2004

GROWTH PERFORMANCE SUSTAINABILITY

FINANCIAL REPORT

2004 ANZ FINANCIAL REPORT

FINANCIAL REPORT

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DIRECTORS' REPORT

The directors present their report together with the Financial Report of the consolidated entity (the Group), being Australia and New Zealand Banking Group Limited (the Company) and its controlled entities, for the year ended 30 September 2004 and the Auditors' Report thereon. The information is provided in conformity with the Corporations Act 2001.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year were general banking, mortgage lending, leasing, hire purchase and general finance, international and investment banking, nominee and custodian services, executor and trustee services and through its joint venture ING Australia Limited (INGA) and ANZ National Bank Limited, life insurance and wealth management.

There has been no significant change in the nature of the principal activities of the Group during the financial year.

At 30 September 2004, the Group had 1,190 points of representation.

RESULT

› Profit - Consolidated net profit after income tax attributable to shareholders of the Company was $2,815 million, an increase of 20% over the prior year.

› Net loans and advances increased by 37% from $149,465 million to $204,962 million, primarily due to the acquisition of National Bank of New Zealand (NBNZ) and growth in mortgage lending and commercial lending in Australia.

› Deposits and other borrowings increased by 35% from $124,494 million to $168,557 million primarily due to the acquisition of NBNZ and to fund asset growth.

› The provision for doubtful debts has been determined using economic loss provisioning (ELP) and is based on the Group's risk management models. The ELP charge increased 3% from $614 million to $632 million, including $62 million relating to NBNZ. The current charge reflects a decrease in the ELP rate over the year in line with the Group's improving risk profile. This is as a result of growth in low risk domestic assets (principally mortgages), the acquisition of NBNZ, the continued risk reduction strategy covering the overseas portfolio and high risk assets, and a lower Corporate Centre charge reflecting lower unexpected offshore losses. ANZ's ELP models recognise that the general provision balance must be regularly reviewed, and in rare situations, increased to cover unusual events. The balance is at an appropriate level.

› Net specific provisions were $443 million, down $84 million from the prior year. Gross non-accrual loans decreased to $829 million, down from $1,007 million, or 0.4%, down from 0.7%, of net loans and advances. The reductions reflect the strategy to reduce risk in overseas portfolios (not including New Zealand).

Further details are contained in the Chief Financial Officer's review on pages 12 to 19 of the 2004 Annual Report.

STATE OF AFFAIRS

In the directors' opinion, there have been no significant changes in the state of affairs of the Group during the financial year, other than:

› **Acquisition of the National Bank of New Zealand (NBNZ)** - On 24 October 2003, the Company announced it had entered into an agreement to acquire NBNZ and the acquisition was completed on 1 December 2003. On 26 June 2004, NBNZ was amalgamated with ANZ Banking Group (New Zealand) Limited to create ANZ National Bank Limited.

› **Funding of NBNZ acquisition** -

› Renounceable Rights Issue - In November/December 2003, the Company issued 276,847,766 ordinary shares by way of a 2 for 11 "Renounceable Rights Issue" at $13 per share in the Company, raising $3,562 million (net of issue costs).

› US Stapled Trust Security Issue - On 27 November 2003, the Company raised USD1.1 billion via the issue of non-cumulative stapled trust securities, to support the capital and funding base of the Group.

› **Trust Securities Issues (TrUEPrS)** - On 12 December 2003, the Company bought back its 124,032,000 TrUEPrS that were issued at USD6.25 per share in 1998. Further details are included on page 63 of this 2004 Financial Report.

› **Reduction of Risk** - The Company has been actively reducing the overall risk profile of the Group. Net specific provisions of $443 million were down 16% compared to the prior year. This was below the amount accrued for doubtful debts in the Statement of Financial Performance of $632 million.

Further review of matters affecting the Group's state of affairs is also contained in the 2004 Annual Report under the Chairman's Report on pages 8 to 9, the Chief Executive Officer's Report on pages 10 to 11 and the Chief Financial Officer's Review on pages 12 to 19.

DIVIDENDS

The directors propose that a final fully franked dividend of 54 cents per fully paid ordinary share be declared on 15 November 2004 and be paid on 17 December 2004. The proposed payment amounts to approximately $983 million.

During the financial year, the following fully franked dividends were paid on fully paid ordinary shares:

Type	Cents per share	Amount before bonus options $m	Date of payment
Final 2003	51	777	19 December 2003
Interim 2004	47	850	1 July 2004

REVIEW OF OPERATIONS

A review of the operations of the Group during the financial year and the results of those operations are contained in the Chairman's Report, the Chief Executive Officer's Report, and the Chief Financial Officer's Review and Business Performance on pages 8 to 9, 10 to 11, 12 to 19 and 34 to 37 respectively of the 2004 Annual Report.

EVENTS SINCE THE END OF THE FINANCIAL YEAR

› Merger of ANZ's trustee business announced with Equity Trustees Limited (announced 12 October 2004);

› On-market share buyback of at least $350 million pending regulatory approval for a new offshore hybrid equity transaction (announced 26 October 2004); and

› Sale of London-headquartered project finance activities (announced 26 October 2004).

Other than the items above (these are further described in note 9 of the Concise Report to the 2004 Annual Report on page 86 and note 58 of this Financial Report), no matter or circumstance has arisen between 30 September 2004 and the date of this report that has significantly affected or may significantly affect the operations of the Group in future financial years, the results of those operations or the state of affairs of the Group in future years.

FUTURE DEVELOPMENTS

Details of likely developments in the operations of the Group in future financial years are contained in the Chairman's Report and the Chief Executive Officer's Report contained in the 2004 Annual Report. In the opinion of the directors, disclosure of any further information would be likely to result in unreasonable prejudice to the Group.

ENVIRONMENTAL REGULATION

The operations of the Group are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory. However, the operations of the Group may become subject to environmental regulation when enforcing securities over land. ANZ has developed policies to appropriately manage such environmental risks. ANZ has not incurred any environmental liabilities during the year. Further information on ANZ's environmental framework and practices can be found in the 2004 Annual Report on pages 38 to 39 and on anz.com.

DIRECTORS' QUALIFICATIONS AND EXPERIENCE

From 1 October 2003 to 31 January 2004, the Board was comprised of seven non-executive directors. Three new non-executive director appointments were made in 2004: Dr Greg Clark on 1 February 2004; and Mr David Meiklejohn and Mr John Morschel on 1 October 2004. These new appointees will be retiring and seeking election at the 2004 Annual General Meeting. Information about these directors is included in the Notice of Annual General Meeting.

At the date of this report, the Board comprises ten non-executive directors who have a diversity of business and community experience and one executive director, the Chief Executive Officer, who has extensive banking experience. The names of directors and details of their qualifications and experience are contained on pages 42, 43 and 47 of the 2004 Annual Report and on anz.com.

Special responsibilities and attendance at meetings by directors, are shown on page 51 of the 2004 Annual Report.

For those directors in office at 30 September 2004, details of the directorships of other listed companies held by each director in the 3 years prior to the end of the 2004 financial year are listed in the 2004 Annual Report on pages 42 and 43.

COMPANY SECRETARIES' QUALIFICATIONS AND EXPERIENCE

Currently there are three people appointed as Company Secretary of the Company.

Details of their roles are contained on page 51 of the 2004 Annual Report. Their qualifications are as follows:

› Tim L'Estrange, LLB, BCom, ANZ Group General Counsel and Company Secretary

Mr L'Estrange has a long-standing legal career spanning 25 years. He has significant experience in corporate law. Mr L'Estrange joined ANZ in 2003. Prior to ANZ, he worked closely with Boards and senior management of major corporations, banks and financial institutions. Mr L'Estrange was the National Executive Partner, Litigation and Dispute Resolution of Allens Arthur Robinson and a member of the Board of Management of that firm. He was also Managing Partner of Allen Allen & Hemsley.

› Peter Marriott, BEc (Hons), ANZ Chief Financial Officer.

Mr Marriott has been involved in the finance industry for more than 20 years. Mr Marriott joined ANZ in 1993. Prior to his career at ANZ, Mr Marriott was a Partner in the Melbourne office of the then KPMG Peat Marwick. He is a Fellow of a number of professional organisations including the Institute of Chartered Accountants in Australia and the Australian Institute of Banking and Finance. He is also a Member of the Australian Institute of Company Directors.

› John Priestley, BEc, LLB, ANZ Deputy General Counsel and Company Secretary.

Mr Priestley, a qualified lawyer, joined ANZ in 2004. Prior to ANZ, he had a long career with the Mayne Group as Company Secretary and Group General Manager, Corporate Services responsible for the legal, company secretarial, compliance and insurance functions.

NON-AUDIT SERVICES

The Company's Relationship with External Auditor Policy states that the external auditor may not provide services that are perceived to be in conflict with the role of the auditor. These include consulting advice and sub-contracting of operational activities normally undertaken by management, and engagements where the auditor may ultimately be required to express an opinion on its own work.

Specifically the policy:

› Limits the non-audit services that may be provided;

› Requires that audit and permitted non-audit services must be pre-approved by the Audit Committee, or pre-approved by the Chairman of the Audit Committee and notified to the Audit Committee; and

› Requires the external auditor to not commence an audit engagement for the Group, until the Group has confirmed that the engagement has been pre-approved.

The Audit Committee has reviewed a summary of non-audit services provided by the external auditor for 2004, and has confirmed that the provision of non-audit services for 2004 is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. This has been formally advised to the Board of Directors.

The external auditor has confirmed to the Audit Committee that they have complied with the Company's Relationship with External Auditor Policy on the provision of non-audit services by the external auditor for 2004.

The non-audit services supplied by the Group's external auditor, KPMG, and the amount paid or payable by type of non-audit service during the year to 30 September 2004 are as follows:

Non-audit service	Amount paid/payable $'000
Co-sourced internal audit services[1]	1,260
Tax compliance and related services	628
Controls and process reviews	249
Review of the non-cumulative US Stapled Trust Securities issue	219
NBNZ due diligence oversight	420
Sarbanes-Oxley and International Financial Reporting Standard matters	335
Accounting advice	170
Securitisation review	128
Review of capital raising circulars	73
Other	157
Total	**3,639**

1 The work performed by KPMG was independent of the external audit team and management

The directors are satisfied that the provision of non-audit services by the external auditor during the year to 30 September 2004 is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

AUDITOR'S INDEPENDENCE DECLARATION

The Company's lead auditor has provided a written declaration under Section 307C of the Corporations Act 2001 that to the best of his knowledge and belief, there have been no contraventions of:

› the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

› the applicable Australian code of professional conduct in relation to the audit.

A copy of this declaration is detailed on page 88 of the 2004 Annual Report. This declaration is incorporated in and forms part of the Directors' Report.

DIRECTORS AND OFFICERS WHO WERE PREVIOUSLY PARTNERS OF THE AUDITOR

The following persons are currently officers of the Group and were partners of KPMG at a time when KPMG was the auditor of Australia and New Zealand Banking Group Limited:

› **Ms Margaret Jackson**, Non-executive Director (left KPMG in June 1992);

› **Mr Peter Marriott**, Chief Financial Officer (left KPMG in January 1993).

CEO/CFO DECLARATION

The Chief Executive Officer and the Chief Financial Officer have given a declaration to the Board concerning the Group's financial statements under section 295A(2) of the Corporations Act 2001 and recommendations 4.1 and 7.2 of the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations.

DIRECTORS' AND OFFICERS' INDEMNITY

The Company's Constitution (Rule 11.1) permits the Company to indemnify each officer or employee of the Company against liabilities (so far as may be permitted under the Corporations Act 2001) incurred in the execution and discharge of the officer's or employee's duties.

It is the Company's policy that its employees should not incur any liability for acting in the course of their employment legally, within the policies of the Company and provided they act in good faith.

Under the policy, the Company will indemnify employees against any liability they incur in carrying out their role. The indemnity protects employees and former employees who incur a liability when acting as an employee, trustee or officer of the Company, or a subsidiary of the Company at the request of the Company.

The indemnity is subject to the Corporations Act 2001 and will not apply in respect of any liability arising from:

› a claim by the Company;

› a claim by a related body corporate;

› a lack of good faith;

› illegal or dishonest conduct; or

› non compliance with the Company's policies or discretions.

The Company has entered into Deeds of Access, Insurance and Indemnity with each of its directors and secretaries and with certain employees and certain other individuals who act as directors of related body corporates or of another company. To the extent permitted by law, the Company indemnifies the individual for all liabilities, including costs, damages and expenses incurred in their capacity as an officer of the company to which they have been appointed.

The Company has indemnified the trustees and former trustees of certain of the Company's superannuation funds and directors, former directors, officers and former officers of trustees of various Company sponsored superannuation schemes in Australia. Under the relevant Deeds of Indemnity, the Company must indemnify each indemnified person if the assets of the relevant fund are insufficient to cover any loss, damage, liability or cost incurred by the indemnified person in connection with the fund, being loss, damage, liability or costs for which the indemnified person would have been entitled to be indemnified out of the assets of the fund in accordance with the trust deed and the Superannuation Industry (Supervision) Act 1993. This indemnity survives the termination of the fund. Some of the indemnified persons are or were directors or executive officers of the Company.

The Company has also indemnified certain employees of the Company, being trustees and administrators of a trust which is a subsidiary entity, from and against any loss, damage, liability, tax, penalty, expense or claim of any kind or nature arising out of or in connection with the creation, operation or dissolution of the trust, where they are acting in good faith and in a manner that they reasonably believed to be within the scope of the authority conferred by the trust.

Except for the above, neither the Company nor any related body corporate of the Company has indemnified or made an agreement to indemnify any person who is or has been an officer or auditor of the Company or of a related body corporate.

During the financial year, and again since the end of the financial year, the Company has paid a premium for an insurance policy for the benefit of the directors, secretaries, and senior managers of the Company, and directors, secretaries and senior managers of related bodies corporate of the Company. In accordance with common commercial practice, the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

DIRECTORS' AND EXECUTIVE OFFICERS' REMUNERATION POLICY

Details of ANZ's remuneration policy in respect of the directors and executive officers is detailed in the Remuneration Report on pages 54 to 71 of the 2004 Annual Report and pages 6 to 23 of this Financial Report. Details of the remuneration paid to each non-executive director, the Chief Executive Officer and other specified executives are detailed in the Remuneration Report. The Remuneration Report is incorporated in and forms part of this Directors' Report.

DIRECTORS' SHAREHOLDINGS

The directors' shareholdings, both beneficial and non-beneficial, as at the date of this report in the shares of the Company are detailed in the Remuneration Report.

EXECUTIVE OFFICERS' SHARE OPTIONS

Details of share options issued over un-issued shares granted to the Chief Executive Officer, senior executives and officers, and on issue as at the date of this report are detailed in the Remuneration Report and note 50 to this 2004 Financial Report.

No person entitled to exercise any option has or had, by virtue of an option, a right to participate in any share issue of any other body corporate. The names of all persons who currently hold options are entered in the register kept by the Company pursuant to section 170 of the Corporations Act 2001. This register may be inspected free of charge.

ROUNDING OF AMOUNTS

The Company is a company of the kind referred to in Australian Securities and Investments Commission class order 98/100 dated 10 July 1998 (as amended) pursuant to section 341(1) of the Corporations Act 2001. As a result, amounts in this Financial Report have been rounded to the nearest million dollars except where otherwise indicated.

Signed in accordance with a resolution of the directors.

Charles Goode
Director

John McFarlane
Chief Executive Officer

4 November 2004

REMUNERATION REPORT

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SECTION A. REMUNERATION TABLES

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

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

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

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

3 Non-monetary benefits for all directors are nil

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION B. NON-EXECUTIVE DIRECTORS' REMUNERATION

B1. NON-EXECUTIVE DIRECTORS' REMUNERATION POLICY

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

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

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

The fee structure is illustrated in the table below:

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

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

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

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

B2. NON-EXECUTIVE DIRECTORS' RETIREMENT POLICY

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

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

B3. DIRECTORS’ SHARE PLAN

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

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

SECTION C. REMUNERATION STRUCTURE

C1. EXECUTIVE REMUNERATION PHILOSOPHY AND OBJECTIVES

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

The following philosophies underpin ANZ's reward policy:

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

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

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

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

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

C2. COMPENSATION COMMITTEE

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

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

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

C3. REMUNERATION STRUCTURE OVERVIEW

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

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

The program comprises the following components:

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

› Variable or "at risk" component:

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

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

C4. FIXED REMUNERATION

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

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

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

C5. VARIABLE REMUNERATION

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

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

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

C5.1 Short-term Incentives

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

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

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

- › Change in Economic Value Added (EVA™);
- › Customer Satisfaction;
- › Employee Engagement;
- › Risk Management; and
- › Compliance.

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

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

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

STI deferred shares have the following conditions attached:

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

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

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

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

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

C5.2 Long-term Incentives

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

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

› Options; and

› Deferred Shares.

