of Australia (1999 - October 2003) and Australian Graduate School of Management Ltd (1999 - December 2003).

Former Non-Executive Director of the London Stock Exchange (1989 - 1991), The Auditing Practices Board (1991-1997), The Securities Association (1989 – 1990), Capital Radio Plc (1995 – 1998) and the Cranfield School of Management (1992 – 1996).

Residence Melbourne.

DR G J CLARK

PHD, BSC (HONS)

Independent Non-Executive Director

Age 61

Non-executive director since February 2004.

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).

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

MR J C DAHLSEN

LLB, MBA

Independent Non-Executive Director

Chairman of the Audit Committee

Age 69

Non-executive director since May 1985. Mr Dahlsen is a member of the Nominations & Corporate Governance Committee.

Experience and expertise
The skills and expertise that Mr Dahlsen has developed in his legal career together with his experience in the media, not-for-profit, business education, banking, retail and small business sectors ensure that he brings an understanding of the law and business to his role as a non-executive director.

Current Directorships
Chairman: Southern Cross Broadcasting (Australia) Ltd (Director from 1985).

Director: The Smith Family (from 1995), J C Dahlsen Pty Ltd Group (from 1973) and the Warehouse Group Ltd of New Zealand (from 2001).

Former Directorships
Former Chairman: Woolworths Ltd (1992 – 2001).

Former Partner: Corrs Chambers Westgarth (1963 – 1987 and 1989 – 1993).

Former Consultant: Corrs Chambers Westgarth (1987 – 1989 and 1993 - 2002).

Former Director: Melbourne Business School Ltd (1989 - 2000) and MPI Mines Ltd (1992 – 2002).

Residence Melbourne.

DR R S DEANE

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

Independent Non-Executive Director

Chairman of ANZ National Bank Limited

Age 63

Non-executive director since September 1994. Dr Deane is a member of the Risk Management and Compensation Committees.

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

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

Director: Woolworths Limited (from 2000),

Former Directorships
Former Director: TransAlta Corporation (Canada) (2000 – 2003) and Fletcher Challenge Limited (1994 –2001).
Deputy Governor: Reserve Bank of New Zealand (1982 – 1986).

Former Alternate Executive Director: International Monetary Fund (1974 – 1976).

Residence Wellington, New Zealand.

MR J K ELLIS

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

Independent Non-Executive Director

Chairman of the Risk Management Committee

Age 67

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 Ltd (Director from 1999), National Occupational Health and Safety Commission (Director from 2003) and Australia-Japan Foundation (from 1999).

Chancellor: Monash University (from 1999).

Director: GroPep Ltd (from 1999).

Former Directorships
Former Chairman: BHP Ltd (1997 - 1999), Black Range Minerals Ltd (Director 2000 – January 2004) and Sandvik Australia Pty Ltd (1994 – 2002).

Former Director: Aurora Gold Ltd (1999 – 2001).

Residence Melbourne.

MR D M GONSKI, AO

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

Independent Non-Executive Director

Age 51

Non-executive director since February 2002. Mr Gonski is a member of the Risk Management Committee and the Nominations & Corporate Governance Committee. He represents the Group as a Director of ING Australia Limited.

Experience and expertise
Mr Gonski, a lawyer, has a wide experience in 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 1999), and the Investec Group in Australia (including Investec Wentworth Pty Limited) (Director from 2001).

Director: The Westfield Group Ltd (Director of Westfield Holdings Limited from 1985) and John Fairfax Holdings Limited (from 1993).

Former Directorships
Former Chairman: Morgan Stanley Australia Limited (1999-2002) and Hoyts Cinemas Limited (1995-1999).

Former Partner: Freehill Hollingdale & Page (1979-1986)

Residence Sydney.

MS M A JACKSON, AC

B EC, MBA, HON LLD, FAICD, FCA

Independent Non-Executive Director

Chairman of the Compensation Committee

Age 51

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).

Deputy Chairman: Southcorp Limited (August 2004).

Director: Billabong International Limited (from 2000).

Former Directorships
Former Partner: Consulting Division of KPMG Peat Marwick (5 March 1991 – 30 June 1992).

Former Director: BHP Ltd (1994 – 2000), Pacific Dunlop (1992 – 2000) and John Fairfax Holdings Limited (2003 - August 2004).

Residence Melbourne.

DR B W SCOTT AO

B EC, MBA, DBA

Independent Non-Executive Director

Chairman of the Nominations & Corporate Governance Committee

Age 69

Non-executive director since August 1985. Dr Scott is also a member of the Compensation Committee and represents the Group as a Director of Metrobank Card Corporation Inc.

Experience and expertise
A management consultant and company director, Dr Scott's extensive skills and experience in a range of business sectors and community organisations contribute to his role as a non-executive director.

Current Directorships
Chairman: Management Frontiers Pty Ltd (Director from 1985), The Foundation for Development Co-operation Ltd (Director from 1990) and The James N. Kirby Foundation Ltd (Director from 1981).

Director: Air Liquide Australia Ltd (from 1985).

Australian member: The Board of Governors of the Asian Institute of Management (from 1990).

Residence Sydney.

A STRONG ADVANTAGE FOR ANZ
GOOD CORPORATE GOVERNANCE

ANZ believes that good corporate governance and quality disclosure are fundamental to achieving the Company's vision - to be Australasia's leading, most respected and fastest growing major bank.

ANZ's shareholders depend on the Company's Board for strategic guidance and oversight of the Company. The Board recognises its overriding responsibility to act honestly, fairly, diligently and progressively, in accordance with the law, in serving the interests of ANZ's shareholders, as well as its employees, customers, and the community at large.

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 is receiving close scrutiny, and for the past two years, the Board has had a Nominations and Corporate Governance Committee to ensure such issues are fully addressed.

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 Securities and Exchange Commission rules and the New York Stock Exchange 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 resolves:

› To embrace principles considered to be best practice across the jurisdictions; and

› To be an 'early adopter' where possible by complying before a published law or recommendation takes effect.

Consequently, the Board continually monitors governance developments ensuring ANZ's practices are at best practice standard.

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

KEY CORPORATE GOVERNANCE ISSUES ADDRESSED BY THE BOARD INCLUDE:

INTERNATIONAL

› **International Financial Reporting Standards – (IFRS) –** ANZ has a formal program to ensure that the Company is prepared to report, in compliance with Australian equivalents to IFRS as issued by the International Accounting Standards Board, when its results for the half-year ended 31 March 2006 are announced. The program is on track to achieve this 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 has included a table on page 45 outlining its compliance with the recommendations.

› **The Corporations Law Economic Reform Program (Audit Reform and Corporate Disclosure) Act 2004 - CLERP 9 Act –** The legislation was passed by Parliament on 25 June 2004. While compliance with the majority of the changes made by the Act is not required until ANZ reports for the 2005 financial year, the Company has chosen to be an 'early adopter' of most of 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. As required under NZX Listing Rules, ANZ provide a brief description of the material differences between the ASX and NZX governance requirements on page 94.

OTHER JURISDICTIONS

› **United States of America –** As a "foreign private issuer" registered with the U.S. Securities and Exchange Commission (SEC) with securities listed on the New York Stock Exchange (NYSE), ANZ is required to comply with certain corporate governance requirements contained in U.S. securities laws, including the Sarbanes-Oxley Act of 2002 and applicable NYSE Listing Standards. As permitted under the NYSE Listing Standards, ANZ will provide a brief description of the material differences between its corporate governance practices and the NYSE corporate governance requirements for foreign private issuers in ANZ's U.S. Form 20-F annual report filed with the SEC and posted on anz.com.

› **United Kingdom –** ANZ monitors developments in the UK Combined Code through changes made by the Higgs Report and the Smith Report. The Nominations and Corporate Governance Committee has considered the changes made to the Combined Code, and the extent to which they represent developing trends in international corporate governance.

CORPORATE GOVERNANCE RECOGNITION

Governance Metrics International (GMI) Global Rating Report – In August 2004, ANZ participated in a review by GMI of corporate governance and disclosure practices of the top 2,600 companies worldwide. ANZ received an overall global rating of 9 out of 10 and was in the top 7% of companies surveyed. In addition, ANZ received significant recognition for its:

- Board accountability
- Remuneration
- Corporate behaviour
- Shareholder rights
- Market for control and ownership base

Horwath Corporate Governance Report - The Horwath Report ranked ANZ equal second for its corporate governance practices amongst the top 250 Australian companies in September 2004. ANZ received an overall 5 out of 5 star rating meaning that the Company's corporate governance structures met all best practice standards.

ASX CORPORATE GOVERNANCE TABLE

FOCUS & PRINCIPLE		COMPLIANCE (✓)
1	**LAY SOLID FOUNDATION FOR MANAGEMENT AND OVERSIGHT**	
1.1	Formalise the functions reserved to the Board and those delegated to management	Pg 47 ✓
2	**STRUCTURE THE BOARD TO ADD VALUE**	
2.1	The majority of the Board should be independent directors	Pg 48 ✓
2.2	The chairperson should be an independent director	Pg 47 ✓
2.3	The roles of the Chairperson and Chief Executive Officer should not be exercised by the same person	Pg 47 ✓
2.4	The Board should establish a nomination committee	Pg 50 ✓
2.5	Provide related disclosures	✓
3	**PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING**	
3.1	Establish a code of conduct to guide the directors, the CEO, the CFO and any other key executives as to:	
3.1.1	the practices necessary to maintain confidence in the company's integrity	Pgs 46, 53 ✓
3.1.2	the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	Pg 53 ✓
3.2	Disclose the policy concerning trading in company securities by directors, officers and employees	Pg 53 ✓
3.3	Provide related disclosures	✓
4	**SAFEGUARD INTEGRITY OF FINANCIAL REPORTING**	
4.1	Require the CEO and CFO to state in writing to the Board that the company's financial reports present a true and fair view, in material respects, of the company's condition and operational results and are in accordance with accounting standards	Pg 77 ✓
4.2	The board should establish an audit committee	Pg 50 ✓
4.3	Structure the audit committee so that it consists of › only non-executive directors › a majority of independent directors › an independent chairperson, who is not chairperson of the Board › at least three members	Pg 50 ✓
4.4	The audit committee should have a formal charter	Pg 50 ✓
4.5	Provide related disclosures	✓
5	**MAKING TIMELY AND BALANCED DISCLOSURE**	
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance	Pgs 46, 53 ✓
5.2	Provide related disclosures	✓
6	**RESPECT THE RIGHTS OF SHAREHOLDERS**	
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation	Pg 46 ✓
6.2	Request the external auditor to attend the AGM and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report	Pg 46 ✓
7	**RECOGNISE & MANAGE RISK**	
7.1	The Board or appropriate committees should establish policies on risk oversight and management	Pg 52 ✓
7.2	The CEO and CFO should state to the Board in writing that	
7.2.1	the statement given in accordance with best practice recommendation 4.1 is founded on a sound system of risk management and internal compliance and control which implements the polices adopted by the Board	Pg 77 ✓
7.2.2	the company's risk management and internal compliance and control system is operating effectively and efficiently in all material respects	Pg 52 ✓
7.3	Provide related disclosures	✓
8	**ENCOURAGE ENHANCED PERFORMANCE**	
8.1	Disclose the process for performance evaluation of the Board, its committees, individual directors and key executives	Pg 48 ✓
9	**REMUNERATE FAIRLY AND RESPONSIBLY**	
9.1	Provide disclosure in relation to the company's remuneration policies to enable investors to understand the costs and benefits of the policies, and the link between remuneration paid and to the directors and key executives and corporate performance	Pgs 58 to 71 ✓
9.2	The Board should establish a remuneration committee	Pg 50 ✓
9.3	Clearly distinguish the structure of non-executive directors remuneration from that of executives	Pgs 58 to 71 ✓
9.4	Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders	Pgs 58 to 71 ✓
9.5	Provide related disclosures	✓
10	**RECOGNISE THE LEGITIMATE INTERESTS OF STAKEHOLDERS**	
10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders	Pgs 46, 53 ✓

FOSTERING ETHICAL 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 18,000 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.

CREATING A SUSTAINABLE CONTRIBUTION TO SOCIETY

Through ANZ's values, the Company places a high emphasis on creating long-term business success, while at the same time, making a sustainable contribution to the community. Some examples of these contributions are outlined on pages 40 to 41.

DEMONSTRATING ANZ'S 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 will 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, newsletters and via its dedicated shareholder site on anz.com.

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

CONTINUOUS DISCLOSURE

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

› to all relevant stock exchanges on which ANZ's securities are listed; and

› to the market and community generally through ANZ's media releases, website and other appropriate channels.

ANZ-related releases are posted on relevant stock exchange websites and on ANZ's website.

Through ANZ's Market (Continuous) Disclosure Policy (see page 53), the Company demonstrates its commitment to continuous disclosure. The policy reflects relevant obligations under applicable stock exchange listing rules and legislation.

ANZ 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

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

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

UPHOLDING SHAREHOLDER RIGHTS

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

To allow as many shareholders as possible to have an opportunity to attend a meeting, ANZ rotates shareholder meetings around 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.com. Where votes are taken on a poll, ANZ appoints an independent party to verify the results, which are reported to the ASX and posted on anz.com.

During the year, ANZ presentations included:

› Annual Results and Acquisition of NBNZ Announcement – 24 October 2003 – Melbourne, Victoria and Auckland, New Zealand

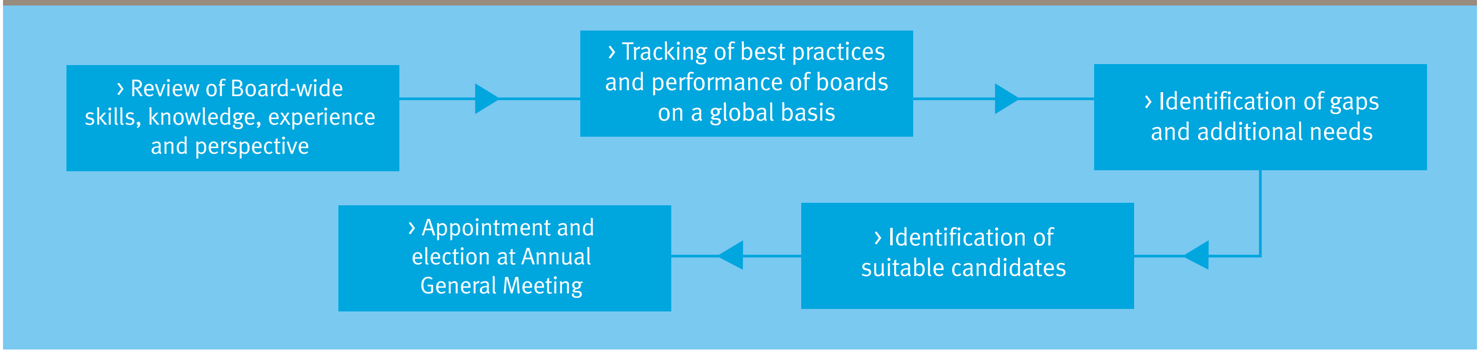
› Annual General Meeting – 19 December 2003 – Brisbane, Queensland

› New Zealand Briefing – 11 March 2004 – Auckland, New Zealand

› Interim Results Announcement – 27 April 2004 – Sydney, New South Wales

› Australian Personal Customer Division Market Briefing – 8 September 2004 – Melbourne, Victoria

A BALANCED AND WELL QUALIFIED BOARD - SELECTION OF DIRECTORS



BOARD RESPONSIBILITY AND DELEGATION OF AUTHORITY

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

The ANZ Board is chaired by a non-executive independent director. Its structure provides for a division of responsibility between the Chairman and the Chief Executive Officer. This is supported by the ANZ Board Charter (anz.com›about ANZ›corporate information› 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 CHAIRMAN

The Chairman plays an important leadership role with ANZ and is involved in:

› chairing meetings of shareholders and Board meetings;

› monitoring the performance of the Board and the mix of skills and effectiveness of individual contributions;

› maintaining on-going dialogue with the Chief Executive Officer and appropriate mentoring and guidance;

› overseeing Board review processes; and

› on-going mentoring of individual directors.

ACCESS TO DIRECTORS

Management is able to consult with directors as required on a regular basis. Employees and shareholders have access to the directors either directly or through the Company Secretary.

BOARD COMPOSITION, SELECTION AND APPOINTMENT

The Board strives to achieve a balance of skills, knowledge, experience and perspective among its directors. To ensure such a balance, the Board undertook a review of its nomination and selection process during the year. The formal process for review and selection of directors is set out above.

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

› **Adherence to Directors' Code of Conduct – **This code sets out that directors will pursue the highest standards of ethical conduct.

› **Meeting shares qualification** – ANZ's Constitution provides that each director is required to hold, within 3 months of appointment, at least 2,000 fully paid ordinary shares in the director's own right and must continue to hold at least 2,000 shares until the director ceases to hold office. Director shareholdings are set out on page 67.

› **Signing Director's Deed** – The Deed covers a number of issues including indemnity, directors' and officers' liability insurance, the right to obtain independent advice and the requirements concerning confidential information.

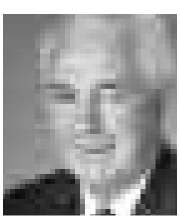
› **Receipt of Director Handbook** – Each director receives a handbook which outlines the director's principal obligations, Company policies, charters and processes as well as Board-specific procedures. It also sets out details of scheduled Board and Committee meetings.

› **Undertaking Induction training** – New directors take part in a formal induction program which ensures that directors meet with ANZ executives and other key staff members regarding ANZ's governance framework, financial management and business operations.

› **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.

NEW DIRECTOR APPOINTMENTS

During this year, ANZ announced the appointment of three new Directors to the Board.



New Director
Greg Clark PhD, BSc(Hons)

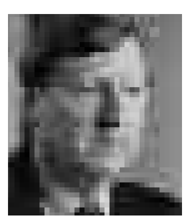
Appointment Date
1 February 2004

Experience and expertise
International experience in computing and technology

New Director
John Morschel DipQS

Appointment Date
1 October 2004

Experience and expertise
Experience as company director and strong background in banking and financial services



New Director
David Meiklejohn BCom, DipEd

Appointment Date
1 October 2004

Experience and expertise
Strong background in finance and as a company director

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 (see box below).

