AUSTRALIA & NEW ZEALAND BANKING GROUP LTD
Form 20-F
January 11, 2005

Securities and Exchange Commission

Washington, D.C. 20549

Form 20-F

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

ý Annual Report pursuant to Sections 13 or 15(d) of the Securities Exchange Act of 1934

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

For the fiscal year ended September 30, 2004

Commission file number 0-18262

Australia and New Zealand Banking Group Limited

(Exact name of registrant as specified in its charter)

Victoria, Australia

(Jurisdiction of incorporation or organization)

100 Queen Street, Melbourne, VICTORIA, 3000, AUSTRALIA

(Address of principal executive offices)

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

Title of each class	Name of each exchange on which registered
American Depositary Shares each representing five ordinary shares	The New York Stock Exchange, Inc.
American Depositary Receipts each representing four Preference shares	The New York Stock Exchange, Inc.

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

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the Annual Report.

USD1,000 Preference Shares	1,100,000	fully paid
Ordinary Shares	1,818,401,807	fully paid
$100 Preference Shares	10,000,000	fully paid

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

Yes ý No o

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

Item 17 o Item 18 ý

2004
US Form 20-F
Annual Report

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

Form 20-F Cross Reference Index

Forward-Looking Statements

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

For example, the economic and financial forecasts contained in this Annual Report will be affected by movements in exchange rates and interest rates, which may vary significantly from current levels, as well as by general economic conditions in each of ANZ s major markets. Such variations may materially impact ANZ s financial condition and results of operations. The implementation of control systems and programs will be dependent on such factors as ANZ s ability to acquire or develop necessary technology and its ability to attract and retain qualified personnel. The plans, strategies and objectives of management will be subject to, among other things, government regulation, which may change at any time and over which ANZ has no control. In addition, ANZ will continue to be affected by general economic conditions in capital markets, the competitive environment in each of its markets and political and regulatory policies. There can be no assurance that actual outcomes will not differ materially from the forward-looking statements contained in this Annual Report. See Summary of Material Risk Factors on page 9.

Item 1 - Identity of Directors, Senior Management and Advisors

Not applicable.

Item 2 - Offer Statistics and Expected Timetable

Not applicable.

Item 3: Key Information

Selected Financial Data

The summary consolidated balance sheet date as of September 30, 2004 and 2003 and income statement data for the fiscal years ended September 30, 2004, 2003 and 2002 have been derived from the Group s 2004 audited financial statements (the Financial Report). The Financial Report has been audited by our independent auditors. The balance sheet data as of September 30, 2002, 2001 and 2000 and income statement data for the fiscal years ended September 30, 2002, 2001 and 2000 have been derived from our audited consolidated financial statements for the fiscal years ended September 30, 2002, 2001 and 2000, which are not included in this document.

The financial statements referred to above have been prepared in accordance with Australian GAAP, which varies in certain significant respects from US GAAP. See Note 55 to the Financial Report for a discussion of the significant differences between Australian GAAP and US GAAP as they apply to us.

Prior to 2001, abnormal items were reported separately. Abnormal items were defined as items of revenue or expense which, although attributable to the ordinary operations of the business entity, were considered to be abnormal by reason of their size and/or effect on the results of the business entity for the period. Since 2000, however, under Australian GAAP, abnormal items are not allowed to be disclosed separately and we have presented prior periods accordingly. In 2000, the following abnormals were presented separately: abnormal income of $1,207 million, abnormal expenses of ($986 million) and abnormal tax expense of ($177 million). We have re-presented prior periods in the table below accordingly.

Amounts reported in US dollars have been translated at the September 30, 2004 Noon Buying Rate, which was USD0.7244 = $1.00.

Years ended September 30 (1)	2004 USD M	2004 $M	2003 $M	2002 $M	2001 $M	2000 $M
Summary of Consolidated Statement of Income						
Australian GAAP						
Interest income	10,226	14,117	10,215	9,037	10,251	10,241
Interest expense	(6,420)	(8,863)	(5,904)	(5,019)	(6,418)	(6,440)
Net interest income	3,806	5,254	4,311	4,018	3,833	3,801
Profit from disposal of investments				174		
Other operating income	2,456	3,391	2,808	2,796	2,573	3,790
Operating income	6,262	8,645	7,119	6,988	6,406	7,591
Operating expenses	(2,916)	(4,026)	(3,228)	(2,905)	(3,092)	(4,300)
Profit before allowance for loan losses and income tax	3,346	4,619	3,891	4,083	3,314	3,291
Allowance for loan loss charge (2)	(458)	(632)	(614)	(860)	(531)	(502)
Profit before income tax	**2,888**	**3,987**	**3,277**	**3,223**	**2,783**	**2,789**
Income tax expense	(846)	(1,168)	(926)	(898)	(911)	(1,040)
Profit after income tax	2,042	2,819	2,351	2,325	1,872	1,749
Net profit attributable to outside equity interests	(3)	(4)	(3)	(3)	(2)	(2)
Net profit attributable to shareholders of the Company (1)	**2,039**	**2,815**	**2,348**	**2,322**	**1,870**	**1,747**
Total adjustments attributable to shareholders of the company recognized directly into equity	169	233	(356)	(98)	197	201
Total changes in equity other than those resulting from transactions with shareholders as owners	2,208	3,048	1,992	2,224	2,067	1,948
Non-interest income as a % of operating income(3)	39.2%	39.2%	39.4%	42.5%	40.2%	49.9%
Dividends paid / provided (4)	1,158	1,598	641	1,252	1,062	941
Per fully paid ordinary share:						
Operating profit after income tax (cents) (5)	111	153	142	141	113	103
Diluted net income per share (cents)	109	150	142	140	112	102
Dividends	$ 0.73	$ 1.01	$ 0.95	$ 0.85	$ 0.73	$ 0.64
Dividends		USD0.73	USD0.65	USD0.46	USD0.36	USD0.35
Dividends per ADR		USD3.66	USD3.23	USD2.31	USD1.81	USD1.73
Adjusted in accordance with US GAAP:						
Net interest income	3,695	5,101	4,263	4,001	4,128	3,801
Allowance for loan losses	(458)	(632)	(614)	(860)	(531)	(502)
Operating profit before taxes	2,837	3,916	3,294	2,993	2,700	3,092
Operating profit after income tax	2,020	2,788	2,380	2,097	1,796	1,940
Operating profit after income tax (cents) (5)	112	155	144	127	108	115
Continuing Operations (Australian GAAP): (6)						
Total income from operations	12,682	17,508	13,023	12,007	12,824	14,031

Less: Impact of discontinuing operations					31	(2,148)
Total income from continuing operations	12,682	17,508	13,023	12,007	12,855	11,883
Total operating profit after income tax	2,039	2,815	2,348	2,322	1,870	1,747
Less: Impact of discontinuing operations					12	(153)
Operating profit after income tax from continuing operations	2,039	2,815	2,348	2,322	1,882	1,594
Operating profit after income tax (cents) (5)	111	153	142	141	113	93

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

(2) The allowance for loan loss charge represents the economic loss provision charge (refer page 49).

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

(4) Excludes preference share dividends and dividends taken under the bonus option plan. The final dividend for 2004 of $983 million (2003: $777 million) has not been provided for at September 30, due to a change in Australian Accounting Standards on recognition of dividends effective from 2003.

(5) Amounts are based on weighted average number of ordinary shares outstanding, 2004: 1,774.1 million, 2003: 1,577.8 million, 2002: 1,559.8 million, 2001: 1,554.8 million, and 2000: 1,604.9 million. Weighted average number of ordinary shares outstanding has been adjusted for rights issue. Operating profit after income tax excludes preference share dividends of 2004: $98 million, 2003: $102 million, 2002: $117 million, 2001: $119 million, 2000: $102 million.

(6) Operations that will continue to contribute to the results of the ANZ group in future periods. Operations exclude, 2004, 2003, 2002: Nil, 2001: sale of residual assets from Grindlays, 2000: Sale of Grindlays.

Years ended September 30	2004 USD M	2004 $M	2003 $M	2002 $M	2001 $M	2000 $M
Summary of Consolidated Balance Sheets						
Australian GAAP						
Shareholders equity (1)	12,972	17,907	13,770	11,448	10,538	9,795
Subordinated debt	6,139	8,475	5,630	3,445	3,831	3,687
Bonds and notes	19,995	27,602	16,572	14,708	15,340	9,519
Deposits and other borrowings	122,103	168,557	124,494	113,297	104,874	100,602
Gross loans, advances and acceptances (net of unearned income) (2)	159,226	219,804	164,661	147,937	139,867	133,879
Specific allowance for loan losses	(278)	(384)	(484)	(585)	(500)	(709)
General allowance for loan losses	(1,443)	(1,992)	(1,534)	(1,496)	(1,386)	(1,373)
Net loans, advances and acceptances	157,505	217,428	162,643	145,856	137,981	131,797
Total assets	187,870	259,345	195,591	183,105	185,493	172,467
Net assets	12,985	17,925	13,787	11,465	10,551	9,807
Risk weighted assets	142,463	196,664	152,164	141,390	139,129	129,688
Adjusted in accordance with US GAAP						
Shareholders equity (1)	12,255	16,917	12,820	12,139	11,207	10,517
Total assets	189,810	262,024	195,230	183,035	185,573	171,858
Summary of Consolidated Ratios Australian GAAP						
Operating profit after income tax (3) as a percentage of:						
Average total assets		1.2%	1.2%	1.3%	1.1%	1.1%
Average shareholders equity (1)		18.1%	20.6%	23.2%	20.2%	19.3%
Dividends (4) to ordinary shareholders as a percentage of operating profit after income tax		67.5%	64.2%	57.8%	62.0%	59.1%
Average shareholders equity as a percentage of average total assets (5)		6.2%	5.7%	5.3%	5.0%	5.3%
Capital Adequacy ratios:						
Tier 1		6.9%	7.7%	7.9%	7.5%	7.4%
Tier 2		4.0%	4.0%	2.8%	3.2%	3.4%
Deductions (6)		(0.5)%	(0.6)%	(1.2)%	(0.4)%	(0.6)%
Total		10.4%	11.1%	9.5%	10.3%	10.2%
Number of shares on issue (million)		1,818	1,522	1,504	1,488	1,506
Adjusted in accordance with US GAAP						
Operating profit after income tax as a percentage of:						
Average total assets		1.1%	1.2%	1.2%	1.0%	1.2%
Operating profit (1) after income tax as a percentage of:						
Average shareholders equity (1)		17.9%	20.8%	20.9%	18.2%	20.6%
Dividends (7) to ordinary shareholders as a percentage of operating profit after income tax (6)		65.5%	62.2%	63.2%	63.3%	51.2%
Average shareholders equity (1, 6) as a percentage of average total assets		6.2%	5.6%	5.3%	6.0%	5.4%

(1) Excludes outside equity interest and preference shares.

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

(3) Includes significant items.

(4) Includes proposed final dividend of $983 million in 2004 not provided at September 30, 2004 following a change in Accounting Standards on recognition of dividends.

(5) Excludes preference shares.

(6) Deductions represent our investment in life insurance, funds management, securitization activities and other banks of $1,019 million (2003: $920 million, 2002: $1,703 million, 2001: $604 million, 2000: $787 million). In 2003 the intangible components of investments is deducted from Tier 1 capital rather than from total capital.

(7) Excludes dividends taken under the bonus option plan. Includes proposed final dividend of $983 million in 2004 not provided at September 30, 2004 following a change in Accounting Standards on recognition of dividends.

Years ended September 30	**2004 USD M**	**2004 $M**	**2003 $M**	**2002 $M**	**2001 $M**	**2000 $M**
Summary of credit quality data						
Gross non-accrual loans (1)						
Subject to specific allowance for loan losses	517	714	913	1,072	940	1,046
Without specific allowance for loan losses	83	115	94	131	320	345
Total non-accrual loans	**600**	**829**	**1,007**	**1,203**	**1,260**	**1,391**
Allowance for loan losses						
Specific allowance (loans)	274	378	482	575	490	692
Specific allowance (off-balance sheet commitments)	4	6	2	10	10	17
General allowance	1,443	1,992	1,534	1,496	1,386	1,373
Total allowance	**1,721**	**2,376**	**2,018**	**2,081**	**1,886**	**2,082**
Gross loans, advances and acceptances (2)						
Gross loans and advances (2)(3)	150,196	207,338	151,483	134,141	125,543	118,397
Acceptances	9,030	12,466	13,178	13,796	14,324	15,482
Total gross loans, advances and acceptances	**159,226**	**219,804**	**164,661**	**147,937**	**139,867**	**133,879**
Gross non-accrual loans as a percentage of gross loans and advances		0.4%	0.7%	0.9%	1.0%	1.2%
Gross non-accrual loans as a percentage of gross loans, advances and acceptances		0.4%	0.6%	0.8%	0.9%	1.0%
Specific allowance for loan losses as a percentage of gross non-accrual loans (1):						
Subject to allowance		52.9%	52.8%	53.6%	52.1%	66.2%
Total non-accrual loans		45.6%	47.9%	47.8%	38.9%	49.7%
Total allowance for loan losses as a percentage of:						
Gross loans and advances (2)		1.1%	1.3%	1.6%	1.5%	1.8%
Gross loans, advances and acceptances (2)		1.1%	1.2%	1.4%	1.3%	1.6%
Risk weighted assets		1.2%	1.3%	1.5%	1.4%	1.6%

(1) Excludes off-balance sheet commitments that have been classified as unproductive of $23 million (2003: $37 million, 2002: $44 million, 2001: $31 million, 2000: $56 million) net of an allowance of $6 million (2003: $2 million, 2002: $10 million, 2001: $10 million, 2000: $17 million) and restructured loans $32 million (2003: $nil, 2002: $1 million, 2001: $1 million, 2000: $1 million).

(2) Net of unearned income.

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

Summary of Material Risk Factors

Changes in general business and economic conditions may adversely impact our results

As we conduct the majority of our business in Australia and New Zealand, our performance is influenced by the level and cyclical nature of business activity in Australia and New Zealand, which, in turn is affected by both domestic and international economic and political events.

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

Changes in fiscal and monetary policies may adversely impact our results

The Reserve Bank of Australia (RBA) and the Reserve Bank of New Zealand (RBNZ) regulate the supply of money and credit in Australia and New Zealand (respectively). Their policies determine the cost of funds to us for lending and investing and the return we will earn on those loans and investments. Both of these impact our net interest margin, and can materially affect the value of financial instruments we hold, such as debt securities. The policies of the RBA and the RBNZ also can affect our borrowers, potentially increasing the risk that they may fail to repay their loans. Changes in RBA and RBNZ policies are hard to predict or anticipate.

Regulatory changes may adversely impact our results

As we consist of regulated entities which are deposit-taking institutions, we are regulated in Australia, New Zealand and in the other countries in which we have operations. This regulation varies from country to country but generally is designed to protect depositors and the banking system as a whole, not holders of our securities.

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

In addition, these regulatory agencies frequently review banking laws, regulations and policies for possible changes. Changes to laws, regulations or policies, including changes in interpretation or implementation of laws, regulations or policies, could affect us in substantial and unpredictable ways. These may include changing required levels of bank liquidity and capital adequacy, limiting the types of financial services and products we may offer and/or increasing the ability of non-banks to offer competing financial services and products, as well as changes to accounting standards, taxation laws and prudential regulatory requirements.

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

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

The effect of the competitive market conditions in which we operate may have a material adverse effect on our financial performance and position, especially in Australia and New Zealand, where we operate in highly competitive markets.

Application of and changes to accounting policies may adversely impact our results

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

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

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after January 1, 2005. As a result, from January 1, 2005, the accounting standards that apply to Australian reporting companies under the Corporations Act, such as us, will be based upon IFRS issued by the International Accounting Standards Board (IASB). We will adopt IFRS from October 1, 2005. Comparatives will be required to be restated on initial adoption of IFRS for most standards (other than for IAS39/AASB 139 (Financial Instruments - Recognition and Measurement), IAS32/AASB 132 (Financial Instruments - Disclosure and Presentation) and IAS4/AASB 4 (Insurance Contracts).

APRA has also announced that it intends to revise its capital adequacy requirements to take account of the impact of IFRS, in particular the treatment of innovative capital instruments for capital adequacy purposes and the treatment of superannuation fund surpluses/deficits.

Based on IFRS and related exposure drafts issued to date, adoption of IFRS may result in material changes to accounting for hedges, doubtful debt provisioning, securitization, recognition of fee income, accounting for goodwill, post employment benefits and share based payments and classification of hybrid equity instruments.

The final version of IFRS that will be applicable to us may still change. In particular, the AASB has yet to finalise the Australian equivalent of IAS 39, the standard on recognition and measurement of financial instruments.

All our financial information disclosed in this Annual Report has been prepared in accordance with current Australian GAAP. As explained above, the differences between current Australian GAAP and IFRS, will potentially have a significant effect on our financial position and performance. The differences identified above should not be taken as an exhaustive list of all the differences between Australian GAAP and IFRS. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

We have not quantified the effects of the differences expected under IFRS. Accordingly, there can be no assurance that our consolidated financial performance or financial position (or both) would not be significantly different if determined in accordance with IFRS.

The potential impacts on our financial performance and financial position of the adoption of IFRS, including system upgrades and other implementation costs which may be incurred, have not been quantified, as the actual impact will depend on the final standards and the particular circumstances prevailing at the time of adoption.

We are subject to credit risk, which may adversely impact our results

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

As a result of the potential for loss arising from the failure of customers or counterparties to meet their contractual obligations, we hold provisions to cover loan losses. The amount of these provisions is determined by assessing, based on current information, the extent of credit risk within the current lending portfolio. However, if the information upon which the assessment of risk proves to be inaccurate, the provisions made for loan loss may be insufficient, which could have a material adverse effect on our results and operations.

We are subject to operational risk, which may adversely impact our results

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

We are subject to market risk (including foreign exchange risk) and liquidity risk, which may adversely impact our results

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

Litigation and contingent liabilities may adversely impact our results

ANZ may from time to time be subject to material litigation and other contingent liabilities, which, if they crystallize, may adversely impact our results. Details regarding ANZ s contingent liabilities are contained in note 48 of the 2004 Financial Report. For example (these are illustrative examples, please refer to the 2004 Financial Report for the full disclosures):

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

ANZ in New Zealand is being audited by local revenue authorities as part of normal revenue authority procedures, with a particular focus on certain kinds of structured finance transactions. On September 30, 2004, ANZ 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 September 30, 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 NBNZ and which relate to transactions undertaken by NBNZ before December 2003. Based on external advice, the ANZ group has assessed the likely progress of this issue, and believes that it holds appropriate provisions.

Other than disclosed in the 2004 Financial Report, there are no legal or arbitration proceedings (including any such proceedings which are pending or threatened of which we are aware) against ANZ that may have or have had in the previous 12 months a significant effect on ANZ s financial position.

Acquisition risk may adversely impact our results

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

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

Integration risk resulting from the ongoing integration of NBNZ may adversely affect our results

We acquired NBNZ in December 2003. The integration of businesses that have previously operated independently has been progressed significantly, involving, among other things, the completion of legal amalgamation and non-systems business integration and continuing work on integration of technology platforms and processes. Key risks associated with the integration include loss of revenue and customers, loss of key personnel, additional costs and losses arising from systems or technology failure. The scope of the integration process has recently been changed, primarily to exclude integration of the retail banking systems. This is expected to reduce the program s risk and complexity, and to enable management to focus on customer retention, growth and financial performance.

The success of integration has a number of dependencies including the approval of regulators, agreement on integration plans, the ability of management to execute the approved integration plans and the response of customers to the acquisition and integration.

Currency of Presentation, Exchange Rates and Certain Definitions

Currency of Presentation

The Company, together with its subsidiaries, publishes consolidated financial statements in Australian dollars. In this Annual Report, unless otherwise stated or the context otherwise requires, references to US$, USD and US dollars are to United States dollars and references to $, AU and A$ are to Australian dollars. For the convenience of the reader, this Annual Report contains translations of certain Australian dollar amounts into US dollars at specified rates. These translations should not be construed as representations that the Australian dollar amounts actually represent such US dollar amounts or could be converted into US dollars at the rate indicated. Unless otherwise stated, the translations of Australian dollars into US dollars have been made at the rate of USD0.7244 = $1.00, the Noon Buying Rate in New York City for cable transfers in Australian dollars as certified for customs purposes by the Federal Reserve Bank of New York(the Noon Buying Rate) on September 30, 2004.

Exchange Rates

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

		USD per $1.00			
Year ended		**High**	**Low**	**Average**	**Close**
2000	September	0.6687	0.5372	0.6032	0.5415
2001	September	0.5712	0.4828	0.5182	0.4946
2002	September	0.5748	0.4923	0.5329	0.5429
2003	September	0.6823	0.5422	0.6131	0.6797
2004	September	0.7979	0.6814	0.7287	0.7244
Month ended	June	0.7067	0.6840	0.6937	0.6952
	July	0.7334	0.6980	0.7161	0.7035
	August	0.7245	0.7001	0.7111	0.7071
	September	0.7244	0.6880	0.7028	0.7244
	October	0.7478	0.7207	0.7337	0.7468
	November	0.7903	0.7447	0.7704	0.7723

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

On December 2, 2004, the Noon Buying Rate was USD0.7769 per $1.00.

In 2004, 33% (2003: 27%) of our operating income was derived from overseas operations and was denominated principally in New Zealand dollars (NZ$ or NZD), US dollars (US$ or USD) and British pounds sterling (£ or GBP). Movements in foreign currencies against the Au dollar can therefore affect ANZ s earnings through the re-translation of overseas profits to Australian dollars. Based on exchange rates applied to convert overseas profits and losses from September 2000 to September 2004, the Australian dollar moved against these currencies as follows (refer also Note 56 to the Financial Report):

Years ended September 30	2004	2003	2002	2001	2000
NZD	+1%	7%	4%	1%	+5%
USD	+19%	+15%	+2%	14%	5%
£	+6%	+6%	0%	7%	0%

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

Certain Definitions

Our fiscal year ends on September 30. As used throughout this Annual Report, unless otherwise stated or the context otherwise requires, the fiscal year ended September 30, 2004 is referred to as 2004, and other fiscal years are referred to in a corresponding manner. References to calendar years are identified as such.

Item 4: Information on the Company

Overview

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

Based on publicly available information as at September 30, 2004, we ranked third among Australian banking groups in terms of total assets ($259 billion) and third in terms of shareholders equity ($18 billion) and ranked third in terms of market capitalization, with a market capitalization of $35 billion, which ranked us as the fourth largest company listed on the Australian Stock Exchange Limited.

We provide a broad range of banking and financial products and services to retail, small business, corporate and institutional clients. We conduct our operations primarily in Australia and New Zealand (approximately 93% of our total assets at September 30, 2004 are related to these operations). The remainder of our operations are conducted in the United Kingdom, the United States and a number of other countries, most of which are located in the Asia Pacific region. At September 30, 2004, we had 1,190 branches and other points of representation worldwide.

ANZ s strategy is executed through a management structure focused on specialization:

Principal activities of divisions

Personal

Personal is comprised of the Australian operations of Personal Distribution (including Rural Banking), Banking Products, Mortgages and Cards and Merchant Services.

Personal Distribution - Provides a full range of banking and financial planning services to personal customers across Australia, and to small business and agriculture customers in rural Australia.

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

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

Cards and Merchant Services - Provides consumer and commercial credit cards, ePayment products, personal loans, and merchant payment facilities in Australia.

Institutional

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

Institutional Banking - Manages customer relationships and develops financial services solutions and strategies for large businesses with a turnover greater than $100 million in Australia and New Zealand and, for corporate clients with whom ANZ has an existing customer relationship, in the United Kingdom, United States and Asia.

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

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

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

New Zealand Business

New Zealand Business includes

National Bank of New Zealand (NBNZ), which was acquired from Lloyds Bank on the December 1, 2003 (refer to page 36 for acquisition details); and

ANZ (NZ) businesses provide banking services, including wealth management, for personal, small business and corporate customers in New Zealand through branches, call centers, relationship managers and online banking.

ANZ (NZ) and NBNZ engage in the following businesses.

Personal and Business Banking - provides consumer banking deposits, loans, overdrafts, credit card and merchant services and mortgage products. A two-brand strategy has been adopted whereby both the ANZ and NBNZ brands and branch networks are to be maintained and run in competition. Management and systems of the businesses are separate.

Rural Banking provides a full range of banking services to the rural community and is offered under the NBNZ brand only.

Corporate Banking is responsible for managing customer relationships and developing financial solutions for medium-sized businesses and is offered under the ANZ brand.

The business model is focused upon preserving revenue by reducing customer disruption and attrition and leveraging the strong market positions in both Rural and Corporate Banking of NBNZ and ANZ respectively.

Corporate

Corporate includes

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

Business Banking Australia which provides a full range of banking services for metropolitan based small to medium business in Australia with turnover up to $10 million; and

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

Esanda and UDC

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

Asia Pacific

Asia Pacific provides retail banking services in the Pacific Region and Asia. This business unit excludes Institutional and Corporate transactions that are included in the geographic results for Asia. The Asia Pacific business also manages ANZ s consumer banking business in Asia with Singapore and Japan being the major contributors.

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

ING Australia

On April 10, 2002, the Group entered into a contract to sell certain life and general insurance and funds management businesses to a joint venture with ING Group, and acquire a 49% interest in the joint venture.

Key details of the transaction are:

ING Australia Limited is owned 51% by ING Group and 49% by ANZ.

Both shareholders have an equal say in strategic decisions with a number of matters requiring the approval of both Shareholders. These include major items of capital expenditure, acquisitions or disposals in excess of $20 million and changes to the Board structure.

Equal board representation with four ANZ nominees and four ING Group nominees. All key issues (including business plans, major capital expenditure, acquisitions etc) require unanimous Board approval.

The Joint Venture was valued in April 2002, at $3,750 million with ING contributing businesses valued at $2,874 million; ANZ contributing businesses valued at $879 million. ANZ s contribution to the Joint Venture was by way of selling a controlling interest in ANZ Life Assurance Company Limited, ANZ Managed Investments Limited, ANZ General Insurance Limited and Investment and Administration Services Limited, as well as making a capital contribution of $960 million.

The Joint Venture includes the majority of ANZ s and ING s funds management and insurance activities in Australia and New Zealand.

As a result of the transfer of ANZ s life insurance, general insurance and funds management subsidiaries into the new joint venture company, ANZ Life Assurance Company Limited, ANZ Managed Investments Limited, ANZ General Insurance Limited and Investment and Administration Services Limited are no longer consolidated within the results of the ANZ Group as subsidiaries. ANZ Group s investment in ING Australia is accounted for under the equity accounting method with 49% of both the net profit before tax and net assets from the joint venture recognized. The equity accounting method has been applied on the basis of ING Australia being under the joint control of ANZ and ING.

The profit on sale was $170 million under Australian Generally Accepted Accounting Principles (A GAAP) as a 49% interest in the businesses was retained. Under US GAAP all profit on sale was eliminated as it occurred as a result of a non-monetary transaction, which involved transferring ownership of controlled entities in exchange for a non-controlling ownership interest in the joint venture.

ING Australia, the wealth management joint venture between ANZ and ING Group, provides and distributes integrated wealth creation products, management and protection products and services aligned to ANZ distribution and the open market.

Group Treasury

Group Treasury is the banker for all ANZ businesses. It is charged with providing cash flow support, ensuring liquidity, managing interest rate risk and providing capital to all of the ANZ businesses. Group Treasury is included in the Group Center in 2004.

Group Center

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

Organization Structure Changes

The Group from time to time modifies the organization of its businesses to enhance the focus on delivery of specialized products or services to customers. Prior period numbers are adjusted for such organizational changes to allow comparability where practical. During the year ended September 30, 2004 the significant changes were:

Personal clusters all ANZ s businesses serving personal customers in Australia. It now includes Cards and Merchant Services (formerly called Consumer Finance) and Mortgages Australia.

A new business unit   New Zealand Business   was created which consists of the ANZ (NZ) businesses, the National Bank of New Zealand, and Integration costs. The ANZ (NZ) businesses now include New Zealand Mortgages, which was previously reported in Mortgages, and New Zealand Consumer Finance, which was previously reported in Cards and Merchant Services.

Within Institutional, the operations of Structured Finance International and Corporate Finance and Advisory have been brought together and are being managed as one global business, called Corporate and Structured Financing. In addition, the operations of Foreign Exchange and Capital Markets have been brought together and are reported as one unit called Markets. Pacific Foreign Exchange, which was previously reported in Asia Pacific is now reported in Institutional.

Corporate comprises Corporate Banking Australia, Business Banking Australia, and now includes Small Business Banking Australia which was previously part of Personal.

Asset Finance has been renamed Esanda and UDC.

ANZ has moved the goodwill amortisation on investments to Group Center. This is an extension of equity standardisation and facilitates better comparisons across different business units.

In addition, there have been a number of function transfers including some minor segmentation between Institutional Banking, Corporate, and Asia Pacific together with a number of relatively minor methodology changes to revenue and cost allocations.

Our Strategic Direction

ANZ s aspiration is to be:

Australasia s leading, most respected and fastest growing major bank.

The strategic priorities for achieving our aspiration are:

- superior revenue growth
- market leadership in our core businesses
- increased market share
- superior cost and risk management
- superior shareholder returns

Underpinning the way ANZ operates are our core values:

- Put our customers first
- Create value for our shareholders
- Lead and inspire each other

Earn the trust of our community

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

A Foundation for Growth

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

ANZ has shifted the focus of its portfolio of businesses from institutional and corporate banking towards retail and business banking. Today, approximately 50% of ANZ s net profit after tax is derived from our retail segment, a rise from 31% of net profit after tax in 1997.

ANZ has reduced its cost-to-income ratio from 65% to 45% over the last seven years. This has positioned us well for growth, as for every dollar we earn, more flows through to the bottom line.

ANZ has improved its risk profile. We have reduced the amount of lending assets outside Australia and New Zealand from 15% in 1996 to just 5% today. Single customer exposures have also been significantly reduced.

ANZ has developed a strong performance culture based on a set of shared values. We have a record of setting targets and achieving them.

These four keys areas have set the foundation for achieving our aspiration. They also ensure that ANZ can deliver sustainable performance and value over the long term.

Our Strategic Priorities

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

We aim to combine superior revenue growth with superior efficiency. Our approach in recent years has involved moderate revenue growth and significant efficiency gains. ANZ is now very efficient and so our priority has to be to generate superior revenue growth.

We aim for market leadership in our core businesses. We are the leading bank in New Zealand and have a number of other leading positions in Australia and the Pacific. We are now focusing on increasing our market share in each of our core businesses, particularly those of lower risk, more sustainable businesses where we are underweight such as Australian personal banking and small business banking.

We aim to have distinctive relationships and service to increase market share and produce the highest sustainable revenue growth. Specialisation has helped us make progress in this area. It has provided our businesses with focus and vitality and we have great products for our customers. This year we re-organized to harness synergies between the specialist businesses and to broaden and deepen their offering to customers. There has been good progress but we are currently focusing on developing more reasons for customers to choose ANZ over our competitors.

We aim to manage costs effectively in order 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 businesses in a lean, agile way.

We aim to avoid non-core or risky activities that might 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.

We aim to share the benefits of our success with customers, staff and the community. We recognize that delivering sustainable value to shareholders in the long-term requires companies to serve others as well as shareholders.

Generating Sustainable Momentum

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

Our first major step was to create a portfolio of specialist businesses. Specialization has not only brought a sharper financial focus through greater accountability, it has also contributed to a greater sense of ownership and commitment from our people. This has already contributed to improved customer satisfaction across many business units, and in turn, improved results.

In April of this year we announced the formation of a new division, Personal, which is a cluster of all of ANZ s specialized businesses primarily serving personal customers in Australia. The move completes a program of clustering specialist businesses around customer segments. ANZ s Institutional, Corporate and New Zealand businesses have already adopted this approach. The divisional clusters are designed to accelerate organic growth and build market share. They aim to harness synergies between the specialist businesses to broaden and deepen the offering to customers, while maintaining the integrity and vitality of ANZ s specialization model.

We established a program of cultural change, Breakout, in 1999 and it continues today. This program is designed to transform ANZ s culture from the traditional, bureaucratic banking culture into a modern vibrant organisation. Over 18,000 people within ANZ have been through our Breakout program in its various phases, with each phase tackling a different priority or issue. Initially, much of the program was aimed at increasing accountability, freedom and openness and developing a common set of values. We are currently working at getting the whole organization aligned to the customer and to superior revenue growth. The Breakout 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%.

At ANZ we are committed to helping our people continuously to improve their skills and capabilities, and support them in obtaining tertiary and post-graduate qualifications. We continue to be one of the largest private sector recruiters of graduates with a new intake of more than 250 in Australia and New Zealand in 2004.

ANZ s aim to deliver sustainable value recognizes that companies do not serve shareholders exclusively, but others as well. Part of delivering on our aspiration involves engaging and contributing to the community. We continue to invest in financial literacy with the launch of Australia s first comprehensive adult financial education program MoneyMinded . This program is designed to assist people make better judgments and decisions about the use and management of their money. The development of MoneyMinded follows the findings of Australia s first national survey of adult financial literacy in May 2003, which identified a strong relationship between socio-economic status and financial literacy. We see this study as a next step towards empowering people with the appropriate financial skills to make informed basic financial decisions.