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

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

C5.2.1 Options

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Hurdled options (to be granted from November 2004)

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

Comparator Group

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

C5.2.2 Deferred Shares (LTI)

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

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

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

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

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

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

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

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

C6. PERFORMANCE OF ANZ

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

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

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

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

C7. OTHER EMPLOYEE SHARE SCHEME

$1,000 Employee Share Acquisition Plan

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

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

SECTION D. CHIEF EXECUTIVE OFFICER'S REMUNERATION

D1. CEO REMUNERATION OVERVIEW

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

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

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

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

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

D2. CEO'S CONTRACT TERMS

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

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

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

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

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

D3. CEO'S RETIREMENT AND TERMINATION BENEFITS

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

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

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

D4. ALLOCATION OF PERFORMANCE SHARES (DECEMBER 2004)

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

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

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

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

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

D5. CEO'S PARTICIPATION IN EQUITY PROGRAMS

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

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

SECTION E. SPECIFIED EXECUTIVES' CONTRACT TERMS

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

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

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

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

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

E2. FIXED TERM CONTRACT (SIR J ANDERSON)

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

E3. PARTICIPATION IN EQUITY PROGRAMS

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

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

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

SECTION F. EQUITY INSTRUMENTS RELATING TO DIRECTORS AND SPECIFIED EXECUTIVES

F1. SHAREHOLDINGS OF NON-EXECUTIVE DIRECTORS

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

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

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

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

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

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

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

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

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

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

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

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

4 Refers to rights arising from the Renounceable Rights Issue that partly funded the acquisition of NBNZ. All ANZ shareholders were eligible to purchase 2 new ordinary shares for every 11 existing ordinary shares registered in their name as at 31 October 2003. Amounts shown include directly held rights, nominally held rights and rights held by personally related entities

5 945,145 shares were held nominally as at 30 September 2004

6 This also represents the Chief Executive Officer's relevant interest in shares as required by the Corporations Act 2001

F3. OPTIONS GRANTED TO CEO DURING THE YEAR[1]

Type of options[2]	Grant date	Number granted during the year	Value per option at grant date[3] $	Exercise price[4] $	Date exercisable	Expiry date
Hurdled (CEO)	31 Dec 03	1,000,000	2.11	17.48	31 Dec 05	31 Dec 08[5]

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

2 One half of the options may be exercised only if the ANZ TSR calculated over the period commencing on the grant date and ending on the last day of any month after the second anniversary of their grant date exceeds the percentage change in the S&P/ASX 200 Banks (Industry Group) Accumulation Index over that same period; and the other half of the options may be exercised only if the ANZ TSR calculated over the relevant period exceeds the percentage change in the S&P/ASX 100 Accumulation Index over that same period

3 Refer to section F8 for details of the valuation methodology and inputs

4 The exercise price is equal to the weighted average share price during the 5 trading days immediately after the Company's 2003 Annual General Meeting

5 Treatment of options on termination of employment is explained in section D3

F4. OPTION HOLDINGS OF CEO (INCLUDING MOVEMENTS DURING THE YEAR)[1,2]

Balance as at 1 Oct 03	Granted during the year as remuneration	Exercised during the year	Date of exercise of options	Number of ordinary shares issued on exercise of options	Share price on date of exercise $	Amount paid per share $	Balance as at 30 Sep 04	Number vested during the year	Vested and exercisable as at 30 Sep 04
2,750,000	1,000,000	750,000	1 Jul 04	100,000	18.17	14.06	3,000,000	1,250,000	500,000
			2 Jul 04	650,000	18.14	14.06			

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

2 This table does not include the 225,807 rights arising from the Renounceable Rights Issue that partly funded the acquisition of NBNZ. All ANZ shareholders were eligible to purchase 2 new ordinary shares for every 11 existing shares registered in their name as at 31 October 2003. The CEO chose to exercise all of his rights on 28 November 2003

F5. DEFERRED SHARES GRANTED TO SPECIFIED EXECUTIVES DURING THE YEAR

Name	Type of deferred share[1]	Number of deferred shares granted Nov 03[2]	Value of deferred shares granted Nov 03[3] $	Number of deferred shares granted May 04[4]	Value of deferred shares granted May 04[3] $	Number of other deferred shares granted during the year	Value of other deferred shares granted during the year $
Sir J Anderson (app 1 Dec 2003)[5]	Other	–	–	–	–	55	991
Dr RJ Edgar	STI	6,781	118,982	7,683	140,073	–	–
	LTI	33,889	594,627	8,452	154,093	–	–
E Funke Kupper	STI	7,636	133,984	7,052	128,569	–	–
	LTI	6,838	119,982	6,256	114,056	–	–
BC Hartzer	STI	7,322	128,474	7,244	132,069	–	–
	LTI	7,408	129,983	7,135	130,082	–	–
PJO Hawkins	STI	7,123	124,982	6,860	125,068	–	–
	LTI	7,522	131,983	6,586	120,073	–	–
PR Marriott	STI	7,978	139,985	9,604	175,096	–	–
	LTI	9,573	167,971	9,275	169,097	–	–
S Targett (app 5 May 2004)[6]	Other	–	–	–	–	38,419	700,437

1 Deferred shares issued as STI shares are granted under the ANZ Short-Term Incentive program. Deferred shares issued as LTI shares are granted under the ANZ Long-Term Incentive program. The shares are restricted for 3 years and may be held in trust for up to ten years. Refer to section C5 for more details

2 Shares granted in November 2003 were in relation to incentives earned for the half year ended 30 September 2003

3 The value per share used in this calculation is the volume weighted average price of the Company's shares traded on the ASX on the day the shares were granted

4 Shares granted in May 2004 were in relation to incentives earned for the half year ended 31 March 2004

5 Other shares issued (3 March 2004) to Sir J Anderson during the year relates to the $1,000 Employee Share Acquisition Plan. Refer to section C7 for further details

6 Other shares issued to S Targett relates to the issue of deferred shares (four tranches of $700,000 to be issued at 6 month intervals in approximately April and October each year, subject to Board approval and continuing employment) to compensate S Targett for the loss of access to equity as a result of his resignation from his previous employer

F6. AGGREGATE SHAREHOLDINGS OF SPECIFIED EXECUTIVES

Name	Balance of shares as at 1 Oct 03[1]	Shares granted during the year as remuneration[2]	Number of shares acquired during the year through the exercise of options	Shares acquired during the year through the exercise of rights[3]	Other shares acquired during the year[4]	Total number of shares sold during the year	Balance of shares held as at 30 Sep 2004[1,5]	Number vested during the year
Sir J Anderson (app 1 Dec 2003)	–	55	11,967	–	–	–	12,022	–
Dr RJ Edgar	255,114	50,024	95,000	37,295	6,781	60,000	384,214	25,482
E Funke Kupper[6]	157,051	20,146	365,000	175	7,636	365,000	185,008	44,979
BC Hartzer	75,148	21,787	60,000	13,665	7,781	99,335	79,046	27,072
PJO Hawkins	1,149,754	20,968	170,000	209,048	7,123	170,000	1,386,893	41,462
PR Marriott	539,989	28,452	250,000	460	8,966	150,000	677,867	40,381
S Targett (app 5 May 2004)	–	38,419	–	–	–	–	38,419	–

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

2 STI shares granted on 5 November 2003 have not been included in these figures as they related to the half year ended 30 September 2003. Instead, these shares have been reflected in the "Other shares acquired during the year" column

3 Refers to rights arising from the Renounceable Rights Issue that partly funded the acquisition of NBNZ. All ANZ shareholders were eligible to purchase 2 new ordinary shares for every 11 existing ordinary shares registered in their name as at 31 October 2003. Amounts pertaining to the rights issue include directly held rights, nominally held rights, and rights held by personally related entities

4 Other shares acquired include those acquired through the Dividend Reinvestment Plan and STI shares granted on 5 November 2003 in relation to the half year ended 30 September 2003

5 The following shares were held nominally as at 30 September 2004: Sir J Anderson - 55; RJ Edgar - 180,991; E Funke Kupper - 183,224; BC Hartzer - 69,480; PJO Hawkins - 233,821; PR Marriott - 230,817; S Targett - 38,419

6 Amounts shown do not include ANZ Stapled Exchangeable Preferred Securities (ANZ StEPS). E Funke Kupper held 500 ANZ StEPS as at 1 October 2003; this holding remained unchanged up to and including 30 September 2004

F7. OPTIONS GRANTED TO SPECIFIED EXECUTIVES DURING THE YEAR

Name	Type of options[1]	Number granted during the year[2]	Grant date	Value per option at grant date[3] $	Exercise price $	Date exercisable	Expiry date[4]
Sir J Anderson (app 1 Dec 2003)	Zero priced[5]	11,967	11 May 04	18.23	–	11 May 04	10 May 06
Dr RJ Edgar	Hurdled	66,666	5 Nov 03	2.34	17.55	5 Nov 06	4 Nov 10
	Hurdled	63,115	11 May 04	2.44	18.22	11 May 07	10 May 11
E Funke Kupper	Hurdled	51,282	5 Nov 03	2.34	17.55	5 Nov 06	4 Nov 10
	Hurdled	46,722	11 May 04	2.44	18.22	11 May 07	10 May 11
BC Hartzer	Hurdled	55,555	5 Nov 03	2.34	17.55	5 Nov 06	4 Nov 10
	Hurdled	53,279	11 May 04	2.44	18.22	11 May 07	10 May 11
PJO Hawkins	Hurdled	56,410	5 Nov 03	2.34	17.55	5 Nov 06	4 Nov 10
	Hurdled	49,181	11 May 04	2.44	18.22	11 May 07	10 May 11
PR Marriott	Hurdled	71,794	5 Nov 03	2.34	17.55	5 Nov 06	4 Nov 10
	Hurdled	69,263	11 May 04	2.44	18.22	11 May 07	10 May 11
S Targett (app 5 May 2004)	Hurdled	307,337	11 May 04	2.44	18.22	11 May 07	10 May 11

1 For Hurdled options, the following performance hurdles apply: one half of the options may be exercised only if the ANZ TSR calculated over the period commencing on the date of grant and ending on the last day of any month after the Date exercisable exceeds the percentage change in the S&P/ASX 200 Banks (Industry Group) Accumulation Index over that same period; and the other half of the options may be exercised only if the ANZ TSR calculated over the relevant period exceeds the percentage change in the S&P/ASX 100 Accumulation Index over that same period. Refer to section C5.2.1 for further information

2 No additional options were granted in the period up to and including 4 November 2004

3 Refer to section F8 for details of the valuation methodology and inputs

4 Treatment of options on termination of employment is explained in section E

5 Zero priced options are granted under the ANZ Share Option Plan and have a nil exercise price and no time-based vesting criteria. They are specifically designed to deliver equity to Sir J Anderson, and were issued to meet the particular needs and circumstances at the time of the acquisition of NBNZ

F9. AGGREGATE OPTION HOLDINGS OF SPECIFIED EXECUTIVES (INCLUDING MOVEMENTS DURING THE YEAR)

Name	Type	Balance as at 1 Oct 03	Granted during the year as remuneration	Allocation of rights arising from renounceable rights issue
Sir J Anderson (appointed 1 Dec 2003)	Zero-priced[1]	–	11,967	n/a
	Index-Linked	272,000	–	
Dr RJ Edgar	Hurdled	170,000	129,781	
	Rights[2]	n/a	n/a	46,386
	Index-Linked	250,000	–	
E Funke Kupper	Hurdled	499,000	98,004	
	Rights[2]	n/a	n/a	28,557
BC Hartzer	Index-Linked	222,000	–	
	Hurdled	247,000	108,834	
	Rights[2]	n/a	n/a	13,665
PJO Hawkins	Index-Linked	183,000	–	
	Hurdled	381,000	105,591	
	Rights[2]	n/a	n/a	209,048
PR Marriott	Index-Linked	311,000	–	
	Hurdled	668,000	141,057	
	Rights[2]	n/a	n/a	98,185
	Other[3]	11,000	–	
S Targett (appointed 5 May 2004)	Hurdled	n/a	307,337	n/a

1 Zero priced options first granted in May 2004, and specifically designed to deliver equity to Sir J Anderson. These options are granted under the ANZ Share Option Plan and have a nil exercise price and no time-based vesting criteria. They were issued to meet the particular needs and circumstances at the time of the acquisition of NBNZ

2 Refers to rights arising from the Renounceable Rights Issue that partly funded the acquisition of NBNZ. All ANZ Shareholders were eligible to purchase 2 new ordinary shares for every 11 existing ordinary shares registered in their name as at 31 October 2003. Amounts shown include directly held rights, nominally held rights and rights held by personally related entities

3 Other refers to share options granted to a personally related entity

F8. OPTIONS VALUATIONS

For options granted in the current year, valuations have been determined in accordance with the fair value measurement provisions of Accounting Standards AASB 1046 and 1046A. The following table outlines the general assumptions used in the option pricing model.

Option type	Grant date	Option value[1] $	Exercise price (5 day VWAP) $	Share price at grant $	ANZ expected volatility[2]	Option term	Vesting period	Expected life	Expected dividends[3]	Risk free interest rate[4]
Hurdled	5 Nov 03	2.34	17.55	17.13	20.50%	7 years	3 years	5 years	5.00%	5.80%
Hurdled	11 May 04	2.44	18.22	18.10	19.00%	7 years	3 years	5 years	5.40%	5.97%
Hurdled (CEO)	31 Dec 03	2.11	17.48	17.68	20.00%	5 years	2 years	3.5 years	5.50%	5.56%
Zero-priced	11 May 04	18.23	0	n/a	n/a	2 years	0 years	n/a	n/a	n/a

1 The Binomial Option Pricing Model ("the model") is used to assess the value of ANZ's options (other than zero-priced options, for which the value is the volume weighted average price of the Company's shares traded on the ASX on the day of the options were granted). The model utilises probability theory to determine the value of an ANZ option based on likely share prices at the expiry date of the option. In accordance with AASB 1046 and 1046A, the model reflects both the performance hurdles that currently apply to the Hurdled Options and the non-transferability of the options. Under the terms of the Options, the hurdle conditions (outlined in section C5.2.1) must be met before the options may be exercised during the exercise period

2 Expected volatility represents a measure of the amount by which ANZ's share price is expected to fluctuate over the life of the options. The measure of volatility used in the model is the annualised standard deviation of the continuously compounded rates of return on the historical share price over a defined period of time preceding the date of grant. This historical average annualised volatility is then used to estimate a reasonable expected volatility over the expected life of the options

3 In estimating the fair value of the ANZ option grant, expected dividends were included in the application of the model. The expected dividend yield applied to the model was based on an analysis of ANZ's historical dividend payments and yields

4 The risk-free interest rate is based on the implied yield currently available on zero-coupon bonds issued by the Australian government, with a remaining term equal to the expected life of ANZ's options

Exercised during the year	Date of exercise of options	Sale of rights arising from the renounceable rights issue	Share price on date of exercise of options including rights $	Amount paid per share $	Balance as at 30 Sep 04	Total number vested during the year	Vested and exercisable as at 30 Sep 04
11,967	11 May 04		18.10	0.00	–	11,967	–
–	n/a			n/a	272,000	–	–
60,000	7 Jan 04		17.86	13.62			
35,000	14 May 04		17.62	12.98	204,781	95,000	–
37,295	28 Nov 03	9,091	16.82	13.00	–	46,386	–
–	n/a			n/a	250,000	–	–
270,000	12 May 04		18.29	13.62			
95,000	12 May 04		18.29	12.98	232,004	365,000	–
175	28 Nov 03	28,382	16.82	13.00	–	28,557	–
–	n/a			n/a	222,000	–	–
60,000	2 Feb 04		17.56	13.62	295,834	102,000	42,000
13,665	28 Nov 03	–	16.82	13.00	–	13,665	–
–	n/a			n/a	183,000	–	–
170,000	11 Mar 04		19.20	13.62	316,591	250,000	80,000
209,048	28 Nov 03	–	16.82	13.00	–	209,048	–
–	n/a				311,000	–	–
250,000	12 Feb 04		17.95	10.48	559,057	250,000	275,000
460	28 Nov 03	97,725	16.82	13.00	–	98,185	–
–	n/a			n/a	11,000	6,000	11,000
–	n/a			n/a	307,337	–	–

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STATEMENTS OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 SEPTEMBER 2004

		Consolidated			The Company	
	Note	2004 $m	2003 $m	2002 $m	2004 $m	2003 $m
Total Income	2	17,508	13,023	12,007	12,081	11,368
Interest income	2	14,117	10,215	9,037	9,054	7,378
Interest expense	3	(8,863)	(5,904)	(5,019)	(6,088)	(4,556)
Net interest income		5,254	4,311	4,018	2,966	2,822
Proceeds, net of costs, on disposal of investments		–	–	566	–	–
Carrying amount of assets given up		–	–	(392)	–	–
Profit from disposal of investments		–	–	174	–	–
Other operating income	2	3,246	2,702	2,765	3,027	3,990
Share of joint venture profit from ING Australia	2	97	55	2	–	–
Share of associates profit (net of writeoffs)	2	48	51	29	–	–
Operating income		8,645	7,119	6,988	5,993	6,812
Operating expenses	3	(4,026)	(3,228)	(2,905)	(2,878)	(2,663)
Profit before doubtful debt provision and income tax		4,619	3,891	4,083	3,115	4,149
Provision for doubtful debts	15	(632)	(614)	(860)	(433)	(465)
Profit before income tax		3,987	3,277	3,223	2,682	3,684
Income tax expense	6	(1,168)	(926)	(898)	(710)	(616)
Profit after income tax		2,819	2,351	2,325	1,972	3,068
Net profit attributable to outside equity interests		(4)	(3)	(3)	–	–
Net profit attributable to shareholders of the Company[1]		2,815	2,348	2,322	1,972	3,068
Currency translation adjustments, net of hedges after tax		233	(356)	(98)	5	(191)
Total adjustments attributable to shareholders of the company recognised directly into equity		233	(356)	(98)	5	(191)
Total changes in equity other than those resulting from transactions with shareholders as owners		3,048	1,992	2,224	1,977	2,877
Earnings per ordinary share (cents)						
Basic		153.1	142.4	141.4	n/a	n/a
Diluted		149.7	141.7	140.4	n/a	n/a

The notes appearing on pages 29 to 126 form an integral part of these financial statements

1 The results of 2004 include the impact of these significant items:
- Close out of the TrUEPrS swap ($84 million profit after tax);
- ING Australia completion accounts ($14 million profit after tax); and
- Incremental NBNZ integration costs ($14 million charge after tax)

The results of 2002 include the impact of these significant items:
- The sale of businesses to INGA joint venture (profit after tax of $170 million);
- National Housing Bank recovery ($159 million profit after tax); and
- Special general provision for doubtful debts ($175 million charge after tax)

Further details on these transactions are shown in notes 2, 3 and 15

STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2004

		Consolidated		The Company	
	Note	2004 $m	2003 $m	2004 $m	2003 $m
Assets					
Liquid assets	9	6,363	6,592	3,744	3,916
Due from other financial institutions	10	4,781	2,427	2,537	2,143
Trading securities	11	5,478	4,213	4,783	3,636
Investment securities	12	7,746	4,767	6,117	3,838
Net loans and advances	13	204,962	149,465	133,767	115,530
Customers' liabilities for acceptances	16	12,466	13,178	12,466	13,178
Due from controlled entities		–	–	7,338	5,738
Regulatory deposits	17	176	101	144	68
Shares in controlled entities, associates and joint venture entities	18	1,960	1,814	11,517	8,095
Deferred tax assets	19	1,454	1,165	737	746
Goodwill[1]	20	3,269	160	74	87
Other assets[2]	21	9,158	10,224	5,751	8,042
Premises and equipment	22	1,532	1,485	826	897
Total assets		259,345	195,591	189,801	165,914
Liabilities					
Due to other financial institutions	23	7,349	6,467	5,860	5,490
Deposits and other borrowings	24	168,557	124,494	99,811	90,186
Liability for acceptances		12,466	13,178	12,466	13,178
Due to controlled entities		–	–	9,544	9,262
Income tax liabilities	25	1,914	1,083	1,251	546
Payables and other liabilities[3]	26	14,212	13,611	10,890	11,671
Provisions	27	845	769	618	614
Bonds and notes	28	27,602	16,572	25,034	16,131
Loan capital	29	8,475	5,630	7,680	5,367
Total liabilities		241,420	181,804	173,154	152,445
Net assets		17,925	13,787	16,647	13,469
Shareholders' equity					
Ordinary share capital	30	8,005	4,175	8,005	4,175
Preference share capital	30	987	2,212	987	2,212
Reserves		579	180	659	684
Retained profits		8,336	7,203	6,996	6,398
Share capital and reserves attributable to shareholders of the Company		17,907	13,770	16,647	13,469
Outside equity interests	31	18	17	–	–
Total shareholders' equity		17,925	13,787	16,647	13,469
Derivative financial instruments	38				
Commitments	47				
Contingent liabilities, contingent assets and credit related commitments	48				

The notes appearing on pages 29 to 126 form an integral part of these financial statements

1 Excludes notional goodwill of $754 million (September 2003: $821 million) included in the net carrying value of ING Australia Limited
2 Includes life insurance investment assets held by NBNZ Life Insurance Limited $65 million (September 2003: $nil).
3 Includes life insurance policy liabilities held by NBNZ Life Insurance Limited $30 million (September 2003: $nil)

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2004

	Note	Consolidated 2004 $m	Consolidated 2003 $m	Consolidated 2002 $m	The Company 2004 $m	The Company 2003 $m
Share capital						
Ordinary shares						
Balance at start of year		4,175	3,939	3,733	4,175	3,939
Dividend reinvestment plan		135	115	94	135	115
Group employee share acquisition scheme		47	48	55	47	48
Group share option scheme		86	73	57	86	73
Rights issues		3,562	–	–	3,562	–
Balance at end of year		8,005	4,175	3,939	8,005	4,175
Preference shares						
Balance at start of year		2,212	1,375	1,526	2,212	1,375
New issues[1]		–	987	–	–	987
Buyback of preference shares		(1,225)	–	–	(1,225)	–
Retranslation of preference shares		–	(150)	(151)	–	(150)
Balance at end of year		987	2,212	1,375	987	2,212
Total share capital		8,992	6,387	5,314	8,992	6,387
Asset revaluation reserve[2]						
Balance at start of year		31	31	31	401	401
Revaluation of investment in controlled entities		–	–	–	14	–
Total asset revaluation reserve		31	31	31	415	401
Foreign currency translation reserve[3]						
Balance at start of year		(239)	117	215	228	419
Currency translation adjustments, net of hedges after tax		233	(356)	(98)	5	(191)
Transfer from general reserve		224	–	–	–	–
Total foreign currency translation reserve		218	(239)	117	233	228
General reserve[4]						
Balance at start of year		239	237	322	55	55
TrUEPrS preference share gain on buy back		180	–	–	180	–
Transfers (to) from retained profits/FCTR		(238)	2	(85)	(224)	–
Total general reserve		181	239	237	11	55
Capital reserve[4]		149	149	149	–	–
Total reserves		579	180	534	659	684
Retained profits						
Balance at start of year		7,203	5,600	4,562	6,398	3,971
Net profit attributable to shareholders of the Company		2,815	2,348	2,322	1,972	3,068
Total available for appropriation		10,018	7,948	6,884	8,370	7,039
Transfers from (to) reserves		14	(2)	85	224	–
Ordinary share dividends provided for or paid		(1,598)	(641)	(1,252)	(1,598)	(641)
Preference share dividends paid		(98)	(102)	(117)	–	–
Retained profits at end of year		8,336	7,203	5,600	6,996	6,398
Total shareholders' equity attributable to shareholders of the Company		17,907	13,770	11,448	16,647	13,469

The notes appearing on pages 29 to 126 form an integral part of these financial statements

1 Relates to the issue of 10 million ANZ Stapled Exchangeable Preferred Securities, raising $1 billion net of issue costs of $13 million. Refer note 30

Nature and purpose of reserves

2 Asset revaluation reserve
Prior to 1 October 2000, the asset revaluation reserve was used to record certain increments and decrements on the revaluation of non-current assets. As the Group has elected to adopt deemed cost in accordance with AASB 1041, the balance of the reserve is not available for future non-current asset write downs while the Group remains on the deemed cost basis

3 Foreign currency translation reserve
Exchange differences arising on translation of foreign self-sustaining operations are taken to the foreign currency translation reserve, as described in accounting policy note 1

4 General reserve and Capital reserve
The balance of these reserves have resulted from prior period allocations of retained profits and may be released to retained profits.