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.

ANZ's Constitution establishes a director shall retire at 70 years of age, unless the Board determines otherwise. Also, directors appointed since 1993 have agreed to retire after 15 years service.

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 takes 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. 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 director and the Chairman), Board memberships, Committees, and other relevant issues. They also discuss the performance of the Board against its Charter. The Chairman provides a report to the Board on the outcome of these meetings.

› **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 50).

INDEPENDENCE AND MATERIALITY

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

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

In the 2004 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 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.

As set out in the Board Charter, 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 September 2004 meeting, the Board considered each director's independence and in each case concluded that the independence criteria were met by all non-executive directors as set out on page 49.

DIRECTOR RE-ELECTION PROCEDURES

Where a director is due for retirement by rotation at the next Annual General Meeting, the following process is undertaken at the July meeting of the Board (or earlier) for determining whether the Board endorses the director's re-election –

STEP 1 - The director is required to submit a written or oral statement to the Board setting out reasons why he/she seeks re-election

STEP 2 - With the director absent from the room, the Board

› Evaluates the director's re-election having regard for the statement provided and the performance criteria on page 48

› Passes a resolution stating whether or not the Board supports the director's re-election having regard to the performance criteria on page 48

STEP 3 – Shareholders receive the Notice of Meeting for the upcoming Annual General Meeting which will

› Provide the director's experience and related details

› State the Board's resolution on whether or not the Board supports the director's re-election (an outcome of Step 2)

INDEPENDENCE CRITERIA

In its determination of director independence, the Board includes a review of relationships that directors and their immediate family members may have such as:

› **A relationship as an acquirer of services / and or products from ANZ and/ or its subsidiaries of the following kind :**

– Personal banking services or products
– Business banking services or products
– Sponsorship or donor funds

› **A relationship as a supplier of services and /or products to ANZ and / or its subsidiaries of the following kind :**

– Strategic services / products provider
– Professional services provided as a partner or executive
– Professional services provided as an employee
– Direct compensation from ANZ (and / or its subsidiaries) of more than $100,000 (other than as director's fees)

› **A relationship as a previous employee or partner of ANZ and/or its subsidiaries**

› **A relationship as a previous employee or partner of the external auditor**

› **A relationship as an executive officer of another company where any of ANZ's present executives serve on that company's compensation committee**

› **A relationship with a substantial shareholder or officer of an organisation that has a holding with 5% or more of the voting shares in ANZ**

› **All other material relationships or circumstances by which a director could be perceived not to be independent of management and free from any business or other relationship that could interfere with their independence.**

The Board examined acquirer relationships associated with each director 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 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 particulary noted several director associations as follows:

› Roderick Deane is Chairman of Telecom New Zealand Ltd. ANZ acquires communication services from Telecom New Zealand for the Company's New Zealand operations.

› David Gonski is a director of Westfield Holdings Ltd. ANZ leases properties from Westfield for its branch network in Australia.

› Margaret 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 Roderick Deane, David Gonski and Margaret Jackson is independent.

It is Board policy that directors do not participate in any decisions regarding transactions with organisations which they are associated as acquirer or supplier. Directors' biographies on pages 42 to 43 highlight their associations outside of ANZ.

In terms of length of service, the Board noted that there are three Board members with service over ten years. Notwithstanding Charles Goode's length of service, the Board members considered that his tenure does not interfere with his independence as a non-executive director or as Chairman. The Board concluded that the independence of John Dahlsen and Brian Scott is not compromised by their service of greater than ten years.

DIRECTOR INDEPENDENCE REVIEW PROCESS

The review of non-executive director independence is conducted annually and more frequently where a change in position or relationship warrants it.

Prior to Board meeting

› Non-executive directors complete an independence assessment form using the criteria above

› Responses are collated by the Company Secretary

During Board meeting

› Each director's response is tabled for full Board deliberation

› To reach a balanced decision, each non-executive director is asked to leave the Board room during discussion of his/her independence

Following Board meeting

› Outcome of all independence determinations are minuted

› Independence status of each director communicated in the Annual Report

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 53), the director may not exercise any influence over the Board if a potential conflict of interest exists. The process set out is such that the 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 are recorded in the Board minutes when they occur.

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 their 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.

CONTINUING EDUCATION

ANZ directors take part in a range of training and continuing education programs.

In addition to a formal induction program, directors 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 and risks, and strategy for growth. Directors also participate in business unit site visits which provide them with the opportunity to meet with staff and customers.

Continuing education sessions are held throughout the year focussing on a range of topics including emerging economic issues, technical developments, pending legislation, accounting standards, taxation, risk management and corporate governance.

BOARD COMMITTEES

Each of the four 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.

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

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

A copy of each Committee Charter can be found on anz.com › about anz › corporate governance.

The Audit Committee is responsible for oversight and monitoring of:

› the Company's financial reporting policies and controls;

› the work of Group (Internal) Audit;

› the Audit Committees of subsidiary companies such as ANZ National Bank;

› the integrity of the Company's financial statements and prudential returns;

› compliance with regulatory requirements; and

› the appointment, evaluation and oversight of the external auditor.

It is Board policy that all members of the Audit Committee be financially literate and that at least one member of the Committee be a "financial expert" as defined in the Sarbanes-Oxley Act. Ms Jackson was designated as the "financial expert" for this purpose for the 2004 financial year.

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 2004 financial year activities:

› Monitoring the work of Group (Internal) Audit – During the year, the Committee appointed a new Group General Manager, (Internal) Audit. A revised reporting system, based on a balanced scorecard, was put in place on the activities of Internal Audit including audit activities, governance, staff, customers, quality and management.

› Revising external auditor policy – The Policy on Relationship of the External Auditor Policy was revised during the year to ensure ANZ continues to meet best practice in this area.

› Refining external auditor evaluation – This year the Committee revised its process for evaluating the external auditor. The outcome of the evaluation was reported to the Board.

› Oversighting The National Bank of New Zealand (NBNZ) acquisition financial reporting – The Committee monitored all the financial reporting including consolidation accounting related to the NBNZ acquisition.

The Compensation 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 2004 financial year activities:

› Revising remuneration principles and processes – A review of ANZ's compensation program was conducted to ensure alignment with best practice principles. Related changes were introduced during the year.

› Reviewing performance of senior executives – The Committee reviewed the performance of the CEO and the CEO's direct reports against agreed performance measures. Succession planning was also undertaken.

› Considering non-executive director compensation and retirement benefits – In accordance with regulatory and corporate governance principles, the Committee reviewed and recommended changes to the compensation structure for non-executive directors.

The Nominations & Corporate Governance Committee's responsibility is to identify and recommend prospective Board members, to recommend processes for Board performance review and to recommend corporate governance principles, practices and procedures for ANZ.

DIRECTORS' MEETINGS

The number of Board meetings and meetings of Committees 1 October 2003 to 30 September 2004 the director was eligible to attend, and the number of meetings attended by each director were:

	Board		Audit Committee		Compensation Committee		Nominations & Corporate Governance Committee		Risk Management 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
G J Clark	5	5														
J C Dahlsen	8	8	6	6			5	4			4	4	2	2	1	1
R S Deane	8	8			6	6			5	5	4	4				
J K Ellis	8	8	6	6					5	5	5	5	1	1		
D M Gonski	8	8					5	5	5	4	7	7	1	1		
C B Goode	8	8	6	6	6	6	5	5	5	5	8	8	6	6	4	4
M A Jackson	8	8	6	6	6	6					5	5				
J McFarlane	8	8									10	10	4	4	3	3
B W Scott	8	8			6	6	5	5			5	5	2	2	1	1

Column A - Indicates the number of meetings the Director was eligible to attend.
Column B - Indicates the number of meetings attended. The Chairman is an ex-officio member of the Audit, Compensation, Nominations & Corporate Governance, and Risk Management Committees.

Some 2004 financial year activities:

› Refining director independence criteria - Procedures for confirmation of independent director status of non-executive directors were further refined (see page 49).

› Reviewing nominations procedures - Procedures for consideration of Board director nominations were refined and used during the year (see page 47).

› Developing principles and procedures – Additional principles and procedures were developed during the year for nominations and corporate governance to ensure ANZ would continue to meet best practice in these areas.

The Risk Management Committee is responsible for the review 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 2004 financial year activities:

› Monitoring risks associated with integration of NBNZ – The Committee reviewed regular status reports highlighting key risks and progress by integration streams for operational risk, market risk and credit risk (see page 52).

› Reviewing the Group's risk culture – To ensure the correct balance between risk and reward. A specific compliance measure was introduced to each business unit's balanced scorecard.

› Ensuring timely and necessary mitigating actions are taken in response to emerging risk issues - Continued to review regular reports on key emerging risks, and appropriate responses to be taken.

Additional Committees
In addition to the four 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 drafts of 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 Office function.

› The Company Secretary is responsible for day-to-day operations of the Company Secretary's Office including ANZ's continuous disclosures to relevant stock exchanges under the Market (continuous) Disclosure policy, the management of dividends, and the relationship with the share registry provider.

› The Chief Financial Officer is also appointed as Company Secretary.

Profiles of ANZ's Company Secretaries can be found in the Directors' Report on page 76.

COMMITTEE MEMBERSHIPS 1 OCTOBER 2003 to 30 SEPTEMBER 2004

Audit Committee	Compensation Committee	Nominations and Corporate Governance Committee	Risk Management Committee
John Dahlsen (C)	Margaret Jackson (C)	Brian Scott (C)	Jerry Ellis (C)
Jerry Ellis	Roderick Deane	John Dahlsen	Roderick Deane
Margaret Jackson (FE)	Brian Scott	David Gonski	David Gonski
Charles Goode (ex-officio)	Charles Goode (ex-officio)	Charles Goode (ex-officio)	Charles Goode (ex-officio)

C = Chairman FE = Financial Expert

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 provides leadership, oversees risk appetite and strategy, and ensures a robust risk and compliance culture pervades.

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

The risks may be broadly grouped under the four categories noted below. 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.

› **Credit Risk –** From a credit risk perspective, the risk environment for ANZ has improved over the year and the focus has been maintained on areas of concern in our portfolios. ANZ has remained vigilant in reducing domestic and offshore credit risk levels.

› **Market Risk –** During the year, ANZ conducted a detailed review of its trading risks and controls. This review concluded that ANZ's market control framework was appropriate for the scope and volume of trading activity undertaken. The market risk control framework has been strengthened by the implementation of a single integrated front-office system for the Capital Markets business.

› **Operational Risk –** Significant improvements have been achieved during the year in the Group's framework for operational risk measurement and capital allocation. Additional operational risk improvements include:

– Technology and Projects - A specialist Technology Risk function has been established within Group Risk Management to enhance the approach to technology risk management and to provide additional focus on large risk technology projects.

– Fraud - Fraud prevention and detection remained a key focus area for risk management, especially due to the growing trend in electronic fraud. ANZ uses technical tools to detect anomalies in customer transactions to reduce potential fraudulent activity. Education continues to be an essential component in fraud prevention for both staff and customers.

– Business Continuity and Crisis Management - The continuous monitoring of country security risk has been strengthened by the implementation of a country security risk rating framework which assists ANZ's response to changing risks in the international business environment and the ongoing safety of ANZ's staff and operations.

› **Compliance –** A dedicated compliance function within Group Risk Management is responsible for the Group's overall compliance framework, across all regulatory and internal operating policy requirements.

For further information on risk management, please see pages 16 to 17.

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 Committee agreed that the Company would undertake a Group-wide program focusing on Section 404 of the Sarbanes-Oxley Act of 2002.

ANZ is in the process of assessing its readiness to meet Section 404 requirements of the Act. In doing so, ANZ assesses the appropriateness of internal controls of financial reporting and the financial control activity level relative to key accounts and locations of operations. The program is being instituted at both Company and business unit level and is oversighted by a program steering committee. ANZ is well progressed in its assessment program and expects to be in full compliance with this section of the Act during the financial year to 30 September 2005, ANZ's first reporting date after the compliance date of 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. The internal audit function operates under a Charter from the Audit Committee that gives it unrestricted access to review all activities of the Group. The Group General Manager, (Internal) Audit reports to the Chairman of the Audit Committee.

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

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

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

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

External Audit

The external auditor's role is to provide reasonable assurance that ANZ's financial reports are accurate and free from material misstatement. The external auditor is to perform independent audits in accordance with Australian Accounting Standards. The external auditor provides reports directly to the Audit Committee.

During the year, the Audit Committee further strengthened ANZ's Relationship with External Auditor policy. 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 .

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 audit should 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.

Details on non-audit service can be found in the Directors' Report on page 76.

In the context of the US auditor independence rules, the SEC has requested that ANZ produce information relating to non-audit services provided by ANZ's auditor, KPMG.

ANZ is currently providing information as requested.

Should the SEC determine that services provided by KPMG did not comply with these rules, the SEC may seek sanctions, the nature and amount of which are not known.

Whilst ANZ cannot predict the outcome of the inquiry, based on information currently available, ANZ does not believe it will have a material adverse effect on the Company.

POLITICAL DONATIONS

In the year to 30 September 2004, ANZ donated $150,000 to the Liberal Party and $95,000 to the Labor Party.

Creating sustainable value for shareholders, staff, customers and the community

ANZ'S CODES OF CONDUCT AND POLICIES

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

› **Codes of Conduct for Directors and for Employees –** These policies set out the ethical standards to which directors and employees are expected to adhere. The Codes require that directors and employees adhere to the law, and that they disclose any relevant interests, that they act in the best interests of the Group and that they 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 2003 Annual Report are set out on page 82 and in the Financial Report on pages 130 to 134.

› **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 Note 52 of the Financial Report. Key contact – Group General Counsel and Company Secretary.

› **Employee Indemnity Policy –** This policy provides that the Group will indemnify employees against any liability that they incur in carrying out their role subject to meeting certain requirements. Further details on this policy and on indemnities given to certain employees can be found on page 77 of this Annual Report. Key contact – General Manager Operational and Technology Risk.

› **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.

› **Market (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, Company Secretary.

› **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.

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

› **Share Trading Policy –** This policy covers trading in ANZ securities by all employees, contractors and consultants engaged by ANZ. The policy prohibits trading in ANZ securities or the securities of other entities for all persons aware of unpublished ANZ price sensitive information. In addition, it specifically prohibits trading by certain employees, contractors and consultants working in specific areas of ANZ during blackout periods. A blackout period is the six-week period leading up to the day after the announcement of the half yearly and full year results. The Board has also resolved to apply the principles of this policy to directors' own trading in ANZ shares. Key contact – Head of Investor Relations.

› **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.

› **Other Company Policies** – Can be found on anz.com. Operational policies may not be publically available.

REMUNERATION REPORT

CONTENTS

SECTION A. REMUNERATION TABLES

For the year ended 30 September 2004 details of the emoluments of the directors are set out below:

		PRIMARY[3]			
		Cash salary/fees $	Long service leave accrued during the year $	Value of shares aquired in lieu of cash salary/fees[2] $	Associated entity board fees (cash) $
Non-executive Directors[1]					
CB Goode (Appointed director July 1991; appointed Chairman August 1995)	**2004**	**91,000**	**n/a**	**338,000**	**–**
Independent Non Executive Director, Chairman	2003	76,000	n/a	274,000	–
G Clark (Appointed February 2004)	**2004**	**86,667**	**n/a**	**–**	**–**
Independent Non Executive Director	2003	n/a	n/a	n/a	n/a
JC Dahlsen (Appointed May 1985)[7]	**2004**	**130,000**	**n/a**	**–**	**–**
Independent Non Executive Director	2003	110,000	n/a	–	–
RS Deane (Appointed September 1994)	**2004**	**130,000**	**n/a**	**–**	**117,958[9]**
Independent Non Executive Director	2003	110,000	n/a	–	100,996
JK Ellis (Appointed October 1995)	**2004**	**103,000**	**n/a**	**27,000**	**–**
Independent Non Executive Director	2003	110,000	n/a	–	–
DM Gonski (Appointed February 2002)	**2004**	**130,000**	**n/a**	**–**	**50,150**
Independent Non Executive Director	2003	110,000	n/a	–	42,500
MA Jackson (Appointed March 1994)	**2004**	**130,000**	**n/a**	**–**	**–**
Independent Non Executive Director	2003	88,000	n/a	22,000	–
BW Scott (Appointed August 1985)[7]	**2004**	**130,000**	**n/a**	**–**	**24,389**
Independent Non Executive Director	2003	110,000	n/a	–	–
TOTAL OF NON-EXECUTIVE DIRECTORS	**2004**	**930,667**	**n/a**	**365,000**	**192,497**
	2003	714,000	n/a	296,000	143,496
Executive Director					
J McFarlane (Appointed October 1997)	**2004**	**43[8]**	**78,211**	**1,882,831**	**–**
Chief Executive Officer	2003	702,565	23,431	709,685	–
TOTAL OF ALL DIRECTORS	**2004**	**930,710**	**78,211**	**2,247,831**	**192,497**
	2003	1,416,565	23,431	1,005,685	143,496

1 DE Meiklejohn and JP Morschel commenced as directors on 1 October 2004

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

3 Non-monetary benefits for all directors are nil

4 Accrual relates to Directors' Retirement Scheme. If each non-executive director had ceased to be a director as at 30 September 2004, the following benefits would have been payable under the Directors' Retirement Scheme: CB Goode - $1,069,255; G Clark - $33,008; JC Dahlsen - $402,365; RS Deane - $644,116; JK Ellis - $412,058; DM Gonski - $146,725; MA Jackson - $366,690; BW Scott - $389,125. The Directors' Retirement Scheme is being reviewed and it is currently planned to be discontinued after 30 September 2005

5 Details of options and deferred shares granted appear in the Annual Report of the year in which they are granted. In accordance with the requirements of AASB1046A, the amortisation value includes a proportion of the fair value (taking into account market-related vesting conditions) of all equity that had not yet fully vested as at the commencement of the financial year. It is assumed that 100% of the options will vest at the commencement of their exercise period (ie the shortest possible vesting period is assumed). The fair value is determined at grant date and is allocated on a straight-line basis over the shortest possible vesting period. The fair value is determined using a binomial option pricing model that is explained in section F8. The amount included as remuneration is not related to nor indicative of the benefit (if any) that may ultimately be realised should the options become exercisable