During 2004, ANZ conducted a pilot matched savings program, Australia s first called Saver Plus . In conjunction with the Brotherhood of St Lawrence and other not-for-profit organizations, Saver Plus is aimed to help 270 families on low incomes to save for costs associated with their secondary education. For those on the Saver Plus program ANZ matches every dollar saved with two additional dollars and account holders have also been provided with financial skills training and personal coaching. In September, in partnership with The Smith Family, we expanded the program to Queensland furthering our commitment to making a difference to the community.

Building a future

Specialization creates a demonstrably more agile operation, able to respond rapidly to the opportunities presented within each business segment. We continue to position our businesses for growth and continue the focus on the specialized business model following the re-organisation of the Personal Banking business.

In our retail banking businesses, trained and committed staff acting as advocates for ANZ, are essential to the health of our relationships with customers and the broader community. We have also maintained high levels of investment to improve customer service, quality and efficiency. In Australia the MyTell system, a new branch telling platform, has been rolled out to the entire branch network with positive results for both staff and customers. We have also made substantial investment in the ANZ brand with the launch of the ANZ NOW national advertising campaign. In addition we have rebranded and redesigned 566 of our branches and refurbished 192 branches since 2002. In addition, we have begun a process of identifying attractive new sites to open 50 80 new ANZ branches in the next 3 years. This will strengthen our geographic footprint especially in areas of higher growth.

We continue to grow our rural franchise and are currently implementing our Take a fresh look program, which has been designed to fundamentally change the way Rural Banking does business by shifting the focus of staff to all of the customer s activities.

Our institutional businesses across Australasia, Asia, Europe and North America, are focused on Institutional banking, Trade and Project finance, and financial markets. We continued our focus on risk reduction in the Institutional bank. In December 2004 we finalized the transfer of the majority of ANZ s London-headquartered Project Finance business to Standard Chartered Bank.

Our regional international strategy is focused on consumer banking in Asia. Our preference is to work with local partners with domestic customer franchises where we can add our own distinct capabilities to theirs. Over time we would like to pursue further initiatives, while continuing to reflect the need to maintain a lower risk profile.

We will consider enhancing our capabilities, growth opportunities, scale benefits and other synergies through selective acquisitions. Any acquisition must be aligned with our vision for ANZ and must be value-creating. Our acquisition discipline was highlighted by the NBNZ transaction, which was completed in December 2003 and was EPS accretive in the first year of ownership. We will also enter commercial arrangements and partnerships where these provide a strategic fit with our existing businesses.

Subsidiaries, Associates and Joint Venture

We have many subsidiaries and associates. More detailed information regarding material subsidiaries, associates and joint ventures is contained in Exhibit 8 and Notes 43, 44 and 45 to the Financial Report.

Recent Developments

ANZ Trustees merger with Equity Trustees Limited

On October 12, 2004, the Company announced it had signed an 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 recognize a small profit from the transfer of the Group s trustee business.

The financial effect of this merger has not been recognized in these financial statements.

Share buyback

On October 26, 2004, the Company announced the intention to undertake an on-market share buyback of at least $350 million.

The financial effect of this buyback has not been reflected in these financial statements.

Sale of London-headquartered project finance activities

On October 26, 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 significant. Details of this transaction were finalized in December 2004.

The financial effect of this sale has not been reflected in these financial statements.

Joint Venture with Cambodia s Royal Group

On November 2, 2004, the Company announced it had signed a shareholder s agreement with the Royal Group, a mobile telecommunications company, to establish a joint venture bank in Cambodia.

Key points covered by the Agreement are:

Creation of a joint venture bank to be known as ANZ Royal Bank Cambodia Limited, owned 55% by ANZ and 45% by Royal Group.

ANZ will make a contribution of USD9.9 million to the joint venture bank s capital.

Establishment of clear governance principles, including proportional Board representation.

ANZ Royal Bank Cambodia will focus on providing retail banking services including services to support the 700,000 foreign tourists who visit Cambodia annually and ANZ s multinational clients who operate in Cambodia. Initially services will be provided in Cambodia s capital, Phnom Penh and Siem Riep.

ANZ Euro Hybrid Capital

On December 13, 2004, the Company issued 0.5 million 1,000 fully paid preference shares with a liquidation preference of 1,000. The preference shares were issued as part of a structured hybrid Tier 1 capital raising. Refer page 137 for further information.

Assets and Gross Revenue by Line of Business

Years ended September 30 (1)	2004 $M		2003 $M		2002 $M	
Line of Business (2)						
External Assets						
Personal	93,738	36%	79,829	41%	n/a	n/a
Institutional	55,736	21%	56,977	29%	n/a	n/a
Corporate Australia	18,992	7%	15,993	8%	n/a	n/a
New Zealand Business	55,870	22%	14,379	7%	n/a	n/a
Esanda and UDC	14,524	6%	13,460	7%	n/a	n/a
ING Australia	1,777	1%	1,736	1%	n/a	n/a
Asia Pacific	2,379	1%	2,027	1%	n/a	n/a
Other (3)	16,329	6%	11,190	6%	n/a	n/a
Total Assets	259,345	100%	195,591	100%	183,105	100%

Line of Business (2)

As published in the September 2003 Company Profile:

External Assets	2003 $M		2002 $M	
Personal	6,696	3%	5,832	3%
Institutional	56,529	29%	59,155	33%
Corporate	16,085	8%	13,538	7%
New Zealand Banking	4,225	2%	3,797	2%
Mortgages	77,586	40%	64,826	35%
Consumer Finance	6,135	3%	5,551	3%
Asset Finance	13,460	7%	12,410	7%
ING Australia	1,736	1%	1,638	1%
Asia Pacific	1,949	1%	1,932	1%
Group Treasury	9,085	5%	11,692	6%
Group Center (4)	2,105	1%	2,734	2%
	195,591	100%	183,105	100%

(1) Refer table above for line of business in 2003 under previous business structure. Refer 2003 20-F for discussion of these businesses.

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

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

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

Years ended September 30 (1)	2004 $M		2003 $M		2002 $M	
Gross Revenue (2) (equity standardized) (3)						
Personal	6,782	39%	5,447	42%	n/a	n/a
Institutional	3,616	21%	3,389	26%	n/a	n/a
Corporate Australia	1,075	6%	893	7%	n/a	n/a
New Zealand Business	3,835	22%	1,319	10%	n/a	n/a
Esanda and UDC	1,154	6%	1,083	8%	n/a	n/a
ING Australia	116	1%	90	1%	n/a	n/a
Asia Pacific	310	2%	316	2%	n/a	n/a
Other (4)	620	3%	486	4%	n/a	n/a
Total Gross Revenue	17,508	100%	13,023	100%	12,007	100%

As published in the September 2003 Company Profile:

	2003 $M		2002 $M	
Gross Revenue (2) (equity standardized) (3)				
Personal	737	6%	728	6%
Institutional	3,342	26%	3,147	26%
Corporate	932	7%	827	7%
New Zealand Banking	480	4%	417	4%
Mortgages	4,487	34%	3,760	31%
Consumer Finance	1,052	8%	992	8%
Asset Finance	1,091	8%	1,036	9%
ING Australia	46	0%	142	1%
Asia Pacific	326	3%	281	2%
Group Treasury	455	3%	473	4%
Group Center (5)	75	1%	204	2%
Total Gross Revenue	13,023	100%	12,007	100%

(1) Refer table above for line of business for 2003 under previous business structure.

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

(3) Economic Value Added EVA(TM) principles are in use throughout the Group, whereby risk adjusted capital is allocated and charged against business units. Equity standardized 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 standardized.

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

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

Assets and Gross Revenue by Region

Years ended September 30	2004 $M		2003 $M		2002 $M	
Region (1)						
Assets						
Australia	170,455	66%	151,538	77%	135,050	74%
New Zealand	69,801	27%	25,696	13%	23,799	13%
Overseas Markets	19,089	7%	18,357	10%	24,256	13%
	259,345	100%	195,591	100%	183,105	100%
Gross Revenue (2)						
Australia	11,767	67%	9,508	73%	8,697	72%
New Zealand	4,632	27%	2,149	17%	1,917	16%
Overseas Markets	1,109	6%	1,366	10%	1,393	12%
	17,508	100%	13,023	100%	12,007	100%
Net profit before tax						
Australia	2,785	70%	2,371	72%	2,391	74%
New Zealand	763	19%	495	15%	456	14%
Overseas Markets	439	11%	411	13%	376	12%
	3,987	100%	3,277	100%	3,223	100%

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

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

Supervision and Regulation

Australia

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

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

Capital adequacy and asset risk weighting

Credit risk including portfolio and large exposure reporting

Market risk

Liquidity management

Funds management and securitization

General insurance

Risk management of associations with related entities

Management of credit card risk

Management of outsourced business arrangements

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

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

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

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

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

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

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

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

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

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

Liquidity is controlled by individual agreements with each bank, which take into consideration the specific operations of each organization. APRA requires that banks have a comprehensive liquidity policy statement which defines the guidelines and systems for managing domestic and foreign currency liquidity. This statement must be approved by the Board of Directors. A bank s liquidity management policy should cater for a range of potential conditions and APRA requires each bank s liquidity risk to be assessed under two specific scenarios. The first scenario is known as the going-concern and refers to the normal behavior of cash flows in the ordinary course of business and forms the day-to-day focus of a bank s liquidity management. The second scenario, known as the short term crisis , covers the behavior of cash flows where there is a problem (real or perceived) which may include operational problems, doubts about the solvency of a bank or adverse rating changes. APRA expects a bank to have sufficient liquidity to continue operating for at least 5 business days in a short term crisis.

APRA imposes guidelines for the capital adequacy of banks as an essential part of its prudential supervision of ADIs and has adopted capital adequacy guidelines closely following the risk-weighted approach proposed by the Committee on Banking Regulation and Supervision of the Bank for International Settlements (the Basel Committee). Under the existing APRA guidelines, balance sheet assets and off-balance sheet exposures are assessed according to broad categories of relative credit risk, based largely on the nature of the asset or counterparty. Off-balance sheet exposures are taken into account by applying different categories of credit conversion factors to arrive at credit equivalent amounts, which are then weighted in the same manner as balance sheet assets according to the counterparty.

Capital, for APRA supervisory purposes, is classified into two tiers, referred to as Tier 1 and Tier 2. APRA requires all ADI s to maintain a minimum ratio of capital to risk-weighted assets, at least half of which must be maintained in the form of Tier 1 capital, with the remainder being in Tier 2 capital. APRA has not indicated that it has any plans to allow Australian ADI s to employ a third tier of capital, which would consist of short term subordinated notes, to meet a proportion of the market risk capital requirements. APRA will consider other risk factors that have not been incorporated or accounted for quantitatively in the framework when assessing the overall capital adequacy of an ADI. Where it is judged appropriate, APRA may require individual ADI s to maintain a minimum capital ratio above 8 per cent.

Tier 1 capital consists of paid up ordinary shares, general reserves, retained earnings, non-cumulative preference shares and other innovative capital instruments not redeemable at the holders option (as approved by APRA) together with minority interests but excludes retained earnings and reserves of subsidiaries and associates that are not consolidated for capital adequacy purposes. Tier 1 must constitute at least 50% of the capital base requirements. Innovative equity instruments include capital instruments which are of a permanent and unrestricted commitment of funds, are available to absorb losses, have no fixed servicing obligations and are subordinated to the interests of depositors and other creditors. Provision has also been made so that capital instruments issued via special purpose vehicles may be eligible for inclusion in Tier 1 capital.

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

From July1, 2004, APRA required the deduction of capitalized costs from Tier 1 capital. Capitalized costs include loan origination, fees, commissions paid to originators and brokers, securitization establishment costs and costs associated with debt and capital raisings.

APRA also requires banks to measure and apply capital charges in respect of their market risks arising from their trading and commodity positions in a manner which is broadly consistent with the January 1996 Basel Committee amendment to its Capital Accord. In measuring their market risks, banks have a choice of two methods. The first alternative is to measure risks in a standardised manner defined by APRA. The second alternative allows banks to utilise their internal risk measurement systems subject to APRA approval. ANZ applies the second approach.

APRA requires there to be deducted from an ADI s regulatory capital investments in non-consolidated financial entities and investments in entities involved in funds management and securitization activities, strategic cross-ADI shareholdings, any non-repayable loan advanced by an ADI under APRA s certified industry support arrangements, any undertaking by an ADI to absorb designated first level of losses on claims supported by it, and certain intangibles.

APRA requires banks to report large credit exposures to an individual counterparty or a group of related counterparties at the company and consolidated banking group level (i.e. the bank and its subsidiaries). Banks must consult with APRA before committing to any exposure (includes claims and commitments recorded on and off balance sheet) to any individual counterparty or group of related counterparties which will exceed 10% (subject to exceptions) of the capital base of the company and consolidated banking group level. Banks are required to report quarterly to APRA the largest 10 exposures and all those exceeding or equal to 10% of the company and consolidated banking group capital base. At September 30, 2004, at the consolidated level ANZ reported the following 10 large exposures;

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

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

One Corporate - S&P rating AAA, Moody s rating Aaa

One Corporate - S&P rating A-, Moody s rating not rated

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

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

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

One Corporate - S&P rating AAA, Moody s rating not rated

One Corporate - S&P rating AA+, Moody s rating Aa1

As at September 30, 2004 ANZ reported one customer at the consolidated level and two customers at the company level with lending greater than 10% of the capital base.

At September 30, 2004 at the company level ANZ reported the following 10 large exposures;

- One Government body - S&P rating Aaa, Moody s rating AAA
- One Bank- S&P rating BBB+, Moody s rating A2
- One Bank- S&P rating AA-, Moody s rating Aa2
- One Corporate - S&P rating AAA, Moody s rating Aaa
- One Corporate - S&P rating A-, Moody s rating not rated
- One Corporate - S&P rating A+, Moody s rating Aa3
- One Corporate - S&P rating A+, Moody s rating A2
- One Corporate - S&P rating A, Moody s rating A2
- One Corporate - S&P rating A-, Moody s rating A2
- One Corporate - Not externally rated

Basel II

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

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

At this time, ANZ is pursuing accreditation under the most advanced approaches for both credit and operational risk, in line with the Group s vision of risk management as a strategic asset and source of competitive advantage. It has projects underway to address all of the necessary requirements for accreditation at the most advanced levels for both areas under Basel II. Most of these projects are currently in the design and implementation phase of the project lifecycle. Key structural elements of our framework, such as a credit risk rating system that measures default probabilities and likely losses in the event of default, and a framework for operational risk measurement and capital allocation, are already in place, and was largely unchanged from the previous version. The results of an earlier calibration exercise indicated that ANZ would need less regulatory capital under the most advanced Basel II approaches than must be held under the current rules. However, APRA have stated that there will be some differences in the way Basel II is implemented in Australia, which will lessen this reduction.

New Zealand

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

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

promoting the maintenance of a sound and efficient financial system; or

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

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

The main elements of the RBNZ s supervisory role are:

to require all banks to comply with certain minimum prudential requirements, which are applied through conditions of registration. These include constraints on connected exposure and minimum capital adequacy requirements;

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

to consult with the senior management of registered banks; and

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

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

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

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

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

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

1. That the banking group complies with the following requirements at all times:

Capital of the banking group is not less than 8% of risk weighted exposures.

Tier one capital of the banking group is not less than 4% of risk weighted exposures.

Capital of the banking group is not less than NZD15 million.

ANZ National complies with the following requirements at all times:

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

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

Capital of ANZ National is not less than NZD15 million.

For the purposes of this condition of registration, capital, tier one capital and risk weighted exposures shall be calculated in accordance with the RBNZ document entitled Capital Adequacy Framework (BS2) dated July 2004.

In its disclosure statements under the Registered Bank Disclosure Statement (Off-Quarter - New Zealand Incorporated Registered Banks) Order 1998, ANZ National must include all of the information relating to the capital position of both ANZ National and the banking group which would be required if the second schedule of that Order was replaced by the second schedule of the Registered Bank Disclosure Statement (Full and Half-Year - New Zealand Incorporated Registered Banks) Order 1998 in respect of the relevant quarter.

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

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

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

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

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

the total consolidated assets of the group headed by that entity;

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

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

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

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

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

Credit rating	**Connected exposure limit (% of the banking group s Tier 1 capital)**
AA/Aa2 and above	75
AA-/Aa3	70

A+/A1	60
A/A2	40
A-/A3	30
BBB+/Baa1 and below	15

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

For the purposes of this condition of registration, compliance with the rating contingent connected exposure limit is determined in accordance with the RBNZ document entitled Connected Exposure Policy (BS8) dated July 2003.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(ii) That in respect of the international system the board of directors of ANZ National will, no later than December 31, 2005, have unambiguous legal and practical ability to control the management and operation of the international system on a stand alone basis.

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

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

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

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

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

(a) supports foreign currency accounts/transactions;

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

(c) supports businesses that operate in global markets;

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

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

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

(g) used by the non-bank subsidiary companies.

United States

The Sarbanes-Oxley Act of 2002 (Sox) includes provisions addressing audits, financial reporting and disclosure, conflicts of interest, and corporate governance at public companies. The Act also establishes new supervisory mechanisms, including the new Public Company Accounting Oversight Board for accountants and accounting firms that conduct external audits of public companies. Principal features of Sox include: higher standards for auditor independence; greater oversight requirements for corporate CEOs and CFOs, including certification of annual reports to the SEC; enhanced financial disclosures, particularly on the effectiveness of internal controls and procedures for financial reporting; and, tougher criminal penalties for white-collar crime and corporate fraud.

The USA PATRIOT Act (the Patriot Act) was passed in 2001 and contains strong measures to prevent, detect, and prosecute terrorism and international money laundering. Title III of the Patriot Act is the International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001. It includes numerous provisions for fighting international money laundering and blocking terrorist access to the US financial system. The Patriot Act is far-reaching in scope, covering a broad range of financial activities and institutions.

The provisions affecting banking organizations are generally set forth as amendments to the Bank Secrecy Act (BSA). These provisions relate principally to US banking organizations relationships with foreign banks and with persons who are resident outside the United States. The BSA, which generally applies to insured depository institutions as well as to the US branches and agencies of foreign banks, does not immediately impose any new filing or reporting obligations for banking organizations, but requires certain additional due diligence and recordkeeping practices. Some requirements take effect without the issuance of regulations. Other provisions have been implemented through regulations promulgated by the US Department of the Treasury, in consultation with the Federal Reserve Board and the other federal financial institutions regulators.

Following the passage of the Gramm-Leach-Bliley Act of 1999 (GLB , also known as the Financial Modernization Act), ANZ successfully applied to the Federal Reserve Bank and became a Financial Holding Company (FHC). As a FHC, ANZ is allowed to engage in financial activities that are financial in nature or incidental, or complementary to financial activities, as determined by the Federal Reserve Bank and the Secretary of the Treasury Department. This legislation provides a clearer method for future integration of banks with other financial businesses and allows the Bank to enter into other new business lines for the first time.

Under this legislation, an FHC is subject to restrictions if it were determined that the FHC is not well managed or well capitalized . In addition, under the GLB, the Federal Reserve Bank is the umbrella supervisor with jurisdiction over the FHCs.

Under the GLB s new requirements, the Office of the Comptroller of the Currency (Comptroller) will continue to oversee, as primary regulator, foreign banks having a federal branch in the United States. Therefore, the ANZ New York Branch will continue to be subject to supervision, examination and extensive regulation by the Comptroller and the International Banking Act of 1978 (the IBA), along with the regulations adopted pursuant to the IBA. The IBA provides, among other things, that a federal branch of a foreign bank can exercise the same rights and privileges that are available to national banks. In addition, the exercise of any such right or privilege must be subject to the same duties, restrictions, penalties, liabilities, conditions and limitations that apply to national banks at the same location. The Comptroller also imposes a required capital equivalency deposit to a federal branch, which must be maintained on deposit with a Federal Reserve member bank (or invest in qualifying securities as authorized by the Comptroller). The amount of this deposit should be not less than 5% of the total liabilities (excluding, among other things, liabilities to affiliates) of the federal branch. In addition, a federal branch is subject to the record-keeping and reporting requirements that apply to national banks. The branch must maintain its accounts and records separate from those of the foreign bank and must comply with such additional requirements as may be prescribed by the Comptroller. In addition to the above deposit requirement, Regulation D of the Federal Reserve Bank imposes uniform reserve requirements to all institutions (including a federal branch) with transaction accounts or non-personal time deposits. The Regulation defines such deposits and requires reports of deposits to the Federal Reserve.

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

Also under the IBA, the branch is subject to certain restrictions with respect to opening new domestic deposit-taking branches and establishing or acquiring subsidiary banks in states outside of our home-state of New York.

Other countries

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

Competition

The Australian banking system is highly competitive. In September 2004, the four major banking groups in Australia (being ANZ, Commonwealth Bank of Australia, National Australia Bank Limited and Westpac Banking Corporation, together with their respective banking subsidiaries), held approximately 70% of the total Australian assets of banks that carry on business in Australia. Each of these four banking groups operates a nationwide branch network and, at September 30, 2004, they collectively operated approximately 70% of the total number of bank branches in Australia. The operations of the smaller regional banks are typically limited to servicing customers in a particular State or region with particular emphasis on residential mortgage lending.

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

Competition is particularly intense in the housing lending market, which has been largely driven in recent times by the rise of mortgage originators, and more recently, growth of the mortgage broker industry. Broker originated loans now account for approximately 30% of all transactions in the Australian marketplace. Most banks have embraced broker-originated business whilst continuing efforts to grow market share in the traditional network channel.

The retail deposit market in Australia is currently the focus of increased competition. The recent introduction into the market of a number of high rate cash management accounts by large offshore institutions including Citibank and HBOS, combined with ING s long standing online product has created a higher degree of competitive intensity.

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

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

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

ANZ s Corporate Australia segment offers traditional relationship management to both its Corporate ($10 million to $150 million turnover), Business Banking ($50,000 Funds Under Management to $10 million turnover) and Small Business Banking (Funds Under Management to $50,000) businesses as well as financial solutions to its larger clients. ANZ has strong market share in the Corporate market that is dominated by the major Australian banks. The profile of the Business Banking market has seen competition intensify amongst the major and regional Australian banks and ANZ s share of this market has increased in recent periods. ANZ is investing in a specialist strategy for the Small Business market and expects solid asset and liability growth from this segment in future periods.

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

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

Competition in the New Zealand banking market continues to increase. Kiwibank, the government owned entity run through the NZ Post Office network, continues to gain market share. In February 2003, Superbank, a joint venture between St George Bank NZ Ltd and Foodstuffs, was launched. The joint venture offers a basic suite of banking products through Foodstuffs supermarket network.

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

Aggressive pricing has also adversely impacted New Zealand Institutional markets during 2004, as a number of the major New Zealand banks seek to increase their presence in this market.

Item 5: Operating and Financial Review and Prospects

Results for 2004, 2003 and 2002

The following discussion is based on the Financial Statements and accompanying notes as prepared under Australian GAAP and set out in the Financial Report. Note 55 to the Financial Report discusses the principal differences between Australian GAAP and US GAAP, as they relate to us and provides a reconciliation of shareholders equity and total assets to US GAAP.

The analysis that follows discusses results after income tax unless otherwise stated. Prior to 2000, abnormal items were reported separately. Since 2000, under Australian GAAP, abnormal items are not allowed to be disclosed separately. In past years, abnormal items were defined as items of revenue or expense which, although attributable to the ordinary operations of the business entity, were considered to be abnormal by reason of their size and/or effect on the results of the business entity for the period.

Overview

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

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

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

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

Shifting away from the dependence on higher risk businesses including those in international emerging markets, towards lower risk, more sustainable consumer businesses in our domestic markets (Australia and New Zealand). In 2000, personal businesses accounted for 55% of ANZ s gross lending assets. In 2004, these businesses account for approximately 63% of ANZ s gross lending assets.

Transforming ANZ s cost structure through developing the right technology and enabling our processes to become leaner and more competitive. Today, ANZ has a cost-to-income ratio of 45.3%.

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

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

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

As a result of this New Zealand acquisition and growth in our personal businesses in recent years, ANZ has strengthened its franchise across Australia, New Zealand and the Pacific. Going forward we will have a greater emphasis on identifying, and investing in organic growth opportunities, mostly in Australia but also through modest investments in Asia.

In 2004, 33% of our operating income was derived from countries outside Australia compared to 27% and 26% in 2003 and 2002 respectively. Movements in foreign currencies against the Australian dollar will therefore affect our earnings through the translation of overseas profits to Australian dollars.

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

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

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

Changes in Accounting Policy

AASB 1044, Provisions, Contingent Liabilities and Contingent Assets became effective for the Group from October 1, 2002. Under the new Standard, provision for dividends cannot be booked unless dividends are declared, determined or publicly recommended on or before balance date. The final 2004 dividend was declared on November 17, 2004 and the final 2003 dividend was declared on November 13, 2003. Accordingly the dividend applicable to the current reporting period has not been booked in this report. However, dividends declared after balance date still need to be disclosed in the notes. The adoption of AASB 1044 results in an increase in Shareholders Equity of $983 million at September 30, 2004 and of $777 million at September 30, 2003. The Group will continue its current practice of making a public announcement of the dividend after balance date. Dividend information for the current period is provided in Note 7, Dividends.

AASB 1012, Foreign Currency Translation became effective for the Group from October 1, 2002. Under this revised Standard, foreign denominated equity must be reported using the spot rate applicable at the date of issue and not be retranslated using the spot rate at the end of each reporting period. The Group has retranslated its USD preference share capital to the historical spot rates. As the translation adjustment is reported in the foreign currency translation reserve the impact of these changes are neutral on equity.

Operating Results

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

	2004 $M	**2003 $M**	**2002 $M**
Years ended September 30			
Australian GAAP			
Net interest income	5,254	4,311	4,018
Allowance for loan losses charge	(632)	(614)	(860)
Net interest income after allowance for loan losses charge	4,622	3,697	3,158
Non-interest income	3,391	2,808	2,970
Net operating income tax	8,013	6,505	6,128
Other operating expenses	(4,026)	(3,228)	(2,905)
Operating profit before income tax	3,987	3,277	3,223
Income tax expense	(1,168)	(926)	(898)

Operating profit after income tax	2,819	2,351	2,325
Outside equity interest	(4)	(3)	(3)
Net profit attributable to shareholders of the company	2,815	2,348	2,322
US GAAP			
Operating profit attributable to ANZ shareholders	2,788	2,380	2,097

ANZ recorded a profit after tax of $2,815 million for the year ended September 30, 2004, an increase of 20% over the September 2003 year. Basic earnings per ordinary share increased 8% (11 cents) to 153 cents at September 30, 2004, and return on shareholders equity was down from 20.6% to 18.1% primarily associated with the impact of the New Zealand acquisition.

Analysis of Significant Items

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

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

	2004 $M	**2003 $M**	**2002 $M**
Profit before significant items (1)	2,717	2,348	1,993
Recognition of deferred profit from closeout of interest rate swaps upon buy back of TrUEPrS hybrid Tier 1 instrument	84		
Profit from sale of businesses to ING Australia joint venture after tax	14		170
Recovery from NHB litigation after tax			159
Net profit attributable to shareholders of the company	2,815	2,348	2,322

(1) For Australian GAAP purposes, the incremental integration costs (($14) million after tax) in 2004 associated with the acquisition of NBNZ are considered to be a significant item, as is the additional allowance for loan losses (($175) million after tax) taken in 2002. This is not the case under US GAAP.

2004

TrUEPrS

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

ING Australia completion account profit

In the September half, ANZ finalised the completion accounts on the sale of ANZ funds management and insurance businesses to ING Australia. This sale occurred in 2002. The final settlement of this transaction resulted in a $14 million after tax profit. It is not considered that this is recurring due to final settlement. This final adjustment to profit on sale has been treated as a significant item for Australian GAAP, consistent with the treatment of profit on sale in 2002. This profit is not recognized for US GAAP.

2003

There were no material significant items in 2003.

2002

Net profit after tax in 2002 was impacted by two significant items. ANZ believes the two items shown as significant in 2002 were non-recurring, infrequent or unusual and unlikely to recur within two years for the following reasons:

In January 2002, the Group settled its long standing litigation with National Housing Bank in India (NHB). This resulted in the recovery of $248 million ($159 million after tax), from the net amount of $575 million, which had been provided when the Group sold Grindlays to Standard Chartered Bank. The sale of Grindlays, which represented a significant part of the business was a one off event which has not recurred within the past two years.

In April 2002, certain life and general insurance and funds management businesses were sold to a joint venture with ING Group, and a 49% interest in the joint venture was acquired. A profit after tax of $170 million arose on sale of the businesses (of which $32 million resulted from the sale of New Zealand businesses). In accordance with US GAAP requirements, this profit was reversed in the US GAAP reconciliation (Note 55 of the Financial Statements). This is a one off event which cannot and has not recurred within the past two years as the majority of this business has now been sold.

NBNZ Contribution (net of acquisition, funding and incremental integration costs)

Acquisition, funding costs and contribution

NBNZ was purchased by ANZ Banking Group (New Zealand) Limited on December 1, 2003. The acquisition was internally funded by three main sources: $1.0 billion of ordinary shares, $1.3 billion of redeemable preference shares and $2.6 billion of intra-group interest bearing debt. The pre-tax cost of this funding was $140 million for the ten months.

The actual purchase price of $5,112 million differed from the $4,940 million published in the Renounceable Rights Issue prospectus due to adverse exchange rate movements and the impact of hedging, offset by reduced acquisition costs. The resulting goodwill of $3,266 million is being amortised in accordance with Australian Accounting Standards over 20 years with a charge of $129 million in the ten months to September 30, 2004.

For discussion of the $375 million contribution by NBNZ refer to page 63.

Integration

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 June 26, 2004. This involved an extensive logistical exercise and a widespread internal and external communication program. On June 28, 2004, the amalgamated registered bank in New Zealand changed its name from ANZ Banking Group (New Zealand) Limited to ANZ National Bank Limited (ANZ National).

Amalgamation provided the essential platform to initiate the achievement of the overall integration objectives. To date, the integration program has delivered the following major successes:

- The completion of merged organization 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

Expenditure on the integration of NBNZ includes both the reallocation of existing resources and incurring incremental costs. Incremental costs are those costs that will not recur once integration is complete, and thus do not form part of the core ongoing cost base. During 2004, $14 million after tax of incremental integration costs were incurred. For Australian GAAP purposes, incremental integration costs will be treated as a significant item in 2005 and, to the extent integration is not complete, in 2006.

Integration costs incurred to September 30, 2004 totalled NZD49 million before tax. Of this, $14 million after tax is incremental to the Group, with the remainder being non-incremental as they relate to existing resources that will continue after completion of the integration. There have also been initial cost synergies and revenue benefits from the amalgamation and integration activities completed to date. As expected, there has been minimal loss of revenue and customer growth, with these losses primarily caused by lending and transaction concentration in the merged Institutional and Markets businesses.

Over the last six months, there has been a continuation of effort to finalise plans for an integrated technology systems solution for the combined entity. As a result of this work, a revised retail systems strategy has been defined which will support the separate New Zealand Retail businesses over the longer term. The two-brand retail strategy will be supported by the two existing technology systems and by retaining separate Retail Banking head offices for ANZ (Auckland) and National Bank (Wellington). The establishment of the two retail banking teams emphasises our commitment to each brand particularly in respect of customer retention and the development of each franchise. The retention of the two existing technology systems for each respective brand whilst reducing potential cost synergies, removes technology risk from the success of the retail strategy, lowers integration cost as well as reducing risk for the overall process of integration.

As part of the RBNZ approval for amalgamation, additional requirements for the location and ownership of key technology systems were imposed. These additional requirements increase integration costs (NZD31 million) and result in additional operating costs (NZD12 million) which have not been included in previously reported integration financials.

The combined impact of the above is a reduction in the overall cost of integration by NZD45 million to NZD220 million compared to original estimates. These costs relate primarily to property co-location, restructuring and non-retail systems integration, with the majority of integration cost investment expected to occur in 2005. By 2007, the annual integration cost synergies are forecast to be NZD75 million and revenue synergies are forecast to be NZD47 million, excluding the RBNZ impact described above. Customer attrition of NZD34 million per annum has been estimated, mainly in the Institutional and Capital Markets businesses.

Net Profit and Loss

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

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

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

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

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

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

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

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

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.

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

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

- customer facing positions (600 staff) in New Zealand, Foreign Exchange, Capital Markets, Trade Finance and Personal; and
- central functions (155 staff) driven mainly by an escalating compliance focus and project related activity.

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

Premises costs increased $17 million, with increased 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.

Asset quality is 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 Center for offshore losses and the increased proportion of lower risk domestic assets. Net specific allowance for loan losses reduced 19% to $429 million with the reduction assisted by the de-risking of the offshore book.

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

Income increased in 2004 as a result of the consolidation of 10 months results of the National Bank of New Zealand following its acquisition on December 1, 2003. Income in 2005 is expected to increase with the consolidation of a full 12 months results.

Treasury mismatch earnings declined in 2004 following an extended period of low and flat yield curve. This trend is expected to continue into the short to medium term.