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 SEPTEMBER 2004

	Note	Consolidated 2004 $m	2003 $m	2002 $m	The Company 2004 $m	2003 $m
Cash flows from operating activities						
Interest received		14,515	10,887	10,148	8,744	7,243
Dividends received		3	7	3	650	1,803
Fees and other income received		3,257	3,170	2,637	2,008	2,397
Interest paid		(8,258)	(5,724)	(5,367)	(5,711)	(4,372)
Personnel expenses paid		(2,110)	(1,848)	(1,900)	(1,542)	(1,463)
Premises expenses paid		(312)	(279)	(268)	(275)	(257)
Other operating expenses paid		(2,093)	(1,952)	(1,893)	(1,087)	(855)
Income taxes paid		(247)	(1,312)	(853)	107	(1,063)
Net goods and services tax (paid) received		(19)	1	(28)	(2)	17
Net decrease (increase) in trading securities		514	1,669	(1,030)	(1,147)	1,583
Net cash provided by operating activities	42	5,250	4,619	1,449	1,745	5,033
Cash flows from investing activities						
Net decrease (increase)						
Liquid assets - greater than three months		(325)	1,113	(442)	(298)	1,091
Due from other financial institutions		522	(44)	554	(153)	(59)
Regulatory deposits		(76)	52	37	(78)	48
Loans and advances		(22,757)	(19,944)	(9,441)	(18,869)	(17,928)
Shares in controlled entities and associates		(35)	(2)	(1)	(5,361)	(701)
Investment securities						
Purchases		(7,560)	(3,871)	(2,851)	(5,023)	(2,838)
Proceeds from sale or maturity		4,850	2,445	2,436	2,693	1,294
Controlled entities and associates						
Purchased (net of cash acquired)						
NBNZ		(3,224)	–	–	–	–
Other		–	–	(1,050)	–	–
Premises and equipment						
Purchases		(345)	(368)	(385)	(237)	(292)
Proceeds from sale		53	51	101	4	38
Recovery from NHB litigation		–	–	248	–	–
Other		1,780	1,401	483	999	1,501
Net cash (used in) investing activities		(27,117)	(19,167)	(10,311)	(26,323)	(17,846)
Cash flows from financing activities						
Net (decrease) increase						
Due to other financial institutions		(272)	(2,946)	(1,211)	427	(3,434)
Deposits and other borrowings		11,216	13,995	9,152	10,003	7,500
Due from/to controlled entities		–	–	–	630	4,993
Payables and other liabilities		(1,061)	1,000	362	1,075	1,140
Bonds and notes						
Issue proceeds		14,181	8,255	4,537	13,233	7,788
Redemptions		(4,100)	(4,095)	(3,519)	(4,100)	(4,095)
Loan capital						
Issue proceeds		2,694	3,380	759	2,694	3,380
Redemptions		(368)	(437)	(589)	(368)	(437)
Decrease (increase) in outside equity interests		(1)	(1)	1	–	–
Dividends paid		(1,561)	(1,322)	(1,178)	(1,463)	(1,220)
Share capital issues (ordinary capital)		3,695	120	112	3,695	120
ANZ StEPS preference share issue		–	1,000	–	–	1,000
ANZ StEPS issues costs		–	(13)	–	–	(13)
Preference share buyback		(1,045)	–	–	(1,045)	–
Net cash provided by financing activities		23,378	18,936	8,426	24,781	16,722
Net cash provided by operating activities		5,250	4,619	1,449	1,745	5,033
Net cash (used in) investing activities		(27,117)	(19,167)	(10,311)	(26,323)	(17,846)
Net cash provided by financing activities		23,378	18,936	8,426	24,781	16,722
Net (decrease) increase in cash and cash equivalents		1,511	4,388	(436)	203	3,909
Cash and cash equivalents at beginning of year		7,315	7,925	9,071	4,411	5,453
Foreign currency translation on opening balances		(972)	(4,998)	(710)	(372)	(4,951)
Cash and cash equivalents at end of year	42	7,854	7,315	7,925	4,242	4,411

The notes appearing on pages 29 to 126 form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

Our critical accounting policies are described on pages 129 to 133.

1: ACCOUNTING POLICIES

i) Basis of preparation

This general purpose financial report complies with the accounts provisions of the Banking Act 1959, applicable Australian Accounting Standards, the accounts provisions of the Corporations Act 2001, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board. Except as disclosed below, these accounting policies are consistent with those of the previous year.

Certain disclosures required by the United States Securities and Exchange Commission in respect of foreign registrants have also been included in this report.

The financial report has been prepared in accordance with the historical cost convention as modified by the revaluation of trading instruments which are recorded at market value with gains and losses on revaluation taken to the statement of financial performance, and the deemed cost of properties (deemed cost being the carrying amount of revalued non current assets as at the date of reverting to the cost basis per AASB 1041 - Revaluation of Non Current Assets) less any accumulated depreciation.

The preparation of the financial report requires the use of management estimates. Such estimates may require review in future periods.

The Company is a company of the kind referred to in Australian Securities and Investments Commission class order 98/100, dated 10 July 1998. Consequently, amounts in the financial report have been rounded to the nearest million dollars except where otherwise indicated.

All amounts are expressed in Australian dollars, unless otherwise stated. Where necessary, amounts shown for the previous year have been reclassified to facilitate comparison.

ii) Changes in Accounting Policies

There have been no changes in accounting policies for the year ended 30 September 2004.

iii) Consolidation

The financial statements consolidate the financial statements of Australia and New Zealand Banking Group Limited (the Company) and its controlled entities.

Shares in controlled entities are stated at deemed cost in the statement of financial position.

Where controlled entities and associates have been sold or acquired during the year, their operating results have been included to the date of disposal or from the date of acquisition.

Control means the capacity of an entity to dominate decision making, directly or indirectly, in relation to the financial and operating policies of another entity so as to enable that other entity to pursue the objectives of the controlling entity.

The Group adopts the equity method of accounting for associates and the Group's interest in joint venture entities. The Group's share of results of associates and joint venture entities is included in the consolidated statement of financial performance. Shares in associates and joint venture entities are stated in the consolidated statement of financial position at cost plus the Group's share of post acquisition net assets. Interests in associates and joint ventures are reviewed annually for impairment primarily using a discounted cash flow methodology. In the course of completing this valuation other methodologies are considered to determine the reasonableness of the valuation including the multiples of earnings methodology.

All significant activities of the Group, with the exception of ING Australia Joint Venture and PT Panin Indonesia Bank, are operated through wholly owned controlled entities.

The Group may invest in or establish special purpose companies, or vehicles, to enable it to undertake specific types of transactions. Where the Group controls such vehicles, they are consolidated into the Group financial results.

iv) Goodwill

Goodwill, representing the excess of the purchase consideration over the fair value of the identifiable net assets of a controlled entity at the date of gaining control, is recognised as an asset and amortised on a straight line basis over the period during which the benefits are expected to arise, not exceeding 20 years.

The unamortised balance of goodwill and notional goodwill and the period of amortisation are reviewed annually for impairment using a discounted cash flow methodology. In the course of completing this valuation other analysis is considered to determine the reasonableness of the valuation including the multiples of earnings methodology. Where the balance exceeds the value of expected future benefits, the difference is charged to the statement of financial performance.

v) Foreign currency

Financial assets and liabilities denominated in foreign currencies are translated into Australian dollars at the rates of exchange ruling at balance date.

Revenues and expenses of overseas branches and controlled entities are translated at average exchange rates for the year.

Net translation differences arising from the translation of overseas branches and controlled entities considered to be self-sustaining operations are included in the foreign currency translation reserve, after allowing for those positions hedged by foreign exchange contracts and related currency borrowings (net of tax).

vi) Fee income

Fee and commission income are brought to account on an accruals basis. Yield-related front-end application fees received are deferred and accrued to income as an adjustment to yield over the period of the loan. Non yield-related application and activation lending fees received are recognised as income no later than when the loan is disbursed or the commitment to lend expires.

NOTES TO THE FINANCIAL STATEMENTS

1: ACCOUNTING POLICIES (CONTINUED)

Fees and commissions that relate to the execution of a significant act (for example, advisory services, placement fees and underwriting fees) are taken to income when the fees are receivable.
Fees charged for providing ongoing services that represent the recoupment of the costs of providing service (for example, maintaining and administering existing facilities) are recognised as revenue in the period in which the service is provided.

vii) Net loans and advances

Net loans and advances include direct finance provided to customers such as bank overdrafts, credit cards, term loans, lease finance, hire purchase finance and commercial bills.

Overdrafts, credit cards and term loans are carried at principal balances outstanding. Interest on amounts outstanding is accounted for on an accruals basis.

Finance leases, including hire purchase contracts are accounted for using the finance method whereby income is taken to account progressively over the life of the lease or the contract in proportion to the outstanding investment balance.
The finance receivable component of operating leases is accounted for using the finance method and residual interest retained are recorded as other assets.
At finalisation, goods are disposed of and proceeds received are applied against the residual value. Any resulting gains or losses are recognised through income.

A hire purchase is a contract where Esanda or UDC (the 'owner') allows the customer (the 'hirer') the right to possess and use goods in return for regular payments. When all payments are made the title to the goods will pass to the customer.

The gross amount of contractual payments for finance leases to business customers that have a fixed rate and a fixed term are recorded as gross lease receivables and the unearned interest component is recognised as income yet to mature.

Customer financing through redeemable preference shares is included within net loans and advances. Dividends received on redeemable preference shares are taken to the statement of financial performance as part of interest income.

All loans are subject to regular scrutiny and graded according to the level of credit risk. Loans are classified as either productive or non-accrual. The Group has adopted the Australian Prudential Regulation Authority Impaired Assets Guidelines in assessing non-accrual loans. Non-accrual loans include loans where the accrual of interest and fees has ceased due to doubt as to full recovery, and loans that have been restructured with an effective yield below the Group's average cost of funds at the date of restructuring. A specific provision is raised to cover the expected loss, where full recovery of principal is doubtful.

Restructured loans are loans with an effective yield above the Group's cost of funds and below the yield applicable to a customer of equal credit standing.

Cash receipts on non-accrual loans are, in the absence of a contrary agreement with the customer, applied as income or fees in priority to being applied as a reduction in principal, except where the cash receipt relates to proceeds from the sale of security.

viii) Bad and doubtful debts and other loss contingencies

Bad and doubtful debts:

Each month the Group recognises an expense for credit losses based on the expected long term loss ratio for each part of the loan portfolio. The monthly charge is booked to the General Provision which is maintained to cover losses inherent within the Group's existing loan portfolio.

The method used by the Group for determining this monthly expense charge is referred to as 'economic loss provisioning' (ELP). The Group uses ELP models to calculate the expected loss by considering:

› the history of credit loss for each type and risk grade of lending; and

› the size, composition and risk profile of the current loan portfolio.

The Group regularly reviews the assumptions used in the ELP models. These reviews are conducted in recognition of the subjective nature of ELP 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 ELP methodology, the existing General Provision 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, ELP charge levels may be periodically increased or decreased.

Specific provisions are maintained to cover identified doubtful debts. All known bad debts are written off in the year in which they are identified. The specific provision requirement (representing new and increased specific provisions less specific provision releases) is transferred from the general provision to the specific provision. Recoveries, representing excess transfers to the specific provision, are credited to the general provision.

Provisions for doubtful debts are deducted from loans and advances in the statement of financial position.

Other loss contingencies:

These items are recorded as liabilities on the balance sheet when the following requirements are met:

- the transaction is probable in that the contingency is likely to occur; and

- can be reasonably estimated.

Further disclosure is made within note 48, where the above requirements are not met but the contingency falls within the category of "reasonably possible". Specific details are provided together with an estimate of the range or a statement that such as estimate is not possible.

NOTES TO THE FINANCIAL STATEMENTS

1: ACCOUNTING POLICIES (CONTINUED)

ix) Acceptances

Commercial bills accepted but not held in portfolio are accounted for and disclosed as a liability with a corresponding contra asset.

The Group's own acceptances discounted are held as part of either the trading securities portfolio or the loan portfolio, depending on whether, at the time of such discount, the intention was to hold the acceptances for resale or until maturity.

x) Trading securities

Securities held for trading purposes are recorded at market value. Unrealised gains and losses on revaluation are taken to the statement of financial performance. Except for contracts subject to master netting agreements that create a legal right of set off for which only the net revaluation amount is recognised on the statement of financial performance, unrealised gains on trading securities are recognised as part of other assets and unrealised losses are recognised as part of other liabilities in a category described as "treasury instrument revaluations".

Market value for listed and unlisted securities is determined by the price displayed by a willing buyer in a liquid market at the reporting date, adjusted for liquidity issues around the size of the parcel of securities held by the Group as compared to the normal daily trading volumes in the securities. Where a market price in a liquid market is not readily available, the market value is determined by reference to the market price available for a security with similar credit, maturity and yield characteristics or by using industry standard pricing models.

xi) Investment securities

Investment securities are those which the Group intends and has the ability to hold until maturity. Such securities are recorded at cost or at cost adjusted for amortisation of premiums or discounts.

Premiums and discounts are capitalised and amortised from the date of purchase to maturity. Interest and dividend income is accrued. Changes in market values of securities are not taken into account unless there is considered to be an other than temporary diminution in value. The market value of listed and unlisted investment securities used for considering other than temporary impairment and fair market value disclosures is determined using quoted market prices for securities with the same or similar credit, maturity and yield characteristics.

Market value, used for impairment issues, is determined in accordance with the methodology discussed under Trading Securities.

xii) Repurchase agreements

Securities sold under repurchase agreements are retained in the financial statements and a counterparty liability is disclosed under the classifications of Due to other financial institutions or Deposits and other borrowings. The difference between the sale price and the repurchase price is amortised over the life of the repurchase agreement and charged to interest expense in the statement of financial performance.

Securities purchased under agreements to resell are recorded as Liquid assets, Net loans and advances, or Due from other financial institutions, depending on the term of the agreement and the counterparty.

xiii) Derivative financial instruments

Derivative financial instruments (derivatives) are contracts whose value is derived from one or more underlying financial instruments or indices. They include swaps, forward rate agreements, futures, options and combinations of these instruments.

Trading derivatives, comprising derivatives entered into for customer-related or proprietary reasons or for hedging the trading portfolio, are measured at fair value and all gains and losses are taken to other operating income in the statement of financial performance.

Fair value losses arising from trading derivatives are not offset against fair value gains on the statement of financial position unless a legal right of set-off exists.

Derivatives designated as hedges of underlying non-trading exposures are accounted for on the same basis as the underlying exposures. To be designated as a hedge, the fair value of the hedge must move inversely with changes in the fair value of the underlying exposure.

Gains and losses resulting from the termination of a derivative that was designated as a hedge of non-trading exposures are deferred and amortised over the remaining period of the original term covered by the terminated instrument where the underlying exposure still exists. The gains or losses are recorded in the income or expense line in which the underlying exposure movements are recorded. Where the underlying exposure no longer exists, the gains and losses are recognised in the statement of financial performance in the other operating income line.

Gains and losses on derivatives related to hedging exposures arising from anticipated transactions are deferred and recognised in the financial statements when the anticipated transaction occurs.

These gains and losses are deferred only to the extent that there is an offsetting unrecognised (unrealised) gain or loss on the exposures being hedged. Deferred gains and losses are amortised over the expected term of the hedged exposure and are recorded in the results of operations in the same line as the underlying exposure. The deferred gain or loss is recorded in other liability or other assets in the statement of financial position.

Gains and losses that arise prior to and upon the maturity of transactions entered into under hedge rollover strategies are deferred and included in the measurement of the hedged anticipated transaction if the transaction is still expected to occur. If the forecasted transaction is no longer expected to occur, the gains and losses are recognised immediately in the statement of financial performance in the other income disclosure.

NOTES TO THE FINANCIAL STATEMENTS

1: ACCOUNTING POLICIES (CONTINUED)

Movements in the derivative financial position are recorded in the cashflow statement when they are settled on the other financing and investing lines.

xiv) Premises and equipment

Premises and equipment are carried at cost less depreciation or amortisation.

Profit or loss on the disposal of premises and equipment is determined as the difference between the carrying amount of the assets at the time of disposal and the proceeds of disposal, and is included in the results of the Group in the year of disposal.

Assets other than freehold land are depreciated at rates based upon their expected useful lives to the Group, using the straight line method. The depreciation rates used for each class of asset are:

Buildings	1%
Building integrals	10%
Furniture & equipment	10%
Computer & office equipment	12.5% to 33%
Software	14% to 33%

Leasehold improvements are amortised on a straight line basis over the shorter of the useful lives or remaining terms of the lease.

Costs incurred in acquiring and building software and computer systems are capitalised as fixed assets and expensed as amortisation over periods of between 3 and 5 years except for the branch front end applications where 7 years is used. Costs incurred in planning or evaluating software proposals, or in maintaining systems after implementation, are not capitalised.