			POST EMPLOYMENT		EQUITY[5]	OTHER[6]	
Committee fees (cash)	Value of shares aquired in lieu of cash bonus[2]	Primary total	Super contributions	Retirement benefit accrued during the year[4]	Total amortisation of LTI options		Total
$	$	$	$	$	$	$	$
–	n/a	429,000	11,297	99,586	n/a	–	539,883
–	n/a	350,000	10,520	16,996	n/a	–	377,516
10,834	n/a	97,501	7,597	33,008	n/a	–	138,106
n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
65,050	n/a	195,050	11,296	74,356	n/a	–	280,702
25,000	n/a	135,000	10,520	22,430	n/a	–	167,950
19,500	n/a	267,458	10,321	70,998	n/a	–	348,777
–	n/a	210,996	9,900	17,151	n/a	–	238,047
52,250	n/a	182,250	11,297	65,780	n/a	–	259,327
25,000	n/a	135,000	10,520	23,384	n/a	–	168,904
16,050	n/a	196,200	11,297	67,227	n/a	–	274,724
–	n/a	152,500	10,520	49,078	n/a	–	212,098
42,250	n/a	172,250	10,899	56,352	n/a	–	239,501
–	n/a	110,000	9,900	(5,562)[11]	n/a	–	114,338
30,750	n/a	185,139	11,297	64,839	n/a	–	261,275
25,000	n/a	135,000	10,520	15,950	n/a	–	161,470
236,684	n/a	1,724,848	85,301	532,146	n/a	–	2,342,295
75,000	n/a	1,228,496	72,400	139,427	n/a	–	1,440,323
–	1,850,006	3,811,091	417,000[10]	–	2,584,880[12]	90,619[13]	6,903,590
–	982,121	2,417,802	87,750	–	2,538,759	–	5,044,311
236,684	1,850,006	5,535,939	502,301	532,146	2,584,880	90,619	9,245,885
75,000	982,121	3,646,298	160,150	139,427	2,538,759	–	6,484,634

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

7 JC Dahlsen and BW Scott will be retiring as directors on 3 February 2005 and 23 April 2005 respectively

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

9 Amounts paid in NZD are converted to AUD at an average rate for the year of 1.1254 (1.1139 in 2003)

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

11 In accordance with the ANZ Directors' Retirement Scheme (explained in section B2), MA Jackson's Retirement Benefit accrued during the year is shown as negative because the increase in the balance held in the ANZ Staff Superannuation Scheme (for the year ended 30 September 2003) exceeded the increase in other remuneration for the 3 preceeding years (ie from the 3-year period ended 30 September 2002 to the 3-year period ended September 2003)

12 Amortisation value of options as a percentage of total remuneration (as shown in the Total column above) was 37% in 2004 (50% in 2003)

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

For the year ended 30 September 2004 details of the emoluments of the top seven executives (Specified Executives), other than the Chief Executive Officer, are set out below and include the five most highly remunerated executives in the Company and the Group (as required under the Corporations Act 2001) and the top executives in the Group by authority (as required by AASB1046):

		PRIMARY		
		Cash salary/fees $	Long service leave accrued during the year $	Non monetary benefits[1] $
Specified Executives				
Sir J Anderson (appointed 1 December 2003)[7]	**2004**	**672,792**	**–**	**–**
Chief Executive & Director, ANZ National Bank Limited	2003	n/a	n/a	n/a
Dr RJ Edgar	**2004**	**723,651**	**56,212**	**31,552**
Chief Operating Officer	2003	583,500	2,399	31,144
E Funke Kupper[8]	**2004**	**654,550**	**10,846**	**7,277**
Group Managing Director Asia-Pacific	2003	654,850	10,865	6,869
BC Hartzer[9]	**2004**	**543,062**	**15,694**	**57,091**
Group Managing Director Personal Banking	2003	454,072	11,812	65,425
PJO Hawkins	**2004**	**551,625**	**11,678**	**7,277**
Group Managing Director Group Strategic Development	2003	593,432	11,646	6,869
PR Marriott	**2004**	**728,451**	**29,098**	**7,277**
Chief Financial Officer	2003	654,850	10,865	6,869
S Targett (appointed 5 May 2004)	**2004**	**305,407**	**5,101**	**2,934**
Group Managing Director Institutional Financial Services	2003	n/a	n/a	n/a
TOTAL	**2004**	**4,179,538**	**128,629**	**113,408**
	2003	2,940,704	47,587	117,176

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

2 Total cash bonus relates to the cash component provided as part of ANZ's short-term incentive program in May 2004 (50% cash) and the full bonus amount from October 2004 (which was 100% cash, except in those instances where the Specified Executive elected to receive shares in lieu, in which case the value of these elective shares are shown above as though they were cash). Refer to section C5.1 for further details

3 Details of options and deferred shares granted appear in the Annual Report of the year in which they are granted. In accordance with the requirements of AASB1046A, the amortisation value includes a proportion of the fair value (taking into account market-related vesting conditions) of all equity that had not yet fully vested as at the commencement of the financial year. It is assumed that 100% of the options will vest at the commencement of their exercise period (ie the shortest possible vesting period is assumed) and that deferred shares will vest after 3 years. The fair value is determined at grant date and is allocated on a straight-line basis over the 3-year vesting period. For options, the fair value is determined using a Binomial Option Pricing model that is explained in section F8. For deferred shares, the fair value is the weighted average price of the Company's shares on the allocation date. The amount included as remuneration is not related to nor indicative of the benefit (if any) that may ultimately be realised should the options become exercisable

4 Accrual relates to Retirement Allowance (refer to section E for further details)

	EQUITY[3]				POST EMPLOYMENT		
Total cash bonus[2] $	Total amortisation value of STI shares $	Total amortisation value of LTI shares $	Total amortisation value of LTI options $	Total amortisation of other equity allocations $	Super contributions $	Retirement benefit accrued during year[4] $	**Total[5,6]** $
335,881	**–**	**–**	**–**	**219,168**	**67,279**	**32,160**	**1,327,280**
n/a	n/a	n/a	n/a	n/a	n/a	n/a	**n/a**
393,000	**197,681**	**342,662**	**256,110**	**–**	**46,752**	**7,163**	**2,054,783**
222,004	236,895	141,264	201,924	–	38,025	10,276	**1,467,431**
385,500	**232,208**	**232,024**	**333,500**	**–**	**40,950**	**–**	**1,896,855**
210,008	315,650	233,812	452,430	–	40,950	–	**1,925,434**
424,000	**201,364**	**192,239**	**298,814**	**–**	**37,224**	**–**	**1,769,488**
165,005	272,484	141,682	265,593	–	32,175	–	**1,408,248**
325,000	**214,906**	**206,975**	**293,966**	**–**	**43,875**	**2,947**	**1,658,249**
200,016	280,451	219,660	347,032	–	43,875	2,979	**1,705,960**
482,000	**243,435**	**276,714**	**369,376**	**–**	**45,542**	**–**	**2,181,893**
239,017	295,927	255,135	394,675	–	40,950	–	**1,898,288**
267,000	**–**	**–**	**–**	**188,081[10]**	**18,976**	**–**	**787,499**
n/a	n/a	n/a	n/a	n/a	n/a	n/a	**n/a**
2,612,381	**1,089,594**	**1,250,614**	**1,551,766**	**407,249**	**300,598**	**42,270**	**11,676,047**
1,036,050	1,401,407	991,553	1,661,654	–	195,975	13,255	**8,405,361**

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

6 Amortisation value of options as a percentage of total remuneration (as shown in the Total column above) was as follows: Sir J Anderson - 16% (n/a in 2003); RJ Edgar - 12% (14% in 2003); E Funke Kupper - 18% (23% in 2003); BC Hartzer - 17% (19% in 2003); PJO Hawkins - 18% (20% in 2003); PR Marriott - 17% (21% in 2003); S Targett - 12% (n/a in 2003)

7 Amounts paid in NZD are converted to AUD at an average rate for the year of 1.1254. Amortisation of other equity allocations for Sir J Anderson relates to the granting of zero priced options (ZPO) and shares issued under ANZ's $1,000 Employee Share Acquisition Plan (ESAP). ZPOs are granted under the ANZ Share Option Plan and have a nil exercise price and no time-based vesting criteria. They were designed to deliver equity to the CEO of National Bank of New Zealand and were issued to meet the particular needs and circumstances at the time of the acquisition of NBNZ. Refer to section C7 for further details pertaining to the $1,000 ESAP

8 E Funke Kupper was the Managing Director of Personal Banking & Wealth Management Australia prior to 1 May 2004

9 BC Hartzer was the Managing Director of Consumer Finance prior to 1 May 2004

10 Amortisation of other equity allocations for S Targett relates to the grant of deferred shares (four tranches of $700,000 to be issued at 6 month intervals in approximately April and October each year, subject to Board approval and continued employment) and hurdled options (refer to section C5.2.1 for performance hurdle details) to compensate S Targett for the loss of access to equity as a result of his resignation from his previous employer

SECTION B. NON-EXECUTIVE DIRECTORS' REMUNERATION

B1. NON-EXECUTIVE DIRECTORS' REMUNERATION POLICY

Non-executive directors' fees are reviewed annually and are determined by the Board of Directors based on advice from external advisors and with reference to fees paid to other non-executive directors of comparable companies.

Non-executive directors' fees are within the maximum aggregate limit agreed to by shareholders at the Annual General Meeting held on 13 December 2002 ($2.5 million, excluding retirement allowances), and are set at levels that fairly represent the responsibilities of, and the time spent by, the non-executive directors on Group matters.

Directors receive a fee for being a director of the Board, and also additional fees for either chairing or being a member of a committee. Special work on committees may attract additional fees, of an amount considered appropriate in the circumstances. An additional fee is also paid if a non-executive director serves as a director of ANZ National Bank Limited, ING Australia Ltd or Metrobank Card Corporation.

The fee structure is illustrated in the table below:

Role	Current Fee
Chairman	$429,000
Non-executive director	$130,000
Committee Chair[1]	$32,500
Committee Member[1]	$9,750

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

Directors may elect to take all or part of their fees in shares under the Directors' Share Plan (refer to section B3 for more details).

For details of emoluments paid to directors for the year ended 30 September 2004, refer to the Remuneration tables in section A of this Remuneration Report.

B2. NON-EXECUTIVE DIRECTORS' RETIREMENT POLICY

All non-executive directors participate in the ANZ Directors' Retirement Scheme. Under this scheme, a lump-sum retirement benefit is payable to non-executive directors upon their ceasing to be a director.
The lump-sum retirement benefit payable where the non-executive director has held office for 8 years or more is equal to the total remuneration (excluding retirement benefit accrual) of the non-executive director in respect of the 3 years immediately preceding the non-executive director ceasing to be a non-executive director. This benefit is funded in part by the balance held, if any, on the non-executive director's behalf in the ANZ Staff Superannuation Scheme.
For periods of less than 8 years, a proportionate part of such emoluments is payable. The non-executive directors are not entitled to the statutory entitlements of long service leave and annual leave.

Consistent with Principle 9.3 of the Australian Stock Exchange (ASX) Corporate Governance Rules, which states that non-executive directors should not be provided with retirement benefits other than statutory superannuation, the ANZ Directors' Retirement Scheme is being reviewed and it is currently planned to be discontinued after 30 September 2005.

B3. DIRECTORS' SHARE PLAN

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

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

SECTION C. REMUNERATION STRUCTURE

C1. EXECUTIVE REMUNERATION PHILOSOPHY AND OBJECTIVES

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

The following philosophies underpin ANZ's reward policy:

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

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

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

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

During 2004 a comprehensive review of reward structures has been conducted against the backdrop of these philosophies and against the Company's growth strategy and corporate governance principles. As a result, a number of changes to reward structures are planned for the first half of the 2005 financial year. These changes are detailed in section C5 of this Remuneration Report.

C2. COMPENSATION COMMITTEE

The Compensation Committee has a charter which details the terms of reference under which the Committee operates. The Charter can be found on anz.com › about ANZ (listing at top of screen) › Corporate Information › ANZ Policies › Corporate Governance and Policies.

The role of the Compensation Committee is detailed on page 50 of the Corporate Governance Report.

On a number of occasions throughout the year, both the Compensation Committee and management received external advice on matters relating to remuneration. The following advisors were used: Hay Group; Blake Dawson Waldron; Freehills; Mercer Human Resource Consulting; and PricewaterhouseCoopers.

C3. REMUNERATION STRUCTURE OVERVIEW

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

The executive remuneration program is designed to support the reward philosophies detailed in section C1, and to underpin the Company's growth strategy. This program aims to differentiate remuneration on the basis of achievement against both individual, business unit and group performance targets which are aligned to sustained growth in shareholder value.

The program comprises the following components:

› Fixed remuneration component: salary, non-monetary benefits and superannuation contributions.

› Variable or "at risk" component:

- Short-Term Incentive (STI); and
- Long-Term Incentive (LTI), which consists of options and deferred shares

The relative weighting of fixed and variable components, for target performance, is set according to the size or market of the executive's role, with the proportion of remuneration "at risk" increasing for the most senior or complex roles, or for those roles where there is strong market pressure to provide greater levels of remuneration. Compared to the market, fixed remuneration levels are designed to be around median, as are the variable components - STI and LTI - except in cases of superior performance where total remuneration is designed to reflect the upper range of competitive market levels. In this way the remuneration structure is heavily weighted towards "reward for performance".

C4. FIXED REMUNERATION

For most executives, fixed remuneration consists of what is referred to as Total Employment Cost (TEC). TEC comprises a notional cash salary, a superannuation contribution (calculated as 9% of the notional salary except for Sir J Anderson who receives a superannuation contribution equal to one eleventh of TEC) and the remainder as cash or nominated benefits. The types of benefits that can be packaged by executives include novated car leases, additional superannuation contributions, car parking, child care and contributions towards the Employee Share Save Scheme (see note 50 of the 2004 Financial Report for details of the Employee Share Save Scheme).

To ensure fixed remuneration for the Company's most senior executives remains competitive, the TEC component of executive compensation is reviewed annually based on performance and market data, with the level targeted to around the market median being paid in the finance industry in the relevant global markets in which ANZ operates.

International remuneration levels are considered in assessing market competitiveness where an executive's primary place of residence is (or has been) outside of Australia or New Zealand, in which case the local market is considered.

C5. VARIABLE REMUNERATION

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

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

Most executives participate in the short-term incentive scheme detailed in section C5.1. All executives participate in the long-term incentive plan detailed in section C5.2, subject to individual performance thresholds. In some instances, customised short-term incentive plans will exist that executives may participate in to ensure more precise alignment with business objectives and market practice. No executives however, may participate in more than one short-term incentive plan.

C5.1 Short-term Incentives

Short-term incentive (STI) payments encourage executives to support ANZ's strategic objectives by providing rewards that are significantly differentiated on the basis of achievement against performance targets. Most executives participate in the scheme explained below. All short-term incentive schemes are reviewed by the Compensation Committee.

The size of STI payments are based, firstly, on overall group and business unit performance results against a balanced scorecard and, secondly, on individual performance against financial and non-financial measures.

› Group and business unit performance is assessed against a number of qualitative and quantitative measures consistent with the ANZ Balanced Scorecard Approach. Measures include but are not limited to:

› Change in Economic Value Added (EVA™);

› Customer Satisfaction;

› Employee Engagement;

› Risk Management; and

› Compliance.

Performance against these measures influences the size of the incentive pool available to individuals within each business unit.

› For individual performance, executives are ranked against their peers, with better relative performance attracting a greater proportion of the incentive pool. Individual Key Result Areas (KRAs) are set annually to support the Company objectives stated in the Balanced Scorecard noted above, and performance against these KRAs is used as an input to assessing relative ranking.

Up until May 2004, STI payments have been made each half year and a portion of them have been paid in shares deferred for 3 years (STI deferred shares).

STI deferred shares have the following conditions attached:

› Shares are subject to a time-based vesting hurdle of 3 years, during which time they are held in trust;

› During the deferral period, shares attract dividends that are paid directly to the employee; and

› Shares issued under this plan may be held in trust for up to 10 years.

The value used to determine the number of STI shares to be allocated has been based on the volume weighted average price of the Company's shares traded on the ASX in the week leading up to and including the date of issue.

From October 2004, performance will continue to be measured every 6 months, but payments will be made annually. Furthermore, bonuses are to be paid 100% in cash (except where specific business schemes require otherwise, or executives elect to receive shares in lieu). This change, together with the changes being made to our long-term incentive program, is designed to increase the competitiveness and clarity of purpose of the Company's reward structures.

C5.2 Long-term Incentives

Long-term incentives (LTIs) are used as a mechanism to link a significant portion of executives' compensation to the attainment of sustained growth in shareholder value. The size of LTI grants is determined by the Company's performance and an individual's level of responsibility, performance and the assessed potential of the executive. Allocations have typically been made in or around April and October each year, although after 2004 the grants will be made annually in or around November.

There are two components to LTI, each making up approximately half of the annual LTI grant value:

› Options; and

› Deferred Shares.

Upon exercise, each option entitles the option holder to one ordinary share.

The conditions under which shares and options are granted are approved by the Board in accordance with the rules of both the ANZ Employee Share Acquisition Plan and the ANZ Share Option Plan. Performance conditions are explained in more detail below, including changes planned for the coming year.

C5.2.1 Options

Options are designed to reward executives for share price growth dependent upon the Company's Total Shareholder Return outperforming peers. Each option has the following features:

› An exercise price (or for index-linked options, the original exercise price) that is set equal to the weighted average sale price of all fully paid ordinary shares in the Company sold on the Australian Stock Exchange during the 1 week prior to and including the date of grant[1];

› A maximum life of 7 years and an exercise period that commences after 3 years[2], subject to performance hurdles being cleared. Options are re-tested monthly (if required) after the commencement of the exercise period;

› Upon exercise, each option entitles the option-holder to one ordinary share;

› In case of resignation or termination on notice or dismissal for misconduct: options are forfeited;

› In case of redundancy: options are pro rated and a grace period of 3 months is provided in which to exercise the remaining options (with hurdles waived, if applicable);

› In case of retirement, death or total & permanent disablement: A grace period of 3 months is provided in which to exercise all options (with hurdles waived, if applicable); and

› Performance hurdles, which are explained below for each type of option.