ANZ has continued a process of de-risking its Institutional portfolio. De-risking commenced in 1998 and by December 2004 has approached its final stages. The result of the De-risking has been a reduction in income from the offshore Institutional loan portfolio. De-risking will continue to impact 2005 earnings growth following the sale of ANZ s London headquartered project finance activities to Standard Chartered Bank and the run-off of structured finance transactions in NBNZ.

Margins continued to decline through 2004. As a result of:

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

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

- Competitive pricing on mortgages and customer deposit products.

These trends are expected to continue into the foreseeable future.

Underlying asset volume growth has been strong especially in domestic retail markets although there has been a slow down in the Australian housing market in 2004 which has seen a softening in demand for mortgage products. This trend is expected to continue into the 2005 financial year.

Analysis of Major Income and Expense Items

Net interest income

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

Years ended September 30	**2004 $M**	**2003 $M**	**2002 $M**
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
Average interest earning assets	212,153	162,154	145,920

Interest spreads and net interest average margin	**2004 %**	**2003 %**	**2002 %**
Australia			
Gross interest spread adjusted to include interest forgone	2.11	2.31	2.44
Interest forgone on impaired assets (1)	(0.02)	(0.02)	(0.04)
Net interest spread (2)	2.09	2.29	2.40
Interest attributable to net non-interest bearing items	0.39	0.41	0.51
Net interest average margin (3)- Australia	2.48	2.70	2.91
New Zealand			
Gross interest spread adjusted to include interest forgone	2.08	2.30	2.34
Interest forgone on impaired assets (1)	(0.01)		
Net interest spread (2)	2.07	2.30	2.34
Interest attributable to net non-interest bearing items	0.43	0.62	0.48
Net interest average margin (3)- New Zealand	2.50	2.92	2.82
Overseas markets			
Gross interest spread adjusted to include interest forgone	1.34	1.37	1.20
Interest forgone on impaired assets (1)	(0.04)	(0.07)	(0.05)
Net interest spread (2)	1.30	1.30	1.15
Interest attributable to net non-interest bearing items	0.25	0.15	0.25
Net interest average margin (3)- Overseas markets	1.55	1.45	1.40
Group			
Gross interest spread adjusted to include interest forgone	2.08	2.28	2.31
Interest forgone on impaired assets (1)	(0.02)	(0.03)	(0.04)
Net interest spread (2)	2.06	2.25	2.27
Interest attributable to net non-interest bearing items	0.43	0.42	0.50
Net interest average margin (3)- Group	2.49	2.67	2.77

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(1) Refer Note 14 to the Financial Report

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

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

Years ended September 30	2004	2003	2002
Average rates			
Average Australian reference lending rate charged by ANZ	9.0%	8.6%	8.3%
Average Australian variable housing loan rate charged by ANZ	6.0%	6.2%	6.6%
Average Australian 90 day fixed term deposit rate (1)	3.7%	3.2%	3.1%
US average prime rate (2)	4.1%	4.2%	4.9%

(1) Source: Reserve Bank of Australia

(2) Source: Datastream

2004

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

Volume

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

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

Margin

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

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

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

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

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

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

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

2003

Net interest income at $4,311 million was 7% ($293 million) higher than 2002.

Average net lending assets grew by $13.6 billion (10%) overall, with growth of $10.8 billion (18%) in Mortgages, $1.6 billion in Corporate and $0.8 billion in Asset Finance. Net lending asset volumes reduced 15% in overseas markets as a result of the strategy to reduce higher risk exposures in the UK and US and the exchange rate impact of a strengthening Australian dollar.

Average deposits and other borrowings grew $13.5 billion, in Treasury ($3.2 billion), Personal ($4.2 billion), Institutional Financial Services ($2.7 billion), New Zealand Banking (NZD0.8 billion), Asset Finance ($0.8 billion) and Corporate ($1.6 billion). The deposit growth was encouraged by uncertainty in global equity markets.

Net interest margin contracted by 10 basis points:

The funding cost associated with unrealized trading gains increased as a result of the appreciation of the AUD. Whilst resulting in a 3 basis point decline in net interest margin, it was offset by an equivalent gain in trading income.

Net interest income in Treasury fell by $44 million with maturing high yielding assets not able to be replaced due to the sustained period of low and stable interest rates (3 basis points).

The interest benefit from low interest savings accounts and non-interest bearing balances reduced as the rate at which they were invested reduced (3 basis points).

The proportion of the balance sheet funded by low interest savings accounts and non-interest balances reduced during the year, offset by an increase in term deposits and wholesale funding. This change in funding mix reduced the net interest margin by 5 basis points.

Partially offsetting these declines was an increase in foreign currency hedge revenue as a result of the strengthening AUD (3 basis points) and a reduction in the funding cost on impaired assets (1 basis point).

Non Interest Income

Years ended September 30	2004 $M	2003 $M	2002 $M
Fee income			
Lending	1,002	933	876
Other	1,419	1,115	1,196
Total fee income	2,421	2,048	2,072
Foreign exchange earnings	411	348	365
Profit on trading instruments	151	110	59
Other income	284	302	300
Non interest income excluding significant items	3,267	2,808	2,796
Significant items (1)	124		174
Total other income	3,391	2,808	2,970

(1) Comprises $110 million TrUEPrS swap income and $14 million gain on finalizing INGA completion accounts after tax.

2004

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

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

2003

Non interest income in 2003, at $2,808 million, was 5% lower than the 2002 year. Excluding profit on sale of business to ING Australia, other operating income was flat. Total fee income was $24 million lower than 2002 largely due to a one-off charge of $38 million as a result of an under-accrual of loyalty points on co-branded cards covering the period back to 1999 together with the ongoing impact of higher loyalty program costs. Profit on trading instruments increased $51 million largely due to Capital Markets activities where a lower proportion of trading revenue was booked as interest.

The following explanations exclude NBNZ and significant items:

Fee Income

2004

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

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

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

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

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

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

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

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

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

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

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

2003

Total 2003 fee income of $2,048 million was $24 million, or 1% lower than 2002 total fee income.

Lending fee income increased 7% ($57 million) largely in:

Institutional Banking ($30 million) with increased loan approval fees resulting from higher lending volumes and higher guarantee and line fees associated with increased volumes of off-balance sheet credit substitutes. In a review of the Group s credit card business following the Reserve Bank of Australia s announced reforms, shortcomings were identified in the methodology used to accrue loyalty points for some co-branded cards. Since 1999, points for the Qantas ANZ Business One Card and bonus points for International expenditure on the Qantas ANZ Card have been under-accrued. The associated one-off charge reduced Consumer Finance s after tax profit by $27 million in 2003. As a result, ANZ has made management changes in the cards issuing area and increased financial controls within the business.

Corporate ($12 million) with higher loan approval fees, largely in the SME sector with increased lending volumes arising from an increased investment in front line staff.

Asset Finance ($8 million) with increased fees received on motor vehicle leases due to an increase in the volume of new car sales in the Australian market.

Non-lending fee income reduced 7% ($81 million) as a result of three main factors:

A one-off charge of $38 million as a result of an under-accrual of loyalty points on co-branded cards covering the period back to 1999 together with the ongoing impact of higher loyalty program costs.

Lower structured finance fee income ($32 million) reflecting difficult market conditions and a decision to reduce credit exposures to the power and telecommunications sectors.

The sale of ANZ s funds management businesses to ING Australia in 2002. Following the sale, funds management fees are booked in ING Australia, with ANZ s share being reported in equity accounted income.

Foreign Exchange Earnings

2004

Foreign exchange earnings increased $16 million (4%)

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

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

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

2003

Foreign exchange earnings in 2003 were $17 million, or 5%, lower than in 2002, largely due to:

Foreign exchange earnings in the Foreign Exchange business unit reduced by $23 million due to increasing competition, credit constraints limiting single name counterparty exposures and customer activity being constrained by currencies being range-bound for long periods reflecting the general uncertainty associated with the Iraq war and the SARS outbreak. This reduction was partly offset by increased profit on trading instruments, with total revenue in the Foreign Exchange business unit reducing $4 million.

Offsetting this reduction was a $14 million increase in the Asia Pacific business segment arising from increased volatility in Asian and Pacific currencies where ANZ has a strong market position.

Profit on Trading Instruments

2004

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

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

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

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

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

2003

Profit on trading instruments in 2003 was $51 million or 86% higher than in 2002 largely due to:

An increase of $47 million in Capital Markets 2003 profits principally due to a lower proportion of trading revenue being booked as net interest with an increase in the funding cost of unrealized trading gains as a result of the appreciation of the AUD.

Reduced earnings on hedges of certain capital earnings in ING Australia ($8 million). ANZ hedges against volatility in capital investment earnings in ING Australia arising from the performance of equity markets.

Foreign Exchange increased $24 million (offset in foreign exchange earnings discussed above) with increased commodities and structured derivative sales revenue.

Other Income

2004

Other operating income decreased $30 million (10%)

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

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

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

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

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

2003

A reduction of $172 million in 2003 Other Income to $302 million, 36% lower than in 2002 due to the $174 million net profit before tax from the sale of the funds management business to ING Australia. Excluding this, other income increased 1%, impacted by three main factors:

A $99 million reduction in life insurance margin on services income following the sale of the funds management business to ING Australia in April 2003. This was partly offset by a $53 million increase in equity accounted profit from ING Australia

Higher equity accounted profit from other associated entities principally relating to increased share of profit by PT Panin of $55 million after tax

The $27 million profit before tax on the sale of development properties in Institutional Banking in 2003.

Non-Interest Expenses

Years ended September 30	**2004 $M**	**2003 $M**	**2002 $M**
Personnel expenses	2,131	1,750	1,714
Premises expenses	353	295	299
Computer expenses	553	465	424
Other expenses	929	658	653
Restructuring	60	60	63
Recovery from NHB litigation (1)			(248)
Non-interest expenses	**4,026**	**3,228**	**2,905**

(1) Part of the Provisions raised on sale of Grindlays and associated businesses.

2004

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

2003

Operating expenses in 2003 increased by $323 million, or 11%, compared to 2002. Excluding the 2002 NHB recovery ($248 million) operating expenses increased by $75 million, 2% higher than in 2002. Adjusting for expenses of the Funds Management businesses from the transfer to ING Australia in April 2003 until the end of the fiscal 2003, operating expenses would have increased 4%.

The following explanations exclude NBNZ acquisition and NBNZ incremental integration costs:

Personnel Expenses

2004

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

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

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

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

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

2003

Personnel expenses in 2003 increased by $36 million, or 2%, compared to 2002. Adjusting for expenses of the Funds Management businesses from the transfer to ING Australia in April 2003 until the end of the fiscal 2003, operating expenses would have increased by $72 million or 4%.

Salaries and wages increased as a result of the 4% Enterprise Bargaining Agreement, performance related salary increases, and due to increased staff numbers in these main areas: Continuing investment in sales staff in Personal Banking Australia, Corporate and New Zealand Banking, as well as higher back office staffing required in Mortgages to service the higher volumes. Consumer Finance staff numbers increased (mainly temporary staff) to implement the Reserve Bank credit card reforms. These credit card reform changes were introduced in January 2003.

Premises Expenses

2004

Premises costs increased $17 million (6%):

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

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

2003

Premises cost in 2003 decreased by $4 million, or 1%, compared to 2002 due to a change in the method of accounting for rental expense in Australia and reduced repairs and maintenance costs. Offsetting these reductions were several minor increases including building administration charges, asset write-offs and lease surrender costs.

Computer Expenses

2004

Computer costs increased $44 million (9%):

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

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

2003

Computer costs in 2003 increased by $41 million, or 10%, compared to 2002 due to higher software amortization charges ($43 million) as new systems (e.g. Sales and service platform, Vision Plus and Nexus) became operational, and increased rentals and repairs ($11 million), partially offset by a decrease in use of computer contractors in 2003 ($16 million).

Other Expenses

2004

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

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

Travel costs increased $10 million across business units.

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

2003

Other expenses in 2003 increased by $5 million, or 1%, compared to 2002. Adjusting for the expenses of the Funds Management business from the transfer to ING Australia in April 2003 until the end of fiscal 2003, other expenses would have increased by $21 million, or 3%. These increases were due largely to:

Higher consultant costs ($5 million) with an increased use of consultants on Group strategic initiatives.

An increased loss on disposal of premises and equipment ($5 million) largely in New Zealand on the sale of assets at vacant sites.

Offsetting these increases were a number of relatively small cost reductions reflecting an ongoing focus on cost control.

Restructuring Expenses

2004

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

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

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

	2004 $m	2003 $m	2002 $m
Termination and staff benefits	73	58	100
Excess premises	10	22	9
Other contract termination and associated costs	23	12	34
Total	106	92	143

Restructuring Provision (excluding NBNZ)

	Termination and Staff Benefits $m	Excess Premises $m	Other Contract Termination and Associated Costs (1) $m	Total $m
Carrying amount at beginning of the year - October 1, 2002	100	9	34	143
Provision made during the year	11	3	31	45
Payments made during the year	(25)	(4)	(51)	(80)
Release of provisions (2, 3)	(28)	14	(2)	(16)
Carrying amount at end of the year - September 30, 2003	58	22	12	92
Carrying amount at beginning of the year - October 1, 2003	58	22	12	92
Provision made during the year	24		40	64
Payments made during the year	(11)	(10)	(43)	(64)
Release of provisions (3)	(6)	(7)	(2)	(15)
Carrying amount at end of the year - September 30, 2004	65	5	7	77

(1) Includes software write downs.

(2) $14 million credit relates to a transfer.

(3) Includes foreign currency movement.

NBNZ

	Termination and Staff Benefits $m	Excess Premises $m	Other Contract Termination and Associated Costs (1) $m	Total $m
Carrying amount at beginning of the year - October 1, 2003				
Acquisition provision (NBNZ)	7	7	13	27

Provision made during the year	3		2	5
Payments made during the year	(2)	(2)		(4)
Release of provisions (2)			1	1
Carrying amount at end of the year - September 30, 2004	8	5	16	29

(1) Includes software write downs.

(2) Includes foreign currency movement.

All restructuring costs are expensed and recorded as operating expenses.

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

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

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

2003

The Group recognized $60 million in restructuring expenses in 2003, a $3 million (5%) decrease from 2002. Of this expense, $10 million is related to the termination of a technology project to update our EFTPOS / Credit card system. A further $8 million has been incurred for the write-down of the investment in an e-commerce security company.

Other restructuring costs incurred in 2003 are largely personnel costs related to ongoing business initiatives in response to changing market conditions and restructuring of front offices across business units. In addition continual streamlining of back office processes and systems has led to restructuring across several businesses resulting in staff redundancy costs which were taken to profit and loss.

During 2003 approximately 92% of the total restructuring and excess leased space expense for the year related to one time termination and other staff benefits, 4% was for excess premises space and the remainder for other associated costs. The personnel costs relate to ongoing business initiatives in response to changing market conditions that demand streamlining of our front offices across the business units. These restructuring initiatives are expected to be substantially implemented over the next year.

Pension Payments

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

Allowance for Loan Losses Charge

For discussion of ANZ s Allowance for Loan Losses Methodology, refer page 79.

2004

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

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

	Allowance for Loan Loss Charge 2004 $M	Net Specific Allowance for Loan Loss 2004 $M	Allowance for Loan Loss Charge 2003 $M	Net Specific Allowance for Loan Loss 2003 $M	Allowance for Loan Loss Charge 2002 (1) $M	Net Specific Allowance for Loan Loss 2002 (1) $M
Personal	183	138	169	131	n/a	n/a
Institutional	159	171	165	217	n/a	n/a
Corporate Australia	59	43	55	63	n/a	n/a
New Zealand Business	99	30	37	20	n/a	n/a
Esanda and UDC	67	47	63	72	n/a	n/a
Asia Pacific	23	14	19	1	n/a	n/a
Group Center	42		106	23	n/a	n/a
	632	443	614	527	860	728

	Allowance for Loan Loss Charge 2003 $M	Net Specific Allowance for Loan Loss 2003 $M	Allowance for Loan Loss Charge 2002 $M	Net Specific Allowance for Loan Loss 2002 $M
Personal	27	19	24	17
Institutional	164	216	173	454
Corporate	48	57	46	49
New Zealand Banking	13	(1)	13	5
Mortgages	31	12	28	10
Consumer Finance	152	137	161	132
Esanda and UDC	63	72	69	58
Asia Pacific	10	(8)	10	5
Group Center	106	23	336	(2)
	614	527	860	728

(1) Line of business breakdown for 2002 cannot be provided on a comparable basis to 2003 and 2004 without unreasonable effort or expense.

In September 2003 an additional charge of $100 million (7 basis points) was taken to recognize continued uncertainty and expected levels of default in the offshore lending portfolios primarily in the UK, US and Europe. In 2004 the additional charge reduced to $40 million (2 basis points) as a result of lower risk, especially in the offshore portfolios. ANZ has continued to de-risk its offshore portfolio by removing high risk assets and developing asset writing strategies that discourages business in non core markets, unless supporting a core business relationship. As a result overall offshore lending has reduced from 9% of total lending assets in the year ended 2002 to 5% in the year ended 2004. In line with this strategy ANZ announced on October 26, 2004 the sale of most of its London head-quartered Project and Structure Finance operation to Standard Chartered. ANZ is continuing to grow its market dominance in the Pacific, through its long standing low risk operations in Fiji, PNG, Vanuatu and several other smaller Pacific nations.

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

The Group has a general allowance for loan loss balance at September 30, 2004 of $1,992 million (1.01% of risk weighted assets) an increase of $458 million from $1,534 million (1.01% of risk weighted assets) at September 30, 2003. This represents a surplus of $532 million over the APRA minimum guideline. NBNZ contributed $282 million of the increase and has a ratio of general allowance for loan loss to risk weighted assets of 0.98%. Excluding NBNZ the general allowance for loan loss balance increased $176 million.

2003

The Group had a total allowance for loan losses of $2,018 million, down $63 million from 2002. In September 2003 an additional charge of $100 million (7 basis points) was taken to recognize continued uncertainty and expected levels of default in the offshore lending portfolios primarily in the UK, US and Europe. A continued shift in the asset portfolio from offshore institutional assets, to domestic market based assets, predominately mortgages, has seen the overall risk of the portfolio reduce. The allowance for loan loss charge was $614 million for the September 2003 year as compared to $610 million (excluding the $250 million special provision) for the September 2002 year. The charge to profit and loss of $614 million represented a loss provisioning rate of 39 basis points, down from 43 basis points in 2002 excluding the additional charge. The general allowance for loan losses increased by $38 million, to $1,534 million with the moderate increase explained by the Group s larger yet less risky portfolio.

The $250 million special charge in 2002 to the allowance for loan losses expense was necessary to adjust the balance sheet provision to reflect changes to expected loss assumptions as a result of an increased incidence of downgrades of previously investment grade exposures in ANZ s United Kingdom and Americas portfolios in particular.

On July 24, 2002, ANZ advised the market that it had credit exposures to Marconi PLC of approximately USD131 million. Marconi PLC, formerly GEC, is a global provider of telecommunications equipment and solutions. Marconi is headquartered in London and has been an ANZ customer since 1947. At the time, we commented: Marconi was investment grade just over 12 months ago but it has been severely impacted by the downturn in the telecommunications sector . In recent years, however, ANZ has substantially reduced its exposure to Marconi.

During the year ended September 30, 2002, ANZ advised the market that it had direct unsecured credit exposures to Enron Corporation Group of approximately USD69 million. In addition, ANZ had indirect or contingent exposures of approximately USD51 million primarily associated with stand-alone power projects. At the time, we highlighted that we were cautious about the credit outlook at this point in the credit cycle.

It was considered appropriate to discuss the provision excluding the special charge as the special charge represented an adjustment to the balance sheet provision and was taken to cover the unusual circumstances of Enron and Marconi. The 2002 allowance for loan losses charge (the charge to allowance for loan losses excluding the special charge) was based on expected loss assumptions consistent with those used in previous years. Accordingly, comparisons between 2003 and 2002 allowance for loan losses charge excluding the special charge is considered to be more meaningful than comparisons including the special charge.

The September 2003 year charge as a percentage of average net lending assets was 39 basis points, representing a 4 basis point decrease on the level reported for the September 2002 year with a modest improvement in average credit quality and the continuing increase in the proportion of mortgages as a percentage of the lending portfolio.

The specific allowance for loan losses fell from $585 million to $484 million in 2003. In Australia the specific allowance for loan losses increased by $56 million in 2003 year, with the majority of this being increased provisioning by the Group s corporate businesses. In overseas markets, the specific allowance for loan losses fell by $146 million, with $117 million being in the Group s UK operations, predominately relating to our restructure and partial write-off of the exposure to telecommunications company, Marconi. In the absence of the large single name exposures in the power and telecommunications industries seen in the UK and American markets in 2002, both new and increased allowances for loan losses and net specific allowance for loans losses were significantly lower than the amounts reported in 2002. New and increased allowance for loan losses were $675 million, down $223 million, while net specific allowance for loan losses were $527 million down $201 million from 2002.

Actual loss experience or net specific allowance for loan losses for the year to September 30 totalled $527 million, a decrease of $201 million over the September 30, 2002 year. The reduction was mainly due to the absence of large single name losses in the September 2003 year, compared to the September 2002 full year where 43% of losses were due to two large amounts in the offshore portfolios. While the Australian and New Zealand portfolio losses remained relatively stable over the year, the international portfolio losses reduced by 52%. Settlement of the Grindlays credit warranties ($27 million) was included in net specific allowances for the year.

Income Tax Expense

Years ended September 30	**2004** **$M**	**2003** **$M**	**2002** **$M**
Total income tax expense including significant items	1,168	926	898
Effective tax rate	29.3%	28.3%	27.9%
Australian corporate tax rate	30%	30%	30%

2004

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

2003

The Group s effective tax rate for the year ended September 30, 2003 increased 0.4% from September 30, 2002, largely due to the 2002 year benefiting from roll-over relief which shields from tax the capital gain arising on the sale of businesses to the joint venture with ING Australia. This was partly offset by the NHB settlement tax rate differential and the life insurance accounting in the 2002 year together with higher equity accounted earnings in 2003.

Results by Line of Business(1)

Years ended September 30 (3)	**2004 $M**	**2003 $M**	**2002 (2) $M**
Personal	802	693	n/a
Institutional	788	802	n/a
Corporate Australia	344	311	n/a
New Zealand	584	211	n/a
Esanda and UDC	143	129	n/a
ING Australia	108	82	n/a
Asia Pacific	111	100	n/a
Operating Segments Total	**2,880**	**2,328**	**n/a**
Group Center (5)	(163)	20	n/a
Profit excluding significant items(4)	**2,717**	**2,348**	**1,993**

As published in the September 2003 Financial Report

	2003 $M	**2002 $M**
Personal	384	360
Institutional	772	715
Corporate	270	242
New Zealand Banking	141	131
Mortgages	270	247
Consumer Finance	144	150
Esanda and UDC	127	103
ING Australia	38	43
Asia Pacific	131	98
Treasury	95	125
Operating Segments Total	**2,372**	**2,214**
Group Center (5)	(24)	(221)
Profit excluding significant transactions (4)	**2,348**	**1,993**

(1) Results are equity standardized. Refer definition on page 141 of the Financial Report.

(2) Results for 2002 have been restated to reflect changes to line of business in 2003.

(3) Line of Business results for 2002 cannot be provided on a comparable basis to 2003 and 2004 without unreasonable effort and expense. Management and reporting structures, revenue sharing arrangements and cost allocations have changed between 2003 and 2004. 2003 financial data has been restated to be comparable to 2004, however, restating 2002 data is unduly burdensome. In addition ANZ believes that a comparison of 2003 line of business results with 2002 results in a format that reflects the management and reporting structures that applied in 2003, which gives a better indication and comparison of business performance in that time period than artificially restating numbers to reflect 2004 management and reporting structures. Refer to the table above for line of business results under these 2003 management and reporting structures as published in the September 2003 Financial Report.

(4) Significant transactions are detailed on page 35.

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

During the year ended September 30, 2004, ANZ managed its business activities along the following lines of business: Personal, Institutional, Corporate, New Zealand Banking, Esanda and UDC, ING Australia (joint venture), Asia Pacific and Other.

The following commentary compares the 2004 result with the results for 2003. Commentary comparing the 2003 result with the result for 2002 has also been included. This has not been restated to reflect changes to lines of business in 2004 for reasons noted in footnote 3 of the table above.

2004

Personal comprises Personal Banking Distribution, Banking Products, Mortgages and Cards and Merchant Services.

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

Significant factors affecting the result were:

Net interest income increased 8%.

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

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

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

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

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

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

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

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

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

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

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

Key factors affecting the result were:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Key influences on the result include the following:

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

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

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

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

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

Credit quality remains sound with the increase in the allowance for loan loss charge in ANZ New Zealand being driven by lending volumes. Allowance for loan loss provisioning methodologies have been implemented in

NBNZ and a $62 million charge recognized in the ten months to September 2004. The NBNZ businesses added $81 million to non-accrual loan volumes which were partly offset by $8 million in reduced non-accruals in the ANZ New Zealand businesses.

Esanda and UDC

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

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

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

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

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

ING Australia

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

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

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

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

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

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

Asia Pacific

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2003

The following is commentary of the 2003 result as compared to the 2002 result as published in the 2003 20-F. This has not been re-stated for changes to the Group s lines of business in 2004 for the reasons previously noted.

Personal comprises Personal Distribution and Banking Products.

Profit after tax increased by 7% to $384 million with profit growth in Banking Products of 27% offsetting a 4% reduction in Personal Distribution. Within Personal Distribution, Rural Banking delivered a 10% profit improvement offsetting investments in Personal Banking and revenue pressure in ANZ Financial Planning. Significant factors affecting the result were:

Net interest income increased 8% driven by volume growth in Rural Banking (business lending 22%, business deposits 44%), and in Banking Products with growth in consumer deposits (11%) and margin lending (19%). Net interest margin, however, was lower by 25 basis points due to the lower interest rate environment and higher growth in lower margin cash and term deposits.

Other external operating income increased 3%. Revenue from the distribution of investment management products is recorded as external income, whereas prior to the sale of businesses to ING Australia, this revenue was internal. After adjusting for this:

- Sales and retention commissions received from the sale of ANZ products through the branch network increased 5% reflecting strong demand for mortgages and the effects of our investment in training of sales staff in the second half.

- Fees from core transaction products were marginally up.

- Other external operating income reduced 6% driven by an 18% reduction in sales and retention payments from ING Australia, reflecting the negative impact of the downturn in the equity markets. This was particularly evident in the first half of the year.

Operating costs increased 3% due to an $8 million investment in training our sales force, and increased depreciation associated with investments in technology and the branch network. Banking Products benefited from cost savings arising from the creation of ING Australia.

Allowance for loan losses remained low reflecting credit quality, and the deposit driven nature of the business.

Personal Distribution profit after tax fell 4% to $224 million. In 2003, significant investments were made to improve the sales and service performance of the business. On the service side, 155 branches were refurbished, with new merchandising rolled out across the network. On the sales side, emphasis is on the skills of our sales force and in the second half of 2003, more than 4,200 staff received sales training. The second half showed stronger sales performance in Personal Banking on the back of continued demand for mortgages and higher sales productivity. Growth in the rural sector has continued, with ANZ improving its market share. The downturn in the equity markets continued to have a negative impact on the distribution of investment management products, however this improved during the second half as equity markets stabilized.

Demand for deposits in Banking Products led to deposit balances increasing by 9% over the year. In August, ANZ was named Savings Institution of the Year and ANZ s transaction accounts were again voted best in the market. Transaction volumes via direct channels have increased 14% reflecting the expansion of our ATM fleet and continued growth in internet banking. Margin lending volumes increased 19%.

Institutional comprises Institutional Banking, Transaction Services, Foreign Exchange, Capital Markets, Structured Finance International, and Corporate Financing and Advisory.

Profit after tax increased 8% driven by revenue growth in Institutional Banking and Capital Markets of 10% and 9%, respectively, and a 7% increase in profit after tax in Transaction Services. This was offset by a 19% reduction in profit after tax in Structured Finance International reflecting the continuing rebalancing of the portfolio towards lower risk sectors. Significant influences on the result were:

Net interest income reduced 2%. A 6% increase in Institutional Banking due to growth in domestic lending volumes and higher margins, and a 17% increase in Structured Finance International driven by several high margin structured deals was offset by increased funding costs on derivative trading in Capital Markets and Foreign Exchange that was basically exchange rate driven.

Lending volumes were 3% lower as a result of a reduction in offshore exposures and the impact of the appreciation in the AUD.

Non interest income increased 7% due to volume related fee growth of 9% in Australia/New Zealand Institutional Banking, higher profit on trading instruments in Capital Markets and Foreign Exchange (the split of net interest income and non interest income can vary considerably in markets trading depending on economic conditions), and a $19 million profit after tax on the final sale of development property businesses.

Fee revenue in Transaction Services increased 4% despite being suppressed by the impact of the appreciation of AUD and NZD, SARS, terrorism alerts, and the drought in Australia.

Non-interest income reduced 29% in Structured Finance International reflecting difficult conditions in the Power and Telecommunications sectors, combined with reduced Leasing and Tax based activity, and by 6% in Corporate Financing and Advisory, reflecting the profit on sale of a legacy asset in 2002.

Operating expenses reduced by 2%, due to the appreciation of the AUD against the USD and GBP reducing the 2003 cost base in offshore sites, and continuing cost discipline across all businesses. Increased personnel costs and the cost consequence of consolidating the TradeCentrix (previously known as Proponix) processing hub were absorbed by back office efficiency initiatives, and control on discretionary expenditure.

Allowance for loan losses charge reduced 5% with a continuing reduction in offshore institutional exposures, including reduced exposure to the US and UK Power and Telecommunication sectors. Offsetting these improvements was a further deterioration in credit quality of the remaining power and telecommunication exposures. Net non-accrual loans decreased by 21%, largely reflecting the continuing rebalancing of the portfolio towards lower risk sectors.

Net specific allowance for loan losses reduced significantly from the 2002 year which included provisioning on Enron and Marconi. New specific allowance for loan losses relate mainly to further provisioning against the offshore Power sector.

Institutional Banking profit after tax grew 20% over the year. The strategy to reduce exposures in the UK and US markets and place an increased emphasis on the domestic operations resulted in ANZ maintaining its leading market position in Australia and improved overall credit quality. The improvement in credit quality is reflected in the decline in new non-accrual loans and net specific allowance for loan losses as offshore exposures are managed down. Allowance for loan losses charge increased in 2004 due to growth in lending assets in Australia, a number of domestic downgrades, and further deterioration in the remaining offshore power exposures. The September 2003 results also benefited from a $19 million profit after tax sale of development properties.

Transaction Services profit after tax grew by 7% to $164 million. Cash management businesses experienced deposit growth with customers increasing their cash holdings. This was coupled with improved income from Custodian Services with increased assets under custody and transaction volumes. Trade Finance and International payments suffered from the effects of SARS and terrorism alerts and the related downturn in tourism, the appreciation of AUD and NZD against the USD, and reduced trade flows resulting from the drought in Australia. Operating efficiency improved while completing the acquisition of the TradeCentrix processing hub, which added 105 staff in September half, and commencing the amortization charge for the new global trade platform software. Cost savings in cash, trade and payments processing more than offset these costs and the investment in a replacement custody system.

Foreign Exchange experienced a 1% growth in after tax profit, recording $85 million for 2003. Sales and trading activity was maintained at prior year levels despite slow market conditions prevailing for much of the year, particularly in the Australasian time zone. Consumer activity was constrained by currencies being range bound for long periods reflecting the general uncertainty associated with events such as the Iraq war, the SARS outbreak and the revision of treasury hedging policies by corporates. The development of collateralization capabilities and commissioning of CLS (continuous linked settlements) during the year reduced credit and settlement risk, respectively. Net specific allowance for loan losses and non accrual loans related to one large Australian Corporate that defaulted in 2002.

Capital Markets profit grew over 2003 - up 17% to $75 million. The 2003 year was characterized by a lack of volatility in interest markets, and reduced client hedging activity with expectations that historically low levels of interest rates would continue in the medium term. Increased revenues reflect increased penetration into existing markets by the derivative desk, a continued push into new fixed interest products and improved conversion of opportunities into mandates in the Primary Market Group.

Structured Finance International suffered a downturn in profit after tax of 19% in 2003, to $68 million. The 2003 result reflects the Group s strategy to rebalance the portfolio towards lower risk sectors, and reduce exposure to the UK and US power and telecommunications sectors. The leasing and transportation sector has performed strongly, however, most other industry segments have been impacted by subdued market conditions resulting in an increased time to bring mandated deals to financial close. Credit remains a critical issue with some further deterioration in credit quality, notably in the UK and US power sectors.

Corporate Financing and Advisory saw a slight decline in profit in 2003 - down 1% to $80 million. The portfolio strategy of developing and exploiting niche products for the core customer base showed promising results in 2003 as a result of the increased emphasis on growing the private equity, infrastructure fund management and leveraged finance businesses. Revenue from core activities grew notwithstanding a challenging environment. The profit on sale of a legacy asset inflated income in 2002. Other niche products directed at the Small Business segment will be launched in 2004 to further advance the portfolio strategy.

Corporate comprises Small to Medium Enterprises Australia (SME) and Corporate Banking Australia.