The carrying value of all non current assets, including premises and equipment, have been assessed annually, and have not been found to be in excess of their recoverable amounts. Recoverable amounts are determined through a combination of comparisons with market values and cash flows. If the carrying value of non current assets exceeds its recoverable amount, the asset is written down to the lower value. Where assets working together as a group support the generation of cash flows, the recoverable amount is assessed in relation to the group of assets.

xv) Income tax

The Group adopts the liability method of tax effect accounting whereby income tax expense is calculated based on accounting profit adjusted for permanent differences. Permanent differences are items of revenue and expense which are recognised in the statement of financial performance but are not part of taxable income or vice versa.

Future tax benefits and deferred tax liabilities relating to timing differences and tax losses are carried forward at tax rates applicable to future periods. These future tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future tax benefits relating to tax losses are only carried forward where realisation of the benefit is considered virtually certain.

Provision for Australian income tax is made where the earnings of overseas controlled entities are subjected to Australian tax under the attribution rules for the taxation of foreign sourced income.

Otherwise, no provision is made for overseas withholding tax or Australian income tax which may arise on repatriation of earnings from overseas controlled entities, where it is expected these earnings will be retained by those entities to finance their ongoing business.

For details of the impact of Tax Consolidation, refer notes 6, 19 and 25.

xvi) Employee entitlements

The amounts expected to be paid in respect of employees' entitlements to annual leave are accrued at expected salary rates including on-costs. Liability for long service leave is accrued in respect of all applicable employees at the present value of future amounts expected to be paid.

xvii) Provisions

Refer to note 27 for the accounting policies covering various provisions excluding ELP which is detailed in note 1(viii) above.

xviii) Superannuation commitments

Contributions, which are determined on an actuarial basis, to superannuation schemes are charged to personnel expenses in the statement of financial performance.

Any aggregate deficiencies arising from the actuarial valuations of the Group's defined benefit schemes have been provided for in the financial statements, where a legal or constructive obligation exists.

The assets and liabilities of the schemes have not been consolidated as the Company does not have direct or indirect control of the schemes.

xix) Leasing

Leases entered into by the Group as lessee are predominantly operating leases, and the operating lease payments are included in the statement of financial performance in equal installments over the lease term.

xx) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as an other asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

NOTES TO THE FINANCIAL STATEMENTS

1: ACCOUNTING POLICIES (CONTINUED)

xxi) Life insurance

The Group's life insurance business was conducted through ANZ Life Assurance Company Limited until 30 April 2002 and its results consolidated until that date. On 1 May 2002 the Group's life insurance business was transferred to a joint venture entity, (see note 45) which is accounted for in accordance with the equity method of accounting. The joint venture adopts similar accounting policies to those described here.

Components of life insurance margin on services operating income disclosed are premium revenue and related revenue, investment revenue, claims expense and insurance policy liabilities expense (refer note 40).

Premiums with a regular due date are recognised as revenue on an accruals basis. Unpaid premiums are only recognised as revenue during the days of grace or where secured by the surrender value of the policy and are included as 'Other Assets' in the Statement of Financial Position. Premiums with no due date are recognised as revenue on a cash received basis. This category relates to contracts which offer policy holders the facility to make additional payments but where there is no contractual requirement to do so.

Business is classified as investment-linked where the benefit amount is directly linked to the market value of the investments. The policy owner bears the risk and rewards of the fund's investment performance. Non investment linked business covers a wide range of contracts where the benefit amount is not directly linked to the market value of the investments. Dependent upon the type of contract involved, benefits could be paid upon termination of the contract from any cause or specifically on death, or on the occurrence of a contingency dependent on the termination or continuation of human life or on the occurrence of injury or disability caused by accident or illness. The financial risk of the occurrence of the event which crystallises the payment of the benefit is borne by the company.

Claims under investment-linked business are recognised when the policy ceases to participate in the earnings of the fund. Claims on non investment-linked business are recognised when the liability to the policy owner under the policy contract has been established or upon notification of the insured event depending on the type of claim.

Policy liabilities and other liabilities are measured at net present value of estimated future cash flows. Changes in net present values are recognised in the statement of financial performance as revenue or expenses in the financial year in which they occur.

All assets are measured at net market values as at the reporting date. Changes in the net market values are recognised in the statement of financial performance as revenue or expenses in the financial year in which they occur.

xxii) Capitalised expenses

Direct external expenses related to the acquisition of interest earning assets, including structured institutional lending, mortgages and finance leases, are initially recognised as part of the cost of acquiring the asset and written-off as an adjustment to its expected yield over its expected life. For assets subject to prepayment, expected life is determined on the basis of the historical behaviour of the particular asset portfolio, taking into account contractual obligations and prepayment experience assessed on a regular basis. Impairment of capitalised expenses is assessed through comparing the actual behaviour of the portfolio against initial expected life assumptions.

NOTES TO THE FINANCIAL STATEMENTS

2: INCOME

	Consolidated 2004 $m	Consolidated 2003 $m	Consolidated 2002 $m	The Company 2004 $m	The Company 2003 $m
Interest income					
From other financial institutions	209	92	121	68	65
On regulatory deposits	–	–	1	–	–
On trading securities	359	272	261	245	230
On investment securities	275	180	136	210	125
On loans and advances	12,984	9,380	8,245	8,194	6,667
Other	290	291	273	200	213
	14,117	10,215	9,037	8,917	7,300
From controlled entities	–	–	–	137	78
Total interest income	14,117	10,215	9,037	9,054	7,378
Other operating income					
i) Fee income					
Lending	1,002	933	876	822	813
Other, commissions[1]	1,419	1,115	1,196	947	795
	2,421	2,048	2,072	1,769	1,608
From controlled entities	–	–	–	260	219
Total fee income	2,421	2,048	2,072	2,029	1,827
ii) Other income					
Foreign exchange earnings	411	348	365	232	238
Profit on trading instruments	151	110	59	158	122
Significant item: Net profit before tax from sale of business to INGA joint venture	14	–	174	14	–
Significant item: Net profit before tax from the close out of the TrUEPrS swap	108	–	–	108	–
Hedge of TrUEPrS cash flows[2]	2	71	72	2	71
Life insurance margin on services operating income (refer note 40)	15	–	99	–	–
Profit (loss) on sale of premises[3]	(7)	6	5	–	–
Rental income	2	3	4	2	3
Other	129	116	89	482	1,729
Total other income[4]	825	654	867	998	2,163
Total other operating income	3,246	2,702	2,939	3,027	3,990
Share of joint venture profit from ING Australia[5] (refer note 45)	97	55	2	–	–
Share of associates profit (net of writeoffs)	48	51	29	–	–
Total share of joint venture and associates profit	145	106	31	–	–
Total income[6]	17,508	13,023	12,007	12,081	11,368

1 Includes commissions from funds management business (up to 30 April 2002)
2 Preference shares are issued via the TrUEPrS structure. This income is earned on a fixed receive/floating pay swap of the fixed dividend commitments. $2 million in 2004 treated as significant item
3 Gross proceeds on sale of premises is $34 million (2003: $33 million, 2002: $42 million)
4 The Company's 'other income' include dividends received from controlled entities of $648 million (2003: $1,803 million)
5 Net of notional goodwill amortisation
6 Includes external dividend income of $3 million (2003: $10 million, 2002: $3 million) for the Group and $2 million (2003: $1 million) for the Company

NOTES TO THE FINANCIAL STATEMENTS

3: EXPENSES

	Consolidated 2004 $m	Consolidated 2003 $m	Consolidated 2002 $m	The Company 2004 $m	The Company 2003 $m
Interest expense					
To other financial institutions	238	183	246	161	164
On deposits	5,037	3,502	3,019	3,403	2,722
On borrowing corporations' debt	481	445	404	–	–
On commercial paper	765	310	251	196	184
On loan capital, bonds and notes	1,699	1,052	801	1,515	1,014
Other	643	412	298	534	295
	8,863	5,904	5,019	5,809	4,379
To controlled entities	–	–	–	279	177
Total interest expense	8,863	5,904	5,019	6,088	4,556
Operating expenses					
i) Personnel					
Pension fund	145	109	103	108	94
Employee entitlements and taxes	144	122	129	108	106
Salaries and wages	1,431	1,177	1,134	975	912
Other	411	342	348	303	283
Total personnel expenses	2,131	1,750	1,714	1,494	1,395
ii) Premises					
Amortisation of leasehold improvements	13	15	14	7	9
Depreciation of buildings and integrals	12	16	17	2	1
Rent	197	154	161	139	120
Utilities and other outgoings	109	88	92	81	74
Other	22	22	15	17	18
	353	295	299	246	222
To controlled entities	–	–	–	46	43
Total premises expenses	353	295	299	292	265
iii) Computer					
Computer contractors	25	18	34	23	16
Data communication	83	61	62	48	41
Depreciation and amortisation	240	183	140	176	148
Rentals and repairs	59	70	59	62	63
Software purchased	101	103	105	90	90
Other	45	30	24	19	12
Total computer expenses	553	465	424	418	370
iv) Other					
Advertising and public relations	130	91	98	72	66
Amortisation of goodwill[1]	146	18	20	8	9
Audit fees (refer note 5)	5	4	3	3	2
Depreciation of furniture and equipment[2]	44	33	35	27	26
Freight and cartage	41	35	36	32	29
Loss on sale of equipment	6	7	2	5	2
Non-lending losses, frauds and forgeries	49	48	51	30	36
Postage and stationery	111	92	97	66	67
Professional fees	112	101	97	83	86
Telephone	57	49	53	30	35
Travel	100	78	77	65	55
Other	128	102	84	189	165
Total other expenses	929	658	653	610	578
v) Restructuring	60	60	63	64	55
Total operating expenses	4,026	3,228	3,153	2,878	2,663
Significant item: recovery from NHB litigation	–	–	(248)	–	–
Total operating expenses including recovery from NHB litigation	4,026	3,228	2,905	2,878	2,663
Total expenses	12,889	9,132	7,924	8,966	7,219

1 In addition, there is a notional goodwill amortisation charge of $41 million (2003: $44 million; 2002: $18 million) included in the calculation of the share of income from the ING Australia joint venture
2 Excludes integrals $8 million (2003: $12 million), included in Premises disclosure

NOTES TO THE FINANCIAL STATEMENTS

4: EQUITY INSTRUMENTS ISSUED TO EMPLOYEES

Under existing Australian Accounting Standards, equity instruments issued to employees are not required to be expensed. The impact of expensing options[1], and shares issued under the $1,000 employee share plan, has been calculated and is disclosed below.

	Consolidated 2004 $m	2003 $m	2002 $m
Net profit attributable to shareholders of the Company	2,815	2,348	2,322
Expenses attributable to:			
Options issued to Group Heads[1]	(8)	(8)	(7)
Options issued to general management[1]	(23)	(24)	(19)
Shares issued under $1,000 employee share plan	(22)	(18)	(18)
Total	2,762	2,298	2,278

1 Based on fair values estimated at grant date determined in accordance with the fair value measurement provisions of AASB 1046. Value of options are amortised on a straight-line basis over the vesting period.

5: REMUNERATION OF AUDITORS

	Consolidated 2004 $'000	2003 $'000	2002 $'000	The Company 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	2,065	2,357	2,115
Other audit-related services[1,2]	567	2,083	2,793	492	1,690
Other assurance services[3]	2,934	3,891	8,188	2,899	3,864
	6,482	8,614	13,046	5,748	7,669
Taxation	563	775	1,278	443	775
	563	775	1,278	443	775
Total	7,045	9,389	14,324	6,191	8,444
Overseas Related practices of KPMG Australia					
Audit or review of financial reports of Group entities	1,834	1,293	1,305	346	315
Other audit-related services[1,2]	1,494	1,503	1,611	556	639
Other assurance services[3]	77	1,473	316	32	1,194
	3,405	4,269	3,232	934	2,148
Taxation	65	83	200	31	10
	65	83	200	31	10
Total	3,470	4,352	3,432	965	2,158
Total remuneration of auditors	10,515	13,741	17,756	7,156	10,602

By virtue of an Australian Securities and Investments Commission class order dated 30 September 1998, the auditors of Australia and New Zealand Banking Group Limited and its related bodies corporate, KPMG, have been exempted from compliance with certain requirements of Section 324 of the Corporations Act 2001. The class order exemption applies in that partners and associates of KPMG, not engaged on the audit of Australia and New Zealand Banking Group Limited and its related bodies corporate, may be indebted to the Company, provided that such indebtedness was i) less than $5,000; or ii) was for a mortgage loan on principal place of residence; or iii) arose prior to the date of Class Order, or prior to joining KPMG, and arose upon ordinary commercial terms and conditions.

It is Group policy that KPMG Australia or any of its related practices may provide assurance and other audit-related services that, while outside the scope of the statutory audit, are consistent with the role of auditor. These include regulatory and prudential reviews requested by the Company's regulators such as the Australian Prudential Regulation Authority. KPMG Australia or any of its related practices may not provide services that are perceived to be materially in conflict with the role of auditor. These include consulting advice and subcontracting of operational activities normally undertaken by management, and engagements where the auditor may ultimately be required to express an opinion on its own work. However, non-audit services that are not perceived to be materially in conflict with the role of auditor may be provided by KPMG Australia or any of its related practices subject to the approval of the ANZ Audit Committee.
KPMG has confirmed to ANZ that it has policies in place on loans from audit clients that are in accordance with Rule 2-01 of Regulation S-X and that neither KPMG nor any covered person or immediate family member have any loans outstanding from Australia and New Zealand Banking Group Limited and its related parties that are part of the audit client that are not in compliance with that rule.

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 US Patriot Act. 2002 includes due diligence services principally related to ING Australia joint venture. Under the policy adopted by ANZ in April 2002, due diligence services are no longer provided by the external auditor, unless specifically approved by the Board

NOTES TO THE FINANCIAL STATEMENTS

6: INCOME TAX EXPENSE

	Consolidated 2004 $m	Consolidated 2003 $m	Consolidated 2002 $m	The Company 2004 $m	The Company 2003 $m
Reconciliation of the prima facie income tax payable on profit with the income tax expense charged in the statement of financial performance					
Profit before income tax	3,987	3,277	3,223	2,681	3,684
Prima facie income tax at 30%	1,196	983	967	804	1,105
Tax effect of permanent differences					
Overseas tax rate differential	20	15	14	2	2
Other non-assessable income	(32)	(31)	(39)	(1)	–
Rebateable and non-assessable dividends	(20)	(16)	(11)	(194)	(541)
Life insurance accounting	(4)	–	7	–	–
Goodwill amortisation	46	5	4	1	1
Profit from associated and joint venture entities	(43)	(32)	(9)	(1)	–
NHB settlement tax rate differential	–	–	15	–	–
Sale of business to INGA joint venture	(4)	–	(48)	(4)	–
Other	11	5	(4)	105	52
	1,170	929	896	712	619
Income tax under/(over) provided in prior years	(2)	(3)	2	(2)	(3)
Total income tax expense	1,168	926	898	710	616
Australia	802	672	683	641	543
Overseas	366	254	215	69	73
	1,168	926	898	710	616

Tax Consolidation

The Company, Australia and New Zealand Banking Group Limited, is the head entity in the tax-consolidated group, comprising all the Australian wholly-owned subsidiaries, trusts and partnerships. The implementation date for the tax-consolidated group is 1 October 2003. Under tax consolidations the head entity recognises all of the current and deferred tax assets and liabilities of the tax-consolidated group adjusted for the impact of arrangements made with other members of the tax - consolidated group.

Members of the tax-consolidated group have entered into a tax sharing agreement which provides for the allocation of income tax liabilities between the entities should the head entity default on its income tax payment obligations.

The tax-consolidated group has also entered into a tax funding agreement that requires wholly-owned subsidiaries to make/receive contributions to the head entity for:

- deferred tax balances recognised by the head entity on implementation date, including the impact of any relevant reset tax cost bases; and
- current tax assets and liabilities and deferred tax balances which have been calculated as if the wholly-owned subsidiaries were taxed on a "stand-alone" basis.

The contributions are payable as set out in the tax funding agreement and reflect the timing of the head entity's obligations to make payments for tax liabilities to the relevant tax authorities. The assets and liabilities arising under the tax funding agreement are recognised as intercompany assets and liabilities which are equivalent to deferred tax balances.

Calculations at 30 September 2004 have been based on legislation enacted to that date. These calculations have resulted in no material adjustment to the consolidated tax expense or consolidated deferred tax balances for the year ended 30 September 2004.

NOTES TO THE FINANCIAL STATEMENTS

7: DIVIDENDS

	Consolidated 2004 $m	2003 $m	2002 $m	The Company 2004 $m	2003 $m
Ordinary dividends					
Interim dividend	850	666	583	850	666
Proposed final dividend	777[1]	–[1]	692	777[1]	–[1]
Bonus option plan adjustment	(29)	(25)	(23)	(29)	(25)
Dividends on ordinary shares	1,598	641	1,252	1,598	641

1 Change in accounting standard in 2003. Dividends no longer accrued and are recorded when declared. Final dividend of $983 million not included in above table

A final dividend of 54 cents, fully franked, is proposed to be paid on each fully paid ordinary share on 17 December 2004 (2003 final dividend of 51 cents, paid 19 December 2003, fully franked, 2002: final dividend of 46 cents, paid 13 December 2002, fully franked). The 2004 interim dividend of 47 cents, paid 1 July 2004, was fully franked (2003: interim dividend of 44 cents, paid 1 July 2003, was fully franked, 2002: interim dividend of 39 cents, paid 1 July 2002, fully franked).

The tax rate applicable to the franking credits attached to the interim dividend and to be attached to the proposed final dividend is 30% (2003: 30%, 2002: 30%).

	Consolidated 2004 $m	2003 $m	2002 $m	The Company 2004 $m	2003 $m
Preference dividends					
Trust Securities Issues	36	102	117	–	–
ANZ Stapled Exchangeable Preferred Securities (ANZ StEPS)	62	–	n/a	–	–
Dividends on preference shares	98	102	117	–	–

Trust Securities Issues (ANZ TrUEPrS)

In 1998 ANZ TrUEPrS issued 124,032,000 preference shares, raising USD 775 million via Trust Securities issues. The Trust Securities carried an entitlement to a distribution of 8% (USD 400 million) or 8.08% (USD 375 million). The amounts were payable quarterly in arrears. Payment dates were the fifteenth day of January, April, July and October in each year. The preference shares were bought back on 12 December 2003.

ANZ Stapled Exchangeable Preferred Securities (ANZ StEPS)

On 23 September 2003, the Group issued 10 million ANZ StEPS at $100 each raising $1 billion ($987 million net of issue costs of $13 million). ANZ StEPS comprise 2 fully paid securities - an interest paying unsecured note stapled to a fully paid preference share.

Distributions on ANZ StEPS are non-cumulative and are payable quarterly in arrears (on 15 March, 15 June, 15 September, 15 December of each year) based upon a floating distribution rate equal to the 90 day bank bill rate plus a margin. At each payment date the 90 day bank bill rate is reset for the next quarter. Dividends are not payable on the preference share while it is stapled to the note. If distributions are not paid on ANZ StEPS, the Company may not pay dividends or return capital on its ordinary shares or any other share capital ranking below the preference share component.

Dividend Franking Account

The amount of franking credits available to the Company for the subsequent financial year is $111 million (2003 and 2002: nil), after adjusting for franking credits that will arise from the payment of tax on Australian profits for the 2004 financial year, $421 million of franking credits which will be utilised in franking the proposed final dividend and franking credits that may not be accessible by the Company at present.