1 For options granted to the CEO, the exercise price is equal to the weighted average share price during the 5 trading days immediately before or after the Company's Annual General Meeting that immediately precedes the allocation.

2 For options granted to the CEO, the life and exercise period may differ, as disclosed in the tables of the year in which they are granted.

Hurdled options (granted from February 2000 until July 2002, and from November 2003 until May 2004)

Until May 2004, hurdled options were granted with the following performance hurdles attached:

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

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

These hurdles were originally selected to ensure rewards were aligned with share price growth in a manner that was easy to understand and which took into account performance relative to the market. At the time of implementation these hurdles were in line with market practice.

Index-linked options (granted from October 2002 to May 2003)

Index-linked options have a dynamic exercise price that acts as a built-in performance hurdle, ie the exercise price is adjusted in line with the movement in the S&P/ASX 200 Banks (Industry Group) Accumulation Index (excluding ANZ). As an additional constraint, the adjusted exercise price can only be set at or above the original exercise price. Index-linked options ensure that executives are only rewarded for the true out-performance of ANZ's share price over and above the movement in the related index. They are exercisable between the 3rd and 7th year after grant date, subject to the adjusted exercise price being above the prevailing share price.

Hurdled options (to be granted from November 2004)

From November 2004, the hurdles attached to options will change. The proportion of options that become exercisable will depend upon the TSR achieved by ANZ relative to the companies in the comparator group shown below. Performance equal to the median TSR of the comparator group will result in half the options becoming exercisable. Performance above median will result in further options becoming exercisable, increasing on a straight-line basis until all of the options become exercisable where ANZ TSR is at or above the 75th percentile in the comparator group. These new performance hurdles are more consistent with current market practice in the financial services industry and are aligned with the Company's strategic focus on growth.

Comparator Group

National Australia Bank	St George Bank
Commonwealth Bank	Westpac
QBE	AMP
AXA Asia Pacific	IAG
Suncorp Metway	Macquarie

C5.2.2 Deferred Shares (LTI)

Deferred Shares granted under the long-term incentive arrangements are designed to reward executives for superior growth whilst also encouraging retention and an increase in the Company's share price.

› Shares are subject to a time-based vesting hurdle of 3 years, during which time they are held in trust;

› During the deferral period, the employee is entitled to any dividends paid on the shares;

› Shares issued under this plan may be held in trust for up to 10 years;

› The value used to determine the number of LTI deferred shares to be allocated has been based on the volume weighted average price of the shares traded on the ASX in the week leading up to and including the date of issue;

› In case of resignation or termination on notice or dismissal for misconduct: LTI shares are forfeited;

› In case of redundancy: the number of LTI shares that are released is pro rated according to the time held as a proportion of the vesting period; and

› In case of retirement, death or total & permanent disablement: LTI shares are released to executives.

C6. PERFORMANCE OF ANZ

The following table shows how ANZ's Total Shareholder Return (TSR, which includes share price growth, dividends and other capital adjustments) has performed against two comparator groups, measured from various dates (which approximately coincide with previous major option allocations) to 30 September 2004. The measure shown ("ANZ out-performance against the index") is intended to demonstrate the link between company performance and the value delivered to executives as part of the long-term incentive arrangements (ie the measure reflects the hurdle attached to previously granted hurdled options, as explained under section C5.2.1).

		ANZ out-performance against S&P/ASX 100 Accumulation Index[1]	ANZ out-performance against S&P/ASX 200 Banks Accumulation Index[1,2]
Measurement Period	Number of months	Measured point-to-point	Measured point-to-point
1 Apr 04- 30 Sep 04	6	-7%	6%
1 Oct 03 - 30 Sep 04	12	-3%	10%
1 Apr 03- 30 Sep 04	18	-16%	6%
1 Oct 02 - 30 Sep 04	24	-11%	10%
1 Apr 02- 30 Sep 04	30	9%	15%
1 Oct 01 - 30 Sep 04	36	8%	6%
1 Apr 01- 30 Sep 04	42	39%	32%
1 Oct 00 - 30 Sep 04	48	52%	31%
1 Apr 00- 30 Sep 04	54	98%	51%
1 Oct 99 - 30 Sep 04	60	91%	63%

1 Out-performance is measured in absolute percentage points by which the Company's TSR has exceeded or lagged the relevant accumulation index, over the measurement period, eg the Company's TSR from 01 Oct 99 to 30 Sep 04 was 146.3%, whilst the S&P/ASX100 Accumulation Index grew by 55.8% in the same period. This represents a 91% out-performance by the Company

2 The Banking and Finance Accumulation Index is used instead of the S&P/ASX 200 Banks (Industry Group) Accumulation Index for any portion of a performance period extending before April 2000

C7. OTHER EMPLOYEE SHARE SCHEME

$1,000 Employee Share Acquisition Plan
All permanent employees (other than the most senior executives) who have had continuous service for one year with the Company or any of its controlled entities may be eligible to participate in a scheme enabling the issue of up to $1,000 of shares to an employee in each financial year, subject to the approval of the Board. The shares are retained in trust for a three-year vesting period. On expiration of that period, an employee may generally sell the shares, transfer them into their name, or have them retained in the trust. On termination, the shares are generally transferred into the employee's name. Forfeiture provisions may apply outside of Australia, depending on the jurisdiction.

The Company has made six offers under the $1,000 Employee Share Acquisition Plan, with a seventh scheduled for December 2004. A total of 8,258,575 shares have been granted under the plan as at 30 September 2004.

SECTION D. CHIEF EXECUTIVE OFFICER'S REMUNERATION

D1. CEO REMUNERATION OVERVIEW

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

› **Fixed Compensation**: Consists of salary, benefits and superannuation contributions. Since October 2003, J McFarlane has elected to receive almost all of his Fixed Compensation in the form of shares purchased under the Directors' Share Plan.

› **Short-Term Incentive**: J McFarlane's Short-Term Incentive is based on the Group's EPS Growth and EVA™ performance against target and an annual assessment of J McFarlane's achievement of specific objectives agreed with the Board. J McFarlane's Short-Term Incentive may be paid in cash or in shares purchased under the Directors' Share Plan. J McFarlane has typically elected to receive shares.

› **Long-Term Incentive**: J McFarlane's Long-Term Incentive was approved by shareholders at the Annual General Meeting in December 2001. Four tranches of options were approved for granting by the Board: 500,000 in 2001; 1,000,000 in 2002; 1,000,000 in 2003 and 500,000 in 2004. The exercise of these options is subject to performance hurdles being satisfied. J McFarlane's specific performance hurdles, for options granted during the year, are indicated in section F3. Subject to shareholder approval at the Annual General Meeting in December 2004, it is proposed that J McFarlane be offered 175,000 Performance Shares as part of his contract extension.
The conditions attached to these Performance Shares are explained in section D4 below.

The compensation of J McFarlane for the year ended 30 September 2004 is set out in Section A of this Remuneration Report.

D2. CEO'S CONTRACT TERMS

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

› The term of the contract will be extended by one year to 30 September 2007;

› In addition to mandatory superannuation contributions, the Company will make additional employer contributions of $300,000 per annum (effective from 1 October 2003), paid quarterly to J McFarlane's chosen superannuation fund; and

› Subject to shareholder approval at the Annual General Meeting in December 2004, it is proposed that J McFarlane be offered 175,000 Performance Shares, described in section D4.

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

D3. CEO'S RETIREMENT AND TERMINATION BENEFITS

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

J McFarlane can terminate his employment agreement by providing 12 months' notice. ANZ may terminate the employment agreement by providing notice equal to the unexpired term of the employment agreement (which ends on 1 October 2007). If ANZ terminates the employment agreement without notice and thus breaches its obligation to provide the required notice, ANZ has agreed with J McFarlane that the damages payable by ANZ for breach of contract would be equal to the Total Employment Cost (TEC) that would otherwise be received over the remainder of the contract (TEC comprises salary or fees, non-monetary benefits and mandatory superannuation contributions).
In circumstances of serious misconduct, J McFarlane is only entitled to payment of TEC up to the date of termination.
Payment of accumulated superannuation benefits plus statutory entitlements of long service leave and annual leave (calculated on the basis of salary or fees) applies in all events of separation.

In the event of resignation not approved by the Board or dismissal for serious misconduct, all unexercised options will be forfeited. In the event of termination on notice, all option grants may be exercised. Upon separation, option entitlements must be exercised within 6 months of termination. In the event of serious misconduct, shares held in the Directors' Share Plan will be forfeited.
On resignation or termination on notice, shares will be released.

D4. ALLOCATION OF PERFOMANCE SHARES (DECEMBER 2004)

Subject to shareholder approval, 175,000 Performance Shares will be issued to J McFarlane on 31 December 2004. No dividends will be payable on the shares until they vest. Vesting will be subject to the following time and performance hurdles being satisfied:

› The performance hurdle will be measured during the performance period by comparing ANZ's Total Shareholder Return (ANZ TSR) with that of a comparator group of selected major financial services companies in the S&P/ASX 100 Index, excluding ANZ. The companies to be used in the comparator group will be as approved by the Board.

› The percentage of Performance Shares that will vest will depend upon the TSR achieved by ANZ relative to the companies in the comparator group. Performance equal to the median TSR of the comparator group will result in half the Performance Shares vesting. For each percentile above the median an additional 2% of Performance Shares will vest, increasing on a straight-line basis until all of the Performance Shares vest where ANZ TSR is at or above the 75th percentile of TSRs in the comparator group.

› TSR will be measured for ANZ and the comparator group over the same period (since grant) and calculated as at the last trading day of any month, once the performance period has commenced. The first opportunity for Performance Shares to vest will be after the second anniversary of grant, after which the Performance Shares will continue to be tested monthly until they are forfeited 5 years after the grant date, or 100% vest, whichever is the earlier.

Performance Shares will be forfeited if they have not vested five years after grant or if J McFarlane ceases to be an employee of the Company by reason of serious misconduct. If J McFarlane resigns without the prior approval of the Board, unvested Performance Shares will be forfeited.

D5. CEO'S PARTICIPATION IN EQUITY PROGRAMS

J McFarlane participates in the Directors' Share Plan, which is explained in section B3. Refer to section F for details of grants and holdings.

J McFarlane also participates in the ANZ Share Option Plan, which is described in section C5.

SECTION E. SPECIFIED EXECUTIVES' CONTRACT TERMS

Contractual terms for most executives are similar, but do, on occasions, vary to suit different needs.

Section E1 details the contractual terms for those Specified Executives who are on open-ended contracts. Section E2 details the contractual terms for Sir J Anderson, who is on a fixed term contract.

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

Length of Contract	Open-ended.
Fixed Compensation	The Total Employment Cost (TEC) package consists of salary, mandatory employer superannuation contributions and benefits.
STI	Eligible to participate. Target opportunity of 66.67% of Total Employment Cost (refer to section C5.1 for details of short-term incentive arrangements).
LTI	Eligible to participate at the Board's discretion - refer to section C5.2 for long-term incentive arrangements.
Resignation	Employment may be terminated by giving 6 months' written notice. On resignation any options and unvested deferred shares will be forfeited. As a result of being employed by ANZ prior to November 1992, RJ Edgar and PJO Hawkins are eligible to receive a Retirement Allowance on resignation for illness, incapacity, or domestic reasons; refer to Other Aspects (below) for more details.
Retirement	On retirement, shares and options are generally released in full, although this is only stated in the contracts of E Funke Kupper (for shares) and PR Marriott (both shares and options). Furthermore, PR Marriott is entitled to a bonus on retirement, pro-rated for the proportion of the final performance period that is worked prior to cessation of employment, and subject to adjustment for performance in accordance with the short-term incentive arrangements in place at the time. As a result of being employed by ANZ prior to November 1992, RJ Edgar and PJO Hawkins are eligible to receive a Retirement Allowance on retirement; refer to Other Aspects (below) for more details.
Termination on Notice by ANZ	ANZ may terminate the employment agreement by providing 12 months' written notice or payment in lieu of the notice period based on TEC. On termination on notice by ANZ, any options or LTI deferred shares that have vested, or will vest during the notice period will be released, in accordance with the ANZ Share Option Plan Rules. LTI shares that have not yet vested will generally be forfeited, although for some executives (E Funke Kupper, BC Hartzer and PR Marriott) these shares will be released in full. Deferred shares granted under STI arrangements will vest in full for all executives. Discretion to pay bonuses on a pro-rata basis (depending on termination date, and subject to business performance) applies in most cases, but is contracted for BC Hartzer and PR Marriott.
Redundancy	If ANZ terminates employment for reasons of bona fide redundancy, a severance payment will be made that is equal to 12 months TEC. All STI deferred shares are released. All options granted since 24 April 2002 are released on a pro-rata basis - all prior grants may be exercised. All LTI deferred shares granted since 23 October 2002 are released on a pro-rata basis - all prior grants will vest. Discretion to pay bonuses on a pro-rata basis (depending on termination date, and subject to business performance) applies in most cases, but is contracted for BC Hartzer and PR Marriott. As a result of being employed by ANZ prior to November 1992, RJ Edgar and PJO Hawkins are eligible to receive a Retirement Allowance on retrenchment; refer to Other Aspects (below) for more details.
Death or Total and Permanent Disablement	All options and shares released; pro-rata bonus. As a result of being employed by ANZ prior to November 1992, RJ Edgar and PJO Hawkins are eligible to receive a Retirement Allowance on death; refer to Other Aspects (below) for more details.
Termination for serious misconduct	ANZ may terminate the employment agreement at any time without notice, and the employee will only be entitled to payment of TEC up to the date of termination. On termination for serious misconduct, any options, unvested deferred shares or vested deferred shares still held in trust will be forfeited.

Other Aspects	S Targett: subject to continuing employment and the approval of the Board, four tranches of deferred shares (sign-on deferred shares), each worth $700,000, are to be granted at six month intervals in or around April and October each year, and Hurdled Options (sign-on options) worth $750,000 are to be granted within 3 months of commencement of employment, to compensate for the loss of equity from S Targett's previous employer. On termination on notice, a pro-rata proportion of the sign-on options can be exercised, based on the period of employment, and sign-on deferred shares will vest in full, including any scheduled to be granted during the notice period. PJO Hawkins: for the period ending 31 December 2005, any payments on cessation of employment (including payout of accrued but untaken Long Service Leave) will be based on a TEC of $750,000. In instances where a retirement allowance is payable under ANZ policy (ie for RJ Edgar and PJO Hawkins in instances of retirement, death, retrenchment or resignation for illness, incapacity, or domestic reasons), the retirement allowance is calculated as follows: 3 months of notional salary (which is 65% of TEC) plus an additional 3% of notional salary for each year of full time service above 10 years, less the total accrual value of long service leave (including taken and untaken).

E2. FIXED TERM CONTRACT (SIR J ANDERSON)

Length of Contract	Ends 30 September 2005.
Fixed Compensation	The Total Employment Cost (TEC) package is inclusive of employer contributions to the superannuation fund.
STI	Short term incentive payments are subject to both business and individual performance. The target payment is 50% of TEC.
LTI	Fixed at NZD500,000 worth of zero-priced options annually, granted in two tranches per annum. The share options can be exercised at any time during employment and within 6 months of the termination of employment.
Resignation	Sir J Anderson may terminate his employment by giving 12 months' written notice. On resignation, any share options which have not been exercised as at the termination date are forfeited.
Retirement	A policy for payment of retirement gratuities was in place with NBNZ employees prior to the acquisition by the Company of NBNZ. This policy has been continued for eligible staff who were ANZ National Bank Limited employees as at 1 December 2003, including Sir J Anderson. Under this policy, a payment will be made to Sir J Anderson on his retirement that is equal to the number of full years' service divided by 35 and multiplied by 85% of finishing salary (where finishing salary is fixed remuneration less any superannuation contribution). This value is then grossed up for tax (ie divided by 0.61) and from this value the total accrual value of long service leave taken is deducted.
Termination on Notice by ANZ	ANZ National Bank Limited may terminate the employment agreement by providing notice or payment in lieu of notice equal to the unexpired term of the employment agreement (which ends on30 September 2005). On termination on notice by ANZ any options may be exercised in accordance with the ANZ Share Option Plan Rules.
Death or Total and Permanent Disablement	All shares released; pro rata bonus.
Terminated for serious misconduct	ANZ National Bank Limited may terminate the employment agreement at any time without notice, and Sir J Anderson will only be entitled to payment up to the date of termination. On termination for serious misconduct any share options which have not been exercised as at the termination date may not be exercised.

E3. PARTICIPATION IN EQUITY PROGRAMS

A number of shares and options are granted to executives under the remuneration programs detailed in Section C. For specified executives, details of all grants made during the year are listed in Section F. Aggregate holdings of shares and options are also shown.

The deferred shares component of the STI is administered under the ANZ Employee Share Acquisition Plan. For executives, the shares are deferred for three years, although some employees may receive shares deferred for one year, depending upon the role or jurisdiction.

The deferred shares component of the LTI is also administered under the ANZ Employee Share Acquisition Plan. The shares are deferred for three years.