Profit after tax increased by 12%. Significant influences on the result were:

Operating income increased 8% with growth in both lending and deposit volumes. SME achieved 15% revenue growth resulting from an increased geographic footprint, a focus on industry specialization and an increasing volume of new business being generated through third party broker channels. Corporate Banking revenue increased by 1% over the year, but rose 5% in the second half of the year reflecting stronger business momentum.

The growth in non interest income was driven by the increase in volume of lending in both Corporate and SME.

Operating expenses increased 3%. Higher costs in SME are due to ongoing investment in frontline and support staff to enable the continued expansion of the overall business. Overheads in Corporate Banking have reduced due to on-going cost management and synergies in combining the business.

Allowance for loan losses have increased 4%, slower than the 19% growth in lending volumes. Credit quality in the SME sector remains sound with the portfolio quality reviewed every quarter to detect any early adverse trends. One internally used indicator of portfolio quality is the percentage of quarterly Business Activity Statement (BAS) payments met by drawing down existing deposits versus increasing debt (overdrafts). This has remained at around 80% of the tax payments being met from deposits suggesting steady cash performance in the SME sector.

Net specific allowance for loan losses were up largely due to provisioning against two large corporate customer exposures: problems with one emerged in the second half of the financial year while the other reflected an increase in allowance for loan losses in an account that has been closely monitored for two years.

Small to Medium Enterprises Australia experienced 16% growth in profit for 2003 - up to $159 million for the year. The strategy has been to develop a strong customer proposition and achieve rapid growth in the business. New investment has centered on expanding the geographic footprint and industry specialization. Growth has been achieved through an increased investment in relationship and business support staff and leveraging third party broker distribution channels. Monitoring the credit portfolio has received increased focus during this period of expansion and is reflected in the reduction in specific allowance for loan loss charge.

Corporate Banking Australia s after tax profit grew 6% in 2003 - up to $111 million. The business has continued its focus on acquiring new business customers and cross-selling the products of other ANZ business units. Total customer profitability increased by 26% in the year with 46% of total profitability being reported in the profits of other product businesses. Growth was achieved despite subdued market conditions with overall credit quality of the portfolio improving slightly. Allowance for loan losses raised for two large customers impacted net specific allowance for loan losses. Operating efficiency has improved following the centralization of the Relationship Banking support functions early in the year.

New Zealand Banking profit after tax for the year increased 8%, driven by the appreciation of the New Zealand dollar. The flat result was due to the lack of fee growth as we improved the competitiveness of our product ranges, and higher costs as we increased our front line branch staff numbers to improve customer service. Net interest income increased 12%, driven by strong growth in Business and Rural lending and, to a lesser extent, Corporate lending. Overall margins contracted 5 basis points, with reduced deposit margins from competitive pressures, and reduced Corporate lending margins consistent with a focus on lower risk lending. Operating expenses increased 12%, reflecting increased frontline staff as part of the roll out of the Restoring Customer Faith program in Personal, and increasing capacity in Business and Rural. Technology costs were also higher with increased project related expenditure.

Mortgages profit after tax grew 9% over 2003. Significant impacts on this result included an increase of 13% in net interest income, driven by a 22% growth in the Australian mortgage portfolio - a record sales volume being written through all key channels. The New Zealand mortgage business has had a turn around in 2003, experiencing strong growth in the September 2003 quarter following a period of flat or reducing volumes in 2002. Expenses increased 12% due to increased staffing required to maintain service levels due to higher volumes.

Consumer Finance saw a decline in profit by 4% over 2003 - to $144 million. Impacting this result included growth in net interest income (up 15% on 2002) driven by volume increases in the average credit card outstandings (15%) and personal loans (4%) and a higher proportion of credit card balances paying interest. Other operating income was impacted by a $38 million charge taken in the first half as a result of an under accrual of loyalty points on co-branded cards going back to 1999, $20 million of which related to 2002. After adjusting for the impact of this under-accrual, other operating income increased by $21 million, reflecting strong growth in merchant turnover (15%) and cardholder spend (10%). Operating expenses increased by 12%, resulting from volume growth and increased amortization costs of new technology and the MultiPOS network.

Esanda and UDC experienced strong profit after tax growth in 2003 - up 23% to $127 million. This result was driven by a 25% increase in other income - the result of fees on higher new business volumes, profits on end-of-lease vehicle sales, and commissions on increased insurance writings. Strong growth rates in new business writings saw motor vehicle finance increase 18%, equipment finance 26%, fleet management services up 26% and equipment operating leases up 24%.

ING Australia profit after tax declined 12% in 2003 to $38 million. The 2002 result included $40 million from ANZ businesses in the seven months prior to their sale on May 1, 2002. The 2003 result for ING Australia improved over the five months to September 30, 2002 as a result of strong revenue growth from the life risk business and cost reductions. After a difficult start to the year due to major global uncertainties, funds under management increased in the second half and ING Australia consolidated its number 4 position in Retail Funds Under Management as measured by ASSIRT. Risk business income continued to improve with positive claims experience the major contributor. Costs fell in the second half as a result of the delivery of integration savings and strong cost management.

Asia Pacific profit after tax increased 34% despite an appreciation in the AUD. Significant influences include a 30% increase in other operating income, driven by the sale of bonds by PT Panin has increased equity accounting income bringing the total equity accounted PT Panin contribution to $55 million. Volatility in the Pacific and Asian currencies, particularly in the March 2003 half year, combined with ANZ strong market position in the region has resulted in a significant increase in foreign exchange earnings. Expenses are up 6% following the integration of the Bank of Hawaii operations and increased technology support to the Pacific region.

Treasury net profit for the year was $30 million (or 24%) lower than 2002, a direct consequence of the low and flat interest rate environment globally. The USD market was characterized by a rapid and significant decline in interest rates, between August 2001 and December 2001 when short-term interest rates fell by 2%. This led to an extended period where the interest rate yield curve flattened thus resulting in a contraction in mismatch interest margin. Likewise, the AUD market took a lead from US markets with the yield curve also flattening, without the added benefit of falling short term rates (as in the US). This exacerbated the large contraction in earnings margins.

Group Center includes Operations, Technology and Shared Services, Group People Capital, Group Strategic Development, CFO Units, Group Risk Management, Capital Funding & Group Items and Call Center.

The result for the Group Center was a loss of $24 million compared with a loss of $46 million in 2002. The level of the Group s surplus capital increased over the year with retained earnings growth and a reduction in the higher risk offshore credit portfolios. The strengthening of the Australian dollar over the year resulted in gains on contracts put in place to hedge United States dollar denominated offshore earnings. The weakening New Zealand dollar in the latter part of the year increased interest revenue from New Zealand dollar hedge contracts entered during the course of the year.

In February 2003, ANZ s dispute with the Australian Tax Office relating to equity products was settled for $262 million from existing provisions. ANZ wrote down the value of its investments in E*Trade ($6 million) and Identrus ($8 million) during the year. External operating expenses increased with a higher technology spend, and the transfer of certain functions to the Corporate Center. Total costs were flat with increased external costs charged back to business units.

Allowance for loan losses charge relates to a $100 million provision equivalent to the allowance for loan losses on a downgrade of one level across the entire offshore Structured Finance and Institutional Banking portfolio. This provision has remained relatively constant because of uncertainty in the offshore portfolios. However, as these portfolios are stabilizing, the level of this provision is expected to decrease.

During the year, the new payroll and HR information systems were implemented in Australia. Group payroll systems were replaced. Corporate Banking technology initiatives were completed. Improvements leading to better customer response and processing efficiency for Consumer Finance and Mortgages have also been completed.

Advanced web-based systems were implemented across all Australian and New Zealand operations. On-line procurement was further progressed this year with the on-line purchasing of information technology services and office hardware, stationery and travel now in place.

Results by Region

Years ended September 30	2004 $M	2003 $M	2002 $M
Operating profit before income tax and including significant transactions			
Domestic Markets			
Australia	2,785	2,371	2,391
New Zealand	763	495	456
	3,548	2,866	2,847
Overseas	439	411	376
	3,987	3,277	3,223
Income tax expense			
Domestic Markets			
Australia	(802)	(672)	(683)
New Zealand	(266)	(147)	(126)
	(1,068)	(819)	(809)
Overseas	(100)	(107)	(89)
Income tax expense	(1,168)	(926)	(898)
Outside equity interest			
Overseas	(4)	(3)	(3)
Operating profit after income tax including significant transactions by region	2,815	2,348	2,322
Domestic Markets			
Australia	1,984	1,699	1,708
New Zealand	495	348	330
	2,479	2,047	2,038
Overseas	336	301	284
Operating profit after income tax including significant transactions (1)	**2,815**	**2,348**	**2,322**

(1) Includes significant transactions in the year ended September 30, 2004: recognition of deferred profit from close out of interest rate swaps upon buy back of TrUEPrS hybrid Tier 1 instruments (profit after tax $84 million) and profit from sale of businesses to ING Australia Joint venture (profit after tax $14 million). (September 30, 2003: Nil; September 30, 2002: the sale of businesses to ING Australia joint venture (profit after tax of $170 million) and National Housing Bank recovery ($159 million profit after tax) refer page 35).

Australia

Selected Australian economic indicators are shown below:

Years ended June 30	2004	2003	2002	2001
Nominal rates of growth (1) in Gross Domestic Product	7.2%	5.9%	6.4%	7.2%
Inflation rates	2.4%	3.1%	2.9%	6.0% (3)
Real rates of growth in Gross Domestic Product (2)	3.6%	3.1%	3.9%	2.0% (3)

Source: Australian National Accounts: National Income and Expenditure, ABS Cat. no. 52060.0 and 6401.0

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

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

(3) Introduction of Goods and Services Tax made a one-off contribution to inflation in 2001.

The Commonwealth Government of Australia has forecast the real rate of growth in Gross Domestic Product for the year ending June 30, 2005 to be 3.66% (Australian National Accounts: Income and Expenditure).

2004

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

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

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

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

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

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

Excluding the Australian component of significant items ($98 million profit in 2004) profit increased by 12%.

2003

Profit after tax in Australia decreased 1%. Excluding the Australian component of significant transactions (refer page 35) that increased profit by $122 million in 2002, profit grew 7% reflecting:

Net interest income increasing 7% with higher lending volumes in Mortgages, Consumer Finance, Institutional Banking and Corporate partly offset by a 20 basis point reduction in margin resulting from reduced earnings on the investment of capital, non-interest bearing and low interest savings accounts, and lower mismatch earnings in Treasury.

Fee income declined by 2% due to the $38 million cost of the under accrual of loyalty points on credit cards in prior years that was booked in the March 2003 half. Excluding this impact, fee income increased by 2% largely in Institutional Banking, Corporate and Consumer Finance.

Non interest income was flat with higher profit on trading instruments (offset in net interest), increased equity accounted income from ING Australia and profit on the sale of development properties, offset by reduced foreign exchange earnings and the impact of the sale of the Funds Management businesses to ING Australia.

Operating expense growth was contained to 2% with an increased number of sales staff in Personal Banking and Corporate and volume driven staffing increases in Mortgages. Higher software amortization charges occurred as new systems became operational.

Allowance for loan losses charge increased 2% with the majority of asset growth occurring in the relatively low risk mortgage portfolio.

New Zealand

2004

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

	2004				2003
	New Zealand $M	NBNZ $M	Acquisition and funding $M	ANZ New Zealand ex NBNZ $M	
Net interest income	1,371	786	(78)	663	675
Other operating income	638	259		379	394
Operating income	2,009	1,045	(78)	1,042	1,069
Operating expenses	(1,128)	(443)	(129)	(556)	(519)
Profit before allowance for loan losses	881	602	(207)	486	550
Allowance for loan loss charge	(118)	(62)		(56)	(55)
Profit before income tax	763	540	(207)	430	495
Income tax expense	(266)	(164)	27	(129)	(147)
Outside equity interest	(2)	(1)		(1)	
Net profit	495	375	(180)	300	348

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

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

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

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

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

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

Profit after tax increased 7% in ANZ New Zealand, or 9% after allowing for the negative impact of a weaker New Zealand Dollar. Profit growth was driven mainly by the retail businesses with deposit margins widening as interest rates rose. There was a lower contribution from Institutional with lower lending volumes and higher repayments. This result also includes $12 million (post tax) of non-incremental integration costs. Following completion of integration, these resources will be dedicated to other Group projects. Key influences on the result include:

Net interest income increased 7% with lending volumes increasing 3% driven by growth in Mortgages (5%) and Business and Rural (5%). Deposit volumes increased 5%, assisted by strong growth in Trade and Transaction Services. The result was also assisted by a reduction in the cost of term funding. Reduced asset margins, including a 5 basis point reduction in mortgage margins as a result of a reduction in spread between the cash rate and 90 day funding rates, were offset by increased deposit margins.

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

Operating expenses were flat with annual salary increases, an increased number of frontline staff, and a increased spend on brand image and sales training being offset by cost savings in support areas.

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

Integration costs

Incremental integration costs of $22 million after tax have been incurred by New Zealand. Of this, $14 million was incremental to the Group. Non-incremental integration costs are $14 million after tax, of which $2 million after tax is in NBNZ. Following integration these resources will be allocated to other projects.

2003

Profit after tax in New Zealand increased 5%. Excluding the gain of $32 million from the sale of the funds management businesses to ING Australia in 2002 and the impact (a $26 million increase) of exchange rate movements (principally the appreciation in the NZD against the AUD), which are not indicative of core business performance, profit increased by 8%. The main features of the result excluding these items were:

Net interest income increased 8% with lending growth achieved in Corporate, Esanda and UDC, and Business and Rural, and mortgage lending recovering in the second half. Margins improved with the Official Cash Rate, on average, remaining higher during 2003. This was partly offset by reduced mismatch earnings in Treasury.

Fee income increased 1%, mainly reflecting growth in corporate and institutional financing activities. Transactional fee income in Personal reduced following the launch of a simplified product range in July 2002.

Non interest income declined, with a number of large capital markets transactions recorded in 2002 not being repeated in the current year.

Operating expenses were flat due to higher employee numbers from an increased investment in front line staff, being offset by savings in the support areas.

Loan quality remained sound with the allowance for loan loss charge declining 6% due to a reduction in the risk profile of the Corporate loan portfolio. Allowance for loan losses remained well in excess of net specific allowance for loan losses.

Overseas Markets

	2004 $M	2003 $M	2002 $M
United Kingdom	88	58	60
United States	49	59	60
Asia Pacific	191	184	160
Other	8		4
Profit after tax	336	301	284

2004

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

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

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

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

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

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

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

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

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

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

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

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

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

2003

Overseas markets contributed profit after tax of $301 million to the Group result in 2003, comprising $117 million from operations in the UK, Europe and United States (39%), $116 million from Asia, and $68 million from the Pacific. Overall this represents an increase of 6% from last year. Excluding the impact of exchange rates (a $20 million decrease), significant regional factors in the result were:

Net interest income increased 10% in UK/USA reflecting the impact of high margin assets written during the second half. An increase of 3% was recorded in Asia due mainly to increased lending volumes in China and ANZ s successful application for the renminbi trading license and the expansion of the Cards business in Indonesia. In the Pacific, lending growth particularly in Fiji and Vanuatu drove net interest income up 13%, despite tightening regulatory pressure and increased competition following a rationalization of the number of banks in Papua New Guinea forced a reduction in interest margins. Overall, net interest income was relatively stable, showing a marginal decrease of 1% for the year.

Fee income decreased overall by 2% in 2003. Difficult market conditions drove UK/USA down 11%, offset by volume-driven increases in Asia and the Pacific, increasing 11% and 17% respectively.

Higher equity accounted earnings from PT Panin (up $25 million) drove other operating income up 30% in overseas markets. The PT Panin earnings benefited from a $16 million profit on the sale of bonds in the first half of 2003.

Regionally, Asia experienced an increase of 11% in operating expenses, driven by a 4% increase in staff numbers, and additional marketing costs associated with the trade finance operations in China and Cards operations in Indonesia. Expenses grew 16% in the Pacific following increased technology support required for the region, and the integration of the Bank of Hawaii operations during 2002.

UK and USA saw a reduction to the allowance for loan losses charge of 15% reflecting the reduction in the exposures to UK and US Power and Telecommunications sectors. This was offset by a 24% increase in Asia, reflecting lending growth in the higher risk Cards business in Indonesia. Allowance for loan losses charge was unchanged in the Pacific.

Balance Sheet

Years ended September 30	2004 $M	2003 $M	2002 $M
Assets			
Liquid assets & due from other financial institutions	11,144	9,019	11,225
Trading securities and investment securities	13,224	8,980	9,482
Net loans and advances	204,962	149,465	132,060
Customers liability for acceptances	12,466	13,178	13,796
All other assets	17,549	14,949	16,542
Total Assets	259,345	195,591	183,105
Liabilities			
Due to other financial institutions	7,349	6,467	10,860
Deposits and other borrowings	168,557	124,494	113,259
Liability for acceptances	12,466	13,178	13,796
Creditors and other liabilities	14,212	13,611	12,630
Bonds, notes and loan capital	36,077	22,202	18,153
All other liabilities	2,759	1,852	2,942
Total Liabilities	241,420	181,804	171,640
Net Assets	17,925	13,787	11,465
Total Shareholders Equity	17,925	13,787	11,465

Total assets at September 30, 2004 were $259.3 billion, a $63.8 billion increase from September 30, 2003, with NBNZ contributing $47.1 billion. Total group liabilities increased by $59.6 million from September 30, 2003 with NBNZ contributing $34.0 billion of this growth.

Liquid Assets & Due From Other Financial Institutions

2004

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

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

2003

Liquid assets decreased by $0.8 billion in 2003, largely arising from a decrease in bills receivable and remittances in Institutional Financial Services in Australia, whilst a $1.4 billion reduction due from other financial institutions occurred largely in overseas markets, as Treasury increased its holding over long dated paper.

Trading and Investment Securities

2004

Trading security volumes increased $1.3 billion (30%) to $5.5 billion at September 2004.

Excluding NBNZ ($0.4 billion) and exchange rate movements trading securities increased by $0.8 billion due to:

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

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

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

2003

Trading and Investment Securities decreased by $0.5 billion in 2003. A $1.7 billion reduction in trading securities was driven by a decrease in government securities ($1.0 billion) and ANZ accepted bills ($0.6 billion). This was partly offset by a $1.2 billion increase in Investment Securities, due largely to an increase in government securities ($0.7 billion) and other securities ($0.5 billion), as Treasury increased its holding of longer dated securities.

Net Loans, Advances and Acceptances

2004

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

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

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

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

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

Institutional ($2.1 billion) largely in Institutional Banking.

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

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

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

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

2003

Net loans and advances increased by $17.4 billion in 2003. Exchange rate movements accounted for a net reduction of $1.9 billion, consisting of a $2.2 billion net reduction in overseas markets and an increase of $0.3 billion in New Zealand.

Australia - Growth of $18.8 billion was achieved.

Housing Loans ($10.1 billion) driven by customer demand and sustained low interest rates.

Non-housing term loans ($6.9 billion). Increases in Institutional Financial Services ($2.2 billion partly offset by decline in commercial bills) and Corporate ($1.8 billion) from growth in the small to medium business sector. Non-housing loans in Mortgages increased $1.9 billion reflecting customer demand for equity loans.

Lease finance ($0.8 billion) driven by growth in most channels particularly dealer and broker channels.

Overdrafts ($0.8 billion) driven by growth in invoice financing.

Credit Cards ($0.4 billion) reflecting growth in Consumer Finance.

Other ($(0.2) billion).

New Zealand - Growth of $1.8 billion was achieved. Excluding the impact of exchange rates, growth of $1.5 billion was achieved.

Increased non-housing terms loans ($0.9 billion) due to growth in Institutional Financial Services ($0.3 billion) and New Zealand Banking ($0.4 billion)

Growth in Mortgage portfolio ($0.6 billion)

Overseas Markets - Net loans and advances reduced $3.2 billion. Excluding the impact of exchange rates, Overseas Markets reduced by $0.9 billion reflecting the deliberate reduction in exposures in the US and UK markets.

Customer Financings

Customer financing through redeemable preference shares is undertaken as part of an in-house debt/equity hybrid capability making investments in small medium enterprise (SME s) customers. Redeemable preference shares take the form of convertible redeemable preference notes, with an equity conversion right in the event of an IPO, trade sale or other specified trigger event.

Although legally described as preference shares, advances to customers using this product meet the definition of financial assets under both Australian and US GAAP, and therefore would be recorded as part of net loans and advances or investments as appropriate. Income received on these products, consistent with their recognition as assets, would be recorded as part of interest income. Our policies for management of lending in the form of redeemable preference shares are consistent with our policies for general lending of similar amounts to similar clients.

Other Assets

2004

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

The recognition tests for deferred tax assets applied under A GAAP are more stringent than those applied in the recoverability assessment under US GAAP and therefore tax assets recognized under A GAAP also qualify for recognition under US GAAP. There are no additional deferred tax assets to be recognized under US GAAP. The only potential source of additional deferred tax assets that are currently not booked relate to tax losses. As disclosed in note 19 to the Financial Report, the only potential future benefit arising from unbooked tax losses is an amount of $67m relating to capital losses. Since capital losses can only be recovered against capital gains, and not against revenue generally, and the prospect of generating the necessary future capital gain is not probable, the potential future benefit cannot be booked.

We have a holding of freehold and leasehold land and buildings (largely within Australia) for our business purposes. These premises, which include branches, administration centers and residential accommodation for employees and had a carrying value at September 30, 2004 of $448 million (market value of $464 million as at June 30, 2002). 2003 carrying value: $426 million.

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

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

The Group has assessed the implication of SFAS No. 147 Acquisition of Certain Financial Institutions in relation to two acquisitions, NBNZ and Bank of Hawaii. The Group adopted SFAS No. 147 on October 1, 2002 but did not make any material purchases that fall within its scope in the year ended September 30, 2003. In fiscal year 2004, the acquisition of NBNZ has been treated in accordance with the new Standard and the required disclosures have been set out in Note 55 (xxiv) to the Financial Report. An asset is required to be booked at fair value on acquisition for long term customer relationship intangible assets which meet the criteria identified in SFAS 141. The recent acquisition of NBNZ by ANZ has resulted in consideration being given to booking an asset in respect of these relationships. Appendix A to SFAS 141 provides guidance on how to apply the recognition criteria to such assets. NBNZ is based in New Zealand and its customers are predominantly domiciled in New Zealand. Legislation and common law applying to banks in New Zealand prohibit an entity from selling, leasing, or otherwise exchanging information about some or all of its customers.

Long term customer relationship intangible assets such as customer lists and data do not arise from contractual relationships, and due to the Privacy Laws governing customer information in New Zealand, such assets are not separable, ie they cannot be sold, transferred, licenced, rented or exchanged, and thus have not been recognized. In light of this, the Group is considering whether a core deposit intangible should be recognized separately from goodwill.

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

2003

Other Assets reduced by $1.6 billion since September 30, 2002 due to a decrease in the revaluation of off balance sheet derivative instruments. This was partly offset by increases in accrued interest on higher asset volumes.

Due to Other Financial Institutions

2004

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

The exchange rate impact was negligible.

2003

Amounts due to other financial institutions were $4.4 billion lower than September 2002. Excluding the impact of exchange rates the decrease was $2.9 billion resulting from lower demand for short term funds following an increase in term funding.

Deposits and Other Borrowings

2004

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

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

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

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

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

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

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

2003

Deposits and borrowings increased $11.2 billion. Excluding the impact of exchange rates, the increase was $14 billion, reflecting:

A $5.5 billion increase in Treasury (principally commercial paper) driven by balance sheet growth.

Higher deposit volumes in Personal Banking ($2.8 billion), Corporate ($1.7 billion) and Institutional Financial Services ($1.2 billion).

Creditors and Other Liabilities

2004

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

2003

Creditors and Other Liabilities increased by $1.0 billion since September 30, 2002 principally as a result of an increase in securities lending activity within Trade and Transaction Services Australia and increased accrued interest on higher deposit volumes.

A reduction in the revaluation of off balance sheet derivative instruments in Institutional Financial Services was offset by increases on hedges of USD bonds and notes in Treasury.

During 2003 a dispute with the Australian Tax Office was settled resulting in a tax payment of $262 million. As this amount had been provided for in previous periods and was a component of the Group s tax provision, the settlement did not materially impact the results of the Group. However, the payment did result in an increase in cash tax payments as disclosed in the statement of cash flows and a reduction in the overall level of Group income tax liabilities.

Additionally, the composition of the overall provision for tax balance between current tax and deferred tax changed significantly during the year as a result of movements in unrealized gains and losses on currency swaps that occurred as the AUD appreciated against the USD. The changes in the remainder of the deferred tax liability related to lease finance and sundry other items.

Bonds, Notes and Loan Capital

2004

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

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

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

- USD750 million tranche with a coupon of 5.36%

- USD350 million tranche with a coupon of 4.484%

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

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

2003

Bonds and notes and loan capital increased by $4.1 billion in 2003, to meet additional funding requirements.

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

Years ended September 30	**2004 $M**	**2003 $M**	**2002 $M**
Shareholders equity (including outside equity interests)	17,925	13,787	11,465
Loan capital (subordinated debt)	8,475	5,630	3,445
Total	26,400	19,417	14,910
Liabilities excluding loan capital	232,945	176,174	168,195
Total assets	259,345	195,591	183,105
Risk weighted assets	196,664	152,164	141,390
Tier 1 capital	13,566	11,740	11,201
Tier 2 capital	7,844	6,065	3,937
	%	**%**	**%**
Tier 1 capital ratio	6.9	7.7	7.9
Tier 2 capital ratio	4.0	4.0	2.8
Deductions (1)	(0.5)	(0.6)	(1.2)
Total capital adequacy ratio	10.4	11.1	9.5
Adjusted common equity (2)	5.1	5.7	5.7

(1) Total deductions of $1,019 million (2003: $920 million; 2002: $1,703 million).

(2) Tier 1 capital, less preference share capital (converted at September 30, 2004 rates), less deductions.

2004

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

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

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

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

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

- Goodwill deductions increasing by $3.1 billion.

- Risk weighted assets increasing by $28 billion.

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

At 5.1%, the ratio is above the Group s target range and provides capacity to pursue capital management initiatives in the six months, including a share buyback of at least $350 million, whilst providing a buffer against potential adverse impacts on the Group s capital base arising out of the implementation of International Accounting Standards on October 1, 2005.

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

The Group raises hybrid capital to supplement the Group s ACE capital base to ensure that the Group complies with APRA s prudential capital requirements.

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

On November 27, 2003 ANZ raised USD1.1 billion via the issue of 1.1 million stapled securities comprising an interest paying note issued by a wholly owned subsidiary of ANZ and a preference share on which dividends will not be paid whilst it is stapled to a note. The notes are due on December 15, 2053 at which date the issue will mandatorily convert to ordinary shares unless redeemed or bought back prior to that date. The hybrid loan capital is classified as debt on ANZ s balance sheet under Australian and US GAAP with distributions on the stapled securities classified as interest expense.

On December 12, 2003, the Group bought back its TrUEPrS preference shares that were issued for USD775 million in 1998. Income, expenses and dividends relating to the TrUEPrS transaction including $77 million profit after tax from the close out of interest rate swaps have been recorded as significant items.

2003

The Group s total capital adequacy ratio increased from 9.5% to 11.1% over the year to September 30, 2003 due largely to:

The $1 billion issuance of 10 million stapled securities (StEPS) on September 23, 2003 increased Tier 1 capital. The stapled securities comprise of an interest paying note issued by ANZ Holdings (New Zealand) Limited, a wholly owned subsidiary of ANZ, and a preference share on which dividend will not be paid while it is stapled to a note.

A net increase of $1.2 billion of Tier 2 capital in the March 2003 half year, and a further $1.1 billion in the second half.

Tier 1 ratio at 7.7% was unchanged from March 2003 but down from 7.9% at September 30, 2002. The stapled security issue was offset by a new APRA requirement to deduct purchased goodwill directly from Tier 1 capital.

The Group s ACE ratio remained unchanged at 5.7%.

A summary of qualifying capital, on-balance sheet assets and off-balance sheet exposures can be seen at Note 32 to the Financial Report.

Capital Resources

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

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

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

Capital is in accordance with APRA s prudential requirements;

Maximizing shareholder returns; and

Capital base should be stable and prudently managed.

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

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

As a result of the acquisition of the NBNZ on December 1, 2003, the Group undertook the following capital initiatives:

Issued $3,562 million (net of $37 million of issuance costs) in ordinary shares through a two for eleven rights issue at $13 per ordinary share;

On November 27, 2003, ANZ raised USD1.1 billion via the issue of 1.1 million stapled securities which are classified as liabilities on the balance sheet, but qualify as Tier 1 capital; and

Reduced its target ACE capital ratio range to 4.50% to 5.00%, down from 4.75% to 5.25%. The reduction in the capital ratio target range was a result of the Group s focus on removing risk from the Group s operations over prior periods, which was further enhanced by the NBNZ acquisition.

On the December 12, 2003, the Group bought back its USD775.2 million TrUEPrS Tier 1 hybrid issue. The buy back was pre-funded by the issue of $1.0 billion of ANZ StEPS Tier 1 hybrid issue on September 23, 2003.

From July 1, 2004, APRA required the deduction of capitalized costs from Tier 1, and consequently from ACE. Capitalized costs include loan origination fees, commission paid to originators and brokers, securitization establishment costs and costs associated with debt and capital raisings. As the new deduction did not represent a change in the substance of ANZ s financial positions, the ACE target range was reduced by a commensurate amount to 4.50% to 5.00% following discussions with credit rating agencies.

Commitments

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

The table below shows total commitments for the three year period ended September 30, 2004.

Years ended September 30	**2004 $M**	**2003 $M**	**2002 $M**
Capital expenditure			
Contracts for outstanding capital expenditure			
Not later than 1 year	60	55	75
Later than 1 year but not later than 5 years		1	
Total capital expenditure commitments	60	56	75
Lease rentals			
Future rentals in respect of leases			
Land and buildings			
Not later than 1 year	201	164	163
Later than 1 year but not later than 5 years	495	391	426
Later than 5 years	442	441	450
Total land and building lease rental commitments	1,138	996	1,039
Furniture and equipment			
Not later than 1 year	13	17	16
Later than 1 year but not later than 5 years	19	23	7
Total furniture and equipment lease rental commitments	32	40	23
Total lease rental commitments	1,170	1,036	1,062
Total commitments	1,230	1,092	1,137

Credit related commitments

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

	2004 $M	**2003 $M**	**2002 $M**
Undrawn facilities	78,851	65,381	60,373
Underwriting facilities	63	15	36
	78,914	65,396	60,409

Contingent liabilities

The Group guarantees the performance of customers by issuing standby letters of credit and guarantees to third parties. The risk involved is essentially the same as the credit risk involved in extending loan facilities to customers, therefore these transactions are subjected to the same credit origination, portfolio management and collateral requirements for customers applying for loans. As the facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements.

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

Table of Contingent Liabilities

	2004 $M	2003 $M	2002 $M
Guarantees	5,065	4,954	3,580
Credit derivatives sold	2,636	2,409	3,088
Standby letters of credit	1,057	1,406	1,952
Bill endorsements	168	148	298
Documentary letter of credit	2,262	1,755	1,620
Performance related contingents	9,625	9,027	11,161
Other	1,336	854	935
Total contingent liabilities	22,149	20,553	22,634

The details and estimated maximum amount of contingent liabilities that may become payable are set out below.

Contractual Obligations (1)	Total $M	Less than 1 year $M	1-3 years $M	3-5 years $M	More than 5 years $M
Long Term Debt	41,135	5,492	16,534	14,728	4,381
Capital Lease Obligations					
Operating Leases	1,170	214	216	298	442
Unconditional Purchase Obligations					
Other Long-term Obligations					
Total Contractual Cash Obligations	42,305	5,706	16,750	15,026	4,823

(1) Excludes capital expenditure set out on page 74.

Clearing and Settlement Obligations

In accordance with the clearing and settlement arrangements set out:

in the Australian Payments Clearing Association Limited (APCA) Regulations for the Australian Paper Clearing System, the Bulk Electronic Clearing System, the Consumer Electronic Clearing System and the High Value Clearing System (HVCS), the Company has a commitment to rules which could result in a bilateral exposure and loss in the event of a failure to settle by a member institution; and

in the Austraclear System Regulations, the Company has a commitment to participate in loss-sharing arrangements in the event of a failure to settle by a member institution.

For both the APCA HVCS and Austraclear, the obligation arises only in limited circumstances.

Nominee Activities

The Group will indemnify each customer of ANZ controlled entities engaged in nominee activities against loss suffered by reason of such entities failing to perform any obligation undertaken by them to a customer.

Interbank Deposit Agreement

ANZ has entered into an Interbank Deposit Agreement with the major banks in the payments system. This agreement is a payment system support facility certified by APRA, where the terms are such that if any bank is experiencing liquidity problems, the other participants are required to deposit equal amounts of up to $2 billion for a period of 30 days. At the end of 30 days the deposit holder has the option to repay the deposit in cash or by way of assignment of mortgages to the value of the deposit.

Tax Audit

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 September 30, 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 September 30, 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 NBNZ and which relate to transactions undertaken by 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.

