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

2005

US Form 20-F

Annual Report

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

United States Securities and Exchange Commission

Washington, D.C. 20549

Form 20-F

(Mark One)

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

or

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

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

for the transition period from to

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

Commission file number 0-18262

Australia and New Zealand Banking Group Limited

(Exact name of registrant as specified in its charter)

Victoria, Australia

(Jurisdiction of incorporation or organization)

100 Queen Street, Melbourne, VICTORIA, 3000, AUSTRALIA

(Address of principal executive offices)

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

Title of each class	Name of each exchange on which registered

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

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

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

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

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

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

Yes ý No o

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

Item 17 o Item 18 ý

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

Yes o No ý

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

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

Yes o No o

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

Form 20-F Registration Statement

Forward-Looking Statements

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

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

Item 1: Identity of Directors, Senior Management and Advisors

Not applicable.

Item 2: Offer Statistics and Expected Timetable

Not applicable.

Item 3: Key Information

Selected Financial Data

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

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

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

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

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

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

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

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

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

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

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

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

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(1) Excludes outside equity interest.

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

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

(4) Includes significant items detailed on page 29.

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

(6) Excludes preference shares.

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

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

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

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

(2) Net of unearned income.

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

Risk Factors

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

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

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

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

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

Regulatory changes may adversely impact ANZ s results

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Litigation and contingent liabilities may adversely impact our results

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

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

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

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

Acquisition risk may adversely impact ANZ s results

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

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

Currency of Presentation, Exchange Rates and Certain Definitions

Currency of Presentation

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

Exchange Rates

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

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

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

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

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

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

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

Certain Definitions

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

Item 4: Information on the Company

Overview

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

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

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

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

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

Principal activities of divisions

Personal

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

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

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

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

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

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

Institutional

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

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

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

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

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

New Zealand Businesses

New Zealand Businesses include:

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

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

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

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

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

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

Corporate

Corporate includes

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

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

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

Esanda and UDC

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

Asia Pacific

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

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

Group Center

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

Organization Structure Changes

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

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

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

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

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

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

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

Subsidiaries, Associates and Joint Venture

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

Property

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

Research and Development, Patents, Licences

Not applicable.

Capital Expenditure and Divestitures

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

Our Strategic Direction

Our aspiration

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

Our values

Underpinning the way ANZ operates are our core values:

- Put our customers first
- Perform and grow to create value for our shareholders
- Lead and inspire each other
- Earn the trust of the community
- Breakout, be bold and have the courage to be different.

Our Strategic Priorities

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

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

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

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

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

Our platform for growth

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

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

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

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

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

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

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

Generating Sustainable Momentum

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

Our fir