SECTION F. EQUITY INSTRUMENTS RELATING TO DIRECTORS AND SPECIFIED EXECUTIVES

F1. SHAREHOLDINGS OF NON-EXECUTIVE DIRECTORS

Name	Balance of shares as at 1 October 2003[1]	Shares acquired during the year in lieu of salary[2]	Shares acquired during the year through the exercise of rights[3]	Other shares acquired during the year[4]	Balance of shares held as at 30 Sept 2004[1,5]	Balance of shares held as at 4 Nov 2004[1,6]
CB Goode	403,334	14,215	75,922	8,993	502,464	523,933
G Clark	–	–	–	2,000	2,000	2,000
JC Dahlsen	105,243	–	16,609	63	121,915	121,915
RS Deane	75,000	–	364	–	75,364	75,364
JK Ellis	65,367	1,097	12,996	5,016	84,476	86,179
DM Gonski	2,099	–	382	50,131	52,612	54,667
MA Jackson	78,245	–	13,861	1,191	93,297	93,297
DE Meiklejohn	n/a	n/a	n/a	n/a	n/a	5,502
JP Morschel	n/a	n/a	n/a	n/a	n/a	4,185
BW Scott	72,207	–	199	69	72,475	72,475

1 Balance of shares held at 1 October 2003, 30 September 2004 and 4 November 2004, includes directly held shares, nominally held shares and shares held by personally related entities

2 All shares acquired in lieu of salary were done so under the Directors' Share Plan (refer to section B3 of this Remuneration Report for an overview of the Directors' Share Plan)

3 Refers to rights arising from the Renounceable Rights Issue that partly funded the acquisition of NBNZ. All ANZ shareholders were eligible to purchase 2 new ordinary shares for every 11 existing ordinary shares registered in their name as at 31 October 2003. Amounts shown include directly held rights, nominally held rights and rights held by personally related entities. CB Goode, RS Deane, JK Ellis and DM Gonski exercised their full allocation of rights (nominally held, directly held and rights held by personally related entities) on 28 November 2003.
The following rights were sold: JC Dahlsen - 2,528; MA Jackson - 364; and BW Scott - 12,933

4 Other shares acquired may include those acquired under the Dividend Reinvestment Plan

5 The following shares were nominally held as at 30 September 2004: CB Goode - 114,349; JC Dahlsen - 39,473; RS Deane - 73,000; JK Ellis - 17,197; DM Gonski - 50,000; MA Jackson - 10,632; BW Scott - 6,563

6 The directors' relevant interest in shares as required by the Corporations Act 2001 is as follows: CB Goode 521,096; G Clark 2,000; JC Dahlsen 107,064; RS Deane 75,364; JK Ellis 83,484; DM Gonski 54,667; MA Jackson 91,297; DE Meiklejohn 5,502; JP Morschel 4,185; and BW Scott 71,117. Any differences between the balances in this footnote and the table is due to the application of AASB 1046

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

Balance of shares as at 1 Oct 2003[1]	Shares acquired during the year in lieu of bonus[2]	Shares acquired during the year in lieu of salary[2]	Shares acquired during the year through the exercise of options[3]	Shares acquired during the year through the exercise of rights[4]	Other shares acquired during the year	Total number of shares sold during the year	Balance of shares held as at 30 Sep 2004[1,5]	Balance of shares held as at 4 Nov 2004[1,6]
1,264,559	42,928	103,633	750,000	225,807	56,580	753,000	1,690,507	1,568,891

1 Balance of shares held at 1 October 2003, 30 September 2004 and 4 November 2004 includes directly held shares, nominally held shares and shares held by personally related entities

2 All shares acquired in lieu of salary or bonus were done so under the Directors' Share Plan (refer to section B3 of this Remuneration Report for an overview of the Directors' Share Plan)

3 All options held/exercised by the CEO have been approved by shareholders (December 1999 and December 2001)

4 Refers to rights arising from the Renounceable Rights Issue that partly funded the acquisition of NBNZ. All ANZ shareholders were eligible to purchase 2 new ordinary shares for every 11 existing ordinary shares registered in their name as at 31 October 2003. Amounts shown include directly held rights, nominally held rights and rights held by personally related entities

5 945,145 shares were held nominally as at 30 September 2004

6 This also represents the Chief Executive Officer's relevant interest in shares as required by the Corporations Act 2001

F3. OPTIONS GRANTED TO CEO DURING THE YEAR[1]

Type of options[2]	Grant date	Number granted during the year	Value per option at grant date[3] $	Exercise price[4] $	Date exercisable	Expiry date
Hurdled (CEO)	31 Dec 03	1,000,000	2.11	17.48	31 Dec 05	31 Dec 08[5]

1 All options held/exercised by the CEO have been approved by shareholders (December 1999 and December 2001)

2 One half of the options may be exercised only if the ANZ TSR calculated over the period commencing on the grant date and ending on the last day of any month after the second anniversary of their grant date exceeds the percentage change in the S&P/ASX 200 Banks (Industry Group) Accumulation Index over that same period; and the other half of the options may be exercised only if the ANZ TSR calculated over the relevant period exceeds the percentage change in the S&P/ASX 100 Accumulation Index over that same period

3 Refer to section F8 for details of the valuation methodology and inputs

4 The exercise price is equal to the weighted average share price during the 5 trading days immediately after the Company's 2003 Annual General Meeting

5 Treatment of options on termination of employment is explained in section D3

F4. OPTION HOLDINGS OF CEO (INCLUDING MOVEMENTS DURING THE YEAR)[1,2]

Balance as at 1 Oct 03	Granted during the year as remuneration	Exercised during the year	Date of exercise of options	Number of ordinary shares issued on exercise of options	Share price on date of exercise $	Amount paid per share $	Balance as at 30 Sep 04	Number vested during the year	Vested and exercisable as at 30 Sep 04
2,750,000	1,000,000	750,000	1 Jul 04	100,000	18.17	14.06	3,000,000	1,250,000	500,000
			2 Jul 04	650,000	18.14	14.06			

1 All options held/exercised by the CEO have been approved by shareholders (December 1999 and December 2001)

2 This table does not include the 225,807 rights arising from the Renounceable Rights Issue that partly funded the acquisition of NBNZ. All ANZ shareholders were eligible to purchase 2 new ordinary shares for every 11 existing shares registered in their name as at 31 October 2003. The CEO chose to exercise all of his rights on 28 November 2003

F5. DEFERRED SHARES GRANTED TO SPECIFIED EXECUTIVES DURING THE YEAR

Name	Type of deferred share[1]	Number of deferred shares granted Nov 03[2]	Value of deferred shares granted Nov 03[3] $	Number of deferred shares granted May 04[4]	Value of deferred shares granted May 04[3] $	Number of other deferred shares granted during the year	Value of other deferred shares granted during the year $
Sir J Anderson (app 1 Dec 2003)[5]	Other	–	–	–	–	55	991
Dr RJ Edgar	STI	6,781	118,982	7,683	140,073	–	–
	LTI	33,889	594,627	8,452	154,093	–	–
E Funke Kupper	STI	7,636	133,984	7,052	128,569	–	–
	LTI	6,838	119,982	6,256	114,056	–	–
BC Hartzer	STI	7,322	128,474	7,244	132,069	–	–
	LTI	7,408	129,983	7,135	130,082	–	–
PJO Hawkins	STI	7,123	124,982	6,860	125,068	–	–
	LTI	7,522	131,983	6,586	120,073	–	–
PR Marriott	STI	7,978	139,985	9,604	175,096	–	–
	LTI	9,573	167,971	9,275	169,097	–	–
S Targett (app 5 May 2004)[6]	Other	–	–	–	–	38,419	700,437

1 Deferred shares issued as STI shares are granted under the ANZ Short-Term Incentive program. Deferred shares issued as LTI shares are granted under the ANZ Long-Term Incentive program. The shares are restricted for 3 years and may be held in trust for up to ten years. Refer to section C5 for more details

2 Shares granted in November 2003 were in relation to incentives earned for the half year ended 30 September 2003

3 The value per share used in this calculation is the volume weighted average price of the Company's shares traded on the ASX on the day the shares were granted

4 Shares granted in May 2004 were in relation to incentives earned for the half year ended 31 March 2004

5 Other shares issued (3 March 2004) to Sir J Anderson during the year relates to the $1,000 Employee Share Acquisition Plan. Refer to section C7 for further details

6 Other shares issued to S Targett relates to the issue of deferred shares (four tranches of $700,000 to be issued at 6 month intervals in approximately April and October each year, subject to Board approval and continuing employment) to compensate S Targett for the loss of access to equity as a result of his resignation from his previous employer

F6. AGGREGATE SHAREHOLDINGS OF SPECIFIED EXECUTIVES

Name	Balance of shares as at 1 Oct 03[1]	Shares granted during the year as remuneration[2]	Number of shares acquired during the year through the exercise of options	Shares acquired during the year through the exercise of rights[3]	Other shares acquired during the year[4]	Total number of shares sold during the year	Balance of shares held as at 30 Sep 2004[1,5]	Number vested during the year
Sir J Anderson (app 1 Dec 2003)	–	55	11,967	–	–	–	12,022	–
Dr RJ Edgar	255,114	50,024	95,000	37,295	6,781	60,000	384,214	25,482
E Funke Kupper[6]	157,051	20,146	365,000	175	7,636	365,000	185,008	44,979
BC Hartzer	75,148	21,787	60,000	13,665	7,781	99,335	79,046	27,072
PJO Hawkins	1,149,754	20,968	170,000	209,048	7,123	170,000	1,386,893	41,462
PR Marriott	539,989	28,452	250,000	460	8,966	150,000	677,867	40,381
S Targett (app 5 May 2004)	–	38,419	–	–	–	–	38,419	–

1 Balance of shares held at 1 October 2003 and 30 September 2004, include directly held shares, nominally held shares and shares held by personally related entities

2 STI shares granted on 5 November 2003 have not been included in these figures as they related to the half year ended 30 September 2003. Instead, these shares have been reflected in the "Other shares acquired during the year" column

3 Refers to rights arising from the Renounceable Rights Issue that partly funded the acquisition of NBNZ. All ANZ shareholders were eligible to purchase 2 new ordinary shares for every 11 existing ordinary shares registered in their name as at 31 October 2003. Amounts pertaining to the rights issue include directly held rights, nominally held rights, and rights held by personally related entities

4 Other shares acquired include those acquired through the Dividend Reinvestment Plan and STI shares granted on 5 November 2003 in relation to the half year ended 30 September 2003

5 The following shares were held nominally as at 30 September 2004: Sir J Anderson - 55; RJ Edgar - 180,991; E Funke Kupper - 183,224; BC Hartzer - 69,480; PJO Hawkins - 233,821; PR Marriott - 230,817; S Targett - 38,419

6 Amounts shown do not include ANZ Stapled Exchangeable Preferred Securities (ANZ StEPS). E Funke Kupper held 500 ANZ StEPS as at 1 October 2003; this holding remained unchanged up to and including 30 September 2004

F7. OPTIONS GRANTED TO SPECIFIED EXECUTIVES DURING THE YEAR

Name	Type of options[1]	Number granted during the year[2]	Grant date	Value per option at grant date[3] $	Exercise price $	Date exercisable	Expiry date[4]
Sir J Anderson (app 1 Dec 2003)	Zero priced[5]	11,967	11 May 04	18.23	–	11 May 04	10 May 06
Dr RJ Edgar	Hurdled	66,666	5 Nov 03	2.34	17.55	5 Nov 06	4 Nov 10
	Hurdled	63,115	11 May 04	2.44	18.22	11 May 07	10 May 11
E Funke Kupper	Hurdled	51,282	5 Nov 03	2.34	17.55	5 Nov 06	4 Nov 10
	Hurdled	46,722	11 May 04	2.44	18.22	11 May 07	10 May 11
BC Hartzer	Hurdled	55,555	5 Nov 03	2.34	17.55	5 Nov 06	4 Nov 10
	Hurdled	53,279	11 May 04	2.44	18.22	11 May 07	10 May 11
PJO Hawkins	Hurdled	56,410	5 Nov 03	2.34	17.55	5 Nov 06	4 Nov 10
	Hurdled	49,181	11 May 04	2.44	18.22	11 May 07	10 May 11
PR Marriott	Hurdled	71,794	5 Nov 03	2.34	17.55	5 Nov 06	4 Nov 10
	Hurdled	69,263	11 May 04	2.44	18.22	11 May 07	10 May 11
S Targett (app 5 May 2004)	Hurdled	307,337	11 May 04	2.44	18.22	11 May 07	10 May 11

1 For Hurdled options, the following performance hurdles apply: one half of the options may be exercised only if the ANZ TSR calculated over the period commencing on the date of grant and ending on the last day of any month after the Date exercisable exceeds the percentage change in the S&P/ASX 200 Banks (Industry Group) Accumulation Index over that same period; and the other half of the options may be exercised only if the ANZ TSR calculated over the relevant period exceeds the percentage change in the S&P/ASX 100 Accumulation Index over that same period. Refer to section C5.2.1 for further information

2 No additional options were granted in the period up to and including 4 November 2004

3 Refer to section F8 for details of the valuation methodology and inputs

4 Treatment of options on termination of employment is explained in section E

5 Zero priced options are granted under the ANZ Share Option Plan and have a nil exercise price and no time-based vesting criteria. They are specifically designed to deliver equity to Sir J Anderson, and were issued to meet the particular needs and circumstances at the time of the acquisition of NBNZ

F9. AGGREGATE OPTION HOLDINGS OF SPECIFIED EXECUTIVES (INCLUDING MOVEMENTS DURING THE YEAR)

Name	Type	Balance as at 1 Oct 03	Granted during the year as remuneration	Allocation of rights arising from renounceable rights issue
Sir J Anderson (appointed 1 Dec 2003)	Zero-priced[1]	–	11,967	n/a
Dr RJ Edgar	Index-Linked	272,000	–	
	Hurdled	170,000	129,781	
	Rights[2]	n/a	n/a	46,386
E Funke Kupper	Index-Linked	250,000	–	
	Hurdled	499,000	98,004	
	Rights[2]	n/a	n/a	28,557
BC Hartzer	Index-Linked	222,000	–	
	Hurdled	247,000	108,834	
	Rights[2]	n/a	n/a	13,665
PJO Hawkins	Index-Linked	183,000	–	
	Hurdled	381,000	105,591	
	Rights[2]	n/a	n/a	209,048
PR Marriott	Index-Linked	311,000	–	
	Hurdled	668,000	141,057	
	Rights[2]	n/a	n/a	98,185
	Other[3]	11,000	–	
S Targett (appointed 5 May 2004)	Hurdled	n/a	307,337	n/a

1 Zero priced options first granted in May 2004, and specifically designed to deliver equity to Sir J Anderson. These options are granted under the ANZ Share Option Plan and have a nil exercise price and no time-based vesting criteria. They were issued to meet the particular needs and circumstances at the time of the acquisition of NBNZ

2 Refers to rights arising from the Renounceable Rights Issue that partly funded the acquisition of NBNZ. All ANZ Shareholders were eligible to purchase 2 new ordinary shares for every 11 existing ordinary shares registered in their name as at 31 October 2003. Amounts shown include directly held rights, nominally held rights and rights held by personally related entities

3 Other refers to share options granted to a personally related entity

F8. OPTIONS VALUATIONS

For options granted in the current year, valuations have been determined in accordance with the fair value measurement provisions of Accounting Standards AASB 1046 and 1046A. The following table outlines the general assumptions used in the option pricing model.

Option type	Grant date	Option value[1] $	Exercise price (5 day VWAP) $	Share price at grant $	ANZ expected volatility[2]	Option term	Vesting period	Expected life	Expected dividends[3]	Risk free interest rate[4]
Hurdled	5 Nov 03	2.34	17.55	17.13	20.50%	7 years	3 years	5 years	5.00%	5.80%
Hurdled	11 May 04	2.44	18.22	18.10	19.00%	7 years	3 years	5 years	5.40%	5.97%
Hurdled (CEO)	31 Dec 03	2.11	17.48	17.68	20.00%	5 years	2 years	3.5 years	5.50%	5.56%
Zero-priced	11 May 04	18.23	0	n/a	n/a	2 years	0 years	n/a	n/a	n/a

1 The Binomial Option Pricing Model ("the model") is used to assess the value of ANZ's options (other than zero-priced options, for which the value is the volume weighted average price of the Company's shares traded on the ASX on the day of the options were granted). The model utilises probability theory to determine the value of an ANZ option based on likely share prices at the expiry date of the option. In accordance with AASB 1046 and 1046A, the model reflects both the performance hurdles that currently apply to the Hurdled Options and the non-transferability of the options. Under the terms of the Options, the hurdle conditions (outlined in section C5.2.1) must be met before the options may be exercised during the exercise period

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

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

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

Exercised during the year	Date of exercise of options	Sale of rights arising from the renounceable rights issue	Share price on date of exercise of options including rights $	Amount paid per share $	Balance as at 30 Sep 04	Total number vested during the year	Vested and exercisable as at 30 Sep 04
11,967	11 May 04		18.10	0.00	–	11,967	–
–	n/a			n/a	272,000	–	–
60,000	7 Jan 04		17.86	13.62			
35,000	14 May 04		17.62	12.98	204,781	95,000	–
37,295	28 Nov 03	9,091	16.82	13.00	–	46,386	–
–	n/a			n/a	250,000	–	–
270,000	12 May 04		18.29	13.62			
95,000	12 May 04		18.29	12.98	232,004	365,000	–
175	28 Nov 03	28,382	16.82	13.00	–	28,557	–
–	n/a			n/a	222,000	–	–
60,000	2 Feb 04		17.56	13.62	295,834	102,000	42,000
13,665	28 Nov 03	–	16.82	13.00	–	13,665	–
–	n/a			n/a	183,000	–	–
170,000	11 Mar 04		19.20	13.62	316,591	250,000	80,000
209,048	28 Nov 03	–	16.82	13.00	–	209,048	–
–	n/a				311,000	–	–
250,000	12 Feb 04		17.95	10.48	559,057	250,000	275,000
460	28 Nov 03	97,725	16.82	13.00	–	98,185	–
–	n/a			n/a	11,000	6,000	11,000
–	n/a			n/a	307,337	–	–

CONCISE
2004 FINANCIAL REPORT

A copy of the Group's 2004 Financial Report, including the independent Auditors' Report, is available to all shareholders, and will be sent to shareholders without charge upon request. The Financial Report can be requested by telephone (Australia: 1800 11 33 99, Overseas: (+ 61 3) 9615 5989) or by email to investor.relations@anz.com

CONTENTS

This Concise Financial Report cannot be expected to provide as full an understanding of the Group's financial performance, financial position and financing and investing activities as the Group's 2004 Financial Report. Analysis and discussion of the Concise Financial Report is on the inside front cover and pages 12 to 19.

GUIDE TO CONCISE FINANCIAL REPORT

INTRODUCTION

ANZ presents two reports, the ANZ Annual Report (this document) and the ANZ Financial Report. Both reports show how ANZ performed during the year ended 30 September 2004 and the overall financial position of the Group at the end of the year. ANZ also publishes an announcement to the market each half year. All these documents are on anz.com.

ANZ prepares its financial reports in accordance with Australian Accounting Standards. Particular terms required by the Standards may not be familiar to some readers. This guide and the Glossary of Financial Terms (on pages 92 to 93) are designed to assist readers to understand the report.