Sale of Grindlays businesses

On July 31, 2000, ANZ completed the sale to Standard Chartered Bank (SCB) of ANZ Grindlays Bank Limited and the private banking business of ANZ in the United Kingdom and Jersey, together with ANZ Grindlays (Jersey) Holdings Limited and its subsidiaries, for USD1.3 billion in cash. ANZ provided warranties and certain indemnities relating to those businesses and, where it anticipated that payments would be likely under the warranties or indemnities, made provisions to cover the anticipated liability. The issues below have not impacted our reported results. All settlements and costs have been covered within the provisions established at the time. Of these warranties, ANZ remains liable in relation to the Foreign Exchange Regulation Act and differential cheque matters described below.

National Housing Bank

In 1992, Grindlays received a claim aggregating approximately Indian Rupees 5.06 billion from the National Housing Bank (NHB) in India. The claim arose out of cheques drawn by NHB in favour of Grindlays, the proceeds of which were credited to the account of a Grindlays customer.

Grindlays won an arbitration award in March 1997, under which NHB paid Grindlays an award of Indian Rupees 9.12 billion. NHB subsequently won an appeal to the special court of Mumbai, after which Grindlays filed an appeal with the Supreme Court of India. While that appeal was pending, the parties settled the matter, with Grindlays receiving Indian Rupees 6.20 billion of disputed monies that Grindlays had lodged with the Court, and NHB receiving the balance. ANZ in turn received a payment of USD124 million from Standard Chartered Bank under the terms of the Indian Indemnity, and is separately pursuing a $130 million claim against its insurers in respect of the loss Grindlays suffered in the dispute. ANZ s claim against its insurers is being litigated in the Victorian Supreme Court, with a trial unlikely to be held until early 2006. No amounts receivable under this action have been recognized in these accounts.

FERA

In 1991, amounts of INR 689m ($21 million) were transferred from non-convertible Indian Rupee accounts maintained with Grindlays in India, mainly to the convertible vostro account at Girobank, maintained at Bombay. These transactions may not have complied with the provisions of the Foreign Exchange Regulation Act, 1973. Grindlays, on its own initiative, brought these transactions to the attention of the Reserve Bank of India. The Indian authorities have served notices on Grindlays and certain of its officers in India that could lead to possible penalties. Grindlays has commenced proceedings in the courts contesting the validity of these notices. In November 1998 the Bombay High Court dismissed the writ petitions. In March 1999 the Supreme Court granted leave to appeal and ordered that, pending the disposal of the appeals, the prosecutions and adjudications against the officers shall not be proceeded with further. Final hearing of the appeals before the Supreme Court of India is expected in late 2004/early 2005.

Differential Cheques

In June 2003, Grindlays was successful in its appeal against orders to repay, with interest, two payments it received from a stockbroker in 1991 in connection with securities transactions Grindlays had entered into with counter party banks. These orders, requiring Grindlays to show cause why the payments made by the stockbroker should not be set aside on the grounds that they were not made in the ordinary course of business and were not genuine, had directed repayment of Indian Rupees 24 million ($0.9 million), plus interest accruing at 24% since 1991. The Custodian has yet to file an appeal against this judgment. Grindlays is awaiting the outcome of proceedings in relation to a further twelve proceedings received by it in 1991 in similar circumstances totalling Indian Rupees 277 million ($10.4 million). Including interest at 24%, this is approximately $29.9 million.

In addition, ANZ provided an indemnity relating to tax liabilities of Grindlays (and its subsidiaries) and the Jersey Sub-Group to the extent to which such liabilities were not provided for in the Grindlays accounts as at July 31, 2000. A claim has been made under this indemnity also, with no material impact on the Group expected.

vi) Pursuant to class order 98/1418 (as amended) dated August 13, 1998, relief was granted to a number of wholly owned controlled entities from the Corporations Act 2001 requirements for preparation, audit, and publication of individual financial statements. The results of these companies are included in the consolidated Group results. The entities to which relief was granted are:

ANZ Properties (Australia) Pty Ltd(1)

Alliance Holdings Pty Ltd(1)

ANZ Capital Hedging Pty Ltd(1)

ANZ Funds Pty Ltd(1)

ANZ Infrastructure Investments Ltd(3)

ANZ Nominees Ltd(1)

ANZ Securities (Holdings) Ltd(3)

Binnstone Traders Pty Ltd(4)

Deori Pty Ltd(4)

E S & A Holdings Pty Ltd(1)

Jikk Pty Ltd(1)

LFD Ltd(4)

NMRSB Pty Ltd(4)

ANZ Orchard Investments Pty Ltd(2)

Votraint No. 1103 Pty Ltd(2)

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(1) Relief granted on August 21, 2001

(2) Relief granted on August 13, 2002

(3) Relief granted on September 9, 2003

(4) Revocation Deed on June 24, 2004

General

There are outstanding court proceedings, claims and possible claims against the Group the aggregate amount of which cannot be readily quantified. Appropriate legal advice has been obtained and, in the light of such advice, provisions as deemed necessary have been made.

The gross amounts of accruals made for material litigation contingencies is $258 million.

Liquidity Resources

The core objective of the Group s liquidity management frame work and processes is to ensure that ANZ has sufficient liquidity to meet its obligations as they fall due under all but systemic crisis conditions including during an ANZ specific name crisis. The key principles of ANZ s liquidity management framework are:

A diverse retail and wholesale funding base, avoiding undue concentrations of funding maturity, source and currency. The Group targets a minimum level of customer (non-wholesale) funding to External Assets less Regulatory Capital of 60%; and

a minimum of 15% of all term assets be financed with term wholesale debt with a maturity greater than 12 months.

Strong standing in financial markets to ensure timely access to wholesale funding by minimising the possibility of adverse market sentiment. The Group has established issuance programs: domestic debt, US and Euro commercial paper and US and Euro medium term note.

Holding an appropriate level of readily liquefiable assets to buffer the Group against short-term adverse conditions, in addition to the level of liquid assets required to support normal daily operations.

Accurate and timely identification of all material sources and uses of funds, together with a strong understanding of the business s underlying cashflows.

Monitoring and appropriate management of cashflow concentrations, particularly wholesale funding maturities and large-value net payments.

Growth in lending has required an increase in the level of wholesale debt outstandings from $66 billion as of September 2003 to $94 billion as of September 2004. The issuance of term wholesale debt greater than 12 months to maturity increased to $18.4 billion from $12.9 billion in 2003. The proportion of liabilities sourced from customer deposits has decreased to 63% as at September 30, 2004 from 65% at September 30, 2003 as asset growth outstripped customer funded deposits. The total level of readily liquefiable assets held to minimise the impact of any liquidity disruption was $9.1 billion at September 2004.

The earnings of the Group are not its primary source of liquidity, which is customer deposits and wholesale primary markets. Accordingly, restrictions on the repatriation of earnings from offshore subsidiaries, back to the parent, would not materially affect the Group s liquidity. A number of our subsidiaries are domiciled in foreign jurisdictions and are controlled by local regulators. As such, repatriation of earnings from such entities is subject to local regulatory approval. Approval can be expected to be granted during normal business conditions subject to compliance with local capital and liquidity regulations. We are not currently aware of any restrictions on our ability to repatriate earnings. Note 41 to the Financial Report sets out the geographical analysis of the Group s earnings, noting that post the NBNZ acquisition, the Australian contribution is expected to decline to approximately 67% and New Zealand s contribution is expected to increase to approximately 25%.

Details of the sources and unused sources of liquidity are included in Note 42 to the Financial Report.

Wholesale Funding

ANZ is funded from both the retail and wholesale markets. ANZ s $40 billion of term wholesale funding as at September 30, 2004 increased from $26 billion as at September 30, 2003. In 2004, $17 billion of debt was issued via 150 transactions. The portfolio is diversified by both type and currency with a weighted average term to maturity of 3.5 years. In 2004/05 new term debt issuance is planned at $14 billion with an average term of 3.5 years - including NBNZ funding.

Maturity Profile of Funding

AUD	**Senior $M**	**Subordinated $M**	**Total $M**
1 year	5,405	87	5,492
2 years	9,373	713	10,086
3 years	5,472	976	6,448
4 years	5,969	1,597	7,566
5 years	6,311	851	7,162
> 5 years	47	4,334	4,381
	32,577	8,558	41,135

Liquidity Portfolio

ANZ holds a minimum $9.1 billion ($10.4 billion as at September 30, 2004) portfolio of high quality (A- rated and higher), diversified, highly liquid securities to support payment obligations and contingent funding in the event of a market disruption. The portfolio is managed on a global basis through the Group s major funding centers ie: Melbourne, New York, London, Wellington and Singapore.

AUD	**Total $M**
AUD	4,969
NZD	2,138
USD	2,287
EUR	256
GBP	764
SGD	37
	10,451

For further details of financial instruments, refer to Note 38 to the Financial Report.

Supplementary Financial Information

Group Risk Profile

ANZ uses a two-dimensional risk grading system, which measures both the customer s ability to repay (probability of default) and the loss in the event of default (a factor of the security taken to support the facilities). The bank uses financial and statistical tools to assist in the risk rating of much of the Bank s business and consumer borrowers. Customer s risk ratings and loan facilities are reviewed periodically (typically at least annually) to ensure the risk ratings reflect the credit risk of the customer and the prevailing economic conditions. Similarly, the performance of the risk rating tools used in the credit rating process are reviewed periodically to ensure they remain statistically valid and reflect current loss experiences.

To measure the probability of default the Group applies a risk rating scale of 0 to 10 to its lending - with ratings 0 through 8 representing productive ratings, and 9 and 10 representing non-accrual loans. Institutional, Corporate and Commercial customers risk grades 1 to 8 have + and - modifiers, making a total of 27 separate risk grades. In the Personal portfolio, some lending is portfolio graded.

To measure security coverage, a seven grade scale is applied, ranging from A through G. Security Indicator A represents more than 130% security coverage, while G is applied to unsecured customer borrowings.

The table below shows the mix of assets by rating in ANZ s portfolio as at September 30. Outstandings (as opposed to limits) are documented, as they more closely relate to information disclosed on the balance sheet. Over the year the quality of the portfolio has improved, with the percentage of lending assets graded 7 - 10 decreasing as a percentage of the total portfolio. The percentage of accounts graded 0-3 has also decreased as a result of strong growth in Australian Mortgages of $12.1 billion (18% in a portfolio graded 4B) and the acquisition of NBNZ, which had only 11.9% lending assets rated 1-3 as opposed to 12.8% in the pre NBNZ ANZ portfolio. Overall, the portfolio remains well diversified. The general allowance for loan losses is considered sufficient to insulate against losses inherent in the portfolio.

Years ended September 30			**2004**	**2003**	**2002**
ANZ	**S&P**	**Moody s**			
CCR 0-3	AAA to BBB+	Aaa to Baa2	11.3%	12.8%	14.5%
CCR 4	BBB-	Baa3	57.2%	55.3%	54.0%
CCR 5	BB+ to BB	Ba1 to Ba2	15.8%	15.3%	14.3%
CCR 6	BB-	Ba3	13.5%	13.7%	13.9%
CCR 7-8	B+ to CCC	B1 to Caa	1.8%	2.3%	2.5%
CCR 9-10	D/Non Accrual	Non Accrual	0.4%	0.6%	0.8%

Loan Quality

Our policy relating to the recognition and measurement of impaired assets conforms with APRA guidelines.

Loans are classified as either accrual or non-accrual. Accrual loans are credit risk assets where interest is accrued to income. Non-accrual loans are credit risk assets where, generally, there is reasonable doubt about the ultimate collectability of any of the interest and/or principal under contractual terms; accordingly, the crediting to profit of interest and fees on such loans ceases unless the amounts are actually received.

2004

Gross non-accrual loans decreased to $829 million from $1,007 million at September 2003 (notwithstanding the inclusion of $81 million of NBNZ non accruals). The overall reduction was primarily the result of realizations, upgrades and write-offs of a number of large outstanding balances in the Institutional portfolios. New non-accruals of $1,075 million in the September 2004 year represents an increase of $87 million compared to the September 2003 year. Notwithstanding this increase 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. The principal sources of new non-accrual loans in 2004 were four legacy customers in the power and telecommunication sectors, and two resource customers.

The Group has a specific allowance for loan loss coverage ratio of 46%. Net non-accruals are $451 million (September 2003: $525 million) and represents 2.5% of shareholders equity at September 2004.

2003

Gross non-accrual loans decreased to $1,007 million from $1,203 million at September 2002 mainly due to a reduction in the International portfolio as a result of a stable level of non-accruals and write-offs. New non-accruals of $988 million in the September 2003 year represent a reduction of $297 million compared to the September 2002 year where large single names boosted the level of non-accruals.

The Group has a specific allowance for loan loss coverage ratio of 48%. Net non-accruals are $525 million (September 2002: $628 million) and represents 3.8% of shareholders equity at September 2003.

See Note 1, (vii) and (viii), of the Financial Report, for more details.

Non-Accrual Loans

Set out below are our non-accrual loans classified as loans carrying specific allowances and loans not carrying specific allowances. Non-accrual loans are credit risk assets where, generally, there is reasonable doubt about the ultimate collectability of any of the interest and/or principal under contractual terms.

September 30,	**2004 $M**	**2003 $M**	**2002 $M**
Gross non-accrual loans	829	1,007	1,203
Subject to specific allowance for loan losses	714	913	1,072
Without specific allowance for loan losses	115	94	131

Gross Non Accrual Loans by Region

September 30,	**2004 $M**	**2003 $M**	**2002 $M**
Australia/New Zealand	537	544	561
US/UK Europe	233	376	541
Asia	20	50	62
Other international	39	37	39
Total	829	1,007	1,203

New Non Accrual Loans by Region

September 30,	**2004 $M**	**2003 $M**	**2002 $M**
Australia/New Zealand	826	636	674
US/UK Europe	216	320	587
Asia	25	11	10
Other international	8	21	14
Total	1,075	988	1,285

Years ended September 30	2004 $M	2003 $M	2002 $M	2001 $M	2000 $M
Gross non-accrual loans subject to specific allowance					
Australia	339	502	445	597	370
New Zealand	109	17	30	74	46
Overseas markets	266	394	597	269	630
Total	714	913	1,072	940	1,046
Specific allowance for loan losses	(378)	(482)	(575)	(490)	(692)
Net exposure	336	431	497	450	354
Gross non-accrual loans not subject to specific allowance					
Australia	82	20	78	195	281
New Zealand	6	5	7	6	13
Overseas markets	27	69	46	119	51
	115	94	131	320	345
Net non-accrual loans (1)	451	525	628	770	699
Gross non-accrual loans					
Australia	421	522	523	792	651
New Zealand	115	22	37	80	59
Overseas markets	293	463	643	388	681
Total	829	1,007	1,203	1,260	1,391
Specific allowances for loan losses	(378)	(482)	(575)	(490)	(692)
Net non-accrual loans (1)	451	525	628	770	699
Ratio of specific allowances for loan losses to gross non-accrual loans	45.6%	47.9%	47.8%	38.9%	49.7%

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(1) Excluding off-balance sheet commitments that have been classified as unproductive of $23 million (2003: $37 million, 2002: $44 million, 2001: $31 million and 2000: $56 million) net of an allowance of $6 million (2003: $2 million, 2002: $10 million, 2001: $10 million and 2000: $17 million).

Accruing Loans Past Due 90 Days or More

Set out below are aggregate amounts of loans, which are past due by over 90 days. A facility is past due when a contracted payment (principal or interest) has not been met when due or it is otherwise outside contracted arrangements (e.g. an overdraft is over limit). This category comprises accrual loans in arrears 90 days and over which we believe are well secured, and accrual portfolio managed facilities past due from 90 to 180 days.

Years ended September 30	2004 $M	2003 $M	2002 $M	2001 $M	2000 $M
Australia	188	175	176	277	335
New Zealand	77	18	25	63	51
Overseas markets	28	20	15	11	20
Total past due loans	293	213	216	351	406

Restructured Loans

Set out below are aggregate amounts of loans where the original contract terms have been modified to provide concessions of interest and/or principal due to the financial difficulties of the customer. For these loans, interest and fees earned are recognized as income on an accrual basis.

Under APRA guidelines, restructured loans include loans with an effective yield above our cost of funds and below our prevailing reference rate for that form of lending. Restructured loans with an effective yield below our average cost of funds at the date of restructuring are classified as non-accrual loans.

Years ended September 30	**2004 $M**	**2003 $M**	**2002 $M**	**2001 $M**	**2000 $M**
Australia	32		1	1	1
New Zealand					
Overseas markets					
Total restructured loans	32		1	1	1
Other potential problem loans					

Other Potential Problem Loans

We do not use the category potential problem loans for loans that continue to accrue interest. If a loan is identified as a potential problem, it is classified as non-accrual and if necessary an allowance is raised.

Interest Forgone

The following table shows the estimated amount of interest income that would have been recorded during the years ended September 30, 2004, 2003 and 2002 had interest on the above non-accrual loans and restructured loans been accrued to income for those years (or, in the case of restructured loans, had interest been accrued at the original contract rate), and the amount of interest income received with respect to such loans.

Years ended September 30	**2004 $M**	**2003 $M**	**2002 $M**
Gross interest receivable on non-accrual loans and restructured loans			
Australia	29	36	50
New Zealand	8	2	3
Overseas markets	25	31	30
Total gross interest receivable on non-accruals and restructured loans	62	69	83
Interest income received			
Australia	(6)	(10)	(10)
New Zealand	(1)	(1)	(3)
Overseas markets	(12)	(12)	(16)
Total interest received	(19)	(23)	(29)
Net interest forgone			

Australia	23	26	40
New Zealand	7	1	
Overseas markets	13	19	14
Total net interest forgone	43	46	54

Allowance for Loan Losses

The allowance for loan losses reflects management s estimate of the losses inherent in the lending portfolio.

Per Australian GAAP non current assets must not be carried at amounts greater than their recoverable amount. When we recognize a write down in an individual asset or portfolio of assets, we are recognizing that future economic benefits which had previously been assessed as being available to the entity no longer exist. Thus, at the date of our assessment, the asset is impaired with the level of impairment across the portfolio represented by the allowance for loan losses.

ANZ s methodology for determining the total allowance for loan losses establishes both a specific (allocated) and general (unallocated) component. The specific allowance represents the results of analysis of individual loans within ANZ s portfolio. ANZ regularly reviews all its loan portfolios and monitors adherence to terms, conditions and lending covenants. The reviews undertaken employ a variety of statistical and intuitive measures to determine the continuing collectability of credit facilities. When doubt arises as to the collectability of a credit facility, the exposure is classified and reported as a Non Accrual. When a credit facility is classified as Non Accrual, a Specific Allowance , calculated on the principal exposure less a conservative estimation of asset realization, is transferred from the General Allowance and allocated against the Non Accrual Loan.

The unallocated allowance (general allowance for loan losses) is established for losses inherent in the portfolio, but yet to be specifically identified. The unallocated allowance is regularly reviewed to ensure it is adequate, having regard to the loss rate and term of the portfolio. The allowance for loan loss charge represents the average one year loss expected for the particular loan portfolio. Expected loss is determined from analysis of both individual loan and portfolio risk gradings and associated default and loss expectancy rates. The Bank s risk rating framework separately identifies the probability of default from the loss given default.

Australian and US GAAP principles for the identification of impaired loans are similar. Differences arise in the measurement of the loan impairment. US GAAP requires the use of a discounted cash flow methodology for measuring impairment of individual loans where recovery is based on estimated cash flows; this is not required under Australian GAAP. As discussed above, ANZ splits the calculation of allowance for loan losses into two components. ANZ does not discount the associated cash flows when computing the specific component of the allowance for loan losses.

APRA guidance note AGN 220.2 - Security Valuation and Provisioning, suggests a licensed bank should maintain its allowance for loan losses net of tax above 0.5% of total risk weighted assets as a benchmark.

Years ended September 30	2004 $M	2003 $M	2002 $M
Specific allowance for loan losses			
Australia	209	267	211
New Zealand	69	9	20
Principal domestic markets	278	276	231
Overseas markets	106	208	354
Total specific allowance for loan losses	**384**	**484**	**585**
General allowance for loan losses	**1,992**	**1,534**	**1,496**
Total allowance for loan losses	**2,376**	**2,018**	**2,081**
General allowance for loan losses			
Balance at start of period	1,534	1,496	1,386
Acquisition of provisions	216		
Adjustment for exchange rate fluctuations	53	(49)	(22)
Charge to profit and loss	632	614	860
Transfer to specific allowance for loan losses	(525)	(588)	(788)
Recoveries	82	61	60
	1,992	1,534	1,496
Specific allowance for loan losses			
Balance at start of period	484	585	500
Acquisition of provisions	57		
Adjustment for exchange rate fluctuations	(2)	(49)	(6)
Bad debts written off	(680)	(640)	(697)
Transfer from general allowance for loan losses	525	588	788
	384	484	585
Total allowance for loan losses	**2,376**	**2,018**	**2,081**
Allowance movement analysis			
New and increased allowance for loan losses			
Australia	459	418	423
New Zealand	80	45	54
United Kingdom	32	78	214
United States	28	64	185
Other overseas markets	26	70	22
	625	675	898
Allowance for loan loss releases	(100)	(87)	(110)
	525	588	788
Recoveries of amounts previously written off	(82)	(61)	(60)
Net specific allowance for loan losses	443	527	728
Net credit to general allowance for loan losses	189	87	132
Charge to profit and loss	**632**	**614**	**860**

The following table shows our specific allowance for loan losses against loans by geographic region in addition to specific allowances against off balance sheet commitments and our general allowance for loan losses for each of the past five years ended September 30.

Years ended September 30	**2004 $M**	**2003 $M**	**2002 $M**	**2001 $M**	**2000 $M**
Specific allowance for loan losses					
Australia	209	266	208	300	258
New Zealand	69	9	20	32	26
Overseas markets	100	207	347	158	408
Allowances against loans	378	482	575	490	692
Allowances against off-balance sheet commitments	6	2	10	10	17
Total specific allowances	384	484	585	500	709
General allowance for loan losses	1,992	1,534	1,496	1,386	1,373
Total allowance for loan losses	2,376	2,018	2,081	1,886	2,082

Allowance for Loan Losses Industry Analysis

See Notes 4 and 5 of the Financial Information section of the Financial Report for details.

Concentrations of Credit Risk / Loans and Advances by Industry Category

See Note 4 of the Financial Information section of the Financial Report for details.

Although our loan portfolio is spread across many countries, 67% of loans and advances are booked in Australia (September 2003: 79%) and 28% are booked in New Zealand (September 2003: 14%). The percentage of loans and advances booked in New Zealand increased after the acquisition of NBNZ in December 2003. The inherent risk characteristics of our loan portfolio are therefore very much linked to general economic conditions in Australia and NZ where the portfolio is diversified across different regions, industries, customer types and products.

As at September 30, 2004, our largest credit exposure in Australia was in the category Real estate - mortgage (58%) which principally comprises owner occupied residential property loans with the remainder comprising loans made for residential investment (non-owner occupied) and commercial property purchases. Over the year strong growth was recorded in our Mortgages Australia portfolio (18%, or 19% excluding the impact of securitization) with growth in the portfolio continuing to benefit from the strong Australian housing market coupled with our products and distribution networks.

As at September 30, 2004, 14% of our Australian loans and advances were in the category Personal , which covers non-business loans to individuals through overdrafts, personal loans, credit cards and fully drawn advances.

Our largest overseas credit exposure is to   Real estate - mortgage , where most of the exposure and associated growth is in New Zealand. This category s percentage share of our overseas loan portfolio was 52% in 2004.

Our prudent credit practices coupled with Australia s and NZ s strong economic conditions have seen our consumer delinquency and loss rates remain at very low levels. Our risk policies remain firmly based on sound principles of loan-to-value ratios, conservative debt servicing capacity and the avoidance of speculative lending. ANZ s prudent approach to Inner City residential Mortgages Lending, which are potentially higher risk, has meant that our exposure to this market has remained low.

Issues identified in 2002 in the power and telecommunications sectors are now considered to be largely resolved.

Power Industry Exposure

Approximately 83% of ANZ s exposure to the global power industry is investment grade. The US power sector remains under stress following market deregulation, and ANZ s portfolio has been affected by a small number of single name exposures.

ANZ s exposure to offshore power companies has reduced by 23% since 2002 through repayments, sell-downs and restructuring. The portfolio has also become increasingly Australian-centric (exposure 67% Australia; 33% Offshore). During the September 2004 year, non accrual loans increased in the US portfolio due to lagged credit effects from previously identified high risk exposures, however, any future losses are expected to be lower and readily absorbed within existing allowance for loan loss levels.

The growth in the portfolio was primarily driven by the inclusion of $1.3 billion of NBNZ exposures, coupled with growth in the Corporate Australia/New Zealand market.

ANZ s Energy Portfolio Limits 2004 (1)

Year ended September 30	A$B	%
AAA to BBB	7,105	74
BBB-	855	9
BB+ to BB	262	3
BB-	902	9
B+ to CCC	296	3
Non Accrual	230	2

ANZ s Exposure by Geography 2004

	%
Australia and New Zealand	67
Americas	11
Europe	11
Asia	7
Middle East	4

(1) Based on mapping ANZ s internal rating system to external credit grades.

Telecommunication Industry Exposure

Industry issues now appear to be abating, although oversupply remains evident in some sectors (including the global bandwidth market). ANZ has continued to reduce non-core higher risk offshore telecommunications exposures. Approximately 68% of total limits are now in Australia and New Zealand and 90% of total limits are considered investment grade.

ANZ s Telecommunication Portfolio Limits 2004 (1)

Year ended September 30	$	%
AAA to BBB	2,647	80
BBB-	343	10
BB+ to BB	78	2
BB-	159	5
B+ to CCC	27	1
Non Accrual	62	2

ANZ s Exposure by Geography 2004

	%
Australia and New Zealand	68
Americas	8
Europe	12
Asia	9
Middle East	3

(1) Based on mapping ANZ s internal rating system to external credit grades.

2003

Lending quality was strong in our Corporate Businesses. Moderate reduction in the proportion of loans rated AAA to BBB (based on mapping ANZ s internal rating system to external credit grades) was largely due to normal fluctuating debt maturities amongst a small number of Institutional customers. Slippage in our high risk exposures was largely the result of continued pressure on global power companies and the lagged effect of the global economic slowdown on our International portfolio. Stress in the power industry will continue for some time. Reducing high risk exposures remains a key focus.

The two industry sectors that emerged as problems during the 2002 year were power and telecommunications. These continue to be closely monitored.

The US power industry continues to experience sectoral stress in the aftermath of market deregulation, which triggered excessive construction and acquisition of generating assets. As expected, we have experienced some further deterioration in the US power portfolio over the last year, but to a lesser magnitude than in 2002. Oversupply in many sectors of the US power market will take some years to stabilize. In the meantime, we are continuing to manage down our higher risk power exposures.

As a result of active portfolio management of this sector, credit limits for offshore telecommunications operators fell by 46%. This fall in offshore exposure and increased Australia and New Zealand investment grade business combined to reduce offshore limits from 57% to 42% of the global portfolio.

In the retail portfolios the arrears profile (60 days) approached historical lows reflecting strength of Australia s retail sector. The consumer sector is robust with continuing low levels of unemployment and a low interest rate environment. Quarterly behavioural review scoring in the SME portfolio is also contributing to a lower arrears profile.

In the retail portfolios the arrears profile (60 days) remained at low levels, reflecting the strength of the underlying credit quality and of Australia s strong economy in general. The consumer sector remained robust with continuing low levels of unemployment and a low interest rate environment.

Average Deposits

Details of our average deposits and balances due from other banks for each of the past three fiscal years is provided in the Average Balance Sheet analysis in Note 33 to the Financial Report.

Certificates of Deposit and Other Time Deposit Maturities

See Note 2 of the Financial Information section to the Financial Report for details.

Short Term Borrowings

See Note 6 of the Financial Information section to the Financial Report for details.

Volume and Rate Analysis

See Note 3 of the Financial Information section to the Financial Report for details.

Accounting Developments

Australian GAAP

International Financial Reporting Standards

For reporting periods beginning on or after January 1, 2005, the Group will be required to prepare financial statements using Australian Standards that have been revised to satisfy the requirements of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. The Group will report for the first time in compliance with Australian equivalents to IFRS when the results for the half-year ended March 31, 2006 and the year ended September 30, 2006 are released.

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

A Steering Committee is monitoring the adoption of IFRS as per the Group s implementation plan. This Committee has been following developments in IFRS and the likely impact that these standards will have on our products and our customers, and on our own financial reports and accounting policies. Dedicated workstreams are responsible for evaluating the impact of a specific group of accounting changes. Each workstream is progressing through multiple phases of work: technical evaluation, design, development and implementation. The Group has largely completed the technical evaluation phases of each workstream, and is moving into design, development and implementation. The program is achieving scheduled milestones.

The following areas have been identified as significant for the Group:

Credit Loss Provisioning

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

Exposures found not to be impaired are placed into pools of similar assets with similar risk characteristics to be collectively assessed for losses that have been incurred, but not identified yet. The required provision is estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data.

The current allowance for loan loss charge to profit will be replaced, on adoption of IFRS, by a charge for specific allowance for loan losses on impaired exposures, plus a charge for movements in the provision that is held for exposures that are being collectively assessed for impairment.

It is anticipated that the proposed changes will result in a reduction in the level of allowance for loan losses which the bank holds against its credit exposures.

Debt v Equity classification

The Group has issued a number of hybrid tier one instruments. The ANZ StEPS issue, which is currently treated as equity, will be reclassified as debt. Distributions on ANZ StEPS will be treated as interest rather than dividends.

Fee Revenue

Revised rules governing the accounting for fee income will result in more fees being deferred on initial payment, and recognized either as an adjustment to yield or over the period of service. Fees required to be treated as an adjustment to yield will be recognized in interest income rather than fee income. On initial application, certain fees that have previously been recognized in the statement of financial performance will be recognized in the statement of financial position, with a corresponding reduction to retained earnings. The annual impact on net profit from this change is not expected to be material.

Goodwill

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

Hedging

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

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

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

Post Employment

The Group does not currently recognize an asset or liability for the net position of defined benefit superannuation schemes including those which operate in Australia, New Zealand and the United Kingdom. On adoption of AASB 119: Employee Benefits (revised), the Group will recognize the net position of each scheme on the statement of financial position, with a corresponding entry to equity. The initial adjustment will be made, retrospectively, against opening retained earnings as at October 1, 2004, and will be based on actuarially determined valuations of each scheme made at that date in accordance with AASB 119. After the transitional adjustment, further movements in the net position of each scheme will be recognized in equity.

Securitization

IFRS introduces new requirements for the recognition of financial assets, including those transferred to a special purpose vehicle for securitization. Existing securitizations, both of our own assets and of our customers assets, require an assessment of the accounting treatment that will be required under IFRS. Further, a different interpretation of the consolidation rules applicable to special purpose vehicles may result in some vehicles, which were previously not consolidated, being consolidated by the Group. Securitizations commenced on or after January 1, 2004 have been assessed in accordance with IFRS and current Australian GAAP.

Share-Based Payments

The Group currently recognizes immediately an expense equal to the full fair value of all deferred shares issued as part of the short and long term incentive arrangements. The deferred shares vest over one to three years, and may be forfeited under certain conditions. The Group does not currently recognize an expense for options issued to staff, shares issued under the $1,000 employee share plan, nor for the 5% discount applicable to the ANZ Share Save Scheme. On adoption of AASB 2: Share-based Payment, the Group will recognize an expense for all share-based remuneration, including deferred shares and options, and will amortise those expenses over the relevant vesting periods. The Group will also recognize an expense for shares issued under the $1,000 employee share plan, and for the 5% discount on shares granted under the ANZ Share Save Scheme. On transition, this change in accounting policy will result in a reduction in retained earnings at October 1, 2004.

Taxation

Under AASB 112: Income Taxes, a balance sheet approach will be adopted, replacing the statement of financial performance approach currently used. This method recognizes deferred tax balances when there is a difference between the carrying value of an asset or liability, and its tax base. It is expected that the standard may require the Group to carry a slightly higher level of deferred tax assets and liabilities.

United States GAAP

There are no current United States GAAP developments which are likely to materially impact ANZ in the 2005 fiscal year.

Critical Accounting Policies

The Group prepares its consolidated financial statements in accordance with Australian Accounting Standards and other authoritative accounting pronouncements. However, notwithstanding the existence of relevant accounting standards, there are a number of critical accounting treatments, which include complex or subjective decisions or assessments. The Group requires all such applications of judgement to be reviewed and agreed by Group Finance, and where the impact is material, the accounting treatment is reviewed during the audit process by the Group s external auditors. All material changes to accounting policy are approved by the Audit Committee of the Board.

Historical changes

There have been no material changes to the Group s critical accounting policies or their related methodologies over the last 3 years.

A brief discussion of critical accounting policies, and their impact on the Group, follows:

a) Allowance for Loan Loss Charge

Description and Significance

Each month the Group recognizes an expense for credit losses in the form of allowance for loan loss charge reflecting historical loss experience for each part of the loan portfolio. The allowance for loan loss charge is booked to the General allowance for loss which is maintained to cover the losses inherent in the Group s existing loan portfolio. The method used by the Group for determining the expense is referred to as an allowance for loan loss charge. The Group uses allowance for loan loss models to calculate the expected loss by considering:

- the size, composition and risk profile of the current loan portfolio; and
- the history of credit losses for each type and risk of lending.