The 2004 amount includes franking credits that were transferred from Australian wholly-owned entities to the parent entity at 1 October 2003 when these entities entered the Australian tax consolidated group.

NOTES TO THE FINANCIAL STATEMENTS

7: DIVIDENDS (CONTINUED)

Restrictions which Limit the Payment of Dividends

There are presently no significant restrictions on the payment of dividends from controlled entities to the Company. Various capital adequacy, liquidity, statutory reserve and other prudential requirements must be observed by certain controlled entities and the impact on these requirements caused by the payment of cash dividends is monitored.

Payments of dividends from overseas controlled entities may attract withholding taxes which have not been provided for in these financial statements.

There are presently no restrictions on payment of dividends by the Company. Reductions of shareholders' equity through payment of cash dividends is monitored having regard to the regulatory requirements to maintain a specified capital adequacy ratio. In particular, the Australian Prudential Regulation Authority has advised Australian banks that a bank under its supervision must consult with it before declaring a dividend if the bank has incurred a loss, or proposes to pay dividends which exceed the level of profits earned.

Dividend Reinvestment Plan

During the year, 3,909,659 ordinary shares were issued at $16.61 per share, and 3,906,171 ordinary shares at $17.84 per share, under the Dividend Reinvestment Plan (2003: 3,142,629 ordinary shares at $18.32 per share, and 3,081,237 ordinary shares at $18.48 per share)

Bonus Option Plan

Dividends paid during the year have been reduced by way of certain shareholders participating in the Bonus Option Plan and forgoing all or part of their right to dividends in return for the receipt of bonus shares.

During the year, 927,439 ordinary shares were issued at $16.61 per share, and 844,425 ordinary shares at $17.84 per share, under the Bonus Option Plan (2003: 787,335 ordinary shares at $18.32 per share, and 747,652 ordinary shares at $18.48 per share).

	Declared dividend $m	Bonus options exercised $m	Amount paid $m
Final dividend 2003	777	(15)	762
Interim dividend 2004	850	(14)	836
	1,627	(29)	1,598

NOTES TO THE FINANCIAL STATEMENTS

8: EARNINGS PER ORDINARY SHARE

	Consolidated 2004 $m	2003 $m	2002 $m
Basic earnings per share (cents)[1]	**153.1**	**142.4**	**141.4**
Earnings reconciliation			
Net profit	2,819	2,351	2,325
Less: net profit attributable to outside equity interests	4	3	3
Less: preference share dividend paid	98	102	117
Earnings used in calculating basic earnings per share	2,717	2,246	2,205
Weighted average number of ordinary shares (millions)[1]			
Used in calculating basic earnings per share	1,774.1	1,577.8	1,559.8
Diluted earnings per share (cents)[1]	**149.7**	**141.7**	**140.4**
Earnings reconciliation			
Net profit	2,819	2,351	2,325
Less: net profit attributable to outside equity interests	4	3	3
Less: preference share dividend paid	98	102	117
Add: Hybrid interest expense	44	–	–
Earnings used in calculating diluted earnings per share	2,761	2,246	2,205
Weighted average number of ordinary shares (millions)[1]			
Used in calculating basic earnings per share	1,774.1	1,577.8	1,559.8
Add: potential conversion of options to ordinary shares[1]	70.7	7.2	10.2
Used in calculating diluted earnings per share	1,844.8	1,585.0	1,570.0

1 Discounted for rights issue

The weighted average number of converted and lapsed options, weighted with reference to the date of conversion or lapse, and included in the calculation of diluted earnings per share is 1.0 million.

StEPS has not been included in the calculation of diluted EPS as they are not dilutive. Refer to note 30.

NOTES TO THE FINANCIAL STATEMENTS

9: LIQUID ASSETS

	Consolidated 2004 $m	Consolidated 2003 $m	The Company 2004 $m	The Company 2003 $m
Australia				
Coins, notes and cash at bankers	696	601	678	522
Money at call, bills receivable and remittances in transit	157	753	121	747
Securities purchased under agreement to resell less than 90 days	568	496	552	496
	1,421	1,850	1,351	1,765
Overseas				
Coins, notes and cash at bankers	418	284	103	96
Money at call, bills receivable and remittances in transit	2,289	1,647	1,087	882
Other banks' certificates of deposit	2,080	2,437	1,203	1,173
Securities purchases under agreement to resell less than 90 days	155	374	–	–
	4,942	4,742	2,393	2,151
Total liquid assets	6,363	6,592	3,744	3,916
Maturity analysis based on original term to maturity at 30 September				
Less than 90 days	4,999	5,509	2,408	2,834
More than 90 days	1,364	1,083	1,336	1,082
Total liquid assets	6,363	6,592	3,744	3,916

10: DUE FROM OTHER FINANCIAL INSTITUTIONS

	Consolidated 2004 $m	Consolidated 2003 $m	The Company 2004 $m	The Company 2003 $m
Australia	498	646	488	638
Overseas	4,283	1,781	2,049	1,505
Total due from other financial institutions	4,781	2,427	2,537	2,143
Maturity analysis based on remaining term to maturity at 30 September				
Overdraft	370	638	299	636
Less than 3 months	2,692	1,283	1,729	1,051
Between 3 months and 12 months	824	351	349	309
Between 1 year and 5 years	790	84	58	83
After 5 years	105	71	102	64
	4,781	2,427	2,537	2,143

NOTES TO THE FINANCIAL STATEMENTS

11: TRADING SECURITIES

Trading securities are allocated between Australia and Overseas based on the domicile of the issuer

	Consolidated		The Company	
	2004 $m	2003 $m	2004 $m	2003 $m
Unlisted – Australia				
Commonwealth securities	164	475	164	475
Local, semi-government and other government securities	1,693	1,230	1,693	1,230
ANZ accepted bills	1,875	820	1,875	820
Other securities and equity securities	627	1,142	568	1,109
	4,359	3,667	4,300	3,634
Unlisted – Overseas				
Other government securities	631	395	241	2
Other securities and equity securities	488	151	242	–
	1,119	546	483	2
Total unlisted	5,478	4,213	4,783	3,636
Total trading securities	5,478	4,213	4,783	3,636

NOTES TO THE FINANCIAL STATEMENTS

12: INVESTMENT SECURITIES

	Consolidated 2004 $m	Consolidated 2003 $m	The Company 2004 $m	The Company 2003 $m
Investment securities are allocated between Australia and Overseas based on the domicile of the issuer				
Listed – Australia				
Other securities and equity investments	4	4	–	–
	4	4	–	–
Listed – Overseas				
Other government securities	1,070	546	1,070	546
Other securities and equity investments	1,354	1,540	1,354	1,540
	2,424	2,086	2,424	2,086
Total listed	2,428	2,090	2,424	2,086
Unlisted – Australia				
Local and semi-government securities	895	1,362	895	1,362
Other securities and equity investments	2,786	250	2,660	157
	3,681	1,612	3,555	1,519
Unlisted – Overseas				
New Zealand government securities	914	399	–	–
Other government securities	357	237	133	131
Other securities and equity investments	366	429	5	102
	1,637	1,065	138	233
Total unlisted	5,318	2,677	3,693	1,752
Total investment securities	7,746	4,767	6,117	3,838
Market value information				
Listed – Australia				
Other securities and equity investments	12	2	–	–
	12	2	–	–
Listed – Overseas				
Other government securities	1,072	548	1,072	548
Other securities and equity investments	1,358	1,537	1,358	1,537
	2,430	2,085	2,430	2,085
Total market value of listed investment securities	2,442	2,087	2,430	2,085
Unlisted – Australia				
Local and semi-government securities	895	1,362	895	1,362
Other securities and equity investments	2,785	251	2,659	157
	3,680	1,613	3,554	1,519
Unlisted – Overseas				
New Zealand government securities	913	399	–	–
Other government securities	361	238	137	132
Other securities and equity investments	366	429	5	102
	1,640	1,066	142	234
Total market value of unlisted investment securities	5,320	2,679	3,696	1,753
Total market value of investment securities	7,762	4,766	6,126	3,838

NOTES TO THE FINANCIAL STATEMENTS

12: INVESTMENT SECURITIES (CONTINUED)

Investment Securities by Maturities and Yields

Based on remaining term to maturity at 30 September 2004

At book value	Less than 3 months $m	Between 3 months and 12 months $m	Between 1 year and 5 years $m	Between 5 years and 10 years $m	After 10 years $m	No maturity specified $m	Total $m	Market Value $m
Australia								
Local and semi-government securities	695	200	–	–	–	–	895	895
Other securities and equity investments	2,480	50	51	162	–	47	2,790	2,797
	3,175	250	51	162	–	47	3,685	3,692
Overseas								
New Zealand government securities	589	325	–	–	–	–	914	913
Other government securities	861	491	75	–	–	–	1,427	1,433
Other securities and equity investments	194	442	1,077	1	6	–	1,720	1,724
	1,644	1,258	1,152	1	6	–	4,061	4,070
Total book value	4,819	1,508	1,203	163	6	47	7,746	n/a
Total market value	4,784	1,508	1,251	165	6	48	n/a	7,762

Weighted average yields[1]

	Less than 1 year %	Between 1 year and 5 years %	Between 5 years and 10 years %	After 10 years %
Australia				
Local and semi-government securities	5.37	–	–	–
Other securities and equity investments	5.33	6.49	6.56	–
Overseas				
New Zealand government securities	6.08	–	–	–
Other government securities	4.37	7.89	–	–
Other securities and equity investments	3.00	2.71	2.84	2.18

1 Based on effective yields for fixed interest and discounted securities and dividend yield for equity investments at 30 September 2004

NOTES TO THE FINANCIAL STATEMENTS

12: INVESTMENT SECURITIES (CONTINUED)

Investment Securities by Maturities and Yields

Based on remaining term to maturity at 30 September 2003

At book value	Less than 3 months $m	Between 3 months and 12 months $m	Between 1 year and 5 years $m	Between 5 years and 10 years $m	After 10 years $m	No maturity specified $m	Total $m	Market Value $m
Australia								
Local and semi-government securities	1,002	360	–	–	–	–	1,362	1,362
Other securities and equity investments	95	60	68	–	–	31	254	253
	1,097	420	68	–	–	31	1,616	1,615
Overseas								
New Zealand government securities	291	108	–	–	–	–	399	399
Other government securities	220	363	200	–	–	–	783	786
Other securities and equity investments	831	503	635	–	–	–	1,969	1,966
	1,342	974	835	–	–	–	3,151	3,151
Total book value	2,439	1,394	903	–	–	31	4,767	n/a
Total market value	2,439	1,393	903	–	–	31	n/a	4,766

Weighted average yields[1]

	Less than 1 year %	Between 1 year and 5 years %	Between 5 years and 10 years %	After 10 years %
Australia				
Local and semi-government securities	4.70	–	–	–
Other securities and equity investments	4.94	4.95	–	–
Overseas				
New Zealand government securities	4.99	–	–	–
Other government securities	7.74	6.25	–	–
Other securities and equity investments	3.11	1.92	–	–

1 Based on effective yields for fixed interest and discounted securities and dividend yield for equity investments at 30 September 2003

NOTES TO THE FINANCIAL STATEMENTS

13: NET LOANS AND ADVANCES

Loans and advances are classified between Australia, New Zealand and Overseas markets based on the domicile of the lending point.

	Consolidated 2004 $m	Consolidated 2003 $m	The Company 2004 $m	The Company 2003 $m
Australia				
Overdrafts	4,390	3,915	4,390	3,915
Credit card outstandings	4,523	4,265	4,523	4,265
Term loans – housing	71,499	62,482	71,499	62,482
Term loans – non-housing	49,217	41,133	44,098	35,804
Lease finance (refer below)	2,667	2,613	1,061	1,020
Hire purchase	7,093	6,127	497	398
Other	1,091	785	1,066	760
	140,480	121,320	127,134	108,644
New Zealand				
Overdrafts	1,604	611	–	–
Credit card outstandings	1,032	491	–	–
Term loans – housing	31,519	10,551	–	–
Term loans – non-housing	22,472	7,425	–	–
Lease finance (refer below)	493	370	–	–
Hire purchase	517	496	–	–
Other	584	985	–	–
	58,221	20,929	–	–
Overseas markets				
Overdrafts	558	740	408	579
Credit card outstandings	128	134	7	21
Term loans – housing	464	361	363	266
Term loans – non-housing	8,730	8,984	7,314	7,437
Lease finance (refer below)	111	239	79	216
Commercial bills	78	78	78	78
Other	44	2	40	2
	10,113	10,538	8,289	8,599
Total gross loans and advances	208,814	152,787	135,423	117,243
Provisions for doubtful debts (refer note 15)	(2,376)	(2,018)	(1,655)	(1,712)
Income yet to mature	(1,476)	(1,304)	(1)	(1)
	(3,852)	(3,322)	(1,656)	(1,713)
Total net loans and advances	204,962	149,465	133,767	115,530
Lease finance consists of gross lease receivables				
Current	555	615	102	124
Non-current	2,716	2,607	1,038	1,112
	3,271	3,222	1,140	1,236

NOTES TO THE FINANCIAL STATEMENTS

13: NET LOANS AND ADVANCES (CONTINUED)

Maturity Distribution and Concentrations of Credit Risk
Based on remaining term to maturity at 30 September 2004

	Overdraft[1] $m	Less than 3 months $m	Between 3 months and 12 months $m	Between 1 year and 5 years $m	After 5 years $m	Total $m
Australia						
Agriculture, forestry, fishing and mining	544	791	583	1,156	1,518	4,592
Business service	216	559	358	1,025	1,188	3,346
Entertainment, leisure and tourism	76	814	850	820	1,100	3,660
Financial, investment and insurance	366	854	1,297	625	406	3,548
Government and official institutions	1	87	2	15	21	126
Lease finance	–	90	238	1,820	519	2,667
Manufacturing	310	1,432	613	1,507	872	4,734
Personal[2]	6,260	7,073	143	5,521	495	19,492
Real estate – construction	207	185	192	1,100	684	2,368
Real estate – mortgage[3]	137	2,886	2,406	10,206	66,136	81,771
Retail and wholesale trade	597	1,960	510	1,822	2,737	7,626
Other	199	2,441	925	1,662	1,323	6,550
New Zealand						
Agriculture, forestry, fishing and mining	113	792	512	5,388	2,613	9,418
Business service	242	52	100	285	167	846
Entertainment, leisure and tourism	75	25	198	415	178	891
Financial, investment and insurance	75	316	98	2,175	69	2,733
Government and official institutions	7	106	24	129	71	337
Lease finance	15	2	137	333	6	493
Manufacturing	186	342	143	972	326	1,969
Personal[2]	867	82	234	792	180	2,155
Real estate – construction	98	130	91	216	89	624
Real estate – mortgage[3]	620	2,776	2,147	4,554	24,628	34,725
Retail and wholesale trade	189	249	158	634	314	1,544
Other	149	349	336	1,168	484	2,486
Overseas Markets						
Agriculture, forestry, fishing and mining	13	120	230	446	324	1,133
Business service	10	7	5	54	9	85
Entertainment, leisure and tourism	4	14	7	32	20	77
Financial, investment and insurance	14	88	47	294	112	555
Government and official institutions	26	4	11	69	14	124
Lease finance	73	–	–	15	23	111
Manufacturing	59	878	312	1,110	354	2,713
Personal[2]	6	46	53	170	164	439
Real estate – construction	12	6	34	39	6	97
Real estate – mortgage[3]	10	40	18	277	233	578
Retail and wholesale trade	216	243	95	93	42	689
Other	243	380	268	1,105	1,516	3,512
Gross loans and advances	12,235	26,219	13,375	48,044	108,941	208,814
Specific provision for doubtful debts	(384)	–	–	–	–	(384)
Income yet to mature	(12)	(355)	(287)	(816)	(6)	(1,476)
	(396)	(355)	(287)	(816)	(6)	(1,860)
Loans and advances net of specific provision and income yet to mature	11,839	25,864	13,088	47,228	108,935	206,954
General provision	–	–	–	–	(1,992)	(1,992)
Net loans and advances	11,839	25,864	13,088	47,228	106,943	204,962
Interest rate sensitivity						
Fixed interest rates[4]	278	11,029	8,060	22,057	43,720	84,694
Variable interest rates	11,957	15,190	5,315	25,987	65,671	124,120
	12,235	26,219	13,375	48,044	108,941	208,814

1 Overdraft includes credit cards and unsecured lending
2 Personal includes non-business loans to individuals through overdrafts, personal loans, credit cards and fully drawn advances
3 Real estate-mortgage includes residential and commercial property exposure. Loans within this category are for the purchase of such properties and must be secured by property
4 Housing loans and other loans that are capped for an initial period are fixed interest rate loans and their maturities based on the principal repayments due over the term of the loan

NOTES TO THE FINANCIAL STATEMENTS

13: NET LOANS AND ADVANCES (CONTINUED)

Maturity Distribution and Concentrations of Credit Risk

Based on remaining term to maturity at 30 September 2003

	Overdraft[1] $m	Less than 3 months $m	Between 3 months and 12 months $m	Between 1 year and 5 years $m	After 5 years $m	Total $m
Australia						
Agriculture, forestry, fishing and mining	505	417	655	1,001	1,251	3,829
Business service	243	261	313	869	946	2,632
Entertainment, leisure and tourism	100	588	199	805	940	2,632
Financial, investment and insurance	1,355	705	897	1,733	276	4,966
Government and official institutions	2	–	2	20	27	51
Lease finance	–	113	289	1,701	510	2,613
Manufacturing	345	2,068	479	1,125	1,349	5,366
Personal[2]	4,491	5,322	210	5,046	579	15,648
Real estate – construction	223	66	114	821	543	1,767
Real estate – mortgage[3]	125	1,990	1,811	9,871	55,863	69,660
Retail and wholesale trade	621	2,086	620	1,241	2,253	6,821
Other	170	2,284	647	1,065	1,169	5,335
New Zealand						
Agriculture, forestry, fishing and mining	85	30	229	588	679	1,611
Business service	7	1	–	35	96	139
Entertainment, leisure and tourism	23	3	7	71	332	436
Financial, investment and insurance	61	5	462	564	75	1,167
Government and official institutions	7	2	6	62	70	147
Lease finance	25	28	79	236	2	370
Manufacturing	58	27	185	493	440	1,203
Personal[2]	43	171	202	375	39	830
Real estate – construction	16	27	56	153	56	308
Real estate – mortgage[3]	629	38	623	464	10,198	11,952
Retail and wholesale trade	51	10	100	385	428	974
Other	97	61	137	712	785	1,792
Overseas Markets						
Agriculture, forestry, fishing and mining	17	111	252	534	231	1,145
Business service	14	6	15	146	3	184
Entertainment, leisure and tourism	6	16	17	32	27	98
Financial, investment and insurance	5	78	23	137	106	349
Government and official institutions	11	9	16	81	10	127
Lease finance	73	4	4	10	148	239
Manufacturing	171	418	394	1,089	379	2,451
Personal[2]	10	177	119	202	433	941
Real estate – construction	13	14	8	125	4	164
Real estate – mortgage[3]	49	16	61	403	278	807
Retail and wholesale trade	263	259	19	186	40	767
Other	242	191	195	1,269	1,369	3,266
Gross loans and advances	10,156	17,602	9,445	33,650	81,934	152,787
Specific provision for doubtful debts	(484)	–	–	–	–	(484)
Income yet to mature	(96)	(287)	(256)	(661)	(4)	(1,304)
	(580)	(287)	(256)	(661)	(4)	(1,788)
Loans and advances net of specific provision and income yet to mature	9,576	17,315	9,189	32,989	81,930	150,999
General provision	–	–	–	–	(1,534)	(1,534)
Net loans and advances	9,576	17,315	9,189	32,989	80,396	149,465
Interest rate sensitivity						
Fixed interest rates[4]	372	8,585	4,724	22,739	19,826	56,246
Variable interest rates	9,784	9,017	4,721	10,911	62,108	96,541
	10,156	17,602	9,445	33,650	81,934	152,787