ANNUAL REPORT CONTENTS

The ANZ Annual Report has two main sections - the 2004 Annual Report and the Concise Financial Report.

The front section, the Annual Report, contains information about significant matters that impacted the management and performance of ANZ during the year, including discussion and analysis of the financial results, updates on the specialist business units and Group-wide programs and information on the directors and senior management.

The Concise Financial Report contains financial information required by Australian Accounting Standards including the Consolidated Statements of Financial Performance, Financial Position and Cash Flows. These statements have been prepared by ANZ's staff, reviewed by ANZ's Board and Audit Committee, and audited by our external auditor, KPMG. The assets, liabilities and results of controlled companies are included within the consolidated results of the Group.

TEN YEAR SUMMARY

It includes summarised information on financial performance, financial position, shareholder value, share and other information from 1995 to 2004.

DIRECTORS' REPORT

This report provides the reader with an overview of the Group for the year ended 30 September 2004 including principal activities, results, state of affairs, dividends, review of operations, events since the end of the financial year, future developments, environmental regulation, directors' qualifications and experience, company secretaries qualifications and experience, non-audit services and auditors' independence declaration, directors and officers who were previously partners of the auditor, CEO/CFO declaration, directors' and officers' indemnity, directors' and executive officers' remuneration policy, directors' shareholdings and executive officers' share options.

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

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

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

This Statement is a summary of the assets, liabilities and shareholders' equity as at 30 September 2004. It shows what ANZ as a Group owns as assets, what it owes as liabilities and its net assets. Net assets are equal to total shareholders' equity. The assets and liabilities are listed in order of liquidity, with those assets representing cash shown first and those hardest to convert to cash, such as fixed assets, last.

CONSOLIDATED STATEMENT OF CASH FLOWS

The Consolidated Statement of Cash Flows summarises the Group's cash payments and cash receipts for the financial year. The values may differ from those shown in the Consolidated Statement of Financial Performance because the Consolidated Statement of Financial Performance is prepared on an accrual accounting basis.

Cash in the Statement refers to cash on hand, bank deposits and other forms of highly liquid investments that can readily be converted to cash.

NOTES TO THE CONCISE FINANCIAL STATEMENTS

These notes provide details on the basis of preparation of the Concise Financial Report, critical accounting policies, major events this financial year, dividends, contingent liabilities and contingent asset, segment analysis, capital management, equity instruments issued to employees, and events since the end of the financial year.

DIRECTORS' DECLARATION

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

AUDITORS' REPORT

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

FINANCIAL HIGHLIGHTS IN KEY CURRENCIES AND EXCHANGE RATES

Financial performance and financial position is provided in other currencies - USD, GBP, NZD - to allow readers to easily compare results of ANZ with companies who report in other currencies. Exchange rates (average and closing) are also provided.

SHAREHOLDER INFORMATION

Information is provided on ordinary shares including the twenty largest shareholders and the distribution of shareholdings, and preferences shares - ANZ Stapled Exchangeable Preferred Securities (ANZ StEPS). It also includes details on voting rights for ordinary shares and ANZ StEPS and employee shareholder information.

Glossary of Financial Terms - Please see pages 92 to 93.

The glossary contains details on key financial terms.

TEN YEAR SUMMARY[1,2]

		2004 $m	2003 $m	2002 $m	2001 $m	2000 $m	1999 $m	1998 $m	1997 $m	1996 $m	1995 $m
Financial Performance											
Net interest income		5,254	4,311	4,018	3,833	3,801	3,655	3,547	3,437	3,327	3,084
Other operating income		3,391	2,808	2,970	2,573	2,583	2,377	2,142	2,110	1,839	1,754
Operating expenses		(4,026)	(3,228)	(2,905)	(3,092)	(3,314)	(3,300)	(3,442)	(3,502)	(3,397)	(3,116)
Profit before tax, debt provision and prior period abnormals		4,619	3,891	4,083	3,314	3,070	2,732	2,247	2,045	1,769	1,722
Provision for doubtful debts[1]		(632)	(614)	(860)	(531)	(502)	(510)	(487)	(400)	(175)	(237)
Income tax expense		(1,168)	(926)	(898)	(911)	(863)	(736)	(576)	(466)	(469)	(442)
Outside equity interests		(4)	(3)	(3)	(2)	(2)	(6)	(9)	(8)	(9)	(10)
Net Profit after tax before prior period abnormals		2,815	2,348	2,322	1,870	1,703	1,480	1,175	1,171	1,116	1,033
Net prior period abnormal profit (loss)		–	–	–	–	44	–	(69)	(147)	–	19
Net profit after tax		2,815	2,348	2,322	1,870	1,747	1,480	1,106	1,024	1,116	1,052
Financial Position											
Assets[2]		259,345	195,591	183,105	185,493	172,467	152,801	153,215	138,241	127,604	112,587
Net Assets		17,925	13,787	11,465	10,551	9,807	9,429	8,391	6,993	6,336	5,747
Tier 1 capital ratio		6.9%	7.7%	7.9%	7.5%	7.4%	7.9%	7.2%	6.6%	6.7%	6.6%
Return on average ordinary equity[3,4]		17.8%	20.6%	21.6%	20.2%	19.3%	17.6%	15.9%	17.2%	18.3%	17.9%
Return on average assets[3]		1.1%	1.2%	1.3%	1.1%	1.1%	1.0%	0.7%	0.7%	0.9%	0.9%
Cost to income ratio[5]		45.3%	45.1%	46.0%	48.0%	51.7%	54.5%	60.9%	63.1%	65.8%	64.4%
Shareholder value – ordinary shares											
Total return to shareholders (share price movement plus dividends)		17.0%	6.7%	15.3%	26.2%	36.3%	19.6%	–15.6%	62.4%	33.9%	52.4%
Market capitalisation		34,586	27,314	26,544	23,783	20,002	16,045	13,885	17,017	10,687	8,199
Dividend		101c	95c	85c	73c	64c	56c	52c	48c	42c	33c
Franked portion	–interim	100%	100%	100%	100%	100%	75%	60%	100%	50%	0%
	–final	100%	100%	100%	100%	100%	80%	60%	100%	100%	33%
Share price[6]	–high	$19.44	$18.45	$19.70	$16.71	$12.87	$12.11	$11.52	$11.08	$6.96	$5.50
	–low	$15.94	$15.01	$15.23	$12.63	$9.18	$8.12	$7.65	$6.79	$5.17	$3.40
	–30 Sep	$19.02	$17.17	$16.88	$15.28	$12.70	$9.80	$8.62	$10.79	$6.91	$5.42
Share information											
(per fully paid ordinary share)											
Earnings per share[6]	–basic	153.1	142.4c	141.4c	112.7c	102.5c	86.9c	69.7c	65.8c	73.2c	67.1c
Dividend payout ratio[7]		67.5%	64.2%	57.8%	62.0%	59.1%	62.1%	67.8%	61.6%	55.5%	49.1%
Net tangible assets[8]		$7.51	$7.49	$6.58	$5.96	$5.49	$5.21	$4.98	$4.59	$4.24	$3.94
No. of fully paid ordinary shares issued (millions)		1,818.4	1,521.7	1,503.9	1,488.3	1,506.2	1,565.4	1,539.4	1,508.6	1,478.1	1,446.0
DRP issue price[9]	–interim	$17.84	$18.48	$19.24	$15.05	$11.62	$10.95	$10.64	$9.77	$5.59	$4.40
	–final	–	$16.61	$18.32	$18.33	$14.45	$11.50	$10.78	$9.92	$7.60	$6.27
Other information											
Points of representation[10]		1,190	1,019	1,018	1,056	1,087	1,147	1,205	1,473	1,744	1,881
No. of employees (full time equivalents)[11]		28,755	23,137	22,482	22,501	23,134	30,171	32,072	36,830	39,721	39,240
No. of shareholders[12]		252,072	223,545	198,716	181,667	179,829	179,945	151,564	132,450	121,847	114,829

1 From 1997, the annual debt provision charge has been calculated based on economic loss provisioning; prior year data has not been restated for this change in measurement approach
2 Data for 1998, 1999, 2000 and 2001 includes the consolidation of assets in the statutory funds of ANZ Life as required by an accounting standard applicable from 1 October 1999. Not applicable for 2002 and 2003, due to the sale of ANZ Life to ING Australia Ltd (INGA) on 1 May 2002. As a result of the aquisition of NBNZ in December 2003, the 2004 results include the consolidation of assets in the statutory funds of NBNZ Life Insurance Limited as required by an accounting standard
3 Excludes significant items and outside equity interests
4 For the periods 1997 to 2002 the return on average ordinary equity calculation accrues the dividend over the year. From 2003, dividends may no longer be accrued and as such are not included in the calculation of return on average ordinary equity
5 Excludes goodwill amortisation, abnormals and significant items
6 Prior periods adjusted for the bonus elements of the November 2003 Rights Issue
7 For 2004 and 2003 the dividend payout ratio includes the final dividend of $983 million and $777 million respectively which is proposed but not provided for in terms of AASB 1044 Provisions, Contingent Liabilities and Contingent Assets which is effective from the September 2003 financial year
8 Equals shareholders equity less preference share capital and unamortised goodwill
9 DRP represents Dividend Reinvestment Plan
10 Includes branches, offices, representative offices and agencies
11 Prior to 1997, excludes temporary staff
12 From 2000 onwards the number of shareholders does not include the number of employees whose only shares are held by ANZEST Pty Ltd as the trustee for shares issued under the terms of any ANZ employee incentive plan

DIRECTORS' REPORT

The directors present their report together with the Concise Financial Report of the consolidated entity (the Group), being Australia and New Zealand Banking Group Limited (the Company) and its controlled entities, for the year ended 30 September 2004 and the Auditors' Report thereon. The information is provided in conformity with the Corporations Act 2001.

PRINCIPAL ACTIVITIES

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

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

At 30 September 2004, the Group had 1,190 points of representation.

RESULT

› Profit - Consolidated net profit after income tax attributable to shareholders of the Company was $2,815 million, an increase of 20% over the prior year.

› Net loans and advances increased by 37% from $149,465 million to $204,962 million, primarily due to the acquisition of National Bank of New Zealand (NBNZ) and growth in mortgage lending and commercial lending in Australia.

› Deposits and other borrowings increased by 35% from $124,494 million to $168,557 million primarily due to the acquisition of NBNZ and to fund asset growth.

› The provision for doubtful debts has been determined using economic loss provisioning (ELP) and is based on the Group's risk management models. The ELP charge increased 3% from $614 million to $632 million, including $62 million relating to NBNZ. The current charge reflects a decrease in the ELP rate over the year in line with the Group's improving risk profile. This is as a result of growth in low risk domestic assets (principally mortgages), the acquisition of NBNZ, the continued risk reduction strategy covering the overseas portfolio and high risk assets, and a lower Corporate Centre charge reflecting lower unexpected offshore losses. ANZ's ELP models recognise that the general provision balance must be regularly reviewed, and in rare situations, increased to cover unusual events. The balance is at an appropriate level.

› Net specific provisions were $443 million, down $84 million from the prior year. Gross non-accrual loans decreased to $829 million, down from $1,007 million, or 0.4%, down from 0.7%, of net loans and advances. The reductions reflect the strategy to reduce risk in overseas portfolios (not including New Zealand).

Further details are contained in the Chief Financial Officer's review on pages 12 to 19 of this Annual Report.

STATE OF AFFAIRS

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

› **Acquisition of the National Bank of New Zealand (NBNZ)** - On 24 October 2003, the Company announced it had entered into an agreement to acquire NBNZ and the acquisition was completed on 1 December 2003. On 26 June 2004, NBNZ was amalgamated with ANZ Banking Group (New Zealand) Limited to create ANZ National Bank Limited.

› **Funding of NBNZ acquisition** -

› Renounceable Rights Issue - In November/December 2003, the Company issued 276,847,766 ordinary shares by way of a 2 for 11 "Renounceable Rights Issue" at $13 per share in the Company, raising $3,562 million (net of issue costs).

› US Stapled Trust Security Issue - On 27 November 2003, the Company raised US$1.1 billion via the issue of non-cumulative stapled trust securities, to support the capital and funding base of the Group.

› **Trust Securities Issues (TrUEPrS)** - On 12 December 2003, the Company bought back its 124,032,000 TrUEPrS that were issued at US$6.25 per share in 1998. Further details are included on page 83 of this Annual Report.

› **Reduction of Risk** - The Company has been actively reducing the overall risk profile of the Group. Net specific provisions of $443 million were down 16% compared to the prior year. This was below the amount accrued for doubtful debts in the Statement of Financial Performance of $632 million.

Further review of matters affecting the Group's state of affairs are also contained in this Annual Report under the Chairman's Report on pages 8 to 9, the Chief Executive Officer's Report on pages 10 to 11 and the Chief Financial Officer's Review on pages 12 to 19.

DIVIDENDS

The directors propose that a final fully franked dividend of 54 cents per fully paid ordinary share be declared on 15 November 2004 and be paid on 17 December 2004. The proposed payment amounts to approximately $983 million.

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

Type	Cents per share	Amount before bonus options $m	Date of payment
Final 2003	51	777	19 December 2003
Interim 2004	47	850	1 July 2004

REVIEW OF OPERATIONS

A review of the operations of the Group during the financial year and the results of those operations are contained in the Chairman's Report, the Chief Executive Officer's Report, and the Chief Financial Officer's Review and Business Performance on pages 8 to 9, 10 to 11, 12 to 19 and 34 to 37 respectively of this Annual Report.

EVENTS SINCE THE END OF THE FINANCIAL YEAR

› Merger of ANZ's trustee business announced with Equity Trustees Limited (announced 12 October 2004);

› On-market share buyback of at least $350 million pending regulatory approval for a new offshore hybrid equity transaction (announced 26 October 2004); and

› Sale of London-headquartered project finance activities (announced 26 October 2004).

Other than the items above (these are further described in Note 9 of the Concise Report to this Annual Report on page 86), no matter or circumstance has arisen between 30 September 2004 and the date of this report that has significantly affected or may significantly affect the operations of the Group in future financial years, the results of those operations or the state of affairs of the Group in future years.

FUTURE DEVELOPMENTS

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

ENVIRONMENTAL REGULATION

The operations of the Group are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory. However, the operations of the Group may become subject to environmental regulation when enforcing securities over land. ANZ has developed policies to appropriately manage such environmental risks. ANZ has not incurred any environmental liabilities during the year. Further information on ANZ's environmental framework and practices can be found in this Annual Report on pages 38 to 39 and on anz.com.

DIRECTORS' QUALIFICATIONS AND EXPERIENCE

From 1 October 2003 to 31 January 2004, the Board was comprised of seven non-executive directors. Three new non-executive director appointments were made in 2004: Dr Greg Clark on 1 February 2004; and Mr David Meiklejohn and Mr John Morschel on 1 October 2004.

These new appointees will be retiring and seeking election at the 2004 Annual General Meeting. Information about these directors is included in the Notice of Annual General Meeting.

At the date of this report, the Board comprises ten non-executive directors who have a diversity of business and community experience and one executive director, the chief executive officer, who has extensive banking experience. The names of directors and details of their qualifications and experience is contained on pages 42 and 43 of this Annual Report and on anz.com.

Special responsibilities and attendance at meetings by directors, are shown on page 51 of this Annual Report.

For those directors in office at 30 September 2004, details of the directorships of other listed companies held by each director in the 3 years prior to the end of the 2004 financial year are listed in this Annual Report on the pages 42 and 43.

COMPANY SECRETARIES' QUALIFICATIONS AND EXPERIENCE

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

Details of their roles are contained on page 51. Their qualifications are as follows:

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

Mr L'Estrange has a long-standing legal career spanning 25 years. He has significant experience in corporate law. Mr L'Estrange joined ANZ in 2003. Prior to ANZ, he worked closely with Boards and senior management of major corporations, banks and financial institutions. Mr L'Estrange was the National Executive Partner, Litigation and Dispute Resolution of Allens Arthur Robinson and a member of the Board of Management of that firm. He was also Managing Partner of Allen Allen & Hemsley.

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

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

› John Priestley, BEc, LLB, ANZ Deputy General Counsel and Company Secretary.

Mr Priestley, a qualified lawyer, joined ANZ in 2004. Prior to ANZ, he had a long career with the Mayne Group as Company Secretary and Group General Manager, Corporate Services responsible for the legal, company secretarial, compliance and insurance functions.

NON-AUDIT SERVICES

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

Specifically the policy:

› Limits the non-audit services that may be provided;

› Requires that audit and permitted non-audit services must be pre-approved by the Audit Committee, or pre-approved by the Chairman of the Audit Committee and notified to the Audit Committee; and

› Requires the external auditor to not commence an audit engagement for the Group, until the Group has confirmed that the engagement has been pre-approved.

The Audit Committee has reviewed a summary of non-audit services provided by the external auditor for 2004, and has confirmed that the provision of non-audit services for 2004 is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. This has been formally advised to the Board of Directors.

The external auditor has confirmed to the Audit Committee that they have complied with the Company's Relationship with External Auditor Policy on the provision of non-audit services by the external auditor for 2004.

The non-audit services supplied by the Group's external auditor, KPMG, and the amount paid or payable by type of non-audit service during the year to 30 September 2004 are as follows:

Non-audit service	Amount paid/payable $'000
Co-sourced internal audit services[1]	1,260
Tax compliance and related services	628
Controls and process reviews	249
Review of the non-cumulative US Stapled Trust Securities issue	219
NBNZ due diligence oversight	420
Sarbanes-Oxley and International Financial Reporting Standard matters	335
Accounting advice	170
Securitisation review	128
Review of capital raising circulars	73
Other	157
Total	**3,639**

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

The directors are satisfied that the provision of non-audit services by the external auditor during the year to 30 September 2004 is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

AUDITOR'S INDEPENDENCE DECLARATION

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

› the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

› the applicable Australian code of professional conduct in relation to the audit.

A copy of this declaration is detailed on page 88 of this Annual Report. This declaration is incorporated in and forms part of the Directors' Report.

DIRECTORS AND OFFICERS WHO WERE PREVIOUSLY PARTNERS OF THE AUDITOR

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

› **Ms Margaret Jackson**, Non-executive Director (left KPMG in June 1992);

› **Mr Peter Marriott**, Chief Financial Officer (left KPMG in January 1993).