Ongoing reviews

The Group regularly reviews the assumptions used in the allowance for loan loss models. These reviews are conducted in recognition of the subjective nature of the allowance for loan loss methodology. Methodologies are updated as improved analysis becomes available. In addition, the robustness of outcomes is reviewed considering the Group s actual loss experience, and losses sustained by other banks operating in similar markets.

To the extent that credit losses are not consistent with previous loss patterns used to develop the assumptions within the allowance for loan loss methodology, the existing General allowance for loan loss may be determined to be either in excess of or insufficient to cover credit losses not yet specifically identified.

As a result of the reassessments, allowance for loan loss levels may be periodically increased or decreased with a direct impact on profitability.

As part of its review of the allowance for loan loss model outputs, the Group also regularly evaluates the overall level of the General allowance for loan loss. The Group is required, by APRA prudential standards, to have policies which cover the level of General allowance for loan loss required to absorb estimated losses inherent in the credit portfolio. In some limited circumstances, the assessment of the inherent losses in the portfolio may require an additional charge to profits to ensure the adequacy of the General allowance for loan loss. The Group considers it appropriate to maintain its General allowance for loan loss in excess of the APRA guidelines.

Quantification of Sensitivity

The average charge to profit for the allowance for loan loss charge was 0.31% of average net lending assets or $632 million (Sep 2003: 0.39% or $614 million; Sep 2002: 0.43% or $610 million excluding the special general allowance for loan losses of $250 million).

As at September 2004, the balance of the General allowance for loan loss of $1,992 million (Sep 2003: $1,534 million) represents 1.01% (Sep 2003: 1.01%) of risk weighted assets.

b) Specific Allowance for Loan Loss Charge

Description and Significance

The specific allowance for loan loss is maintained to cover identified Non Accrual Loans. When a specific debt loss is identified as being probable, its value is transferred from the General allowance for loan loss to the specific allowance for loan loss. Specific allowance for loan losses is applied when the full recovery of one of the Group s exposures is identified as being doubtful resulting in the creation of a specific allowance for loan loss charge equal to the full amount of the expected loss plus any enforcement/recovery expenses.

Recoveries resulting from proceeds received from accounts which were written off in prior years are transferred back to the General allowance for loan loss.

Quantification of Sensitivity

The recognition of losses has an impact on the size of the General allowance for loan loss rather than directly impacting profit. However, to the extent that the General allowance for loan loss is drawn down beyond a prudent amount it will be restored through a transfer from the current year s earnings. The amount of net transfer from the General allowance for loan loss to the Specific allowance for loan loss, net of recoveries, during the year was $443 million (Sep 2003: $527 million; Sep 2002: $728 million).

c) Deferred acquisition costs, software assets and deferred income

Description and Significance

The Group recognizes assets and liabilities that represent:

Deferred acquisition costs direct costs from the acquisition of interest earning assets;

Software assets direct costs incurred in developing software systems; and

Deferred income liabilities representing income received in advance of services performed.

Deferred acquisition costs Initially, expenses related to the acquisition of interest earning assets are recognized as part of the cost of acquiring the asset and written-off as an adjustment to its yield over its expected life. For assets subject to prepayment, expected life is determined on the basis of the historical behaviour of the asset portfolio, taking into account prepayments. Commissions paid to third party mortgage brokers are an example of expenditure that is deferred and amortised over the expected average life of a mortgage of 4 years.

Software assets Costs incurred in acquiring and building software and computer systems are capitalized as fixed assets and expensed as depreciation over periods of between 3 and 5 years except for the branch front end applications where 7 years is used. The carrying value of these assets is subject to a recoverable amount test to determine their value to the Group. If it is determined that the value of the asset is less than its book value, the asset is written down to the recoverable amount. Costs incurred in planning or evaluating software proposals, or in maintaining systems after implementation, are not capitalized.

Deferred income Income received in advance of the Group s performance of services or in advance of having been earned, is initially recorded as a liability. Once the recognition criteria are met, it is then recognized as income.

Quantification of Sensitivity

Deferred acquisition costs At September 30, 2004, the Group s assets included $465 million (Sep 2003: $360 million) in relation to costs incurred in acquiring interest earning assets. During the year, amortisation of $218 million (Sep 2003: $178 million) was recognized as an adjustment to the yield earned on interest earning assets.

Software assets At September 30, 2004, the Group s fixed assets included $430 million (Sep 2003: $465 million) in relation to costs incurred in acquiring and developing software. During the year, depreciation expense of $129 million (Sep 2003: $83 million) was recognized. Following prior periods of above average project activity which replaced significant parts of the Group s core infrastructure, the software depreciation expense is expected to stabilize going forward. Consistent with US accounting rules on software capitalization, only costs incurred during configuration, coding and installation stages are capitalized. Administrative, preliminary project and post implementation costs including determining performance requirements, vendor selection and training costs are expensed as incurred.

Deferred income At September 30, 2004, the Group s liabilities included $149 million (Sep 2003: $280 million) in relation to income received in advance. This income is largely comprised of two components: (1) fees received for services not yet completed; and (2) profit made on interest rate swaps from a shortening investment term of capital. Under Australian Accounting Standards, this profit is deferred and recognized when the hedged transaction occurs, or immediately if the hedged transaction is no longer expected to occur.

The balances of deferred assets and liabilities at September 30, were:

	Deferred Acquisition Costs		Software Assets		Deferred Income	
	2004 $m	2003 $m	2004 $m	2003 $m	2004 $m	2003 $m
Personal	145	109	296	322	31	17
Institutional	10	9	43	50	3	7
New Zealand Business	36	15	30		13	
Corporate Australia	2		10	14	12	7
Esanda and UDC	250	227	8	21		
Asia Pacific			1	2		
Group Center	22		42	56	90	249
Total	465	360	430	465	149	280

Deferred acquisition costs analysis

	2004			2003		
	Brokerage amortised $m	Brokerage paid (1) $m	Balance (2) $m	Brokerage amortised $m	Brokerage paid (1) $m	Balance (2) $m
Personal	64	89	145	41	70	109
Esanda and UDC	147	177	250	133	175	227
New Zealand Business	7	11	36	4	8	15
Institutional	n/a	n/a	10	n/a	n/a	9
Other (3)	n/a	n/a	24	n/a	n/a	
Total	218	277	465	178	253	360

(1) Brokerage paid includes brokerage trailer commissions that are not capitalized relating to the acquisition of mortgages assets.

(2) Includes capitalized debt raising expenses.

(3) Includes Group Center and Corporate Australia.

d) Derivatives and Hedging

Description and Significance

The Group buys and sells derivatives as part of its trading operations and to hedge its interest rate risk, foreign exchange risk and equity risks (in ING Australia). The derivative instruments used to hedge the Group s exposures include:

- swaps;
- forward rate agreements;
- futures;
- options; and
- combinations of the above instruments.

The Group classifies derivatives into two types according to the purpose they are entered into: trading or hedging.

Income and loss relating to trading derivatives is reported in the statement of financial performance as trading income. The fair value of trading derivatives is recorded on a gross basis as other assets or other liabilities as appropriate unless there is a legal right of set off. The fair value of a derivative financial instrument is the net present value of future expected cash flows arising from that instrument.

In order to be classified as a hedging derivative the hedging relationship must be expected to be effective. Hedging derivatives are accounted for in the same manner as the underlying asset or liability they are hedging. For example, if the hedged instrument is accounted for using the accrual method, the hedging instrument will also be accounted for using the accrual method.

Accounting treatment Derivative instruments entered into for the purpose of hedging are accounted for on the same basis as the underlying exposures or risks.

Derivative instruments entered into to hedge exposures that are not recorded at fair value, do not have their fair values recorded in the Group s Statement of Financial Position.

Exposures hedged by derivatives not recorded at their fair value include risks related to:

- revenues from and capital invested into foreign operations;
- structured lending transactions;
- lending assets; and
- funding liabilities.

Hedge accounting is only applied when the hedging relationship is identified at the time the Group enters into the hedging derivative transaction. If a hedge ceases to be effective, the hedging derivative transaction will be recognized at fair value. Gains and losses on derivative instruments not carried at their fair value amounts are recognized at the same time as the gain or loss on the hedged exposure is booked.

Movements in the value of foreign exchange contracts that are hedging overseas operations are not recognized as income or expenses. Instead these movements are recognized in the Foreign Currency Translation Reserve together with the net difference arising from the translation of the overseas operation.

Fair value determination Derivatives entered into as part of the Group s trading operations are carried at their fair values with any change in fair value being immediately recognized as part of trading income. Where liquid markets exist, fair value is based on quoted market prices. For certain complex or illiquid derivative instruments, it may be necessary to use projections, estimates and models to determine fair value.

e) Special purpose and off balance sheet vehicles

The Group may invest in or establish special purpose companies or vehicles (SPVs), to enable it to undertake specific types of transactions.

Where the Group controls such vehicles, they are consolidated into the Group financial results.

Certain SPVs may be set up by the Group to facilitate Group strategic aims, or to assist with structured transactions for clients. The accounting treatment of each SPV is assessed using existing Australian guidance, with reference also to International and US accounting standards where specific issues are yet to be addressed in Australia. The Group has established certain special purpose companies or vehicles controlled by the Group, which are consolidated into the Group s financial statements in order to facilitate transactions undertaken for Group purposes. These special purpose companies or vehicles have been established as part of the Group s funding activities, for example, the StEPS structure, and as part of lending activities undertaken in the normal course of business, where assets of the vehicles are recorded as part of the Group s Net Loans and Advances.

The table below summarizes the main types of SPVs that are not consolidated into the Group, the reason for their establishment, and the key risks associated with them.

Type of Special Purpose Vehicle (SPV)	Reason for establishment	Key Risks	SPV Assets 2004 $m	SPV Assets 2003 $m	SPV Assets 2002 $m
Securitization vehicles	Assets are transferred to an SPV which funds the purchase by issuing securities. Enables ANZ or customers to increase diversity of funding sources. The amount disclosed here is the total assets of SPVs managed or arranged by ANZ. It includes SPVs that purchase assets from sellers other than ANZ.	ANZ may manage securitization vehicles, service assets in a vehicle or provide liquidity or other support and retains the risks associated with the provision of these services. Credit and market risks associated with the underlying assets are not retained or assumed by ANZ except to the limited extent that ANZ provides arm s length services and facilities.	13,013	9,954	6,992
Structured finance entities	These entities are set up to assist with the structuring of client financing.	ANZ may retain liquidity risk, if it provides liquidity support to the vehicle. ANZ may also manage these vehicles.	1,993	2,124	1,968
Managed funds	These funds invest in specified investments on behalf of clients.	The ANZ/ING Australia joint venture and ANZ National Bank Limited, as managers of the funds, expose ANZ to operational and reputational risk.	32,174	28,655	26,642

	2004	2003	2002
Securitization vehicle assets that were managed or arranged by ANZ that related to assets previously (1):			
Sold by ANZ	2,316	1,311	1,874
Sellers other than ANZ	10,697	8,643	5,118
	13,013	9,954	6,992
Securitization vehicle assets that were managed or arranged by ANZ that related to assets (1):			
Sold by ANZ during the year	1,383		
Sold by ANZ in previous years	933	1,311	1,874

(1) Balances represent total assets as at year end.

For details of amounts of cash flows arising from assets securitized by ANZ, refer to Note 39 of the Financial Report.

The following interests are retained by ANZ in relation to the SPV s

Securitization vehicles: credit and market risks associated with the underlying assets within securitization vehicles are not retained or assumed by ANZ, except to the limited extent that ANZ provides arm s length services, for example, credit enhancement or hedging facility.

Structured finance entities: liquidity risk is retained

Managed funds: As a manager of funds, ANZ is exposed to operational and reputational risk.

Details of facilities provided by ANZ to the securitization vehicles are provided in the table below. These facilities are consolidated into the Group s financial results. ANZ earns fees at a commercial rate for providing these facilities.

Type of facility	2004	2003	2002
Liquidity facility	4,070	3,760	3,161
Settlement limits	1,527	90	90
Hedging facilities	996	451	994
Loans and securities (1)	654	436	262
Credit enhancement facilities	197	196	201

(1) Facilities provided by ANZ to the SPV which are not classified as credit enhancement facilities.

ANZ is also entitled to receive residual income in SPVs that relate to assets that ANZ has sold.

The transfer of financial assets to SPV s has been, and will continue to be treated as a sale where the following conditions are met:

a) the transferred assets have been isolated from ANZ and are beyond its reach in receivership. In other words, the assets are transferred to a bankruptcy remote SPV;

b) the holder of the financial assets has the right to pledge or exchange the assets; and

c) ANZ does not maintain effective control through redemption rights prior to maturity or the unilateral right to require the SPV to return specific assets.

When these conditions are met, the assets are removed from ANZ s balance sheet, as they no longer meet the definition of assets under Australian GAAP.

In accordance with current Australian accounting standards and the interpretation thereof, ANZ did not control these vehicles and consolidation was not required for the following reasons:

the activities of the SPVs are not being conducted on behalf of ANZ according to its specific business needs so that ANZ obtains benefits from the SPV s operations;

ANZ does not have decision making powers to obtain the majority of the benefits of the activities of the SPV or by setting up an autopilot mechanism, the entity has delegated these decision making powers;

ANZ does not have rights to obtain the majority of the benefits of the SPV, nor is it exposed to risks incident to the activities of the SPV; or

ANZ does not retain the majority of the residual or ownership risks related to the SPV or its assets in order to obtain benefits from its activities.

f) Valuation of investment in ING Australia

Description and significance

The Group adopts the equity method of accounting for its 49% interest in ING Australia. As of September 30, 2004 the Group s carrying value is $1,697 million (Sep 2003: $1,648 million).

The carrying value is subject to a recoverable amount test, to ensure that this does not exceed its recoverable amount at the reporting date. This involved the Group obtaining an independent valuation for March 31, 2004 reporting purposes to determine current recoverable amount, with a review of whether there are any indicators that the carrying value may be greater than recoverable amount for September 30, 2004 reporting purposes. Where there is the existence of impairment indicators, a further independent valuation is sourced to determine current recoverable amount.

Any excess of carrying value above recoverable amount is written off to the Statement of Financial Performance.

Quantification of sensitivity

During the year the Group engaged Ernst and Young ABC Limited (EY ABC) to provide an independent valuation of ING Australia for March 31, 2004, assessment purposes. The valuation was a stand alone market based assessment of economic value, and excluded the Group s specific synergies and hedging arrangements. The independent valuation was based on a discounted cashflow approach, with allowance for the cost of capital. EY ABC presented an independent valuation range of $3,507 million to $3,793 million, reflecting a range of sales and cost base assumptions. Based on this review, ANZ believed that no change was required to the carrying value of the investment as at March 31, 2004.

A review for September 30, 2004 reporting purposes revealed there were no indicators of impairment and a further independent review was not required. As at September 30, 2004, ANZ believed no change was required to the carrying value of ANZ s investment in ING Australia.

g) Valuation of goodwill in ANZ National Bank Ltd

Description and significance

Goodwill arising from the NBNZ acquisition is systematically amortized by way of a charge to the statement of financial performance over the period of time during which the benefits of the acquisition are expected to arise, such period of benefit not exceeding 20 years.

The unamortized balance of goodwill is reviewed at each balance date and is written down to the extent that it is no longer supported by probable future benefits.

The Group engaged Morgan Stanley Dean Witter Australia Limited to provide an independent valuation prior to the amalgamation of NBNZ and ANZ Banking Group New Zealand Ltd (ANZ New Zealand) in June 2004. The valuation ascribed separate values to NBNZ Life Insurance Limited, the structured finance business and the core banking operations of NBNZ. The valuation excluded the value of synergies ANZ expects to extract from the integration of the banking operations of ANZ New Zealand and NBNZ.

The core banking operations were valued using a capitalization of earnings methodology. Based on the results of this valuation, it is considered that there is no indication of impairment as at September 30, 2004.

Risk Management

Vision and Strategy

ANZ recognizes the importance of effective risk management to its business success. Management is committed to achieving strong risk control, resulting in no surprises and a distinctive risk management capability that enables ANZ business units to meet their performance, growth and breakout objectives.

ANZ approaches risk management on a holistic basis, managing the various elements of the system as a whole rather than viewing them as independent and unrelated parts. The risk function is independent of the business with clear delegations from the Board and operates within a comprehensive framework comprising:

The Board, providing leadership, setting risk appetite/strategy and monitoring progress.

A strong framework for development and maintenance of Group-wide risk management policies, procedures and systems, overseen by an independent team of risk professionals.

The use of sophisticated risk tools, applications and processes to execute our global risk management strategy across the Group.

Business Unit level accountability, as the first line of defence , and for the management of risks in alignment with the Group s strategy.

Independent oversight at Group-level to ensure Business Unit compliance with policies, regulations and laws, and to provide regular risk evaluation and reporting.

ANZ recognizes that effective risk management is based upon having an appropriate risk culture embedded in the organization. In recent years, significant effort has been invested in actively promoting a prudent and responsible culture of risk management.

The various risks inherent in the operations of the Group may be broadly grouped together under the following major categories:

Credit Risk (48% of Economic Capital excluding goodwill)

Group Risk Management s responsibilities for credit risk policy and management are principally executed through dedicated departments, which support the Group s wholesale and consumer business units.

All major credit decisions (and automated decision processes) for the Group s wholesale and consumer businesses require dual approval by both Group Risk Management and Business Unit-based personnel.

Market Risk (14% of Economic Capital excluding goodwill)

Market risk is the risk to earnings arising from changes in interest rates, currency exchange rates, or from fluctuations in bond, commodity or equity prices. It also includes the risk that the Group will incur increased interest expense arising from funding requirements during periods of poor market liquidity (balance sheet or non-traded market risk).

The market risk framework is discussed in more details at Item 11: Quantitative and Qualitative Disclosures about Market Risk.

Operational Risk (20% of Economic Capital excluding goodwill)

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems, or from external events.

Group Risk Management is responsible for establishing Group policy; for the measurement, monitoring and reporting of operational risk across the Group; for providing leadership in the overall development of ANZ s operational risk capability and specialists in key risk areas.

Each business unit has its own operational risk function responsible for the management of operational risk in the business.

Other (18% of Economic Capital excluding goodwill)

There are a number of other risks, which are not classified as Market, Credit or Operational Risk that ANZ holds economic capital for. These include, but are not limited to, items such as investment risk and fixed asset risk.

Key Risk Enhancements

Credit Derivatives

Credit derivatives are used for Portfolio Management and for trading purposes. Credit derivative activity over the year has been modest, with close ongoing monitoring by the Market Risk team.

Credit derivatives for Portfolio Management purposes are used as an efficient mechanism for reducing large exposures and diversifying the risk in lending portfolios. A comprehensive policy framework of strong controls exists around this activity, including restricting the sale of credit derivatives (undertaken to reshape the portfolio mix) to Australian and New Zealand names that meet investment grade and other specific criteria.

Credit Default Swap (CDS) positions in the year ended September 30, 2004

AUD millions	Bought	Sold	Net
Portfolio Management	332	(542)	(210)
Matched Trades	3,068	(3,068)	
Outright Positions	1,561	(1,078)	483
Trading Book	4,629	(4,146)	483
Total CDS	4,961	(4,688)	273

Credit derivatives in the trading book are used to support customer activity with trades typically matched off into the market place within a period of 90 days. This trading is subject to the usual market risk controls such as VaR limits, term limitations, asset quality requirements, and daily revaluation of all positions independently overseen by Group Market Risk.

In addition to direct use of credit derivatives for Portfolio Management and Trading Book purposes, as reflected in the above table, ANZ holds investments in three structured transactions. Each of these investments are excluded from the table above and is in the amount of USD250 million, where ANZ has indirect exposure to a sold First-to-Default basket of credit derivatives in the amount of USD500 million, with a first-loss limit of USD250 million. The underlying exposures are to a highly diversified group of 67 names, with no individual aggregate exposure in excess of USD60 million. As with credit derivative activity associated with Portfolio Management and the Trading Book, these exposures are independently monitored by Group Market Risk, with key trigger points established to proactively manage the risk. To date, credit protection totalling USD93 million has been purchased as a hedge against 5 of the underlying names and is included in the table above.

Operational Risk Management Framework

ANZ s operational risk framework continues to be strengthened in line with new and emerging risks, including ongoing development of the Group s methodology for operational risk measurement and capital allocation. ANZ uses operational risk scorecards to increase risk awareness, measure operational risk and directly link capital to the operational risk of each Business Unit, thereby providing Business Unit Managers with strong and clear incentives to better manage operational risk. The scorecard process is undertaken half-yearly.

Operational risk scorecards are the mechanism adopted for ANZ operational risk measurement within this framework specifically to:

Link capital directly to the operational risk of each ANZ Business Unit, and

Provide Business Unit Managers strong and clear incentives to reduce operational risk.

The scorecard process is undertaken half-yearly. The results of the scorecard process play an important role in assisting ANZ Business Units in the management of operational risk.

Business Continuity and Crisis Management

ANZ s business continuity and crisis management capabilities continue to be reviewed, tested and, where necessary, strengthened in response to new and emerging threats. The continuous monitoring of country security risks has been improved by implementing a country security risk rating framework, which assists ANZ s response to changing risks in the international business environment and ongoing protection of the Group s staff and operations.

Technology and Projects

A specialist technology risk function has been established to enhance the approach to technology risk management and to provide additional focus on large and high-risk technology projects. Governance and reporting has also been strengthened with executive oversight and monitoring performed by the Project Initiative Review Committee.

Item 6: Directors, Senior Management/Executives and Employees

Directors

Our business is managed by the directors, who may exercise all powers not required to be exercised at a general meeting of shareholders. On the date hereof the directors of ANZ are:

Director s Name	Position held	Year appointed	Age
C B Goode, AC	Director/Chairman of Directors (1)	1991	66
J C Dahlsen	Director	1985	69
R S Deane	Director	1994	63
J K Ellis	Director	1995	67
M A Jackson, AC	Director	1994	51
J McFarlane, OBE	Chief Executive Officer	1997	57
B W Scott, AO	Director	1985	69
D M Gonski, AO	Director	2002	51
G J Clark	Director	2004	61
D E Meiklejohn	Director	2004	62
J P Morschel	Director	2004	61

(1) The Chairman is an ex officio member of all Board committees.

Directors profiles

Mr C B Goode, AC

B Com (Hons) (Melb), MBA (Columbia University, New York), Hon LLD (Melb), Hon LLD (Monash)

Chairman

Independent Non-Executive Director

Non-executive director since July 1991. Mr Goode was appointed Chairman in August 1995 and is 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.

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).

Mr J C Dahlsen

LLB, MBA

Independent Non-Executive Director

Chairman of the Audit Committee

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

Experience and expertise: Mr Dahlsen has had an extensive legal career and experience in the media, not-for-profit, business education, banking, retail and small business sectors.

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: Chairman: Woolworths Ltd (1992 - 2001). Partner: Corrs Chambers Westgarth (1963 - 1987 and 1989 - 1993). Consultant: Corrs Chambers Westgarth (1987 - 1989 and 1993 - 2002). Director: Melbourne Business School Ltd (1989 -2000) and MPI Mines Ltd (1992 - 2002).

Dr R S Deane

PhD, B Com (Hons), FCA, FCIS, FNZIM

Independent Non-Executive Director

Chairman of ANZ National Bank Limited

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: Director: TransAlta Corporation (Canada) (2000 - 2003) and Fletcher Challenge Limited (1994 -2001). Deputy Governor: Reserve Bank of New Zealand (1982 - 1986). Alternate Executive Director: International Monetary Fund (1974 - 1976).

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

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

Experience and expertise: A trained engineer, Mr Ellis business experience includes working across a range of operational issues, investments and acquisitions in 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: Chairman: BHP Ltd (1997 - 1999), Black Range Minerals Ltd (Director 2000 - January 2004) and Sandvik Australia Pty Ltd (1994 - 2002). Director: Aurora Gold Ltd (1999 - 2001).

Ms M A Jackson, AC

B Ec, MBA, Hon LLD, FAICD, FCA

Independent Non-Executive Director

Chairman of the Compensation Committee

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

Experience and expertise: A Chartered Accountant, with financial expertise, Ms Jackson s experience includes her involvement in transportation, mining, the media, manufacturing and insurance as well as in health and education.

Current Directorships: Chairman: Qantas Airways Limited (Director from 1992). Deputy Chairman: Southcorp Limited (August 2004). Director: Billabong International Limited (from 2000).

Former Directorships: Partner: Consulting Division of KPMG Peat Marwick (March 5, 1991 - June 30, 1992). Director: BHP Ltd (1994 - 2000), Pacific Dunlop (1992 - 2000) and John Fairfax Holdings Limited (2003 - August 2004).

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Mr J McFarlane, OBE

MA, MBA

Chief Executive Officer

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

Experience and expertise: Mr McFarlane has over 30 years of banking experience. 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: Director: Business Council of Australia (1999 - October 2003) and Australian Graduate School of Management Ltd (1999 - December 2003). 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).

Dr B W Scott, AO

B Ec, MBA, DBA

Independent Non-Executive Director

Chairman of the Nominations & Corporate Governance Committee

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 has skills and experience across a range of business sectors and community organizations.

Current Directorships: Chairman: Management Frontiers Pty Ltd (Director from 1985), The Foundation for Development Cooperation 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).

Mr D M Gonski, AO

B Com, LLB, SIA (Aff), FAICD, FCPA

Independent Non-Executive Director

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

Experience and expertise: Mr Gonski, a lawyer, has experience in business, the law and investment banking as well as in 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: Chairman: Morgan Stanley Australia Limited (1999 - 2002) and Hoyts Cinemas Limited (1995 - 1999). Partner: Freehill Hollingdale & Page (1979 - 1986).

Dr G J Clark

PhD, BSc (Hons)

Independent Non-Executive Director

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

Experience and expertise: Dr Clark is Principal of Clark Capital Partners, a US based firm that advises internationally on technology and the technology market place. Previously he held senior executive positions in IBM, News Corporation and Loral Space and Communications. His experience includes international business experience and a career in microelectronics, computing and communications.

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

Former Directorships: Director: Digex (2000 -2002).

Mr D E Meiklejohn

B Com, Dip Ed, FCPA, FAICD, FAIM

Independent Non-Executive Director

Non-Executive Director since October 2004. Mr Meiklejohn is a member of the Audit Committee and the Nominations & Corporate Governance Committee.

Experience and expertise: A Fellow of CPA Australia, Mr Meiklejohn s background is in finance and accounting. He also has experience as a director of major Australian companies spanning a range of industries. He was Chief Financial Officer for Amcor Limited from 1981 to 2000.

Current Directorships: Chairman: PaperlinX Limited and SPC Ardmona Limited. Director: OneSteel Limited and WMC Resources Limited.

Former Directorships: Chairman: Kimberly-Clark Australia Limited. Deputy Chairman: GasNet Australia Limited. Director: Amcor Limited, Colonial Limited, Spicers Paper Limited and Treasury Corporation of Victoria.

Mr J P Morschel

Dip QS, FAIM

Independent Non-Executive Company Director

Non-Executive Director since October 2004. Mr Morschel is a member of the Compensation Committee and the Risk Management Committee.

Experience and expertise: Mr Morschel s background includes banking and financial services as well as experience as a director of major Australian and international companies. From 1988 to 1995, he was Managing Director for Lend Lease Corporation. Between 1993 and 2001, Mr Morshel was a Director of Westpac Banking Corporation, including two years as Executive Director where his responsibilities included retail banking and wealth management.

Current Directorships: Chairman: Rinker Group Limited. Director: Rio Tinto plc, Rio Tinto Limited, Singapore Telecommunications Limited and Tenix Pty Limited. Former Chairman: Leighton Holdings Limited, CSR Limited and Comalco Limited.

Former Directorships: Director: Cable & Wireless Optus Limited and Westpac Banking Corporation.

Senior Management and Executives

At the date of the 20-F executive officers and senior management of ANZ were:

Executive Officers	Position held	Year appointed to position	Year joined Group
J McFarlane	Chief Executive Officer 31 years in the Banking and Financial Services Industry	1997	1997
J Anderson	Chief Executive and Director ANZ National Bank Limited, New Zealand Over 30 years experience in the Finance Services Industry	2004	2004
R J Edgar	Chief Operating Officer 27 years experience in Finance Services Industry	2003	1984
S A Freeman	Group General Manager, People Capital 26 years experience in Human Resources, including Industrial Relations	2001	2001
E Funke Kupper	Group Managing Director, Asia Pacific 9 years experience in Financial Services, covering Risk Management, International and Retail Banking	2004	1995
M A Grime	Managing Director, Operations, Technology and Shared Services 23 years experience in senior Operations and Technology roles	2003	2003
B C Hartzer	Group Managing Director, Personal Division 11 years experience in Strategic Consulting to the Financial Services industry and 4 years managing a global credit card business	2004	1999
P J O Hawkins	Group Managing Director, Group Strategic Development Over 30 years experience in International and Commercial Banking	2002	1971
G K Hodges	Group Managing Director, Corporate 27 years experience across Corporate Banking and Government	2002	1991
P Hodgson	Chief Risk Officer (from December 1, 2004) Over 20 years experience in the Corporate and Investment Banking Sectors	2004	1997
K M Lawrence	Chief Risk Officer (until November 30, 2004) 17 years Senior Management experience in Risk Management in the Financial Services and Banking Industry	2002	1999
T L Estrange	Group General Counsel Over 20 years legal and management experience spanning a range of industry sectors	2003	2003
P R Marriott	Chief Financial Officer 25 years experience in International Banking, Finance and Auditing	1997	1993
R G Moore	Group General Manager, Internal Audit 30 years experience in Audit and Risk Management consulting to the Investment Services Industry	2004	2004
J W Priestley	Company Secretary Over 20 years legal, company secretarial and management experience	2004	2004
E M Proust	Managing Director, Esanda Over 15 years Senior Management experience in major public and private sector organizations, and Finance Services Industry	2002	1998
S C Targett	Group Managing Director, Institutional Financial Services 15 years experience in the Financial Markets world-wide	2004	2004

There are no family relationships between or among any of the directors or executive officers.

Remuneration Report

Section A Remuneration Tables

Refer to pages 6 to 9 of the Financial Report

Section B Non-Executive Directors Remuneration

Refer to page 10 of the Financial Report

Section C Remuneration Structure

Refer to pages 11 to 14 of the Financial Report

Section D Chief Executive Officer s Remuneration

Refer to pages 15 and 16 of the Financial Report

Section E Specified Executives Contract Terms

Refer to pages 17 to 19 of the Financial Report

Section F Equity Instrument Relating to Directors and Specified Executives

Refer to pages 20 to 23 of the Financial Report

Corporate Governance

ANZ s shareholders depend on the Company s Board for strategic guidance and oversight of the Company. The Board recognizes its overriding responsibility to act honestly, fairly, diligently and progressively, in accordance with the law, in serving the interests of ANZ s shareholders, 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 US Securities and Exchange Commission (SEC) rules and the New York Stock Exchange listed company requirements. In addition, ANZ strives to achieve best practice by taking into account the principles and guidelines set out by the ASX Corporate Governance Council, the New Zealand Securities Commission and the Combined Code of the United Kingdom.

In general, the Board 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 to align ANZ s practices with best practice standards.

During the year, the Board worked closely with management to review and update ANZ policies and procedures in light of 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 March 31, 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 complies with the recommendations.

The Corporations Law Economic Reform Program (Audit Reform and Corporate Disclosure) Act 2004 - CLERP 9 Act - The legislation was passed by Parliament on June 25, 2004. 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.

Other Jurisdictions

United States of America - As a foreign private issuer registered with the SEC with securities listed on the NYSE, ANZ is required to comply with certain corporate governance requirements contained in US securities laws, including the Sarbanes-Oxley Act of 2002 and applicable NYSE Listing Standards. Under the NYSE Listing Standards, ANZ is required to provide a brief description of the significant differences between its corporate governance practices and corporate governance requirements for US listed companies under the NYSE listing rules in this Form 20-F. For further information on the significant differences between ANZ s corporate governance practices and the NYSE listing rules for US listed companies, please see page 118 of this Form 20-F.

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 recognition for its:

Board accountability

Shareholder rights

Remuneration

Market for control and ownership base

Corporate behavior

Horwath Corporate Governance Report The Horwath Report ranked ANZ equal second for its corporate governance practices among 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 Australian best practice standards.

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 behavior 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.

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 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 recognizes 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 117), the Company demonstrates its commitment to continuous disclosure. The policy reflects relevant obligations under applicable stock exchange listing rules and legislation.

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

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

Upholding Shareholder Rights

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

To allow as many shareholders as possible to have an opportunity to attend a meeting, ANZ rotates shareholder meetings around regional capital cities. Webcast technology has been introduced which makes it possible to attend presentations - to listen to the speakers and simultaneously view presentations over the internet.

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 - October 24, 2003 - Melbourne, Australia and Auckland, New Zealand

Annual General Meeting - December 19, 2003 - Brisbane, Australia

New Zealand Briefing - March 11, 2004 - Auckland, New Zealand

Interim Results Announcement - April 27, 2004 - Sydney, Australia

Australian Personal Customer Division Market Briefing - September 8, 2004 - Melbourne, Australia

Annual Results Announcement - October 26, 2004 - Melbourne, Australia and Auckland, New Zealand

Annual General Meeting - December 17, 2004 - Melbourne, Australia

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 available at (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.