1 Overdraft includes credit cards and unsecured lending
2 Personal includes non-business loans to individuals through overdrafts, personal loans, credit cards and fully drawn advances
3 Real estate-mortgage includes residential and commercial property exposure. Loans within this category are for the purchase of such properties and must be secured by property
4 Housing loans and other loans that are capped for an initial period are fixed interest rate loans and their maturities based on the principal repayments due over the term of the loan

NOTES TO THE FINANCIAL STATEMENTS

14: IMPAIRED ASSETS

	Consolidated 2004 $m	Consolidated 2003 $m	The Company 2004 $m	The Company 2003 $m
Summary of impaired assets				
Non-accrual loans	829	1,007	644	865
Restructured loans	32	–	32	–
Unproductive facilities	29	39	29	38
Gross impaired assets	890	1,046	705	903
Specific provisions				
Non-accrual loans	(378)	(482)	(268)	(427)
Unproductive facilities	(6)	(2)	(6)	(2)
Net impaired assets	506	562	431	474
Non-accrual loans				
Non-accrual loans	829	1,007	644	865
Specific provisions	(378)	(482)	(268)	(427)
Total net non-accrual loans	451	525	376	438
Restructured loans				
For these loans interest and fees are recognised as income on an accrual basis	32	–	32	–
Other real estate owned				
In the event of customer default, any loan security is held as mortgagee in possession and therefore the Group does not hold any other real estate owned assets	–	–	–	–
Unproductive facilities				
Unproductive facilities	29	39	29	38
Specific provisions	(6)	(2)	(6)	(2)
Net unproductive facilities	23	37	23	36
Accruing loans past due 90 days or more				
These amounts, comprising loans less than $100,000 or fully secured, are not classified as impaired assets and therefore are not included within the above summary	293	213	175	163

Consolidated average non-accrual loans: September 2004 $912 million; September 2003 $1,103 million; September 2002 $1,254 million
Further analysis of impaired assets at 30 September 2004 and interest and/or other income received during the year under Australian Prudential Regulation Authority guidelines is as follows:

	Consolidated Gross balance outstanding $m	Consolidated Specific provision $m	Consolidated Interest and/or other income received $m	The Company Gross balance outstanding $m	The Company Specific provision $m	The Company Interest and/or other income received $m
Non-accrual loans						
Without provisions						
Australia	82	–	3	79	–	2
New Zealand	6	–	–	–	–	–
Overseas markets	27	–	7	27	–	6
	115	–	10	106	–	8
With provisions and no, or partial, performance[1]						
Australia	338	208	3	296	184	2
New Zealand	109	69	1	–	–	–
Overseas markets	265	100	5	241	83	5
	712	377	9	537	267	7
With provisions and full performance[1]						
Australia	1	1	–	1	1	–
New Zealand	–	–	–	–	–	–
Overseas markets	1	–	–	–	–	–
	2	1	–	1	1	–
Total non-accrual loans	829	378	19	644	268	15
Restructured loans	32	–	–	32	–	–
Unproductive facilities	29	6	–	29	6	–
Total impaired assets	890	384	19	705	274	15

1 A loan's performance is assessed against its contractual repayment schedule

NOTES TO THE FINANCIAL STATEMENTS

14: IMPAIRED ASSETS (CONTINUED)

Interest and other income forgone on impaired assets

The following table shows the estimated amount of interest and other income that would have been recorded had interest and other income on non-accrual loans and unproductive facilities been accrued to income (or, in the case of restructured loans, had interest and other income been accrued at the original contract rate), and the amount of interest and other income received with respect to such loans.

	Consolidated		The Company	
	2004 $m	2003 $m	2004 $m	2003 $m
Gross interest and other income receivable on non-accrual loans, restructured loans and unproductive facilities				
Australia	29	36	24	28
New Zealand	8	2	–	–
Overseas markets	25	31	15	23
Total gross interest and other income receivable on non-accrual loans, restructured loans and unproductive facilities	62	69	39	51
Interest and other income received				
Australia	(6)	(10)	(4)	(9)
New Zealand	(1)	(1)	–	–
Overseas markets	(12)	(12)	(11)	(11)
Total interest and other income received	(19)	(23)	(15)	(20)
Net interest and other income forgone				
Australia	23	26	20	19
New Zealand	7	1	–	–
Overseas markets	13	19	4	12
Total net interest and other income forgone	43	46	24	31

NOTES TO THE FINANCIAL STATEMENTS

15: PROVISIONS FOR DOUBTFUL DEBTS

	Consolidated 2004 $m	Consolidated 2003 $m	Consolidated 2002 $m	The Company 2004 $m	The Company 2003 $m
General provision					
Balance at start of year	1,534	1,496	1,386	1,283	1,310
Acquisition of provisions	216	–	–	–	–
Adjustment for exchange rate fluctuations	53	(49)	(22)	16	(70)
Charge to statement of financial performance	632	614	610	433	465
Significant transactions: special charge to statement of financial performance[1]	–	–	250	–	–
Transfer to specific provision	(525)	(588)	(788)	(399)	(460)
Recoveries	82	61	60	48	38
Total general provision	1,992	1,534	1,496	1,381	1,283
Specific provision					
Balance at start of year	484	585	500	429	509
Acquisition of provisions	57	–	–	–	–
Adjustment for exchange rate fluctuations	(2)	(49)	(6)	(7)	(43)
Bad debts written off	(680)	(640)	(697)	(547)	(497)
Transfer from general provision	525	588	788	399	460
Total specific provision	384	484	585	274	429
Total provisions for doubtful debts	2,376	2,018	2,081	1,655	1,712
Provision movement analysis					
New and increased provisions					
Australia	459	418	423	404	360
New Zealand	80	45	54	–	–
Other overseas markets	86	212	421	60	163
	625	675	898	464	523
Provision releases	(100)	(87)	(110)	(65)	(63)
	525	588	788	399	460
Recoveries of amounts previously written off	(82)	(61)	(60)	(48)	(38)
Net specific provision	443	527	728	351	422
Net credit to general provision	189	87	132	82	43
Charge to statement of financial performance	632	614	860	433	465
Ratios	%	%	%	%	%
Provisions[2] as a % of total advances[3]					
Specific	0.2	0.3	0.4	0.2	0.3
General	1.0	0.9	1.1	0.9	1.0
Provisions[2] as a % of risk weighted assets					
Specific	0.2	0.3	0.4	0.2	0.4
General	1.0	1.0	1.1	1.0	1.1
Bad debts written off as a % of total advances[3]	0.3	0.4	0.5	0.4	0.4
Net specific provision as a % of total advances[3]	0.2	0.3	0.5	0.2	0.3

1 Following an assessment of the general provision balance in March 2002, a special provision for doubtful debts of $250 million ($175 million after tax) was charged to restore the provision balance to an appropriate level in the environment relevant at that time of unexpected investment grade defaults
2 Excludes provisions for unproductive facilities
3 See Glossary on page 141

NOTES TO THE FINANCIAL STATEMENTS

16: CUSTOMERS' LIABILITIES FOR ACCEPTANCES

	Consolidated 2004 $m	Consolidated 2003 $m	The Company 2004 $m	The Company 2003 $m
Australia				
Agriculture, forestry, fishing and mining	813	797	813	797
Business service	572	550	572	550
Entertainment, leisure and tourism	502	473	502	473
Financial, investment and insurance	1,081	977	1,081	977
Manufacturing	1,710	2,251	1,710	2,251
Personal[1]	5	80	5	80
Real estate – construction	132	112	132	112
Real estate – mortgage[2]	5,073	5,463	5,073	5,463
Retail and wholesale trade	1,524	1,810	1,524	1,810
Other	994	629	994	629
	12,406	13,142	12,406	13,142
Overseas				
Financial, investment and insurance	6	11	6	11
Manufacturing	44	20	44	20
Retail and wholesale trade	10	4	10	4
Other	–	1	–	1
	60	36	60	36
Total customers' liabilities for acceptances	12,466	13,178	12,466	13,178

1 Personal includes non-business acceptances to individuals
2 Real estate mortgage includes residential and commercial property exposure. Acceptances within this category are for the purchase of such properties and must be secured by property

17: REGULATORY DEPOSITS

	Consolidated 2004 $m	Consolidated 2003 $m	The Company 2004 $m	The Company 2003 $m
Overseas central banks	176	101	144	68

NOTES TO THE FINANCIAL STATEMENTS

18: SHARES IN CONTROLLED ENTITIES, ASSOCIATES AND JOINT VENTURE ENTITIES

Refer notes 43 to 45 for details.

	Consolidated 2004 $m	Consolidated 2003 $m	The Company 2004 $m	The Company 2003 $m
Total shares in controlled entities	–	–	11,472	8,054
Total shares in associates	263	166	45	41
Total shares in joint venture entity	1,697	1,648	–	–
Total shares in controlled entities, associates and joint venture entities	1,960	1,814	11,517	8,095

ACQUISITIONS OF CONTROLLED ENTITIES

During the year ended 30 September 2004 the following material controlled entities were acquired:

On 1 December 2003, the Company acquired NBNZ Holdings Ltd and its controlled entities (NBNZ). Details of the acquisition are disclosed in note 42. The operating results of these acquired entities have been included in consolidated operating profit since acquisition. A restructuring provision of $25 million was established for restructuring the operations of the acquired entities. A balance of $24 million remains in the provision at 30 September 2004. On 26 June 2004, NBNZ was amalgamated into ANZ Banking Group (New Zealand) Limited. ANZ Banking Group (New Zealand) Limited changed its name to ANZ National Bank Limited on 28 June 2004.

There were no material controlled entities acquired during the year ended 30 September 2003.

DISPOSALS OF CONTROLLED ENTITIES

There were no material controlled entities disposed of during the years ended 30 September 2004 and 2003.

19: DEFERRED TAX ASSETS

	Consolidated 2004 $m	Consolidated 2003 $m	The Company 2004 $m	The Company 2003 $m
Future income tax assets comprises				
General provision for doubtful debts	650	505	442	414
Other	804	660	295	332
Total income tax assets	1,454	1,165	737[1]	746
Future income tax assets				
Australia	959	874	636	605
Overseas	495	291	101	141
	1,454	1,165	737	746

1 Gross deferred tax assets for the Company $1,060 million (2004) less intercompany liability to tax consolidated controlled entities $323 million (2004)

Certain potential future income tax assets within the Group have not been recognised as assets because recovery cannot be regarded as virtually certain. These potential benefits arise from tax losses and timing differences (benefits could amount to $nil, 2003: nil), and from realised capital losses (benefits could amount to $67 million, 2003: nil).

These benefits will only be obtained if:

i) the relevant entities derive future assessable income of a nature and amount sufficient to enable the benefit of the taxation deductions to be realised;

ii) the relevant entities continue to comply with the conditions for deductibility imposed by law; and

iii) there are no changes in taxation legislation adversely affecting the benefit of the taxation deductions.

NOTES TO THE FINANCIAL STATEMENTS

20: GOODWILL

	Consolidated 2004 $m	Consolidated 2003 $m	The Company 2004 $m	The Company 2003 $m
Goodwill – at cost	3,509	248	123	128
Accumulated amortisation	(240)	(88)	(49)	(41)
Total goodwill[1]	3,269	160	74	87

1 Excludes notional goodwill related to the ING Australia joint venture of $754 million (September 2003: $821 million)

21: OTHER ASSETS

	Consolidated 2004 $m	Consolidated 2003 $m	The Company 2004 $m	The Company 2003 $m
Property held for resale				
Cost of acquisition	–	2	–	–
Provision for diminution in value	–	–	–	–
	–	2	–	–
Accrued interest/prepaid discounts	1,568	1,085	1,181	859
Accrued commission	82	81	55	55
Prepaid expenses	71	70	10	13
Treasury instruments revaluations	4,456	5,963	3,738	5,379
Security settlements	952	373	10	360
Operating leases residual value	535	461	–	–
Life insurance business investments	65	–	–	–
Other	1,429	2,189	757	1,376
Total other assets	9,158	10,224	5,751	8,042

NOTES TO THE FINANCIAL STATEMENTS

22: PREMISES AND EQUIPMENT

	Consolidated		The Company	
	2004 $m	2003 $m	2004 $m	2003 $m
Freehold and leasehold land and buildings				
At cost[1]	472	442	31	22
Provision for depreciation	(24)	(16)	(1)	(1)
	448	426	30	21
Leasehold improvements				
At cost	209	168	117	108
Provision for amortisation	(148)	(116)	(78)	(71)
	61	52	39	37
Furniture and equipment				
At cost	920	725	519	507
Provision for depreciation	(614)	(488)	(342)	(324)
	306	237	177	183
Computer and office equipment				
At cost	964	853	646	636
Provision for depreciation	(712)	(572)	(462)	(419)
	252	281	184	217
Software				
At cost	728	624	614	560
Provision for amortisation	(298)	(159)	(239)	(139)
	430	465	375	421
Capital works in progress				
At cost	35	24	21	18
Total premises and equipment	1,532	1,485	826	897

1 In accordance with AASB 1041 this represents deemed cost

From 1 October 2000 as allowed by AASB 1041 'Revaluation of Non-Current Assets' the Group elected to revert to the cost basis for measuring the class of assets 'land and buildings'.

As all properties are carried at deemed cost subject to individually meeting a recoverable amount test, valuations are carried out on all properties with a carrying value in excess of $1 million every three years. Properties carrying values are not increased to market values if valuations exceed carrying amounts. However, if the valuation of an individual property is determined to be less than its carrying amount, it will be written down to the lower amount.

The properties are subject to external valuation by independent valuers. Valuations are based on the estimated open market value and assume that the properties concerned continue to be used in their existing manner by the Group.

The independent valuation of the Group's freehold land and buildings was carried out as at 30 June 2002 by Jones Lang La Salle Advisory and resulted in a valuation of $464 million (The Company: $32 million). As land and buildings are recorded at deemed cost, the valuation was not brought to account.

At 30 September 2004, the recoverable amount review of properties, with net carrying values equal to or greater than $2 million was completed. Properties were reviewed for the existence of impairment indicators that might provide evidence that the property's recoverable amount exceeded its carrying value. One property was identified as impaired and a loss of $2 million was booked.

Group accounting policy covering the amortisation of software costs capitalised are detailed in note 1(xiv). As at 30 September 2004 the weighted average amortisation period is 5 years.

NOTES TO THE FINANCIAL STATEMENTS

22: PREMISES AND EQUIPMENT (CONTINUED)

Reconciliations of the carrying amounts for each class of premises and equipment are set out below:

	Consolidated 2004 $m	Consolidated 2003 $m	The Company 2004 $m	The Company 2003 $m
Freehold and leasehold land and buildings				
Carrying amount at beginning of year	426	455	21	27
Additions	15	13	10	4
Acquisitions[1]	53	–	–	–
Disposals[2]	(43)	(35)	(1)	(7)
Depreciation	(4)	(4)	–	(1)
Net foreign currency exchange difference	1	(3)	–	(2)
Carrying amount at end of year	448	426	30	21
Leasehold improvements				
Carrying amount at beginning of year	52	44	37	30
Additions	17	25	9	16
Acquisitions[1]	10	–	–	–
Disposals	(6)	(2)	–	–
Amortisation	(13)	(15)	(7)	(9)
Net foreign currency exchange difference	1	–	–	–
Carrying amount at end of year	61	52	39	37
Furniture and equipment[3]				
Carrying amount at beginning of year	237	231	183	161
Additions	111	56	58	50
Acquisitions[1]	79	–	–	–
Disposals	(66)	(1)	(33)	–
Depreciation	(52)	(45)	(29)	(26)
Net foreign currency exchange difference	(3)	(4)	(2)	(2)
Carrying amount at end of year	306	237	177	183
Computer and office equipment				
Carrying amount at beginning of year	281	283	217	235
Additions	80	110	65	94
Acquisitions[1]	14	–	–	–
Disposals	(14)	(12)	(26)	(36)
Depreciation	(111)	(100)	(72)	(75)
Net foreign currency exchange difference	2	–	–	(1)
Carrying amount at end of year	252	281	184	217
Software				
Carrying amount at beginning of year	465	419	421	389
Additions	114	141	92	115
Acquisitions[1]	17	–	–	–
Writeoffs[4]	(37)	(12)	(34)	(10)
Amortisation	(129)	(83)	(104)	(73)
Carrying amount at end of year	430	465	375	421
Capital works in progress				
Carrying amount at beginning of year	24	32	18	24
Net additions (transfers)	8	(8)	3	(6)
Acquisitions[1]	3	–	–	–
Carrying amount at end of year	35	24	21	18
Total premises and equipment	1,532	1,485	826	897

1 Relates to NBNZ acquisition at 1 December 2003. Additions after this date are included in the “Additions” lines
2 Includes $2 million writedown in carrying value of one property
3 Includes integrals
4 Software writeoffs arose where projects were terminated and the software no longer utilised

NOTES TO THE FINANCIAL STATEMENTS

23: DUE TO OTHER FINANCIAL INSTITUTIONS

	Consolidated 2004 $m	Consolidated 2003 $m	The Company 2004 $m	The Company 2003 $m
Australia	1,346	1,652	1,345	1,652
Overseas	6,003	4,815	4,515	3,838
Total due to other financial institutions	7,349	6,467	5,860	5,490
Maturity analysis based on remaining term to maturity at 30 September				
At call	2,255	2,887	1,853	1,948
Less than 3 months	4,152	2,893	3,346	2,859
Between 3 months and 12 months	662	686	661	682
Between 1 year and 5 years	280	1	–	1
Total due to other financial institutions	7,349	6,467	5,860	5,490

24: DEPOSITS AND OTHER BORROWINGS

Deposits and other borrowings are classified between Australia and Overseas based on the location of the deposit taking point.