CEO/CFO DECLARATION

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

DIRECTORS' AND OFFICERS' INDEMNITY

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

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

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

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

› a claim by the Company;

› a claim by a related body corporate;

› a lack of good faith;

› illegal or dishonest conduct; or

› non compliance with the Company's policies or discretions.

The Company has entered into Deeds of Access, Insurance and Indemnity with each of its directors and secretaries and with certain employees and certain other individuals who act as directors of related body corporates or of another company. To the extent permitted by law, the Company indemnifies the individual for all liabilities, including costs, damages and expenses incurred in their capacity as an officer of the company to which they have been appointed.

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

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

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

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

DIRECTORS' AND EXECUTIVE OFFICERS' REMUNERATION POLICY

Details of ANZ's remuneration policy in respect of the directors and executive officers is detailed in the Remuneration Report on pages 54 to 71 of this Annual Report and pages 6 to 23 of the 2004 Financial Report. Details of the remuneration paid to each non-executive director, the Chief Executive Officer and other specified executives are detailed in the Remuneration Report. The Remuneration Report is incorporated in and forms part of this Directors' Report.

DIRECTORS' SHAREHOLDINGS

The directors' shareholdings, both beneficial and non-beneficial, as at the date of this report in the shares of the Company are detailed in the Remuneration Report.

EXECUTIVE OFFICERS' SHARE OPTIONS

Details of share options issued over un-issued shares granted to the Chief Executive Officer, senior executives and officers, and on issue as at the date of this report are detailed in the Remuneration Report and note 50 of the 2004 Financial Report.

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

ROUNDING OF AMOUNTS

The Company is a company of the kind referred to in Australian Securities and Investments Commission class order 98/100 dated 10 July 1998 (as amended) pursuant to section 341(1) of the Corporations Act 2001. As a result, amounts in this report and the accompanying financial statements have been rounded to the nearest million dollars except where otherwise indicated.

Signed in accordance with a resolution of the directors.

Charles Goode
Director

John McFarlane
Chief Executive Officer

4 November 2004

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 SEPTEMBER 2004

	Consolidated 2004 $m	2003 $m	2002 $m
Total income	17,508	13,023	12,007
Interest income	14,117	10,215	9,037
Interest expense	(8,863)	(5,904)	(5,019)
Net interest income	5,254	4,311	4,018
Proceeds, net of costs, on disposal of investments	–	–	566
Carrying amount of assets given up	–	–	(392)
Profit on disposal of investments	–	–	174
Other operating income	3,246	2,702	2,765
Share of joint venture profit from INGA	97	55	2
Share of associates profit (net of writeoffs)	48	51	29
Operating income	8,645	7,119	6,988
Operating expenses	(4,026)	(3,228)	(2,905)
Profit before debt provision and income tax	4,619	3,891	4,083
Provision for doubtful debts	(632)	(614)	(860)
Profit before income tax	3,987	3,277	3,223
Income tax expense	(1,168)	(926)	(898)
Profit after income tax	2,819	2,351	2,325
Net profit attributable to outside equity interests	(4)	(3)	(3)
Net profit attributable to shareholders of the Company	2,815	2,348	2,322
Currency translation adjustments, net of hedges after tax	233	(356)	(98)
Total adjustments attributable to shareholders of the Company recognised directly in equity	233	(356)	(98)
Total changes in equity other than those resulting from transactions with shareholders as owners	3,048	1,992	2,224
Earnings per ordinary share (cents)			
Basic	153.1	142.4	141.4
Diluted	149.7	141.7	140.4
Dividend per ordinary share (cents)	101	95	85
Net tangible assets per ordinary share ($)	7.51	7.49	6.58

The Notes appearing on pages 82 to 86 and the discussion and analysis appearing on pages 12 to 19 form an integral part of these financial statements

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2004

	Note	Consolidated 2004 $m	Consolidated 2003 $m
Assets			
Liquid assets		6,363	6,592
Due from other financial institutions		4,781	2,427
Trading securities		5,478	4,213
Investment securities		7,746	4,767
Net loans and advances		204,962	149,465
Customers' liabilities for acceptances		12,466	13,178
Regulatory deposits		176	101
Shares in associates and joint venture entities		1,960	1,814
Deferred tax assets		1,454	1,165
Goodwill[1]		3,269	160
Other assets		9,158	10,224
Premises and equipment		1,532	1,485
Total assets		259,345	195,591
Liabilities			
Due to other financial institutions		7,349	6,467
Deposits and other borrowings		168,557	124,494
Liability for acceptances		12,466	13,178
Income tax liabilities		1,914	1,083
Payables and other liabilities		14,212	13,611
Provisions		845	769
Bonds and notes		27,602	16,572
Loan capital	3	8,475	5,630
Total liabilities		241,420	181,804
Net assets		17,925	13,787
Shareholders' equity			
Ordinary share capital		8,005	4,175
Preference share capital	3	987	2,212
Reserves		579	180
Retained profits		8,336	7,203
Share capital and reserves attributable to shareholders of the Company		17,907	13,770
Outside equity interests		18	17
Total shareholders' equity		17,925	13,787
Contingent liabilities and contingent asset	5		

The Notes appearing on pages 82 to 86 and the discussion and analysis appearing on pages 12 to 19 form an integral part of these financial statements

1 Excludes notional goodwill of $754 million (September 2003: $821 million) included in the net carrying value of ING Australia Limited

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2004

		Consolidated	
	2004 $m	2003 $m	2002 $m
		Inflows (Outflows)	
Cash flows from operating activities			
Interest received	14,515	10,887	10,148
Dividends received	3	7	3
Fees and other income received	3,257	3,170	2,637
Interest paid	(8,258)	(5,724)	(5,367)
Personnel expenses paid	(2,110)	(1,848)	(1,900)
Premises expenses paid	(312)	(279)	(268)
Other operating expenses paid	(2,093)	(1,952)	(1,893)
Income taxes paid	(247)	(1,312)	(853)
Goods and services tax (paid) received	(19)	1	(28)
Net (increase) decrease in trading securities	514	1,669	(1,030)
Net cash provided by operating activities	5,250	4,619	1,449
Cash flows from investing activities			
Net decrease (increase)			
Liquid assets – greater than three months	(325)	1,113	(442)
Due from other financial institutions	522	(44)	554
Regulatory deposits	(76)	52	37
Loans and advances	(22,757)	(19,944)	(9,441)
Shares in controlled entities and associates	(35)	(2)	(1)
Investment securities			
Purchases	(7,560)	(3,871)	(2,851)
Proceeds from sale or maturity	4,850	2,445	2,436
Controlled entities, associates and joint venture entities			
Purchased (net of cash acquired)	(3,224)	–	(1,050)
Premises and equipment			
Purchases	(345)	(368)	(385)
Proceeds from sale	53	51	101
Recovery from NHB litigation	–	–	248
Other	1,780	1,401	483
Net cash (used in) investing activities	(27,117)	(19,167)	(10,311)
Cash flows from financing activities			
Net (decrease) increase			
Due to other financial institutions	(272)	(2,946)	(1,211)
Deposits and other borrowings	11,216	13,995	9,152
Payables and other liabilities	(1,061)	1,000	362
Bonds and notes			
Issue proceeds	14,181	8,255	4,537
Redemptions	(4,100)	(4,095)	(3,519)
Loan capital			
Issue proceeds	2,694	3,380	759
Redemptions	(368)	(437)	(589)
Decrease (increase) in outside equity interests	(1)	(1)	1
Dividends paid	(1,561)	(1,322)	(1,178)
Share capital issues (ordinary capital)	3,695	120	112
StEPS preference share issue	–	1,000	–
StEPS issue costs	–	(13)	–
Preference Share buyback	(1,045)	–	–
Net cash provided by financing activities	23,378	18,936	8,426
Net cash provided by operating activities	5,250	4,619	1,449
Net cash (used in) investing activities	(27,117)	(19,167)	(10,311)
Net cash provided by financing activities	23,378	18,936	8,426
Net increase (decrease) in cash and cash equivalents	1,511	4,388	(436)
Cash and cash equivalents at beginning of year	7,315	7,925	9,071
Foreign currency translation on opening balances	(972)	(4,998)	(710)
Cash and cash equivalents at end of year	7,854	7,315	7,925

The Notes appearing on pages 82 to 86 and the discussion and analysis appearing on pages 12 to 19 form an integral part of these financial statements

NOTES TO THE CONCISE FINANCIAL STATEMENTS

1: BASIS OF PREPARATION OF CONCISE FINANCIAL REPORT

This Concise Financial Report has been derived from the Group's 2004 Financial Report which complies with the Corporations Act 2001, Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.
A full description of the accounting policies adopted by the Group is provided in the 2004 Financial Report. The accounting policies are consistent with those of the previous financial year.

2: CRITICAL ACCOUNTING POLICIES

The Group has identified the following critical accounting policies:

› Economic loss provisioning;

› Specific provisioning;

› Deferred acquisition costs, software assets and deferred income;

› Derivatives and hedging;

› Special purpose and off-balance sheet vehicles;

› Valuation of investment in ING Australia Limited; and

› Valuation of goodwill in ANZ National Bank Limited.

Details of the critical accounting policies are contained within the ANZ results announcement released on 26 October 2004 and in the 2004 Financial Report. The results announcement can be obtained from www.anz.com.

3: MAJOR EVENTS THIS FINANCIAL YEAR

› Acquisition of the National Bank of New Zealand (NBNZ)

The Company acquired NBNZ on 1 December 2003 from Lloyds TSB.

The price paid was $5,112 million (at 30 September 2004 exchange rates). This includes acquisition costs, a $68 million refund received on the price paid to Lloyds TSB and the impact of the strengthening of the New Zealand dollar.

The purchase price at the original exchange rate on the date of acquisition was $4,842 million. The purchase price excluded a dividend to Lloyds TSB of NZD 575 million ($498 million) from NBNZ's retained earnings and transaction costs of $25 million.

The acquisition was funded as follows:

› A 2 for 11 "Renounceable Rights Issue" at $13 per share in the Company raising $3,562 million; and

› A US Stapled Trust Security Issue, subordinated debt, and wholesale funding.

› Legal amalgamation of NBNZ

On 26 June 2004, NBNZ was amalgamated into ANZ Banking Group (New Zealand) Limited. ANZ Banking Group (New Zealand) Limited changed its name to ANZ National Bank Limited.

› Renounceable Rights Issue

In accordance with the Prospectus lodged with ASIC on 24 October 2003, the Company issued 276,847,766 ordinary shares by way of a 2 for 11 rights issue at $13 per ordinary share, raising capital of $3,562 million (net of issue costs). The rights were closed on 24 November 2003 and the shares allotted on 28 November 2003 and 4 December 2003.

› US Stapled Trust Security Issue

On 27 November 2003, the Company raised USD1.1 billion via the issue of 1.1 million stapled non-cumulative trust securities, to support the capital and funding base of the Group following the decision to acquire NBNZ. The issue was structured as a stapled security 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. The notes are due on 15 December 2053 at which date the issue will mandatorily convert to ordinary shares, based on the formula in the offering memorandum, unless redeemed or bought back prior to that date.

The US Stapled Trust Securities qualify as Tier 1 capital as defined by the Australian Prudential Regulation Authority, and the securities are classified as debt under Australian and US Accounting Standards, with distribution on the securities treated as interest expense.

› Trust Securities Issues (ANZ TrUEPrS)

On 12 December 2003, the Company bought back its 124,032,000 TrUEPrS preference shares that were issued for USD775 million in 1998.

Income, expenses and dividends relating to the ANZ TrUEPrS transaction have been recorded as significant items.
Profit after tax relating to the ANZ TrUEPrS transaction of $84 million included $77 million from the close out of interest rate swaps. Final cash dividends of $36 million were paid to holders of ANZ TrUEPrS in the 2004 financial year.

4: DIVIDENDS

Ordinary Dividends

	2004 $m	2003 $m	2002 $m
Interim dividend	850	666	583
Final dividend	777[1]	–	692
Bonus option plan adjustment	(29)	(25)	(23)
Dividends on ordinary shares[1]	1,598	641	1,252

1 Change in accounting standard in 2003. Dividends no longer accrued and are recorded when declared. Full year dividend of $983 million not included in above table.

A fully franked final dividend of 54 cents, is proposed to be paid on each fully paid ordinary share on 17 December 2004 (2003: final dividend of 51 cents, paid 19 December 2003, fully franked: 2002: final dividend of 46 cents, paid 13 December 2002, fully franked). The 2004 interim dividend of 47 cents, paid 1 July 2004, was fully franked (2003: interim dividend of 44 cents, paid 1 July 2003, fully franked; 2002: interim dividend of 39 cents, paid 1 July 2002, fully franked).

The tax rate applicable to the franking credits attached to the interim dividend and to be attached to the proposed final dividend is 30% (2003: 30%; 2002: 30%).

Preference Dividends

	2004 $m	2003 $m	2002 $m
ANZ TrUEPrS	36	102	117
ANZ Stapled Exchangeable Preferred Securities (ANZ StEPS)	62	–	–
Dividends on preference shares	98	102	117

Trust Securities Issues (ANZ TrUEPrS)

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

ANZ Stapled Exchangeable Preferred Securities (ANZ StEPS)

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

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

Dividend Franking Account

The amount of franking credits available to the Company for the subsequent financial year is $111 million (2003 and 2002: nil), after adjusting for franking credits that will arise from the payment of tax on Australian profits for the 2004 financial year, $421 million franking credits which will be utilised in franking the proposed final dividend and franking credits that may not be accessible by the Company at present.

The 2004 amount includes franking credits that were transferred from Australian wholly-owned entities to the parent entity at 1 October 2003 when these entities entered the Australian tax consolidated group.

5: CONTINGENT LIABILITIES AND CONTINGENT ASSET

Contingent Liabilities

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

The Group in Australia is being audited by the Australian Taxation Office (ATO) as part of normal ATO procedures. The Group has received various assessments that are being disputed and may receive further assessments.

At the Company's request the ATO is reviewing the taxation treatment of the sale of Grindlays in 2000.

During the year, the Company and the ATO settled the dispute over the taxation treatment of lease assignments undertaken in 1991 and 1992. The settlement was within existing provisions.

The Group in New Zealand is being audited by local revenue authorities as part of normal revenue authority procedures, with a particular focus on certain kinds of structured finance transactions. On 30 September 2004, the Group in New Zealand received Notices of Proposed Adjustment (the 'Notice') in respect of one of these structured finance transactions undertaken in the 2000 financial year. The Notice is formal advice that the New Zealand Inland Revenue Department (IRD) is proposing to amend tax assessments. The Notice is not a tax assessment and does not establish a tax liability, but it is the first step in a formal dispute process. Should the same position be adopted by the IRD on the remaining transactions of that kind, the maximum potential tax liability would be approximately NZD348 million (including interest tax effected) for the period to 30 September 2004. Of that maximum potential liability, approximately NZD116 million is subject to tax indemnities provided by Lloyds TSB Bank PLC under the agreement by which ANZ acquired the National Bank of New Zealand and which relates to transactions undertaken by the National Bank of New Zealand before December 2003.

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

Further details regarding Group contingent liabilities are contained in the 2004 Financial Report.

Contingent Asset

On 14 October 2003 ANZ issued proceedings in the Victorian Supreme Court against its captive insurance company ANZcover Insurance Pty Ltd (ANZcover) regarding its insurance claim consequent upon settlement of its former subsidiary ANZ Grindlays Bank Limited's 1992 dispute with India's National Housing Bank (NHB). ANZcover is an authorised general insurer restricted to insuring the interests of ANZ and its subsidiaries. ANZcover in turn purchases reinsurance from global reinsurers, primarily in the London reinsurance market. ANZcover has no retained exposure to the NHB claim which is fully re-insured, save for a small exposure arising from the insolvency of some re-insurers in the London market.

The January 2002 settlement of the NHB litigation saw Grindlays recover Rupees 6.20 billion ($248 million at 19 January 2002 rates) of the disputed monies that Grindlays Bank had lodged with the Court, which by that time totalled Rupees 16.45 billion ($661 million at 19 January 2002 rates), including interest, with NHB receiving the balance. ANZ in turn received a payment of USD 124 million from Standard Chartered Bank under the terms of the Indian Indemnity (refer Note 48 in the 2004 Financial Report).
The claim of $130 million plus compound interest is for the balance of the limit of indemnity under ANZcover's reinsurance arrangements for the 1991-92 policy year. The proceedings remain on foot.

6: SEGMENT ANALYSIS

During the year ended 30 September 2004, the Group managed its activities along the following lines of business:

Personal Banking Australia, Institutional, New Zealand Business, Corporate Australia, Esanda and UDC, Asia Pacific, ING Australia and other. A description of each of the operating business segments, including the types of products and services the segments provide to customers, is detailed in the 2004 Financial Report.

As the composition of segments has changed over time, September 2003 comparatives have been adjusted to be consistent with the 2004 segment definitions detailed in the 2004 Financial Report. Comparatives for the year ended 30 September 2002 have not been provided as data could not reasonably be disaggregated into the changed segments.