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

Adherence to Directors Code of Conduct - As presented earlier, 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.

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 hand book 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.

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.

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

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

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)

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 directors 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.

Independence and Materiality

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

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

In the 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 and December 2004 meetings, the Board considered each director s independence and in each case concluded that the independence criteria were met by all non-executive directors.

The independence criteria used by the Board in its determination of director independence included 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 organization 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 particularly 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 100 to 103 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.

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 117), 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 focusing 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 our website at 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 which reports directly and solely to the Chairman of the Audit Committee. Refer to Group (Internal) Audit on page 116 for more information;

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

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

compliance with regulatory requirements and independent audit thereof.

The Audit Committee is also responsible for:

the appointment, evaluation and oversight of the external auditor

compensation of the external auditors; and

replacement of the external auditor.

Audit Committee members are: John Dahlsen (Chairman), Jerry Ellis, Margaret Jackson (financial expert), David Meiklejohn (financial expert) and Charles Goode (ex-Officio).

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. As noted above, Ms Jackson and Mr Meiklejohn are designated as the Audit Committee s financial experts . Refer to pages 101 and 103 for their qualifications.

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

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

The Compensation and Human Resources Committee members are Margaret Jackson (Chairman), Roderick Deane, John Morshel, Brian Scott and Charles Goode (ex-Officio).

Some 2004 financial year activities included:

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.

The Nominations & Corporate Governance Committee members are Brian Scott (Chairman), Greg Clark, John Dahlsen, David Gonski, David Meiklejohn and Charles Goode (ex-Officio).

Some 2004 financial year activities included:

Refining director independence criteria - Procedures for confirmation of independent director status of non-executive directors were further refined (see page 111).

Reviewing nominations procedures - Procedures for consideration of Board director nominations were refined and used during the year

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

The Risk Management Committee members are Jerry Ellis (Chairman), Roderick Deane, David Gonski, John Morshel and Charles Goode (ex-Officio).

Some 2004 financial year activities included:

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 11).

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.

Directors Meetings

The number of Board meetings and Committee meetings held during the year ended September 30, 2004 and attended by each director are set out in the following table:

	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(1)	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 The number of meetings attended. The Chairman is an ex-officio member of all Board Committees

(1) New Zealand resident

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 that 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.

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

For further information on risk management, please see pages 97 to 99 and Item 11.

Financial Controls

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

To further strengthen controls and procedures, the Audit Committee agreed that the Company would undertake a Group-wide program focusing on Section 404 of the Sarbanes-Oxley Act of 2002 (Sox). ANZ is in the process of assessing its readiness to meet Section 404 requirements of Sox. 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 overseen 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 September 30, 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 and United States Auditing 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.

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. A copy of this Code of Conduct can be obtained without charge by writing to The Company Secretary, Level 6, 100 Queen Street, Melbourne, Victoria 3000, Australia.

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. A copy of this Code of Conduct can be obtained without charge by writing to The Company Secretary, Level 6, 100 Queen Street, Melbourne, Victoria 3000, Australia.

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 91 and in the Financial Report on pages 129 to 133.

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 the Annual Report. Key contact - General Manager Operational and Technology Risk.

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

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

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.

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

New Zealand Policies - Recognizing 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 publicly available.

Comparison to NYSE Corporate Governance Standards

The New York Stock Exchange (NYSE) Listing Rules, Section 303A, recently instituted a broad regime of new corporate governance requirements for NYSE-listed companies. Under the NYSE Listing Rules, foreign private issuers, such as ANZ, are permitted to follow home country practice in lieu of the requirements of Section 303A, except for the Listing Rule relating to compliance with Rule 10A-3 of the Securities Exchange Act of 1934 (Exchange Act) and certain notification provisions contained in Section 303A of the Listing Rules. The relevant home country practice for ANZ is the Australian Stock Exchange (ASX) Corporate Governance Council- Principles of Good Corporate Governance and Best Practice Recommendations.

Section 303A.11 of the Listing Rules, however, requires ANZ to disclose any significant ways in which ANZ corporate governance practices differ from those followed by US domestic listed companies under these NYSE Listing Rules. ANZ has compared the Company s corporate governance practices to the requirements of the Section 303A of the NYSE Listing Rules that would otherwise currently apply to foreign private issuers and notes the following significant difference:

Equity Compensation Plans

Shareholders are not provided under Australian law with the opportunity to vote on certain new equity compensation plans or material revisions to existing equity compensation plans. Under the NYSE s rules, shareholder approval is required for such plans or for material revisions to such plans.

This disclosure is also available on our website at http://www.anz.com/australia/aboutanz/corporateinformation/corpgovpolicy under the heading Other Corporate Governance Matters-Comparison with NYSE Corporate Governance Standards.

United States Sarbanes - Oxley Act of 2002

Sox was signed into law on July 30, 2002. As ANZ has securities registered under the Securities Exchange Act of 1934 and files disclosure documents with the SEC (the SEC), ANZ is subject to the provisions of this Act and applicable NYSE Listing Standards.

The SEC has been delegated authority to adopt rules to implement many of Sox provisions. At present, some of these rules do not yet apply to ANZ as a foreign private issuer. In addition, under the NYSE Listing Standards, ANZ is required to provide a brief description of the significant differences between ANZ s corporate governance practices and those applicable to US listed companies under the NYSE listing rules in lieu of complying with those US domestic listed company standards. For a description of these significant differences, please see Comparison to NYSE Corporate Governance Standards above.

Audit Committee determination of independence and financial experts

Sox requires that each member of the ANZ Audit Committee is a member of the ANZ Board of Directors, and meets certain criteria for independence. In addition, Sox requires there to be at least one financial expert on the Committee.

The Audit Committee is composed solely of non-executive directors. The ANZ Board has reviewed the independence criteria in Sox, and determined that each non-executive director on the Committee is independent.

The current Committee membership is Mr John Dahlsen (Chairman), Ms Margaret Jackson, Mr Jerry Ellis and Mr David Meiklejohn (from October 1, 2004), each of whom is a non-executive, independent Director. Mr Charles Goode (Board Chairman) is an ex-officio member of the Audit Committee. The Committee includes members who have appropriate financial expertise and an understanding of the industry in which ANZ operates. All members of the Committee satisfy the independence requirements under Section 10A-3 of the Exchange Act and the rules of the NYSE.

The Board has determined that Ms Margaret Jackson and Mr David Meiklejohn are audit committee financial experts . Although the Board also has determined that these individuals have the requisite attributes defined under the rules of the SEC, their responsibilities are the same as those of the other audit committee members. They are not auditors, do not perform field work and are not full-time employees.

The SEC has determined that an audit committee member who is designated as an audit committee financial expert will not be deemed to be an expert for any purpose as a result of being identified as an audit committee financial expert. The Audit Committee is responsible for oversight of management in the preparation of ANZ s financial statements and financial disclosures. The Audit Committee relies on the information provided by management and the external auditor. The Audit Committee does not have the duty to plan or conduct audits to determine that ANZ s financial statements and disclosures are complete and accurate. ANZ s Audit Committee charter provides that these are the responsibility of management and the external auditor.

Services outside the scope of practice of auditors

Sox prohibits the external auditor of ANZ from providing certain non-audit services to the Company. The Audit Committee of the ANZ Board announced in April 2002 a revised policy on the provision of audit-related and non-audit services. Since that date, the policy has been reviewed at least annually and updated to ensure it meets current best practice standards as well as relevant domestic and overseas regulatory requirements. The policy lists services which may be perceived to be in conflict with the role of the auditor, and precludes the external auditor from providing such services. ANZ s policy, which is consistent with Sox, requires the Audit Committee to approve all services provided by the external auditor.

Work of External Auditor

Our Audit Committee is directly responsible for the appointment, remuneration and oversight of the external auditor. The former KPMG lead auditor concluded his term at the conclusion of the 2003 audit activities and a new lead auditor took responsibility for the Group s audit in the 2004 financial year.

Section 404

Please see commentary on page 115 under Financial Controls.

Responsibility for Financial Reports

As required by Sox, our CEO and CFO have provided 302 certification for this 20-F filing. This certification follows an audit of the disclosure controls and procedures. See Item 15 for a further description of this evaluation of disclosure controls and procedures. The audit was conducted by the Group s internal audit function during September and October 2004. A report on the findings of this audit was presented to the Audit Committee and to the external auditor.

Code of Ethics

ANZ has written a Code of Conduct that applies to ANZ s principal financial officer, principal accounting officer and other financial officers. See page 117 for further description. ANZ has also written a Code of Conduct for directors and employees that applies to ANZ s chief executive officer, all directors and all ANZ employees. See page 116 for a further description.

Share Trading Policy

The share trading policy adopted by the Group specifically prohibits trading in ANZ shares by directors, certain employees, contractors and consultants working in specific areas of the Group during black out periods. The Group s policy is consistent with Sox.

Complaints

As required by Sox, the Audit Committee has established a whistleblower policy and procedures which provide a mechanism by which ANZ staff, consultants and contractors may voice concerns anonymously regarding questionable accounting or auditing matters.

Employment Contracts

Arrangements or undertakings between executive officers and ANZ are covered by an employment agreement under which remuneration is at such rates and terms as ANZ shall determine from time to time.

Fees paid to Auditors and Pre-approved Policies and Procedures

Summary of Fees

	2004 $ 000	2003 $ 000
KPMG Australia		
Audit or review of financial reports of the Company or any entity in the Group	2,981	2,640
Other audit-related services(1,2)	567	2,083
Other assurance services(3)	2,934	3,891
	6,482	8,614
Taxation	563	775
Total	7,045	9,389
Overseas Related practices of KPMG Australia		
Audit or review of financial reports of Group entities	1,834	1,293
Other audit-related services(1,2)	1,494	1,503
Other assurance services(3)	77	1,473
	3,405	4,269
Taxation	65	83
Total	3,470	4,352
Total remuneration of auditors	10,515	13,741

(1) Includes completion accounts review.

(2) Includes services for the audit or review of financial information other than financial reports including prudential supervision reviews for central banks, prospectus reviews, trust audits and other audits required for local statutory purposes.

(3) 2004 includes an NBNZ due diligence oversight review and markets co-sourcing internal audit work which ceased in April 2004. 2003 includes assessing the Group s compliance with the requirements of the Patriot Act.

It is Group policy that KPMG Australia or any of its related practices may provide assurance and other audit-related services that, while outside the scope of the statutory audit, are consistent with the role of auditor. These include regulatory and prudential reviews requested by the Company s regulators such as the Australian Prudential Regulation Authority. KPMG Australia or any of its related practices may not provide services that are perceived to be in conflict with the role of auditor. These include consulting advice and subcontracting of operational activities normally undertaken by management, and engagements where the auditor may ultimately be required to express an opinion on its own work. However, non-audit services that are not perceived to be in conflict with the role of auditor may be provided by KPMG Australia or any of its related practices subject to the approval of the ANZ Audit Committee.

Audit Fees

The aggregate fees billed in 2004 and 2003 for professional services rendered by KPMG, our external auditor and an Independent Registered Public Accounting Firm, for the audit of the annual financial statements or services that are normally provided by the accountant in connection with statutory filing engagements for those fiscal years are $4,815,000 and $3,933,000, respectively.

Audit Related Fees

The aggregate fees billed in 2004 and 2003 for assurance and related services by KPMG that are reasonably related to performance of the audit or review of ANZ s financial statements and are not reported under Audit Fees are $2,061,000 and $3,586,000, respectively. The nature of services comprising the fees disclosed under the category are audit of completion accounts, the audit or review of financial information other than financial reports, including prudential supervision reviews for central banks and other audits required for local statutory purposes.

Tax Fees

The aggregate fees billed in 2004 and 2003 for professional services rendered by KPMG for tax compliance and related services are $628,000 and $858,000, respectively. The nature of services comprising the fees disclosed under the category are assistance in relation to compliance obligations including the Australian tax consolidations regime, the Goods and Services Tax (GST) regime, review of tax returns and review of correspondence with taxation authorities.

All Other Fees

The aggregate fees billed in each of the last two fiscal years for products and services provided by KPMG, other than services reported under Audit Fees, Audit-Related Fees and Tax Fees are $3,011,000 and $5,364,000, respectively. The nature of services comprising the fees disclosed under the category are the oversight of the NBNZ due diligence process, markets co-sourcing internal audit work (ceased in April 2004), advice on International Financial Reporting Standards, and other sundry agreed upon procedures engagements, including securitization reviews, Sarbanes Oxley oversight and assessment of ANZ s compliance with the requirements of the Patriot Act (2003 only).

U.S. Securities and Exchange Commission Information Request

In the context of an investigation by the U.S. Securities and Exchange Commission (the SEC) into certain Australian companies registered with the SEC and accounting firms relating to the U.S. auditor independence rules, the SEC has requested that we produce documents and information relating to non-audit services provided by our external auditors, KPMG Australia, since October 1, 2000.

During the period covered by the SEC s information request a number of KPMG Australia employees provided non-audit services, including regulatory, tax, accounting, financial modeling and project management services, for varying periods of time to entities in the Australia and New Zealand Banking Group while on secondment to entities in the Group. While KPMG Australia has reported that some of the secondment engagements in the 2001 and 2002 financial years were potential violations of U.S. auditor independence rules, KPMG Australia has affirmed to our Audit Committee and to the SEC that, in its opinion, the provision of these non-audit services did not compromise the independence of the firm.

We are continuing to provide the documents and information requested by the SEC, and to examine the matters covered by the SEC's information request.

While we cannot predict what action the SEC may take as a result of its ongoing investigation and the other matters referred to above, the SEC has authority to impose or negotiate any one of a number of possible sanctions for any breaches of its rules resulting from secondments or any other non-audit services provided by KPMG Australia. These sanctions could include fines, the entry of cease-and-desist orders or injunctions, or a requirement to engage a different accounting firm to perform procedures and report on aspects of the relevant accounts or financial statements relevant to areas raising auditor independence concerns.

Employees

At September 30, 2004 ANZ employed 28,755 (2003: 23,137) people worldwide on a full-time equivalent basis (FTEs), of which 27,383 were permanent employees and 1,372 were temporary. There were 16,815 FTEs in Australia at September 30, 2004 compared with 16,400 FTEs at September 30, 2003 (refer to table below).

Approximately 33% of employees in Australia are members of the Finance Sector Union of Australia. ANZ has a specific industrial award that contains terms and conditions of employment that apply in differing degrees to all ANZ staff. The award is supplemented by a collective enterprise bargaining agreement and in addition the majority of senior management and executive staff are covered by individual common law contracts of employment.

Under enterprise bargaining in Australia, terms and conditions of employment, including salaries, are dependent on agreements negotiated between unions and management. The Australian Industrial Relations Commission has the power to ratify these agreements and ensure legally enforceable minimum conditions of employment are retained.

ANZ s current Australian collective enterprise bargaining agreement was entered into in August 1998 and continues to legally operate despite passing its nominal expiry date of February 2001. ANZ paid a 4% salary increase to most non-management staff in July 2004.

ANZ has nine superannuation/pension plans worldwide. Notes 49 and 55 to the Financial Statements give further detail on ANZ s superannuation commitments. ANZ also provides loans at concessional rates to eligible employees and senior management but excluding executives and directors.

Staff Numbers, at September 30,	**2004**	**2003**	**Movement**
Personal	8,934	8,795	2%
Institutional	2,926	2,795	5%
New Zealand Businesses	7,988	2,939	172%
Corporate Australia	1,671	1,596	5%
Esanda and UDC	1,292	1,311	-1%
Asia Pacific	1,711	1,624	5%
ING Australia			0%
Treasury and Group Center	4,233	4,077	4%
	28,755	23,137	24%
Australia	16,815	16,400	3%
New Zealand	8,816	3,822	131%
Overseas Markets	3,124	2,915	7%
	28,755	23,137	24%

The ANZ Employee Share Acquisition Plan was approved by shareholders at ANZ s Annual General Meeting on January 21, 1998. At the invitation of ANZ, the Plan allows for permanent employees who have had continuous service for one year with ANZ and its subsidiaries, to each be issued with up to $1,000 worth of ANZ shares each year at no cost to the employee. The first offer to employees under the Plan was made on November 30, 1998. Subsequent offers have been made in 1999, 2000, 2001, 2002, 2003 and a seventh issue will be made in December 2004. The Plan also includes a section that allows for the issue of deferred shares to selected employees in lieu of cash bonuses.

The ANZ Share Option Plan provides benefits, in the form of share options, to selected employees. More detailed information regarding ANZ s employee share and option plans, remuneration of directors and remuneration of executives is contained in the Financial Report.

Item 7: Major Shareholders and Related Party Transactions

Major Shareholders

We are not directly or indirectly owned or controlled by another corporation or any foreign government. At December 2, 2004 we know of no person who is the beneficial owner of more than 5% of our ordinary shares.

The following table identifies the shareholders which, at December 2004, 2003 and 2002 were registered as holding 3% or more of our issued ordinary shares:

Shareholder (1)	Number of Shares Held	% of Total
December 2, 2004		
National Nominees Ltd	248,667,130	13.66
Chase Manhattan Nominees Ltd	240,389,349	13.20
Westpac Custodian Nominees Ltd	230,503,315	12.66
Citicorp Nominees Pty Ltd	88,027,953	4.83
RBC Global Services Australia Nominees Pty Ltd	59,849,448	3.29
December 1, 2003		
J P Morgan Nominees Australia Ltd	250,872,670	14.05
National Nominees Ltd	220,520,868	12.35
Westpac Custodian Nominees Ltd	211,004,977	11.82
December 2, 2002		
Chase Manhattan Nominees Ltd	211,127,137	14.01
National Nominees Ltd	193,410,333	12.83
Westpac Custodian Nominees Ltd	141,693,653	9.40

(1) The nominee companies indicated hold shares on behalf of other beneficial owners none of which are to our knowledge beneficially entitled to more than 5% of our ordinary shares.

At December 2, 2004, there were no entries in the Register of Substantial Shareholdings (5% or more of the votes attached to voting shares).

At December 2, 2004, 1,758,332,235 ordinary shares representing 96.57% of our total ordinary share capital were held by 234,276 record holders with registered addresses in Australia.

The following table outlines the total number of ordinary shares and share options in ANZ owned by our directors and executive officers as at December 2, 2004:

Title of Class	Identity of Group	Amount of Shares/Options Owned	% of Class
Ordinary shares fully paid	Directors and Executive Officers (26 persons)	5,442,770	0.2989%
Share options over ordinary shares	Directors and Executive Officers (15 persons)	7,813,205	19.9405%

As at December 2, 2004, no individual director or executive officer beneficially owned more than 1% of the outstanding share capital of the Company.

The acquisition of shares in Australian companies by foreign interests is regulated by the Foreign Acquisitions and Takeovers Act 1975 (the Foreign Takeovers Act). The Foreign Takeovers Act applies to any acquisition or issue of shares which results in either:

(a) a foreign person and its associates being in a position to control 15% or more of the voting power or hold any legal or equitable interest in 15% or more of the issued shares; or

(b) two or more foreign persons and their associates being in a position to control 40% or more of the voting power or hold any legal or equitable interest in 40% or more of the issued shares.

In either of these cases, the Federal Treasurer may prohibit the acquisition if it would be contrary to the Australian national interest.

The Financial Sector (Shareholdings) Act 1998 prohibits a person, or two or more persons under an arrangement, from acquiring shares in a financial sector company if the acquisition would result in a person holding a stake in the company of more than 15%. However, the Federal Treasurer may grant approval to a person to hold a stake of greater than 15% but only if satisfied that it is in the Australian national interest. No such approvals have been granted in respect of our shares.

Any person acquiring voting shares in a company is subject to the control of the acquisition of shares provisions contained in Chapter 6 of the Australian Corporations Act 2001 (Corporations Act). Subject to certain limited exceptions, Section 606 of the Corporations Act prohibits a person from acquiring a relevant interest in voting shares in a company if, because of a transaction, the person s or someone elses voting power in the company increases:

(a) from 20% or below to more than 20%; or

(b) from a starting point above 20% and below 90%

One of the exceptions to Section 606 is that the law will allow a person who has been entitled to voting power in the company of at least 19% for at least six months to acquire an additional 3% of the company s voting power in any six month period.

For the purposes of the Corporations Act, a person s voting power in a company is the total number of votes attached to voting shares in respect of which the person and its associates (which are broadly defined) have a relevant interest (which is also broadly defined) as a proportion of the total number of votes attached to all voting shares in the company.

Change in Control

There are no arrangements known to ANZ, the operation of which may at a subsequent date result in a change in control of ANZ.

Related Party Transactions

All related party loans were made in the ordinary course of business, were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and entities, and did not involve more than the normal risk of collectability or present other unfavorable features.

More detailed information regarding related party disclosures is contained in Note 52, 53 and 54 to the Financial Report.

Item 8: Financial Information

For financial information refer to Attachment 1.

Legal Proceedings

There are outstanding court proceedings, claims and possible claims against the Group, the aggregate amount of which cannot readily be quantified. Appropriate legal advice has been obtained and, in the light of such advice, provisions as deemed necessary have been made.

Dividend Distribution Policy

The Board of Directors of the Company will determine and declare the amount and timing of dividend distributions to shareholders based on the financial performance and financial position of the Group.

Item 9: The Offer and Listing

Our principal ordinary share listing and quotation is on the Australian Stock Exchange Limited (the Australian Stock Exchange , ASX). Our ordinary shares are also quoted on the New Zealand Stock Exchange. Our ANZ stapled exchangeable preferred securities (ANZ StEPS) are listed on the ASX and the ANZ Euro Hybrid Capital, on the Luxembourg Stock Exchange.

American Depositary Receipts

Our ordinary shares are traded in the United States by means of American Depositary Receipts (ADRs). We entered into a Deposit Agreement dated December 9, 1988 with The Bank of New York. The Bank of New York, acting as depositary, issues ADRs. Each ADR represents an American Depositary Share (ADS), which in turn represents five ANZ ordinary shares. This agreement was amended to permit listing of the ADRs on the New York Stock Exchange, Inc. (NYSE), and on December 6, 1994 trading of the ADRs commenced on the NYSE. At December 2, 2004, 571,059 ADRs representing 2,855,295 or 0.16% of our ordinary shares were outstanding and there were 42 record holders of ADRs.

The following table sets out, for the calendar periods indicated, the high and low market quotations for both our ordinary shares as reported by the Australian Stock Exchange and our ADRs as quoted on the NYSE.

		Per Ordinary Share ($)		Per ADR (USD)	
		High	Low	High	Low
Year ended					
2000	September	12.87	9.18	38.56	30.06
2001	September	16.71	12.63	45.40	33.25
2002	September	19.70	15.23	57.90	39.80
2003	September	18.45	15.01	64.29	46.83
2004	September	19.44	15.94	73.50	60.50
Quarter ended					
2002	March	17.80	16.28	47.83	44.10
2003	March	17.24	15.01	54.00	47.10
	June	18.45	16.82	64.29	53.30
	September	17.90	16.66	63.72	56.55
	December	18.03	15.94	67.03	60.75
2004	March	19.40	17.35	72.82	66.65
	June	19.44	17.45	73.50	60.50
	September	19.14	17.65	69.24	62.41
Month ended	June	18.72	17.91	65.50	62.82
	July	18.35	17.65	66.69	62.41
	August	18.47	17.68	65.55	63.34
	September	19.14	18.33	69.24	63.98
	October	20.40	19.02	76.71	69.40
	November	20.95	19.47	80.45	75.71

Capital Securities

On March 4, 1993, we completed an underwritten public offering in the United States of USD258.8 million (aggregate principal amount) of 9 1/8% Capital Securities (Capital Securities). These Capital Securities were listed on the NYSE, which is the principal market in the United States for the trading of the Capital Securities.

The securities were redeemed at par on March 4, 2003 in accordance with an option held by us as part of the issue items.

The following table sets out the high and low market quotations per USD25 principal amount of Capital Securities as quoted on the NYSE.

		High	Low
Year ended			
1999	September	28.030	26.130
2000	September	26.440	22.000
2001	September	27.290	24.800
Quarter ended			
2001	December	27.150	25.930
2002	March	27.150	25.650
	June	27.220	25.750
	September	27.290	25.930
	December	26.100	25.250
2003	March	25.810	25.350

Preference Shares

In 1998, we issued 124,032,000 fully paid non-converting non-cumulative preference shares for USD6.25 per share in 1998 raising capital of USD775 million via two (1) Trust Securities Issues.

Date of issue	Number of shares	Price (USD)	Capital (USD)	Trust distribution per annum	Maturity
September 23, 1998	64,016,000	6.25	400 million	8.00%	2047
November 19, 1998	56,016,000	6.25	350 million	8.08%	2048
November 24, 1998 (1)	4,000,000	6.25	25 million	8.08%	2048

(1) On November 24, 1998 the underwriters exercised an option on the November 19, 1998 issue resulting in a further 4,000,000 shares being issued, giving a total of 60,016,000 shares issued for USD375 million.

The Trust Securities were mandatorily exchangeable for the preference shares issued by us and carried an entitlement to a non-cumulative trust distribution per annum payable quarterly in arrears. The Trust Securities were issued by a non diversified closed end management investment company registered under the US Investment Company Act of 1940. The preference shares themselves carried no present entitlement to dividends. Distributions to investors in the Trust Securities were funded by income distributions made by the Group.

Upon maturity of the Trust Securities, investors would have mandatorily exchanged the Trust Securities for the preference shares and thereupon the preference shares carried an entitlement to non-cumulative dividends at the Trust distribution rate payable quarterly in arrears. The mandatory exchange of Trust Securities for preference shares may have occurred earlier at our option or in certain specified circumstances including default, breach of APRA capital adequacy limits and appointment of a liquidator.

With the prior consent of APRA, the preference shares were redeemable at our option after 5 years, or within 5 years in limited circumstances. The entitlement of investors to distributions on the Trust Securities ceased on redemption of the preference shares.

The transaction costs arising on the issue of these instruments were recognized directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate.

On December 12, 2003 we exercised our option to buy-back for cash both tranches of preference shares.

Item 10: Additional Information

Any public documents referred to in this Annual Report on Form 20-F may be inspected by contacting the Company Secretary on (613) 9273 5555 or in writing to the Company Secretary, 100 Queen Street Melbourne, Victoria, 3000 Australia.

Exchange Controls and Limitations Affecting Security Holders

There are currently no Australian Exchange Control regulations in force which restrict the payment of dividends, interest or other remittances to holders of our securities, other than in relation to holders who are among or are connected with the following countries or groups, which categories are referred to below as Proscribed Entities :

(a) the previous Government of Iraq (as defined in the Iraq (Reconstruction and Repeal of Sanctions) Regulations 2003 of the Commonwealth of Australia), the former President of Iraq, Saddam Hussein, and senior officials of the previous Government of Iraq;

(b) (in relation to transactions exceeding AUD100,000 in value), the Embassy of the Federal Republic of Yugoslavia, the Consulate-General of the Federal Republic of Yugoslavia and the National Bank of Yugoslavia;

(c) certain persons listed by the Reserve Bank of Australia as known supporters of the former Milosevic regime of the Federal Republic of Yugoslavia

(d) certain members of the Government of Zimbabwe listed by the Reserve Bank of Australia

(e) the Taliban (which also calls itself the Islamic Emirate of Afghanistan), Osama bin Laden and any member of the Al-Qaida organization and any person or entity mentioned in the list maintained under paragraph 2 of Resolution 1390 (2002) of the Security Council of the United Nations;

(f) any person or entity mentioned in paragraph 1(c) of Resolution 1373 (2001) of the Security Council of the United Nations; and

(g) certain other persons and entities listed by the Australian Government under the Charter of the United Nations (Terrorism and Dealings with Assets) Regulations 2002 of the Commonwealth of Australia

Payments in or from Australia to, by the order of, on behalf of, for credit of, or relating to the property, security of funds belonging to or controlled by or payments to Proscribed Entities cannot be made without the specific approval of:

(i) In cases (b), (c) or (d), the Governor of the Reserve Bank of Australia; or

(ii) In cases (a), (e), (f) or (g), the relevant Government Minister.

Australian law and our Constitution do not limit the right of a holder of an ANZ issued debt security who is not an Australian resident to hold such securities nor do they limit the exercise of any voting rights save in the case of Proscribed Entities.

Australian Taxation

The following discussion is a summary of the Australian taxes generally applicable to United States (US) holders of ADRs or Capital Securities. The summary does not purport to be a complete technical analysis, and does not address the Australian taxes applicable to special classes of US holders. Except as otherwise noted, the statements of Australian tax laws are as of the date of this Annual Report, including the Australia, United States income tax convention in force, and are subject to any changes in law occurring after that date.

ADSs - Australian taxation

Distributions

In accordance with Article 10(2) of the Australia/United States income tax convention (the treaty), dividends derived by a nonresident of Australia who is a resident of the US may be taxed in Australia. The tax is limited to 15% of the gross amount of the dividends (unless the dividend is attributable to a permanent establishment or fixed base in Australia, in which case, a 30% rate may apply).

Pursuant to a recent treaty protocol that took effect July 1, 2003, further limitations on the dividend withholding rate can apply for 10% or greater shareholdings. In all other cases, the 15% rate limit will continue to apply.

The Australian Government introduced a dividend imputation system, effective from July 1, 1987. The basis of the system is that Australian tax paid by an Australian resident company on its income is allocated to stockholders by means of imputation credits attached to the dividends they receive. Such dividends are known as franked dividends. For Australian resident individual and institutional stockholders, the imputed tax credits are available to apply against the tax liability which arises on their assessable income (or in the case of a resident corporate shareholder, to be allocated to its own shareholders).

To the extent that a dividend paid by an Australian resident company and derived by US residents is franked, the dividend will not be subject to Australian dividend withholding tax. In this case, no separate credit or refund for the attached imputation credit is available.

The Australian tax rules require taxpayers to hold shares at risk for certain periods before obtaining the benefit of the dividend imputation system. The minimum period for holding ordinary shares at risk is currently 45 days, but the Government is considering a proposal to reduce the minimum period. Failure to satisfy these requirements may result in the deduction of Australian withholding tax from dividends paid to non-residents of Australia. There is an exemption from these rules for defined small transactions.

There is a similar system by which unfranked dividends paid to non-resident shareholders may be exempt from dividend withholding tax if it is specified that the dividends are paid by Australian resident companies out of its Foreign Dividend Account (FDA). The FDA is used to capture certain types of foreign source dividend income derived on or after July 1, 1994 from offshore subsidiaries. Dividends paid out of the FDA qualify for the dividend withholding tax exemption. It is not mandatory for Australian resident companies receiving eligible foreign source dividends to maintain a FDA. The Australian Government has previously announced an intention to consider replacing the FDA by a Foreign Income Account (FIA) which will allow all types of foreign source income to be FDA eligible (not just foreign source dividend income). The proposal has been confirmed by the Australian Government as part of the Review of International Taxation Arrangements.

ANZ dividends have recently been fully franked or paid from the FDA and, therefore, there has not been any withholding tax withheld on dividends paid to non-resident shareholders. However, ANZ does not guarantee the level to which future dividend payments will be franked or whether they will be sourced from its FDA.

Consequently, the portion of the dividend paid to US residents which is not franked nor sourced from a FDA by an Australian resident company will be subject to Australian dividend withholding tax as above. The payment of unfranked dividends (other than those paid out of a FDA) to a US resident is made net of the withholding tax. The Australian income tax legislation does not allow shareholders to elect to be paid dividends on a franked or an unfranked basis.

With effect from July 1, 2001, new legislation classifies certain holdings as either equity or debt. A holding that is classified as equity will be frankable, whereas a holding that is classified as debt will not be frankable. ADR s would be classified as equity on the basis that the return is contingent on ANZ s performance or is at the discretion of ANZ.

Dispositions

A US resident enterprise which is a non-resident of Australia would not generally be liable to income tax on sale of shares by virtue of Article 7 of the Australia/United States income tax convention, as long as the sale was not attributable to a permanent establishment in Australia.

US resident holders who are non-residents of Australia would not generally be subject to Australian capital gains tax except in the circumstances described below.

Generally speaking, shares or rights to acquire shares in Australian resident public companies sold by US residents are exempt from capital gains tax in Australia. However, in accordance with Section 136-25 of the Australian Income Tax Assessment Act 1997, the disposal of such shares or rights shall be held to have the necessary connection with Australia and subject to capital gains tax if they have at any time been used by the taxpayer in carrying on a trade or business wholly or partly at or through a permanent establishment in Australia. Capital gains tax will also apply where the sale of shares or rights in an Australian resident public company has occurred where the vendor and the vendors associates held 10% or more of the issued capital of the Company any time within 5 years prior to the time of sale. The Australian Taxation Office takes the view that profits taxed under the capital gains tax regime are not entitled to the protection of Article 7 of the Australia/United States income tax convention.

In those applicable circumstances as referred to in the preceding paragraph, Australian capital gains realized on the disposal of assets acquired after September 19, 1985 are taxed at ordinary tax rates. The basis of calculating any taxable capital gains has been amended effective September 21, 1999. The taxable capital gain is still based on the excess of the disposal proceeds (or value, in certain non arms-length transactions) over cost of the asset, however the basis of establishing cost has been amended. Capital losses continue to be available for offset only against capital gains.