	Consolidated 2004 $m	Consolidated 2003 $m	The Company 2004 $m	The Company 2003 $m
Australia				
Certificates of deposit	12,221	7,029	12,221	7,029
Term deposits	22,615	19,263	23,273	19,814
Other deposits bearing interest	45,155	40,864	45,155	40,852
Deposits not bearing interest	4,005	3,881	4,005	3,881
Commercial paper	4,708	5,458	2,099	3,722
Borrowing corporations' debt [1]	7,214	6,822	–	–
Securities sold under agreement to repurchase	78	299	78	299
Other borrowings	509	713	509	713
	96,505	84,329	87,340	76,310
Overseas				
Certificates of deposit	4,844	3,119	1,365	1,786
Term deposits	30,941	19,683	9,629	10,768
Other deposits bearing interest	15,891	6,536	782	771
Deposits not bearing interest	4,207	1,950	632	452
Commercial paper	14,072	6,981	–	–
Borrowing corporations' debt [2]	2,034	1,797	–	–
Other borrowings	63	99	63	99
	72,052	40,165	12,471	13,876
Total deposits and other borrowings	168,557	124,494	99,811	90,186
Maturity analysis based on remaining term to maturity at 30 September				
At call	68,421	52,726	50,013	45,225
Less than 3 months	74,186	56,587	37,783	37,323
Between 3 months and 12 months	17,923	10,300	7,337	5,291
Between 1 year and 5 years	7,923	4,860	4,662	2,335
After 5 years	104	21	16	12
Total deposits and other borrowings	168,557	124,494	99,811	90,186

1 Included in this balance is debenture stock of controlled entities. $7.2 billion of debenture stock of the consolidated subsidiary company Esanda together with accrued interest thereon, is secured by a trust deed and collateral debentures, giving floating charges upon the undertaking and all the assets of the entity other than land and buildings ($12,100 million). All controlled entities of Esanda (except for some controlled entities which have been placed or are expected to be placed in voluntary deregistration and have minimal book value) have guaranteed the payment of principal, interest and other monies in relation to all debenture stock and unsecured notes issued by the Company. The only loans pledged as collateral are those in Esanda and its subsidiaries

2 This balance represents NZ$2.2 billion of secured debenture stock of the consolidated subsidiary UDC Finance Limited and the interest accruals thereon are secured by a floating charge over all assets of the UDC Finance Limited and its' subsidiaries (NZ$2,527 million)

NOTES TO THE FINANCIAL STATEMENTS

25: INCOME TAX LIABILITIES

	Consolidated 2004 $m	Consolidated 2003 $m	The Company 2004 $m	The Company 2003 $m
Australia				
Provision for income tax	242	(303)	203	(381)
Provision for deferred income tax	1,354	1,168	921	801
	1,596	865	1,124	420
Overseas				
Provision for income tax	93	52	18	26
Provision for deferred income tax	225	166	109	100
	318	218	127	126
Total income tax liabilities	1,914	1,083	1,251[1]	546
Provision for deferred income tax comprises				
Lease finance	166	95	79	46
Treasury instruments	497	511	497	511
Other	916	728	454	344
	1,579	1,334	1,030	901

1 Gross income tax liabilities for the company $1,724 million (2004) less intercompany asset to tax consolidated controlled entities $473 million (2004)

26: PAYABLES AND OTHER LIABILITIES

	Consolidated 2004 $m	Consolidated 2003 $m	The Company 2004 $m	The Company 2003 $m
Australia				
Payables	4,746	3,102	4,700	3,145
Accrued interest and unearned discounts	1,169	864	1,051	758
Treasury instruments revaluations	3,274	5,997	3,781	5,995
Accrued charges	297	312	255	299
Security settlements	1	165	1	165
Other liabilities	438	693	291	642
	9,925	11,133	10,079	11,004
Overseas				
Payables	145	197	1	5
Accrued interest and unearned discounts	647	341	259	178
Treasury instruments revaluations	2,382	1,335	143	104
Accrued charges	237	143	43	49
Security settlements	378	–	–	–
Life insurance policy liabilities	30	–	–	–
Other liabilities	468	462	365	331
	4,287	2,478	811	667
Total payables and other liabilities	14,212	13,611	10,890	11,671

NOTES TO THE FINANCIAL STATEMENTS

27: PROVISIONS

	Consolidated 2004 $m	Consolidated 2003 $m	The Company 2004 $m	The Company 2003 $m
Employee entitlements[1]	333	269	248	237
Dividends (refer note 7)	–	–	–	–
Non-lending losses, frauds and forgeries	171	164	125	128
Restructuring costs and surplus leased space	106	92	66	68
Other	235	244	179	181
Total provisions	845	769	618	614

1 The aggregate liability for employee benefits largely comprise employee entitlements provisions plus liability for payroll tax and fringe benefits tax. The aggregate liability as at 30 September 2004 was $456 million consolidated and $284 million for the company (30 September 2003: was $362 million consolidated and $263 million for the company)

Reconciliations of the carrying amounts of each class of provisions, except for employee entitlements are set out below:

	Consolidated 2004 $m	Consolidated 2003 $m	The Company 2004 $m	The Company 2003 $m
Dividends[1]				
Carrying amount at beginning of the year	–	692	–	692
Final ordinary dividend	777	n/a	777	n/a
Interim ordinary dividend	850	666	850	666
Preference share dividend	98	102	98	102
Payments made during the year[2]	(1,725)	(1,460)	(1,725)	(1,460)
Carrying amount at the end of the year	–	–	–	–
Restructuring costs and surplus leased space[3]				
Carrying amount at beginning of the year	92	143	68	103
Acquisition provision (NBNZ)	27	–	–	–
Provision made during the year	69	45	63	43
Payments made during the year	(68)	(80)	(50)	(62)
Release of Provisions	(15)	(16)	(15)	(16)
Adjustment for exchange rate fluctuations	1	–	–	–
Carrying amount at the end of the year	106	92	66	68
Non-lending losses frauds and forgeries[4]				
Carrying amount at beginning of the year	164	216	128	184
Provision made during the year	18	17	4	6
Payments made during the year	(7)	(59)	(3)	(57)
Release of Provisions	(4)	(10)	(4)	(5)
Carrying amount at the end of the year	171	164	125	128
Other provisions[5]				
Carrying amount at beginning of the year	244	298	181	268
Provision made during the year	209	153	165	111
Payments made during the year	(173)	(130)	(127)	(129)
Release of Provisions	(46)	(76)	(40)	(68)
Adjustment for exchange rate fluctuations	1	(1)	–	(1)
Carrying amount at the end of the year	235	244	179	181

1 A provision for dividends payable will be recognised in the reporting period in which the dividends are declared, determined, or publicly recommended. Current practice is to publicly announce dividends after the reporting period to which the dividend relates
2 Includes issue of ordinary shares under the Bonus Option Plan (2004: $29 million; 2003: $25 million)
3 Restructuring costs and surplus leased space provisions arise from exit activities related to material changes in the scope of business undertaken by the Group or the manner in which that business is undertaken, and includes termination benefits. Costs related to on-going activities are not provided for. Provision is made when the Group is demonstrably committed, it is probable that the costs will be incurred, though its timing is uncertain, and the costs can be reliably estimated
4 Non-lending losses, frauds and forgeries provisions arise from inadequate or failed internal processes and systems, or from external events
5 Other provisions comprise various other provisions including fringe benefits tax, fleet maintenance, workers' compensation and other non-employee entitlement provisions

NOTES TO THE FINANCIAL STATEMENTS

28: BONDS AND NOTES

		Consolidated 2004 $m	Consolidated 2003 $m	The Company 2004 $m	The Company 2003 $m
Bonds and notes by currency					
USD	United States dollars	4,718	5,772	4,262	5,331
GBP	Great British pounds	3,896	1,758	3,896	1,758
AUD	Australian dollars	979	688	979	688
NZD	New Zealand dollars	667	31	33	31
JPY	Japanese yen	1,433	304	1,433	304
EUR	Euro	10,863	4,903	9,571	4,903
HKD	Hong Kong dollars	2,805	2,259	2,619	2,259
CHF	Swiss francs	831	389	831	389
CAD	Canadian dollars	1,258	184	1,258	184
NOK	Norwegian krone	82	84	82	84
SGD	Singapore dollars	70	200	70	200
Total bonds and notes		27,602	16,572	25,034	16,131
Bonds and notes by maturity					
Maturity analysis based on remaining term to maturity at 30 September					
Less than 3 months		419	269	419	269
Between 3 months and 12 months		4,238	3,652	4,145	3,652
Between 1 year and 5 years		22,870	12,651	20,395	12,210
After 5 years		75	–	75	–
Total bonds and notes		27,602	16,572	25,034	16,131

NOTES TO THE FINANCIAL STATEMENTS

29: LOAN CAPITAL

	Interest Rate %	Consolidated 2004 $m	Consolidated 2003 $m	The Company 2004 $m	The Company 2003 $m
Hybrid loan capital (subordinated)					
US Stapled trust security issue					
USD 350m cumulative trust securities due 2053	4.484	488	–	488	–
USD 750m cumulative trust securities due 2053	5.36	1,047	–	1,047	–
		1,535	–	1,535	–
Perpetual subordinated notes					
USD 300m floating rate notes	LIBOR[1] + 0.15	419	442	419	442
		419	442	419	442
Subordinated notes					
USD 250m fixed notes due 2004	6.25	–	367	–	367
USD 500m fixed notes due 2006	7.55	698	735	698	735
JPY 482m floating rate notes due 2007	LIBOR + 0.50	6	6	6	6
USD 7.9m floating rate notes due 2007	LIBOR + 0.50	11	17	11	17
JPY 568.8m floating rate notes due 2008	LIBOR + 0.55	7	8	7	8
USD 10m floating rate notes due 2008	LIBOR + 0.50	14	20	14	20
USD 79m floating rate notes due 2008[2]	LIBOR + 0.53	110	115	110	115
NZD 100m fixed notes due 2010	8.36	93	–	–	–
NZD 100m fixed notes due 2011	6.87	93	–	–	–
AUD 400m floating rate notes due 2012	BBSW + 0.57	400	400	400	400
AUD 100m floating rate notes due 2012	BBSW + 0.57	100	100	100	100
NZD 125m fixed notes due 2012	7.40	118	–	–	–
NZD 125m fixed notes due 2012	7.61	118	–	–	–
NZD 300m floating rate notes due 2012	BKBM(3) + 0.50	280	263	–	–
NZD 100m fixed notes due 2013	6.46	93	–	–	–
USD 550m floating rate notes due 2013[3]	LIBOR(3) + 0.55	768	808	768	808
EUR 500m fixed/floating rate notes due 2013[4]	4.45	860	854	860	854
EUR 300m floating rate notes due 2013[5]	EURIBOR(3) + 0.375	516	512	516	512
AUD 350m fixed notes due 2014	6.50	350	–	350	–
AUD 380m floating rate notes due 2014	BBSW(3) + 0.41	380	–	380	–
GBP 200m fixed notes due 2015	5.625	502	–	502	–
GBP 400m fixed notes due 2018	4.75	1,004	983	1,004	983
		6,521	5,188	5,726	4,925
Total loan capital		8,475	5,630	7,680	5,367
Loan capital by currency					
AUD Australian dollars		1,230	500	1,230	500
NZD New Zealand dollars		795	263	–	–
USD United States dollars		3,555	2,504	3,555	2,504
GBP Great British pounds		1,506	983	1,506	983
EUR Euro		1,376	1,366	1,376	1,366
JPY Japanese yen		13	14	13	14
		8,475	5,630	7,680	5,367
Loan capital by maturity					
Maturity analysis based on remaining term to maturity at 30 September					
Between 3 months and 12 months		–	368	–	368
Between 1 year and 5 years		846	736	846	736
After 5 years		7,210	4,084	6,415	3,821
Perpetual		419	442	419	442
		8,475	5,630	7,680	5,367

1 LIBOR is an average of rates offered on loans to leading banks in the London inter-bank market
2 Prior to January 2002, the interest rate was LIBOR+ 1.03
3 After February 2008 rate changes to LIBOR (3) + 1.05
4 After February 2010 rate changes to EURIBOR (3) + 0.50
5 After August 2008 rate changes to EURIBOR (3) + 0.875

Loan capital is subordinated in right of payment to the claims of depositors and all other creditors of the Company and its controlled entities which have issued the notes. The loan capital, except for the US Stapled Trust Security Issue constitutes tier 2 capital as defined by the Australian Prudential Regulation Authority (APRA) for capital adequacy purposes. The US Stapled Trust Security Issue constitutes Tier 1 capital as defined by APRA for capital adequacy purposes.

NOTES TO THE FINANCIAL STATEMENTS

29: LOAN CAPITAL (CONTINUED)

US STAPLED TRUST SECURITY ISSUE

On 27 November 2003, ANZ raised USD1.1 billion via the issue of non-cumulative trust securities, to support the capital and funding base of the Group following the decision to acquire NBNZ. The issue was structured as a stapled security along similar lines as ANZ StEPS, with investors purchasing a fully paid, non-coupon paying preference share issued by the parent and a fully paid, coupon paying, note issued by a special purpose NZ subsidiary (Samson Funding Limited). The Trust Security can be de-stapled and the investor left with a coupon paying preference share at ANZ's discretion at any time, or at the investor's discretion under certain circumstances. The issue was made in two tranches:

› USD750 million tranche with a coupon of 5.36%. After 15 December 2013 and at any coupon date thereafter, ANZ has the discretion to redeem the Trust Securities for cash. If it does not exercise this discretion, the investor is entitled to require ANZ to exchange the Trust Security into a number of ordinary shares based on the formula in the offering memorandum.

› USD350 million tranche with a coupon of 4.484% which has the same conversion features as the USD750 million but from 15 January 2010.

If the Trust Securities are not redeemed or bought back prior to 15 December 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 payment classified as interest expense.

30: SHARE CAPITAL

Number of issued shares	2004	The Company 2003	2002
Ordinary shares each fully paid	1,818,401,807	1,521,686,560	1,503,886,082
Preference shares each fully paid	10,000,000	134,032,000	124,032,000
Total number of issued shares	1,828,401,807	1,655,718,560	1,627,918,082

ORDINARY SHARES

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Number of issued shares	2004	The Company 2003	2002
Balance at start of year	1,521,686,560	1,503,886,082	1,488,267,146
Bonus option plan	1,771,864	1,534,987	1,351,845
Dividend reinvestment plan	7,815,830	6,223,866	5,018,513
ANZ employee share acquisition plan	3,891,978	3,615,714	4,144,988
ANZ share option plan	6,387,809	6,425,911	5,103,590
ANZ share purchase scheme ANZ rights issue	276,847,766	–	–
Balance at end of year	1,818,401,807	1,521,686,560	1,503,886,082

For a reconciliation of the movement in ordinary share capital refer to Statement of Changes in Shareholders' Equity on page 27

NOTES TO THE FINANCIAL STATEMENTS

30: SHARE CAPITAL (CONTINUED)

PREFERENCE SHARES

a) Trust Securities Issues (ANZ TrUEPrS)

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 the Australian Prudential Regulation Authority, 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 recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs related.

On 12 December 2003, the Group bought back its 124,032,000 preference shares issued via Trust Securities Issues for $1,045 million.

b) ANZ Stapled Exchangeable Preferred Securities (ANZ StEPS)

On 23 September 2003, the Company issued 10 million ANZ StEPS at $100 each pursuant to a prospectus dated 14 August 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. 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, 15 June, 15 September and 15 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 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 15 September 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 Trust Securities Issues 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 recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate.

NOTES TO THE FINANCIAL STATEMENTS

30: SHARE CAPITAL (CONTINUED)

	Consolidated 2004 $m	Consolidated 2003 $m	The Company 2004 $m	The Company 2003 $m
Preference share balance at start of year				
- ANZ TrUEPrS (USD748 million)[1]	1,225	1,375	1,225	1,375
- ANZ StEPS[1]	987	–	987	–
	2,212	1,375	2,212	1,375
Retranslation of ANZ TrUEPrS[2]	–	(150)	–	(150)
Buyback of ANZ TrUEPrS[3]	(1,225)	–	(1,225)	–
	987	1,225	987	1,225
Preference share net proceeds from new issues during the year				
- ANZ StEPS[1]	–	987	–	987
	987	2,212	987	2,212
Preference share balance at end of year				
- ANZ TrUEPrS (USD748 million)[1]	–	1,225	–	1,225
- ANZ StEPS[1]	987	987	987	987
Balance at end of year	987	2,212	987	2,212

1 Net of issue costs
2 From 1 October 2002, the net proceeds are translated at the spot rate applicable at date of issue. Before 1 October 2002, the net proceeds were translated at the current spot rate at each reporting period and recorded in FCTR. Refer note 1
3 ANZ TrUEPrS bought back on 12 December 2003 for $1,045 million

Share Buybacks

The Company conducted no on-market buybacks during the years ended 30 September 2004 and 2003. The Company announced the intention to undertake an on-market share buyback of at least $350 million post year end. (Refer note 58).

31: OUTSIDE EQUITY INTERESTS

	Consolidated 2004 $m	Consolidated 2003 $m
Share capital	1	2
Retained Profits	17	15
Total outside equity interests	18	17

NOTES TO THE FINANCIAL STATEMENTS

32: CAPITAL ADEQUACY

The Australian Prudential Regulation Authority (APRA) adopts a risk-based capital assessment framework for Australian banks based on internationally accepted capital measurement standards. This risk-based approach requires eligible capital to be divided by total risk weighted assets, with the resultant ratio being used as a measure of a bank's capital adequacy.

Capital is divided into tier 1, or 'core' capital, and tier 2, or 'supplementary' capital. For capital adequacy purposes, eligible tier 2 capital cannot exceed the level of tier 1 capital. Banks are required to deduct from total capital any strategic holdings of other banks' capital instruments and investments in entities engaged in life insurance, funds management and securitisation activities. Under APRA guidelines, banks must maintain a ratio of qualifying capital to risk weighted assets of at least 8 per cent.

The measurement of risk weighted assets is based on: a) A credit risk-based approach wherein risk weightings are applied to statement of financial position assets and to credit converted off balance sheet exposures. Categories of risk weights are assigned based upon the nature of the counterparty and the relative liquidity of the assets concerned and: b) The recognition of risk weighted assets attributable to market risk arising from trading and commodity positions. Trading and commodity balance sheet positions do not attract a risk weighting under the credit risk-based approach.

	Consolidated 2004 $m	2003 $m
Qualifying capital		
Tier 1		
Total shareholders' equity and outside equity interests	17,925	13,787
Hybrid loan capital[1]	1,535	–
Asset revaluation reserve	(31)	(31)
Dividend[2]	(983)	(777)
Accumulated retained profits and reserves of insurance, funds management and securitisation entities	(218)	(168)
Unamortised goodwill and other intangibles[3]	(4,170)	(1,044)
Capitalised expenses[4]	(465)	–
Investment in ANZ Lenders Mortgage Insurance	(27)	(27)
Tier 1 capital	13,566	11,740
Tier 2		
Asset revaluation reserve	31	31
Perpetual subordinated notes	419	442
General provision for doubtful debts[5]	1,342	1,029
	1,792	1,502
Subordinated notes[6]	6,052	4,563
Tier 2 capital	7,844	6,065
Deductions		
Investment in Funds Management and securitisation entities	(107)	(56)
Investment in joint venture with INGA	(708)	(708)
Other	(204)	(156)
	(1,019)	(920)
Total qualifying capital	20,391	16,885
Adjusted common equity[7]	10,012	8,679
Total risk weighted assets	196,664	152,164

	%	%
Capital adequacy ratios		
Tier 1	6.9	7.7
Tier 2	4.0	4.0
Deductions	(0.5)	(0.6)
Total	10.4	11.1
Adjusted common equity[7]	5.1	5.7

1 Represents the US Stapled Trust Security Issue approved by APRA as qualifying for Tier 1 status. Refer note 29
2 Relates to final dividend not provided for
3 From 1 July 2003 the intangible component of investments is deducted from Tier 1 Capital. Prior to this, the deduction was from total capital
4 From 1 July 2004, APRA requires certain capitalised expenses to be deducted from Tier 1 Capital
5 Net of attributable future income tax benefit
6 For capital adequacy calculation purposes, subordinated note issues are reduced by 20% of the original amount during each of the last five years to maturity
7 Tier 1 capital, less preference share capital (converted at 30 September 2004 rates), less deductions

NOTES TO THE FINANCIAL STATEMENTS

32: CAPITAL ADEQUACY (CONTINUED)

	Assets 2004 $m	Assets 2003 $m	Risk weighted assets 2004 $m	Risk weighted assets 2003 $m
Statement of financial position				
Cash, claims on Australian Commonwealth, State Governments, Territory Governments, claims on OECD Central Governments, local currency claims on non-OECD Governments and other zero weighted assets	24,467	19,817	–	–
Claims on approved banks and local Governments	12,593	8,350	2,519	1,670
Advances secured by residential mortgages	106,013	76,711	53,007	38,355
Other assets – credit risk	113,218	88,042	113,218	88,042
Total statement of financial position assets – credit risk	256,291	192,920	168,744	128,067
Trading assets – market risk	3,054	2,671	n/a	n/a
Total statement of financial position assets	259,345	195,591	168,744	128,067

	Contract/ notional amount 2004 $m	Contract/ notional amount 2003 $m	Credit equivalent 2004 $m	Credit equivalent 2003 $m	Risk weighted assets 2004 $m	Risk weighted assets 2003 $m
Off balance sheet exposures						
Direct credit substitutes	10,262	9,771	10,262	9,771	8,173	8,115
Trade and performance related items	11,887	10,782	5,265	4,864	4,728	4,502
Commitments	78,914	65,396	12,385	7,632	10,239	7,422
Foreign exchange, interest rate and other market related transactions	672,500	516,773	11,692	11,469	3,790	3,387
Total off balance sheet exposures – credit risk	773,563	602,722	39,604	33,736	26,930	23,426
Total risk weighted assets – credit risk					195,674	151,493
Risk weighted assets – market risk					990	671
Total risk weighted assets					196,664	152,164

NOTES TO THE FINANCIAL STATEMENTS

33: AVERAGE BALANCE SHEET AND RELATED INTEREST

Averages used in the following table are predominantly daily averages. Interest income figures are presented on a tax-equivalent basis. Non-accrual loans are included under the interest earning asset category 'Loans, advances and bills discounted'. Intragroup interest earning assets and interest bearing liabilities are treated as external assets and liabilities for the geographic segments.