BUSINESS SEGMENT ANALYSIS[1, 2]

Consolidated 30 September 2004	Personal Banking Australia $m	Institutional $m	New Zealand Business $m	Corporate Australia $m	Esanda and UDC $m	Asia Pacific $m	ING Australia $m	Other[3] $m	Consolidated Total $m
External interest income	5,818	2,341	3,312	903	1,060	165	–	518	14,117
External interest expense	(1,313)	(2,347)	(1,842)	(513)	(592)	(115)	(21)	(2,120)	(8,863)
Net intersegment interest	(2,590)	658	(176)	248	(107)	100	(2)	1,869	–
Net interest income	1,915	652	1,294	638	361	150	(23)	267	5,254
Other external operating income	832	1,299	518	270	104	145	116	107	3,391
Net intersegment income	132	(24)	5	(98)	(10)	–	–	(5)	–
Operating income	2,879	1,927	1,817	810	455	295	93	369	8,645
Other external expenses	(1,263)	(578)	(736)	(201)	(158)	(109)	2	(983)	(4,026)
Net intersegment expenses	(288)	(123)	(130)	(58)	(28)	(29)	(2)	658	–
Operating expenses	(1,551)	(701)	(866)	(259)	(186)	(138)	–	(325)	(4,026)
Profit before debt provision and income tax	1,328	1,226	951	551	269	157	93	44	4,619
Charge for doubtful debts	(183)	(159)	(99)	(59)	(67)	(23)	–	(42)	(632)
Income tax and outside equity interests	(343)	(279)	(268)	(148)	(59)	(23)	15	(67)	(1,172)
Net profit after income tax	802	788	584	344	143	111	108	(65)	2,815
Total external assets	93,738	55,736	55,870	18,992	14,524	2,379	1,777	16,329	259,345
Total external liabilities	40,036	49,060	47,275	21,397	12,261	4,924	416	66,051	241,420

BUSINESS SEGMENT ANALYSIS[1, 2]

Consolidated 30 September 2003	Personal Banking Australia $m	Institutional $m	New Zealand Business $m	Corporate Australia $m	Esanda and UDC $m	Asia Pacific $m	ING Australia $m	Other[3] $m	Consolidated Total $m
External interest income	4,625	2,170	1,060	734	1,005	167	–	454	10,215
External interest expense	(1,044)	(2,087)	(475)	(403)	(512)	(123)	(16)	(1,244)	(5,904)
Net intersegment interest	(1,810)	620	(88)	243	(143)	96	–	1,082	–
Net interest income	1,771	703	497	574	350	140	(16)	292	4,311
Other external operating income	701	1,245	254	251	86	149	90	32	2,808
Net intersegment income	121	(26)	5	(92)	(8)	–	–	–	–
Operating income	2,593	1,922	756	733	428	289	74	324	7,119
Other external expenses	(1,144)	(551)	(280)	(180)	(155)	(111)	2	(809)	(3,228)
Net intersegment expenses	(295)	(124)	(122)	(54)	(24)	(31)	(2)	652	–
Operating expenses	(1,439)	(675)	(402)	(234)	(179)	(142)	–	(157)	(3,228)
Profit before debt provision and income tax	1,154	1,247	354	499	249	147	74	167	3,891
Doubtful debt provision	(169)	(165)	(37)	(55)	(63)	(19)	–	(106)	(614)
Income tax and outside equity interests	(292)	(280)	(106)	(133)	(57)	(28)	8	(41)	(929)
Net profit after income tax	693	802	211	311	129	100	82	20	2,348
Total external assets	79,829	56,977	14,379	15,993	13,460	2,027	1,736	11,190	195,591
Total external liabilities	35,660	48,005	12,016	19,508	10,795	4,524	403	50,893	181,804

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

7: CAPITAL MANAGEMENT

The Group's total capital adequacy ratio has decreased to 10.4% (2003: 11.1%). The Tier 1 ratio reduced to 6.9% (2003: 7.7%) and the Tier 2 ratio has remained at 4.0%.

Our principal focus going forward is Adjusted Common Equity, defined as Tier 1 capital, less preference shares at current exchange rates and deductions from total capital, (including investment in funds management subsidiaries and ING Australia). Adjusted Common Equity reduced to 5.1% of risk weighted assets (2003: 5.7%) reflecting the lower risk profile of the Group.

8: EQUITY INSTRUMENTS ISSUED TO EMPLOYEES

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

		Consolidated	
	2004 $m	2003 $m	2002 $m
Net profit attributable to shareholders of the Company	2,815	2,348	2,322
Expenses attributable to:			
– Options issued to Group Heads[1]	(8)	(8)	(7)
– Options issued to general management[1]	(23)	(24)	(19)
– Shares issued under $1,000 employee share plan	(22)	(18)	(18)
Total	2,762	2,298	2,278

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

9: EVENTS SINCE THE END OF THE FINANCIAL YEAR

ANZ Trustees merger with Equity Trustees Limited

On 12 October 2004, the Company announced it had signed a heads of agreement with Equity Trustees Limited, to merge the Group's trustee business with Equity Trustees Limited. The merged business will create Australia's third largest trustee company and the leading manager of charitable foundations.

In consideration, the Company will become the major shareholder in Equity Trustees Limited with a 37.5% share of the expanded issued capital, and receive $3 million in cash.

Completion of the merger is expected early in 2005 subject to the outcomes of due diligence, regulatory and government approvals and approval by Equity Trustees' shareholders. The Company will equity account for its investment in Equity Trustees Limited and recognise a small profit from the transfer of the Group's trustee business.

The financial effect of this merger has not been recognised in these financial statements.

Share buyback

On 26 October 2004, the Company announced the intention to undertake an on-market share buyback of at least $350 million. The buyback is contingent on regulatory approval for a new offshore hybrid equity transaction.

The financial effect of this buyback has not been reflected in these financial statements.

Sale of London-headquartered project finance activities

On 26 October 2004, the Company announced entry into a Memorandum of Understanding for the sale, subject to due diligence and other standard conditions, of the majority of its London-headquartered project finance activities to Standard Chartered Bank. The amount of the loans and commitments is approximately $2 billion. The premium from the sale above book value is not expected to be significant.

The financial effect of this sale has not been reflected in these financial statements.

DIRECTORS' DECLARATION

The directors of Australia and New Zealand Banking Group Limited declare that in their opinion the accompanying Concise Financial Report of the Consolidated Group for the year ended 30 September 2004 complies with Accounting Standard AASB 1039 'Concise Financial Reports'.

In our report on the Group's 2004 Financial Report we declared that:

a) the financial statements and notes comply with the Corporations Act 2001, including:

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

ii) giving a true and fair view of the financial position of the Company and of the consolidated entity and of their performance as represented by the results of their operations and their cash flows; and

iii) that the directors have been given the declaration under section 295A of the Corporations Act 2001.

b) in the directors' opinion at the date of this declaration there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

Charles Goode
Director

John McFarlane
Chief Executive Officer

4 November 2004

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

SCOPE

We have audited the Concise Financial Report of Australia and New Zealand Banking Group Limited ("the Company") and its controlled entities for the financial year ended 30 September 2004, consisting of the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes 1 to 9 as set out on pages 79 to 86, and the accompanying discussion and analysis on the statement of financial performance, statement of financial position and statement of cash flows set out on pages 12 to 19 in order to express an opinion on it to the members of the Company. The Company's directors are responsible for the Concise Financial Report.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the Concise Financial Report is free of material misstatement.

We have also performed an independent audit of the full financial report of Australia and New Zealand Banking Group Limited and its controlled entities included in the annual financial report for the year ended 30 September 2004. Our audit report on the full financial report was signed on 4 November 2004, and was not subject to any qualification.

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

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

AUDIT OPINION

In our opinion the Concise Financial Report of Australia and New Zealand Banking Group Limited and its controlled entities for the year ended 30 September 2004 complies with Australian Accounting Standard AASB 1039 'Concise Financial Reports'.

KPMG

KPMG

Chris Hall
Partner

Melbourne
4 November 2004

COPY OF THE AUDITOR'S INDEPENDENCE DECLARATION

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

I declare that, to the best of my knowledge and belief, during the financial year ended 30 September 2004 there have been:

› no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

› no contraventions of the applicable Australian code of professional conduct in relation to the audit.

Chris Hall
Partner

Melbourne
4 November 2004

FINANCIAL HIGHLIGHTS IN KEY CURRENCIES

Millions	2004 AUD	2004 USD[1]	2004 GBP[1]	2004 NZD[1]
Financial Performance				
Operating income	8,645	6,279	3,505	9,729
Operating expenses	(4,026)	(2,924)	(1,632)	(4,531)
Profit before debt provision and income tax	4,619	3,355	1,873	5,198
Provision for doubtful debts	(632)	(459)	(256)	(711)
Profit before income tax	3,987	2,896	1,617	4,487
Income tax expense	(1,168)	(848)	(474)	(1,314)
Net profit attributable to outside equity interests	(4)	(3)	(2)	(5)
Profit after income tax	2,815	2,045	1,141	3,168
Financial Position				
Assets	259,345	185,821	103,297	277,499
Liabilities	241,420	172,977	96,158	258,319
Shareholders' equity[2]	17,925	12,844	7,139	19,180
Ratios – per ordinary share				
Earnings per share – basic	153.1c	111.2c	62.1p	172.3c
Dividends per share – declared rate	101c	73c	41p	114c
Net tangible assets per share	$7.51	$5.38	£2.99	$8.04

1 USD, GBP and NZD amounts – items relating to financial performance converted at average rates for financial year 30 September 2004 and items relating to financial position at closing rates at 30 September 2004
2 Includes outside equity interests

EXCHANGE RATES

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

	2004 Closing	2004 Average	2003 Closing	2003 Average	2002 Closing	2002 Average
Great British pound	0.3983	0.4054	0.4070	0.3822	0.3477	0.3621
United States dollar	0.7165	0.7263	0.6795	0.6124	0.5441	0.5323
New Zealand dollar	1.0700	1.1254	1.1431	1.1139	1.1585	1.2001

ORDINARY SHARES

At 13 October 2004 the twenty largest holders of ordinary shares held 1,091,080,872 ordinary shares, equal to 60% of the total issued ordinary capital.

Name	Number of shares	%	Name	Number of Shares	%
National Nominees Ltd	241,352,476	13.27	PSS Board	11,223,610	0.62
Chase Manhattan Nominees Ltd	241,084,758	13.26	IAG Nominees Pty Ltd	8,702,901	0.48
Westpac Custodian Nominees Ltd	230,985,111	12.70	ANZEST Pty Ltd (Deferred Share Plan A/C)	8,662,230	0.48
Citicorp Nominees Pty Ltd	90,412,119	4.97	Government Superannuation Office	7,912,760	0.44
RBC Global Services Australia Nominees Pty Ltd	58,764,704	3.23	Victorian Workcover Authority	5,641,887	0.31
ANZ Nominees Ltd	50,221,700	2.76	Australia Foundation Investment Company Ltd	5,470,797	0.30
Cogent Nominees Pty Ltd	40,639,319	2.23	IOOF Investment Management Ltd	5,406,169	0.30
Queensland Investment Corporation	28,235,896	1.55	Westpac Financial Services Ltd	4,806,257	0.26
AMP Life Ltd	23,427,620	1.29	ANZEST Pty Ltd (ESAP Share Plan A/C)	4,760,819	0.26
HKBA Nominees Ltd	19,015,397	1.05	Transport Accident Commission	4,354,342	0.24
Total				1,091,080,872	60.00

Distribution of shareholdings

At 13 October 2004 Range	Number of holders	% of holders	Number of shares	% of shares
1 to 1,000 shares	132,171	52.43	57,824,343	3.18
1,001 to 5,000 shares	94,925	37.66	208,426,821	11.46
5,001 to 10,000 shares	14,952	5.93	103,987,888	5.72
10,001 to 100,000 shares	9,606	3.81	201,713,846	11.09
Over 100,001 shares	418	0.17	1,246,461,935	68.55
Total	252,072	100.00	1,818,414,833	100.00

At 13 October 2004:

› there were no entries in the Register of Substantial Shareholdings;
› the average size of holdings of ordinary shares was 7,214 (2003: 6,713) shares; and
› there were 5,137 holdings (2003: 3,857 holdings) of less than a marketable parcel (less than $500 in value or 26 shares based on a market price of $19.66), which is less than 2.04% of the total holdings of ordinary shares.

Voting rights of ordinary shares

The Constitution provides for votes to be cast:

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

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

PREFERENCE SHARES - ANZ STAPLED EXCHANGEABLE PREFERRED SECURITIES (ANZ STEPS)

At 13 October 2004, the twenty largest holders of ANZ StEPS held 5,011,961 securities, equal to 50.12% of the total issued securities.

Name	Number of shares	%	Name	Number of Shares	%
ANZ Nominees Ltd	1,010,559	10.10	UCA Cash Management Fund Ltd	152,500	1.53
Chase Manhattan Nominees Ltd	963,814	9.64	Brispot Nominees Pty Ltd	98,462	0.98
IOOF Investment Management Ltd	492,000	4.92	Austrust Ltd	95,318	0.95
RBC Global Services Australia Nominees Pty Ltd	402,887	4.03	The Australian National University	85,000	0.85
Potter Warburg Nominees Pty Ltd	300,470	3.00	ANZ Executors and Trustee Company Ltd	75,975	0.76
National Nominees Ltd	269,515	2.70	Elise Nominees Pty Ltd	64,744	0.65
Permanent Trustee Australia Ltd	264,146	2.64	UOB Kay Hian Pte Ltd	64,500	0.65
Citicorp Nominees Pty Ltd	190,010	1.90	Gordon Merchant No2 Pty Ltd	59,000	0.59
Westpac Custodian Nominees Ltd	161,918	1.62	Transport Accident Commission	52,263	0.52
UBS Nominees Pty Ltd	160,000	1.60	Questor Financial Services	48,880	0.49
Total				5,011,961	50.12

Distribution of ANZ StEPS holdings

At 13 October 2004 Range	Number of holders	% of holders	Number of securities	% of securities
1 to 1,000 securities	10,264	93.92	2,516,362	25.17
1,001 to 5,000 securities	549	5.02	1,346,145	13.46
5,001 to 10,000 securities	56	0.51	456,233	4.56
10,001 to 100,000 securities	49	0.45	1,676,194	16.76
Over 100,001 securities	11	0.10	4,005,066	40.05
Total	10,929	100.00	10,000,000	100.00

At 13 October 2004: There are 2 holders of less than a marketable parcel (less than $500 in value or 5 units) (2003: nil)

Voting rights of ANZ StEPS

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

a) on a proposal:

(i) to reduce the share capital of ANZ;

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

(iii) to wind up ANZ; or

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

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

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

d) during the winding-up of ANZ.

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

EMPLOYEE SHAREHOLDER INFORMATION

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

At 30 September 2004 participants held 2.62% (2003: 2.76%) of the issued shares and options of ANZ under the following incentive plans:

› ANZ Employee Share Acquisition Plan;

› ANZ Employee Share Save Scheme;

› ANZ Share Option Plan; and

› ANZ Directors' Share Plan.

GLOSSARY OF FINANCIAL TERMS

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

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

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

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

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

CASH EARNINGS PER SHARE - earnings per share excluding significant items and goodwill amoritisation.

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

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

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

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

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

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

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

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

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

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

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

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

- the history of credit loss for each type and risk grade of lending; and
- the size, composition and risk profile of the current loan portfolio.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ORDINARY AND PREFERENCE SHARE CAPITAL - the amounts received when shares were orginally subscribed for.

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

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

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

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

PROFIT PER (FTE) - this productivity measure that shows, on average, how much profit is earned by each staff member.

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

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

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

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

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

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

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

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

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

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

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

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

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

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 buybacks 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 44-53.

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INFORMATION FOR SHAREHOLDERS

DIVIDENDS

The final dividend of 54 cents per share, fully franked, will be paid on 17 December 2004. A Dividend Reinvestment Plan (DRP) and Bonus Option Plan (BOP) are available to shareholders. The plans are detailed in a plan booklet called 'Shareholder Alternatives', copies of which are available from the ANZ Share Registry at the addresses shown in the right hand column under the Share Registry heading.

ANZ has reviewed the way that it pays its dividends to reduce costs, minimise the potential for fraud and enhance convenience for shareholders. Dividend payments to all shareholders in Australia, New Zealand and the UK (other than to those who have elected to participate fully in either the DRP or the BOP), are only made by direct credit to a nominated bank account.

STOCK EXCHANGE LISTINGS

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

The Group's other stock exchange listings include:

- **Australian Stock Exchange -** ANZ Stapled Exchangeable Preferred Securities (ANZ StEPS) *[ANZ Holdings (New Zealand) Limited and Australia and New Zealand Banking Group Limited];* senior and subordinated debt *[Australia and New Zealand Banking Group Limited];*
- **London Stock Exchange -** Senior and subordinated debt securities issued off the Euro Medium Term Note program *[Australia and New Zealand Banking Group Limited, ANZ National Bank Limited, and ANZ National (Int'l) Limited];*
- **Luxembourg Stock Exchange -** Senior debt *[ANZ National Bank Limited],* and senior and subordinated debt *[Australia and New Zealand Banking Group Limited];*
- **New York Stock Exchange -** American Depository Receipts *[Australia and New Zealand Banking Group Limited];*
- **New Zealand Stock Exchange -** Senior and subordinated debt *[ANZ National Bank Limited];*
- **Singapore Stock Exchange -** The Euro Medium Term Note program *[ANZ National Bank Limited and ANZ National (Int'l) Limited].* The Euro Medium Term Note program was delisted from the Singapore Stock Exchange in October 2004; and
- **Swiss Stock Exchange -** Senior debt *[Australia and New Zealand Banking Group Limited].*

AMERICAN DEPOSITARY RECEIPTS

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

2004 FINANCIAL REPORT

A copy of the Group's 2004 Financial Report, including the independent Auditors' Report, is available to all shareholders, and will be sent to shareholders without charge upon request. The Financial Report can be requested by telephone (Australia 1800 11 33 99, Overseas +613 9415 4014), by email at investor.relations@anz.com or viewed directly on the Internet at www.anz.com

REMOVAL FROM MAILING LIST

Shareholders who do not wish to receive a copy of the Annual Report must advise the Share Registry.

eTree™

ANZ is proud to be a foundation member of eTree, an incentive scheme to encourage shareholders of Australian companies to receive their shareholder communications electronically. Register your email address at www.eTree.com.au/anz and in return ANZ will donate $2 to Landcare Australia to support reforestation projects in your home state or territory.

CHANGE OF ADDRESS

Shareholders who have changed their address will need to advise the Share Registry in writing, quoting their shareholder number, registered details, name and company as applicable. If you have purchased your shares through a broker you will need to inform your broker of the change.

CREDIT RATINGS

Short Term

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

Long Term

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

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IMPORTANT DATES FOR SHAREHOLDERS

Date	Event
26 October 2004	Annual Result Announced
17 December 2004	Annual General Meeting [Melbourne]
17 December 2004	Final Dividend Payment
26 April 2005*	Interim Results Announced
1 July 2005*	Interim Dividend Payment
25 October 2005*	Annual Results Announced
16 December 2005*	Annual General Meeting [Adelaide]
16 December 2005*	Final Dividend Payment

* tentative dates

AUSTRALIA AND NEW ZEALAND
BANKING GROUP LIMITED
ABN 11 005 357 522

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