Prior to September 21, 1999 if the asset was held for a period in excess of 12 months the original cost (plus certain costs of acquisition) was indexed by the Australian inflation rate. Effective September 21, 1999, indexation of the cost base has been frozen at September 30, 1999. The calculation of the cost of the asset depends on whether the assets are acquired before or after September 21, 1999 and whether the taxpayer is an individual or a company.

For assets acquired on or before September 21, 1999 and held for at least one year, companies are taxed on the whole difference between the disposal price and the frozen indexed cost base. Individual tax payers, trusts and certain superannuation funds have the choice of calculating the taxable capital gain on either:

half the realized nominal gain (or two-thirds for certain superannuation funds); or

the whole difference between the disposal price and the frozen indexed cost base.

For assets acquired after September 21, 1999, companies are taxed on nominal gains but individuals, trusts and certain superannuation funds will be taxed on half (two-thirds for some superannuation funds) the difference between the disposal price and the original cost if the assets are held for at least one year.

If the individual is taxed or chooses to be taxed on half the nominal gain, any available capital losses will be applied against the full nominal capital gains. If the individual chooses the indexation option, capital losses will be applied against the real gains with indexation frozen up to September 30, 1999. Individuals who have both types of capital gains can chose the order in which available capital losses are offset against the different capital gains.

Some holders, such as share traders or certain institutions carrying on a business of investment, may be subject to tax on the profit on disposal of shares, on an historical cost basis, as ordinary income. Any capital gains tax liability otherwise arising on such a profit would be reduced to the extent that it was taxed as ordinary income.

Capital Securities

Distributions

A US holder of Capital Securities will not incur or become liable for any Australian income tax (including Australian withholding tax on income produced by holding such Capital Securities). No Australian taxes or duties will be liable to be deducted in respect of payments (including additional amounts, if any) to that US holder provided that the conditions of Section 128F of the Australian Income Tax Assessment Act 1936 are, and continue to be, satisfied. If we were at any time compelled by law to withhold or deduct an amount in respect of any present or future tax or duty imposed, or levied by any Australian taxing authority on a payment (including on any premium payable on redemption of any Capital Securities) we would be required to pay to a US holder additional amounts in respect of the tax or duty (subject, in certain circumstances, to our right to redeem for tax reasons).

If however, a US holder were an Australian resident or that US holder derived payments on the Capital Securities through a permanent establishment or fixed base in Australia, the holder could be subject to Australian income tax on interest or premium comprised by such payments, at normally applicable Australian tax rates.

Dispositions

A US holder would not be liable to Australian capital gains tax on a profit on any sale or other disposition (including redemption) of Capital Securities unless the Capital Securities were held through an Australian permanent establishment or fixed base. Australian income tax would not apply to such a profit unless the profit was income under Australian law (e.g. the profit was derived in the course of a securities trading business), and had an Australian source (determined as a question of fact by reference to factors such as location of the Securities, the business or transaction of which the disposition was part, and of payment) and the US holder could not claim exemption under the Australia/United States income tax convention.

Inheritance Tax

No Australian federal or state inheritance or similar taxes are payable in respect of Capital Securities transmitted by death held by a person who is a US holder at the date of death.

Stamp Taxes

No Australian stamp tax or duty is payable by a US holder on the issue or transfer by delivery of Capital Securities. No such stamp duty or tax is payable by a US holder on the transfer outside Australia by instrument of any Capital Securities so long as the Capital Securities are registered on a register maintained outside Australia, as is required under the Indenture relating to the Capital Securities.

Goods and Services Tax

Australia introduced a Goods and Services Tax (GST) with effect from July 1, 2000.

Our primary financial products qualify as input taxed and therefore GST is not generally added directly to the consumer s price for financial services and products. Consequently, ANZ is not able to claim the input credit for GST paid. Leasing, general insurance and a range of other products are subject to GST like most goods and services. We operate in a number of other countries which have a similar tax to the GST.

Tax Consolidation

Legislation has been enacted to allow Australian resident entities to elect to consolidate and be treated as a single entity for Australian tax purposes. The implementation date for the ANZ tax consolidated group is October 1, 2003.

Calculations at September 30, 2004 have been based on legislation enacted to date. These calculations have resulted in no material adjustment to the consolidated tax expense or consolidated deferred tax balances for the year ended September 30, 2004.

United States Federal Income Taxation

This section describes the material United States federal income tax consequences to a US holder (as defined below) of owning ordinary shares or ADSs. It applies only to persons who hold ordinary shares or ADSs as capital assets for tax purposes.

This section does not apply to any member of a special class of holders subject to special rules, including a dealer in securities, a trader in securities that elects to use a mark-to-market method of accounting for securities holdings, a tax-exempt organization, a life insurance company, a person liable for alternative minimum tax, a person that actually or constructively owns 10% or more of our voting stock, a person that holds ordinary shares or ADSs as part of a straddle or a hedging or conversion transaction, or a US holder (as defined below) whose functional currency is not the US dollar.

This section is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations, published rulings and court decisions all as currently in effect, as well as on the Treaty. These laws are subject to change, possibly on a retroactive basis. In addition, this section is based in part upon the representations of the Depositary and the assumption that each obligation in the Deposit Agreement and any related agreement will be performed in accordance with its terms.

A US holder is a beneficial owner of ordinary shares or ADSs that is a citizen or resident of the United States, a domestic corporation, an estate whose income is subject to United States federal income tax regardless of its source, a domestic partnership, or a trust if a United States court can exercise primary supervision over the trust s administration and one or more United States persons are authorized to control all substantial decisions of the trust.

Holders of ordinary shares or ADSs should consult their own tax advisors regarding the United States federal, state and local and other tax consequences of owning and disposing of ordinary shares and ADSs in their particular circumstances.

This discussion addresses only United States federal income taxation.

In general, and taking into account the earlier assumptions, for United States federal income tax purposes, a holder of ADRs evidencing ADSs will be treated as the owner of the shares represented by those ADRs. Exchanges of shares for ADRs, and ADRs for shares, generally will not be subject to United States federal income tax.

Distributions

A US holder of ordinary shares or ADSs is subject to United States federal income tax on the gross amount of any dividend we pay out of our current or accumulated earnings and profits (as determined under United States federal income tax principles). Dividends paid to a non-corporate US holder in taxable years beginning after December 31, 2002 and before January 1, 2009 that constitute qualified dividend income will be subject to a maximum tax rate of 15% provided that such holder holds the ordinary shares or ADSs for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date and meets other holding period requirements. Dividends we pay with respect to the ordinary shares or ADSs generally will be qualified dividend income.

US holders must include any Australian tax withheld from the dividend payment in their gross income even though they do not in fact receive it. The dividend is taxable when the holder, in the case of ordinary shares, or the Depositary, in the case of ADSs, receives the dividend, actually or constructively. The dividend will not be eligible for the dividends-received deduction generally allowed to United States corporations in respect of dividends received from other United States corporations. The amount of the dividend distribution that a US holder must include in its income will be the US dollar value of the Australian dollar payments made, determined at the spot Australian dollar/US dollar rate on the date the dividend distribution is includible in the holder s income, regardless of whether the payment is in fact converted into US dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the US holder includes the dividend payment in income to the date the US holder converts the payment into US dollars will be treated as ordinary income or loss and will not be eligible for the special tax rate applicable to qualified dividend income. The exchange gain or loss generally will be from sources within the United States for foreign tax credit limitation purposes. Distributions in excess of current and accumulated earnings and profits, as determined for United States federal income tax purposes, will be treated as a non-taxable return of capital to the extent of the US holder s basis in the ordinary shares or ADSs and thereafter as capital gain.

Subject to certain limitations, the Australian tax withheld in accordance with the Treaty and paid over to Australia will be creditable against a US holder s United States federal income tax liability. Special rules apply in determining the foreign tax credit limitation with respect to dividends that are subject to the maximum 15% tax rate. To the extent a refund of the tax withheld is available under Australian law or under the Treaty, the amount of tax withheld that is refundable will not be eligible for credit against a US holder s United States federal income tax liability.

Dividends will be income from sources outside the United States, but generally dividends paid in taxable years beginning before January 1, 2007 will be passive or financial services which in either case is treated separately from other types of income for purposes of computing the foreign tax credit allowable to US holders.

Dispositions

A US holder who sells or otherwise disposes of ordinary shares or ADSs will recognize capital gain or loss for United States federal income tax purposes equal to the difference between the US dollar value of the amount realized and its tax basis, determined in US dollars, in those ordinary shares or ADSs. Capital gain of a non-corporate US holder that is recognized on or after May 6, 2003 and before January 1, 2009 is generally taxed at a maximum rate of 15% where the holder has a holding period greater than one year. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes.

Constitution

The following is a summary of the key aspects of the Constitution.

Objects and purposes

The Company was registered in the state of Victoria, Australia on July 14, 1977 as a public company limited by shares. The Company is registered with the Australian and Securities and Investments Commission (ASIC) and its Australian Business Number is 11 005 357 522. The objects and purposes of the Company are not set out in its Constitution. Under the Corporations Act 2001, the Company has the legal capacity and powers of an individual as well as all powers of a body corporate.

Directors

Our Constitution and the Corporations Act 2001 regulate various matters concerning the directors of the Company:

(a) Matters in which the director has a material personal interest

A director who has a material personal interest in a matter that is being considered at a directors meeting cannot be present while the matter is being considered at the meeting and may not vote on the matter, except in the following four circumstances permitted by the Constitution and the Corporations Act 2001:

directors who do not have a material personal interest in the matter have passed a resolution identifying the relevant director, the nature and extent of the director s personal interest and its relation to the affairs of the Company and stating that the remaining directors are satisfied that the relevant director s material personal interest should not disqualify the director from being present or voting;

ASIC has made a declaration or order under the Corporations Act 2001 which permits the director to be present and vote notwithstanding the director s material personal interest;

there are not enough directors to form a quorum for a directors meeting because of the disqualification of the interested directors, in which event the directors (including directors with a material personal interest in the matter) may call a general meeting to deal with the matter; and

the matter is of a type which the Corporations Act 2001 specifically permits the director to vote upon and to be present at a director s meeting during consideration of the matter notwithstanding the director s material personal interest.

(b) Compensation of directors

The aggregate remuneration of directors is determined by the Company in general meeting. Subject to that maximum aggregate amount, remuneration is to be divided among the directors as they agree on or, in the absence of agreement, equally. The division of remuneration among directors does not require an independent quorum.

(c) Borrowing power exercisable by directors

Under the Constitution, the directors have exclusive power to manage the business of the Company to the exclusion of the members in general meetings, and may exercise all of the powers of the Company that are not required by the Corporations Act 2001, or the Constitution, to be exercised by the Company in general meeting. The general power granted to the directors includes the power to borrow. These powers can only be altered by an amendment to the Company s Constitution, which would need to be approved by a special resolution of the Company s members at a general meeting.

(d) Retirement of directors under an age limit requirement

A director who attains the age of 70 is deemed to have retired from the Company on that day, unless the remaining directors have previously resolved that the director s retirement will occur at a later date. Directors appointed since 1993 have reached an understanding that he/she will not, in normal circumstances, serve as a director beyond 15 years.

(e) Share qualification

Within 2 months after a director is appointed, the director must hold at least 2,000 fully paid ordinary shares in the Company in the director s own right.

Share rights ordinary shares

(a) Dividend rights

Holders of ordinary shares are entitled to receive such dividends as may be declared by the directors from time to time. Dividends that are not claimed are required to be dealt with in accordance with laws relating to unclaimed monies.

Dividends are only payable out of profits of the Company, and a declaration by the directors as to the amount of profits available for payment of a dividend is final and binding on all members. Before paying any dividend, directors must ensure that they are in compliance with Australian prudential standards as to the payments of periodic tier 1 instrument coupon payments out of current year profits - refer Supervision and Regulation section. In addition they may set aside, out of profits of the Company, such reserves as they think proper to be applied at their discretion for any proper purposes, and may carry forward so much of the profits remaining as they consider ought not to be distributed as dividends without transferring those profits to a reserve.

(b) Voting rights

Each ordinary shareholder present at a general meeting (whether in person or by proxy or representative) is entitled to one vote on a show of hands or, on a poll, one vote for each fully paid ordinary share held.

(c) Right to share in profit

In the event of a winding-up of the Company, ordinary shareholders rank after creditors and preference shareholders and are fully entitled to any surplus proceeds on liquidation.

(d) Rights to redemption

Ordinary shareholders have no right to redeem their shares.

(e) Further calls

Holders of fully paid ordinary shares have no liability for further capital calls by the Company. There are no partly paid ordinary shares.

There is no provision of the Constitution that discriminates against any existing or prospective holder of ordinary shares as a result of such shareholder owning a substantial number of shares.

Share rights American depositary shares (ADSs)

Each ADS confers an interest in 5 fully paid ordinary shares in the Company which have been deposited with a depositary or custodian. The rights attaching to each fully paid ordinary share represented by an ADS are the same as the rights attaching to fully paid ordinary shares as described above. These rights are vested in the custodian or depositary as the holder of the fully paid ordinary shares, although holders of American depositary receipts (ADRs), which evidence ADSs, have certain rights against the depositary or custodian under the terms governing the issue of the ADRs.

Share rights TrUEPrS (SM) preference shares

ANZ TrUEPrS were 124,032,000 fully paid non-converting non-cumulative preference shares issued for USD6.25 per share via Trust Securities Issues in 1998.

The Trust Securities were mandatorily exchangeable for the preference shares issued by the Company, and carried an entitlement to a non-cumulative trust distribution of 8.00% or 8.08% per annum payable quarterly in arrears. The Trust Securities were issued by a non-diversified closed end management investment company registered under the US Investment Company Act of 1940. The preference shares themselves carried no present entitlement to dividends. Distributions to investors in the Trust Securities were funded by income distributions made by the Group.

Upon maturity of the Trust Securities in 2048, investors would have mandatorily exchanged the Trust Securities for the preference shares and thereupon the preference shares would have carried an entitlement to non-cumulative dividends of 8.00% or 8.08% per annum payable quarterly in arrears. The mandatory exchange of the Trust Securities for the preference shares could have occurred earlier at the Company s option or in specified circumstances.

With the prior consent of APRA the preference shares were redeemable at the Company s option after 5 years, or within 5 years in limited circumstances. The entitlement of investors to distributions on the Trust Securities would have ceased on redemption of the preference shares.

The transaction costs arising on the issue of these instruments were recognized directly in equity as a reduction of the proceeds of the equity instruments to which the costs related.

On December 12, 2003, the Group bought back its 124,032,000 preference shares issued via Trust Securities Issues for $1,045 million.

ANZ stapled exchangeable preferred securities (ANZ StEPS)

On September 23, 2003, the Company issued 10 million ANZ StEPS at $100 each pursuant to a prospectus dated August 14, 2003 raising $1 billion (excluding issue costs of $13 million: net raising $987 million). ANZ StEPS comprise two fully paid securities - an interest paying unsecured note (issued by ANZ Holdings (New Zealand) Limited, a wholly owned subsidiary of the Company) stapled to a fully paid preference share (issued by the Company).

Distributions on ANZ StEPS are non-cumulative and are payable quarterly in arrears based upon a floating distribution rate equal to the 90 day bank bill rate plus a margin of 100 basis points. At each payment date the 90 day bank bill rate is reset for the next quarter. Distributions are subject to certain payment tests (ie APRA requirements and distributable profits being available) and the basis for their calculation may change on any reset date. Distributions are expected to be payable on 15 March, June, September and December of each year. 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 equal or below the preference share component.

On any reset date, ANZ may change certain terms (subject to certain restrictions) including the next reset date, market reset (from floating rate to a fixed rate, or vice versa), margin and the frequency and timing of the distribution payment dates. The first reset date is September 15, 2008. Holders of ANZ StEPS can require exchange on any reset date or earlier if certain specified events occur. On exchange, a holder will receive (at the Company s discretion) either $100 cash for each ANZ StEPS exchanged or a number of ordinary shares calculated in accordance with a conversion ratio based on $100 divided by the market price of ordinary shares at the date of conversion less 2.5%. In certain circumstances, the Company may also require exchange other than on a reset date.

Upon the occurrence of an Assignment Event, ANZ StEPS become unstapled. In this case, the note will be assigned from the holder, however, the holder will retain the preference share and the rights to exchange the preference share.

The preference shares forming part of ANZ StEPS rank equally with the preference shares issued in connection with other hybrid capital issues by the Group in all respects. Except in certain limited circumstances, holders of ANZ StEPS do not have any right to vote in general meetings of the Company.

On a winding up of the Company, the rights of ANZ StEPS holders will be determined by the preference share component of ANZ StEPS. Those preference shares rank behind all depositors and creditors, but ahead of ordinary shareholders.

The transactions costs arising on the issue of these instruments were recognized directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate.

An Assignment Event means the occurrence of any of the following events:

(a) a Liquidation Event in relation to ANZ Holdings (New Zealand) Limited or ANZ;

(b) a Distribution not being paid in full within 20 Business Days after the relevant Distribution Payment Date;

(c) the Total Capital Adequacy Ratio or Tier 1 Capital Ratio of ANZ (on a Level 1 basis) or the relevant entities within the Group (on a Level 2 or Level 3 basis) falling below APRA s then current requirements for 90 continuous days (or any other period specified by APRA);

(d) ANZ Holdings (New Zealand) Limited no longer being a subsidiary of ANZ;

(e) APRA requiring that an Assignment Event occur;

(f) ANZ choosing to have an Assignment Event occur;

(g) ANZ choosing to Convert or Repurchase ANZ StEPS after the security-holder requires Exchange;

(h) ANZ requiring Exchange; or

(i) September 14, 2053.

Exchange is a process through which the investor receives, at ANZ s choice, a number of Ordinary Shares or $100.00 for each ANZ StEPS. Rights to Exchange are determined by the Preference Share component of the stapled security.

ANZ Hybrid Capital

On November 26, 2003, we issued 1.1 million fully paid preference shares each with a liquidation preference of USD1,000. The preference shares were issued as part of a two tranche structured hybrid capital raising consisting of:

Tranche I: USD350 million 4.484% trust securities with an initial call date of January 15, 2010; and

Tranche II: USD750 million 5.36% trust securities with an initial call date of December 15, 2013.

We used the proceeds of the capital raising for capital management purposes, including to fund a buy-back of all of the preference shares that were components of the TrUEPrS and as part of the acquisition financing with respect to the acquisition of NBNZ.

Each trust security represents a unit , which consists of:

One of our preference shares, which we refer to as the November 2003 Series I preference shares in the case of Tranche I and the November 2003 Series II preference shares in the case of Tranche II; and

USD1,000 principal amount of notes issued by a New Zealand subsidiary wholly owned by the Group, which we have fully and unconditionally guaranteed on a subordinated basis.

The trust securities pay semi-annual distributions on June 15 and December 15 of each year, beginning June 15, 2004. Initially, the notes will make interest payments that fund the distributions payable on the corresponding trust securities, while the preference shares will not pay dividends. At any time in our discretion or upon the occurrence of certain other conversion events , such as the failure of the trusts to pay distributions within seven business days of the relevant distribution payment date or a holder gives us an exchange notice, as described below, the preference shares that are represented by the relevant trust securities will be distributed to holders in redemption of such trust securities and the notes that are represented by the relevant trust securities will be automatically assigned to another wholly owned subsidiary of the Group. The distributed preference shares will become dividend paying and holders will receive non-cumulative dividends equivalent to the scheduled payments in respect of the trust securities for which the preference shares were distributed.

Dividend payments on the preference shares and interest payments on the notes, including payments under our guarantee of the notes, are subject to our having sufficient distributable profits and our complying with APRA requirements. If we do not make a payment when due, subject to certain exceptions, we will not be allowed to make payments on or repurchase any of our securities that rank equal or below the preference shares until we have made two semi-annual dividend payments on the preference shares or have paid an optional dividend, with the approval of APRA. Our obligations in respect of the preference shares and the guarantee of the notes rank senior to our obligations in respect of our ordinary shares, equal to our obligations in respect of ANZ StEPS and any other equally ranking preference shares and junior to all of our other obligations, including our obligations to our creditors and depositors.

Any redemption of the trust securities will require the approval of APRA. With such approval, the trust securities will be redeemed upon the redemption by us of the preference shares, which may occur in whole only prior to the initial call date upon the occurrence of certain tax or regulatory events and in whole or in part at any time on and after the initial call date.

If we do not give a notice of redemption, holders of trust securities may exchange their trust securities for an equivalent amount of our ordinary shares on January 15, 2010, in the case of Tranche I, and December 15, 2013, in the case of Tranche II, and on any subsequent dividend payment date, or earlier in the event that we are acquired by another entity, subject to certain exceptions, or we are subject to certain restrictions because we failed to make a payment when due. To the extent they remain outstanding, both classes of trust securities will automatically be exchanged for our ordinary shares on December 15, 2053. The number of ordinary shares we will issue in exchange for each trust security will be equal to the liquidation preference of the trust security divided by 95% of the simple average of the US equivalent of the volume weighted average sale price of our ordinary shares on each of the 20 trading days immediately prior to the date of exchange.

Holders of the preference shares are typically not entitled to vote at our general meetings. However, holders of the preference shares are entitled to vote together with the holders of our ordinary shares, to the extent that the ordinary shareholders are entitled to vote, on the basis of one vote per preference share on a limited number of matters, including any proposal to wind us up or any proposal to affect the rights attaching to the preference shares. Holders of the trust securities will be required to instruct the trustee how to vote the preference shares.

Since the preference shares will be automatically exchanged into our ordinary shares on December 15, 2053, unless they have been exchanged or redeemed prior to that date, under Australian GAAP they are considered to be debt and have therefore been reported under Loan Capital, and not Shareholders Equity, in our statement of financial position.

The transaction costs arising from the issue of the trust securities have been capitalized and will be amortized as an expense over the period ending on the initial call date of the respective tranche.

ANZ Euro Hybrid Capital

On December 13, 2004, we issued 0.5 million fully paid preference shares each with a liquidation preference of 1,000. The preference shares were issued as part of a structured hybrid Tier 1 capital raising where each trust security represents a unit , which consists of:

One of the 1,000 fully paid preference shares; and,

1,000 principal amount of notes issued by a United Kingdom subsidiary wholly owned by the Group, which we have fully and unconditionally guaranteed on a subordinated basis.

The trust securities pay quarterly non-cumulative distributions in arrears equal to the 3 month EURIBOR rate plus a margin of 66bpts. Distributions will be made on 15 March, June, September and December of each year, beginning March 15, 2005. Initially the notes will make interest payments that fund the distributions payable on the corresponding trust securities, while the preference shares will not pay dividends. After December 15, 2014, the trust securities will pay quarterly non-cumulative distributions in arrears equal to the 3 month EURIBOR rate plus a margin of 166bpts, with the additional 100bpts being funded by the preference shares paying a 1% dividend. At any time in our discretion or upon the occurrence of certain other conversion events , such as the failure of the trust to fully pay a distribution within 7 business days of the relevant distribution payment date or the business day prior to December 15, 2053, the preference shares that are represented by the relevant trust securities will be distributed to holders in redemption of such trust securities and the notes that are represented by the relevant trust securities will be automatically assigned to a branch of the company. The distributed preference shares will immediately become dividend paying and holders will receive non-cumulative dividends equivalent to the scheduled payments in respect of the trust securities for which the preference shares were distributed.

Dividend payments on the preference shares and interest payments on the notes, including payments under the guarantee of the notes, are subject to our having sufficient distributable profits and complying with APRA requirements. If we do not make a payment on the trust securities when due, then a conversion event will occur. If we do not make a payment on the preference shares when due, subject to certain exceptions, we will not be allowed to make payments on or repurchase any of our securities that rank equal or junior to the preference shares, other than proportional payments on the preference shares and other instruments that rank equally with the preference shares, until we have made four consecutive quarterly dividend payments on the preference shares and or the trust securities or have made an optional dividend payment, with the approval of APRA. Our obligations in respect of the preference shares and the guarantee of the notes will rank senior in our winding up to our obligations in respect of our ordinary shares, equal to our obligations in respect of ANZ StEPS and the USD Hybrid Capital, and junior to all other of our obligations, including our obligations to our creditors and depositors.

Any redemption of the trust securities will require the approval of APRA. With such approval, the trust securities will be redeemed upon the redemption by us of the preference shares, which may occur in whole only prior to the initial call date, December 15, 2014, upon the occurrence of certain tax or regulatory events and in whole or in part at any time on or after the initial call date.

Holders of the preference shares are typically not entitled to vote at our general meetings. However, holders of the preference shares are entitled to vote together with holders of other preference shares and our ordinary shares, to the extent that ordinary shareholders are entitled to vote, on the basis of one vote per preference share on a limited number of matters, including any proposal to wind us up or any proposal to affect the rights attaching to the preference shares. In these circumstances holders of the trust securities will be required to instruct the trustee how to vote the preference shares.

Convening of and admission to general meetings

The Board may call a meeting of the Company s shareholders. The directors must call and arrange to hold a general meeting of the Company if requested to do so by shareholders who hold at least 5% of the votes that may be cast at the general meeting or 100 shareholders entitled to vote at a general meeting. Shareholders who hold at least 5% of the votes that may be cast at the general meeting may also call and arrange to hold a general meeting of the Company at their own expense.

At least 28 days notice must be given of a meeting of the Company s shareholders. Written notice must be given to all shareholders entitled to attend and vote at a meeting. All ordinary shareholders are entitled to attend to vote at general meetings of the Company. Voting rights attaching to other classes of shares in the Company are set out above.

The directors may, in accordance with the constitution and the Corporations Act 2001, determine a time before a meeting at which membership in the Company (for the purposes of the meeting) is to be ascertained in respect of holding of shares that are quoted on the stock market of the Australian Stock Exchange.

Limitations on ownership and changes in control

The Constitution does not contain any limitations on the rights to own securities in the Company. However, there are detailed Australian laws and regulations which govern the acquisition of interests in the Company, and a summary of those is set out in item 7 above, Major Shareholders and Related Party Transactions.

The Constitution requires any sale or disposal of the Company s main undertaking to be subject to ratification by the Company in general meeting. Except for that provision, there are no provisions in the constitution which would have the effect of delaying, deferring or preventing a change in control of the Company which would operate only with respect to a merger, acquisition or corporate restructuring involving the Company or its controlled entities.

Constitution provisions governing disclosure of shareholdings

There are no provisions of the Constitution which provide an ownership threshold above which share ownership must be disclosed. However, the Corporations Act 2001 requires a person to disclose certain prescribed information to the Company and the ASX if the person has or ceases to have a substantial holding in the Company. The term substantial holding is defined in the Corporations Act 2001 as 5% or more of the total number of voting shares and is not limited to direct shareholdings.

The Corporations Act 2001 also permits the Company or ASIC to direct any member of the Company to make certain disclosures in respect of their interest in the Company s shares and the interest held by any other person in those shares.

Changes in capital

The Constitution does not make any provision governing changes in the capital of the Company, which is more stringent than is required by Australian law.

Material Contracts

There have been no material contracts entered into during the year by the Group other than the previously reported acquisition of NBNZ Holdings.

Documents on Display

Any public documents referred to in this Annual Report on Form 20-F may be inspected by contacting the Company Secretary on (613) 9273 5555 or in writing to the Company Secretary, 100 Queen Street Melbourne, Victoria, 3000 Australia.

It is possible to read and copy documents referred to in this Annual Report on Form 20-F that have been filed with the Securities and Exchange Commission (SEC) at the SEC s public reference room located at 450 Fifth Street, N.W., Washington DC 20549 or for documents filed after November 4, 2002 on their website at www.sec.gov. Please call the SEC at 1-800-SEC-0330 for further information.

Item 11: Quantitative and Qualitative Disclosures about Market Risk

Risk Management

Market risk is the risk to earnings arising from changes in interest rates, currency exchange rates, or from fluctuations in bond, commodity or equity prices. It also includes the risk that the Group will incur increased interest expense arising from funding requirements during periods of poor market liquidity.

The Board of Directors, through the Risk Management Committee (a Committee of the Board), has responsibility for oversight of market risk within the Group. Routine management of market risk is delegated to two senior management committees chaired by the Chief Financial Officer. The Credit and Trading Risk Committee (CTC) is responsible for traded market risk, while the Group Asset and Liability Committee (GALCO) is responsible for non-traded market risk (or balance sheet risk).

The CTC monitors traded market risk exposures (including Value at Risk and Stress Testing) and is responsible for authorising the trading risk limit framework. The GALCO oversees, reviews and approves hedging strategies for Balance sheet and revenue hedging; reviews and approves capital management activities, and its responsible for authorising the balance sheet risk limit framework.

Derivatives Activities are conducted within the Capital Markets and Foreign Exchange trading businesses for trading purposes; and by Group Treasury for hedging/balance sheet management purposes.

The Value at Risk (VaR) Measure

A key measure of market risk is Value at Risk (VaR). VaR is a statistical estimate of the likely daily loss and is based on historical market movements.

The confidence levels used are such that there is 97.5% or 99% probability that a potential loss will not exceed the VaR estimate on any given day. The 99% confidence level encompasses a wider range of potential outcomes.

The Group s standard VaR approach for both traded and non-traded risk is historical simulation. The Group calculates VaR using historical changes in market rates and prices over the previous 500 business days.

It should be noted that because VaR is driven by actual historical observations, it is therefore not an estimate of the maximum loss that the Group could experience from an extreme market event. As a result of this limitation, the Group utilises a number of other risk measures (eg. stress testing) and associated supplementary Detailed Control Limits to measure and manage traded and non-traded market risk.

Traded and non-traded market risks have been considered separately below.

Traded Market Risk

Trading activities are focused on customer trading, distribution and underwriting of a range of securities and derivative instruments. The principal activities include foreign exchange, interest rate and debt markets. These activities are managed on a global product basis.

Derivatives Activities

The Capital Markets and Foreign Exchange businesses trade in off-balance sheet instruments within the constraints of the Market Risk Trading Policy. ANZ does not actively engage in proprietary trading; however, routine risk taking arising on the back of customer transactions is permitted within specific trading book limit structures.

The Capital Markets business trades in interest rate derivatives (forward rate agreements, swaps, futures, vanilla and exotic options) and credit instruments. The Foreign Exchange businesses trade in spot and forward FX, vanilla and exotic FX options, precious and base metals, soft commodity forwards, futures and options.

The Bank s Traded Market Risk policy establishes guidelines and parameters for off-balance sheet derivative activities.

Credit Derivatives in the Trading Book

Capital Markets trade in credit default swaps (CDS) as part of its credit trading business. Counterparties are limited to banks with internal equivalent of S&P rating A- or above and ANZ-created special purpose vehicles as conduits to managed funds or fund managers where collateral is held.

Reference securities underlying CDS are limited to those issued by Australian and New Zealand registered entities, or those denominated in AUD or NZD where the issuer is registered in other jurisdictions and is rated no worse than S&P BBB/A3. The Trading Book is limited to holding unhedged sold credit derivative positions for 90 days, after which reference entity credit exposures are recorded for the full face value of the CDS (in line with Banking Book credit treatment).

Limit monitoring

Trading limits are independently established and monitored daily by Group Market Risk, within parameters delegated by the Board s Risk Management Committee. In addition to VaR limits, Cumulative Loss Limits and Detailed Control Limits are in place. Detailed Control Limits address risks such as, foreign exchange open positions, Vega and interest rate sensitivities. All limit excesses are reported to management in accordance with delegations contained in the Traded Risk Policy.

Group Market Risk also performs daily stress testing on all trading portfolios. These scenarios measure the potential impact on profit and loss from a series of extreme market moves.

Trading management receives daily reports and commentary of risk exposures for all portfolios - these reports are produced by Group Market Risk. On a monthly basis, Group Market Risk produces a summary report to the CTC that presents risk and financial performance data for all trading areas, along with any other significant issues that warrant discussion. The Board s Risk Management Committee also receives regular reporting and commentary on the risk in the Trading Book.

Below are aggregate VaR exposures covering both derivative and non-derivative trading positions for the Group s principal trading centers.

	As at Sep 04 $m	High for period Sep 04 $m	Low for period Sep 04 $m	Average for period Sep 04 $m	As at Sep 03 $m	High for period Sep 03 $m	Low for period Sep 03 $m	Average period Sep 03 $m
Value at risk at 97.5% confidence								
Foreign exchange	0.5	2.0	0.3	0.7	1.4	2.0	0.3	0.8
Interest rate	1.5	2.1	0.6	1.1	1.1	2.1	0.5	1.0
Diversification benefit	(0.7)	(1.6)	(0.1)	(0.4)	(0.8)	(1.5)	(0.1)	(0.5)
Total	1.3	2.5	0.8	1.4	1.7	2.6	0.7	1.3

	As at Sep 04 $m	High for period Sep 04 $m	Low for period Sep 04 $m	Average for period Sep 04 $m	As at Sep 03 $m	High for period Sep 03 $m	Low for period Sep 03 $m	Average period Sep 03 $m
Value at risk at 99% confidence								
Foreign exchange	0.9	2.8	0.4	1.0	1.6	3.2	0.5	1.3
Interest rate	1.8	2.8	0.8	1.5	1.4	3.0	0.9	1.7
Diversification benefit	(0.9)	(2.2)	(0.2)	(0.6)	(0.8)	(2.6)	(0.4)	(0.9)
Total	1.8	3.4	1.0					