	2004 Average balance $m	2004 Interest $m	2004 Average rate %	2003 Average balance $m	2003 Interest $m	2003 Average rate %	2002 Average balance $m	2002 Interest $m	2002 Average rate %
Interest earning assets									
Due from other financial institutions									
Australia	578	29	5.0	432	21	4.9	653	26	4.0
New Zealand	2,728	137	5.0	582	23	4.0	570	26	4.6
Overseas markets	2,322	43	1.9	2,046	48	2.3	2,404	69	2.9
Investments in public securities									
Australia	7,231	389	5.4	6,390	301	4.7	5,384	259	4.8
New Zealand	3,038	150	4.9	1,642	73	4.4	1,253	55	4.4
Overseas markets	3,175	95	3.0	1,870	78	4.2	1,550	82	5.3
Loans, advances and bills discounted									
Australia	129,658	8,893	6.9	110,260	7,263	6.6	95,846	6,273	6.5
New Zealand	48,346	3,701	7.7	20,365	1,637	8.0	18,129	1,363	7.5
Overseas markets	9,810	421	4.3	12,213	503	4.1	14,195	627	4.4
Other assets									
Australia	1,524	127	8.3	1,606	105	6.5	1,463	17	1.2
New Zealand	1,808	36	2.0	1,353	46	3.4	1,349	83	6.2
Overseas markets	1,935	127	6.6	3,395	140	4.1	3,124	179	5.7
Intragroup assets									
Overseas markets	10,670	225	2.1	9,858	200	2.0	9,525	211	2.2
	222,823	14,373		172,012	10,438		155,445	9,270	
Intragroup elimination	(10,670)	(225)		(9,858)	(200)		(9,525)	(211)	
	212,153	14,148	6.7	162,154	10,238	6.3	145,920	9,059	6.2
Non-interest earning assets									
Acceptances									
Australia	13,398			13,492			14,556		
Overseas markets	54			88			152		
Premises and equipment	1,460			1,436			1,349		
Other assets	18,224			15,781			18,189		
Provisions for doubtful debts									
Australia	(1,762)			(1,838)			(1,805)		
New Zealand	(481)			(211)			(176)		
Overseas markets	(66)			(75)			(58)		
	30,827			28,673			32,207		
Total assets	242,980			190,827			178,127		
Total average assets									
Australia	162,944			142,491			130,515		
New Zealand	61,027			25,333			22,607		
Overseas markets	29,679			32,861			34,530		
	253,650			200,685			187,652		
Intragroup elimination	(10,670)			(9,858)			(9,525)		
	242,980			190,827			178,127		
% of total average assets attributable to overseas activities	32.9%			25.3%			26.7%		

NOTES TO THE FINANCIAL STATEMENTS

33: AVERAGE BALANCE SHEET AND RELATED INTEREST (CONTINUED)

	2004			2003			2002		
	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %	Average balance $m	Interest $m	Average rate %
Interest bearing liabilities									
Time deposits									
Australia	30,839	1,589	5.2	25,171	1,165	4.6	20,741	937	4.5
New Zealand	20,910	1,138	5.4	10,666	570	5.3	8,894	456	5.1
Overseas markets	12,772	296	2.3	14,738	336	2.3	15,113	417	2.8
Savings deposits									
Australia	13,017	352	2.7	11,959	279	2.3	10,964	245	2.2
New Zealand	6,463	212	3.3	3,285	79	2.4	3,113	76	2.4
Overseas markets	386	3	0.8	405	3	0.7	449	7	1.6
Other demand deposits									
Australia	29,737	1,182	4.0	26,718	963	3.6	23,397	792	3.4
New Zealand	6,428	256	4.0	2,108	98	4.6	1,903	78	4.1
Overseas markets	662	9	1.4	642	9	1.4	704	11	1.6
Due to other financial institutions									
Australia	1,452	85	5.9	957	49	5.1	942	49	5.2
New Zealand	1,608	76	4.7	631	23	3.6	514	17	3.3
Overseas markets	3,736	77	2.1	6,446	111	1.7	7,399	180	2.4
Commercial paper									
Australia	5,824	308	5.3	5,216	252	4.8	3,888	178	4.6
New Zealand	6,764	383	5.7	–	–	–	–	–	–
Overseas markets	6,485	74	1.1	4,740	58	1.2	3,641	73	2.0
Borrowing corporations' debt									
Australia	7,092	371	5.2	6,626	337	5.1	6,097	316	5.2
New Zealand	1,925	110	5.7	1,824	108	5.9	1,472	88	6.0
Loan capital, bonds and notes									
Australia	29,631	1,575	5.3	19,783	1,011	5.1	15,639	756	4.8
New Zealand	2,009	121	6.0	521	37	7.1	441	30	6.8
Overseas markets	150	3	2.0	184	4	2.2	540	15	2.8
Other liabilities[1]									
Australia	4,232	543	n/a	2,714	292	n/a	1,463	167	n/a
New Zealand	40	83	n/a	96	97	n/a	117	98	n/a
Overseas markets	82	17	n/a	33	23	n/a	37	33	n/a
Intragroup Liabilities									
Australia	5,644	(19)	(0.3)	7,926	134	1.7	6,778	128	1.9
New Zealand	5,026	244	4.9	1,932	66	3.4	2,747	83	3.0
	202,914	9,088		155,321	6,104		136,993	5,230	
Intragroup elimination	(10,670)	(225)		(9,858)	(200)		(9,525)	(211)	
	192,244	8,863	4.6	145,463	5,904	4.1	127,468	5,019	3.9

1 Includes foreign exchange swap costs

NOTES TO THE FINANCIAL STATEMENTS

33: AVERAGE BALANCE SHEET AND RELATED INTEREST (CONTINUED)

	2004 Average balance $m	2003 Average balance $m	2002 Average balance $m
Non-interest bearing liabilities			
Deposits			
Australia	3,958	3,656	3,925
New Zealand	2,619	1,159	873
Overseas markets	867	683	597
Acceptances			
Australia	13,398	13,492	14,556
Overseas markets	54	88	152
Other liabilities	13,611	14,113	19,634
	34,507	33,191	39,737
Total liabilities	226,751	178,654	167,205
Total average liabilities			
Australia	153,927	134,462	123,341
New Zealand	57,550	24,071	21,507
Overseas markets	25,944	29,979	31,882
	237,421	188,512	176,730
Intragroup elimination	(10,670)	(9,858)	(9,525)
	226,751	178,654	167,205
Total average shareholders' equity			
Ordinary share capital[1]	15,000	10,929	9,507
Preference share capital	1,229	1,244	1,415
	16,229	12,173	10,922
Total average liabilities and shareholders' equity	242,980	190,827	178,127
% of total average liabilities attributable to overseas activities	34.6%	29.2%	30.3%

1 Includes reserves and retained profits

NOTES TO THE FINANCIAL STATEMENTS

34: INTEREST SPREADS AND NET INTEREST AVERAGE MARGINS

	2004 $m	2003 $m	2002 $m
Net interest income[1]			
Australia	3,450	3,210	3,009
New Zealand	1,400	699	601
Overseas markets	433	425	432
	5,283	4,334	4,042
Average interest earning assets			
Australia	138,991	118,688	103,346
New Zealand	55,920	23,942	21,301
Overseas markets	27,912	29,382	30,798
Intragroup elimination	(10,670)	(9,858)	(9,525)
	212,153	162,154	145,920
	%	%	%
Gross earnings rate[2]			
Australia	6.79	6.48	6.36
New Zealand	7.20	7.43	7.17
Overseas markets	3.27	3.30	3.79
Group	6.67	6.31	6.21
Interest spreads and net interest average margins may be analysed as follows			
Australia			
Gross interest spread	2.11	2.31	2.44
Interest forgone on impaired assets[3]	(0.02)	(0.02)	(0.04)
Net interest spread	2.09	2.29	2.40
Interest attributable to net non-interest bearing items	0.39	0.41	0.51
Net interest average margin – Australia	2.48	2.70	2.91
New Zealand			
Gross interest spread	2.08	2.30	2.34
Interest forgone on impaired assets[3]	(0.01)	–	–
Net interest spread	2.07	2.30	2.34
Interest attributable to net non-interest bearing items	0.43	0.62	0.48
Net interest average margin – New Zealand	2.50	2.92	2.82
Overseas markets			
Gross interest spread	1.34	1.37	1.20
Interest forgone on impaired assets[3]	(0.04)	(0.07)	(0.05)
Net interest spread	1.30	1.30	1.15
Interest attributable to net non-interest bearing items	0.25	0.15	0.25
Net interest average margin – Overseas markets	1.55	1.45	1.40
Group			
Gross interest spread	2.08	2.28	2.31
Interest forgone on impaired assets[3]	(0.02)	(0.03)	(0.04)
Net interest spread	2.06	2.25	2.27
Interest attributable to net non-interest bearing items	0.43	0.42	0.50
Net interest average margin – Group	2.49	2.67	2.77

1 On a tax equivalent basis
2 Average interest rate received on interest earning assets. Overseas markets includes intragroup assets
3 Refer note 14 to the financial report

NOTES TO THE FINANCIAL STATEMENTS

35: MARKET RISK

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.

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 is responsible for traded market risk, while the Group Asset and Liability Committee is responsible for non-traded market risk (or balance sheet risk).

The Credit and Trading Risk Committee monitors traded market risk exposures (including Value at Risk and Stress Testing) and is responsible for authorising the trading risk limit framework. The Group Asset and Liability Committee reviews balance sheet based risk measures and strategies on a monthly basis.

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 level is such that there is 97.5% or 99% probability that the 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 limits to measure and manage traded market risk.

Traded and non-traded market risks have been considered separately below.

Traded Market Risks

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.

Below are aggregate VaR exposures covering both derivative and non-derivative trading positions for the Group's principal trading centres.

	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 VaR	1.3	2.5	0.8	1.4	1.7	2.6	0.7	1.3
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 VaR	1.8	3.4	1.0	1.9	2.2	3.6	1.0	2.1

VaR is calculated separately for Foreign Exchange/Commodities and for Interest Rate/Debt Markets businesses as well as Total Group. The diversification benefit reflects the correlation implied by historical rates between Foreign Exchange/Commodities and Interest Rate/Debt Markets.

NOTES TO THE FINANCIAL STATEMENTS

35: MARKET RISK (CONTINUED)

Non-Traded Market Risks (Balance Sheet Risk)

The principal objectives of balance sheet management are to manage interest income sensitivity while maintaining acceptable levels of interest rate and liquidity risk and to hedge the market value of the Group's capital.

Interest Rate Risk

The objective of balance sheet interest rate risk management is to secure stable and optimal net interest income over both the short (next 12 months) and long term. Non-traded interest rate risk relates to the potential adverse impact of changes in market interest rates on the Group's future net interest income. This risk arises from two principal sources: mismatches between the repricing dates of interest bearing assets and liabilities; and the investment of capital and other non-interest bearing liabilities in interest bearing assets. Interest rate risk is reported as follows using three measures: VaR, scenario analysis (to a 1% shock) and disclosure of the interest rate sensitivity gap (refer note 36).

a) VaR Interest Rate Risk

Below are aggregate VaR figures covering non-traded interest rate risk.

	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
Value at risk at 97.5% confidence						
Total ANZ Group	21.0	37.2	21.0	29.5	24.4	59.3

b) Scenario Analysis - A 1% Shock on the Next 12 Months' Net Interest Income

A 1% overnight parallel positive shift in the yield curve is modelled to determine the potential impact on net interest income over the immediate forward period of 12 months. This is a standard risk quantification tool.

The figures in the table below indicate the outcome of this risk measure for the current and previous financial years - expressed as a percentage of reported net interest income. The sign indicates the nature of the rate sensitivity with a positive number signifying that a rate increase is positive for net interest income over the next 12 months. Conversely, a negative number signifies that a rate increase is negative for the next 12 months' net interest income.

	Consolidated 2004	2003
Impact of 1% Rate Shock		
As at 30 September	1.48%	1.67%
Maximum exposure	1.53%	1.67%
Minimum exposure	(0.09)%	(0.86)%
Average exposure	0.69%	0.54%

The extent of mismatching between the repricing characteristics and timing of interest bearing assets and liabilities at any point has implications for future net interest income. On a global basis, the Group quantifies the potential variation in future net interest income as a result of these repricing mismatches each month using a static gap model.

The repricing gaps themselves are constructed based on contractual repricing information. However, for those assets and liabilities where the contractual term to repricing is not considered to be reflective of the actual interest rate sensitivity (for example, products priced at the Group's discretion), a profile based on historically observed and/or anticipated rate sensitivity is used. This treatment excludes the effect of basis risk between customer pricing and wholesale market pricing. For example, when wholesale market rates are anticipating an official rate increase the Group does not reprice certain customer business until the first repricing date after the official rate rise.

The majority of the Group's non-traded interest exposure exists in Australia and New Zealand. In these centres, a separate balance sheet simulation process supplements this static gap information. This allows the net interest income outcomes of a number of different scenarios - with different market interest rate environments and future balance sheet structures - to be identified. This better enables the Group to accurately quantify the interest rate risks associated with the balance sheet, and to formulate strategies to manage current and future risk profiles.

NOTES TO THE FINANCIAL STATEMENTS

35: MARKET RISK (CONTINUED)

Foreign Currency Related Risks

The Group's investment of capital in non-Australian operations generates an exposure to changes in the relative value of individual currencies against the Australian Dollar. Variations in the value of these foreign currency investments are reflected in the Foreign Currency Translation Reserve.

The Group incurs some non-traded foreign currency risk related to the potential repatriation of profits from non-Australian business units. This risk is routinely monitored and hedging is conducted where it is likely to add shareholder value. Revenue related hedge contracts outstanding at 30 September 2004 were USD 36 million and NZD 3,450 million.

The risk relating to mismatching of non-traded foreign currency assets and liabilities has not been presented, as this type of risk is minimal for the Group.

36: INTEREST SENSITIVITY GAP

The following table represents the interest rate sensitivity as at 30 September 2004 of the Group's assets, liabilities and off balance sheet instruments repricing (that is, when interest rates applicable to each asset or liability can be changed) in the periods shown.

Repricing gaps are based upon contractual repricing information except where the contractual terms are not considered to be reflective of actual interest rate sensitivity, for example, those assets and liabilities priced at the Group's discretion. In such cases, the rate sensitivity is based upon historically observed and/or anticipated rate sensitivity.

Sensitivity to interest rates arises from mismatches in the period to repricing of assets and that of the corresponding liability funding. These mismatches are managed within policy guidelines for mismatch positions.

At 30 September 2004	Less than 3 months $m	Between 3 months and 6 months $m	Between 6 months and 12 months $m	Between 1 year and 5 years $m	After 5 years $m	Not bearing interest $m	Total $m
Liquid assets and due from other financial institutions	8,030	788	508	823	6	989	11,144
Trading and investment securities	8,326	1,261	1,538	1,667	293	139	13,224
Net loans and advances	147,883	8,415	12,914	36,740	673	(1,663)	204,962
Other assets	383	134	127	607	5	28,759	30,015
Total assets	164,622	10,598	15,087	39,837	977	28,224	259,345
Certificates of deposit and term deposits	54,245	7,596	4,574	4,199	7	–	70,621
Other deposits	53,843	843	1,648	4,997	–	7,927	69,258
Other borrowings and due to other financial institutions	27,733	2,784	2,844	1,805	7	854	36,027
Other liabilities	127	151	186	749	166	28,058	29,437
Bonds, notes and loan capital	18,738	2,474	962	9,955	3,948	–	36,077
Total liabilities	154,686	13,848	10,214	21,705	4,128	36,839	241,420
Shareholders' equity and outside equity interests	–	–	–	–	–	17,925	17,925
Off balance sheet items affecting interest rate sensitivity	6,655	3,114	(8,887)	(4,777)	3,895	–	–
Interest sensitivity gap							
– net	16,591	(136)	(4,014)	13,355	744	(26,540)	–
– cumulative	16,591	16,455	12,441	25,796	26,540	–	–

The bulk of the Group's loan/deposit business is conducted in the domestic balance sheets of Australia and New Zealand and is priced on a floating rate basis. The mix of repricing maturities in these books is influenced by the underlying financial needs of customers.

Offshore operations, which are generally wholesale in nature, are able to minimise interest rate sensitivity through closely matching the maturity of loans and deposits. Given both the size and nature of their business, the interest rate sensitivities of these balance sheets contribute little to the aggregate risk exposure, which is primarily a reflection of the positions in Australia and New Zealand.

In Australia and New Zealand, a combination of pricing initiatives and off-balance sheet instruments are used in the management of interest rate risk. For example, where a strong medium to long term rate view is held, hedging and pricing strategies are used to modify the profile's rate sensitivity so that it is positioned to take advantage of the expected movement in interest rates. However, such positions are taken within the overall risk limits specified by policy.

NOTES TO THE FINANCIAL STATEMENTS

36: INTEREST SENSITIVITY GAP (CONTINUED)

The following table represents the interest rate sensitivity as at 30 September 2003 of the Group's assets, liabilities and off balance sheet instruments repricing (that is, when interest rates applicable to each asset or liability can be changed) in the periods shown.

At 30 September 2003	Less than 3 months $m	Between 3 months and 6 months $m	Between 6 months and 12 months $m	Between 1 year and 5 years $m	After 5 years $m	Not bearing interest $m	Total $m
Liquid assets and due from other financial institutions	6,857	388	103	47	36	1,588	9,019
Trading and investment securities	4,452	890	1,231	2,059	291	57	8,980
Net loans and advances	117,209	6,796	7,201	18,804	466	(1,011)	149,465
Other assets	640	61	92	828	58	26,448	28,127
Total assets	129,158	8,135	8,627	21,738	851	27,082	195,591
Certificates of deposit and term deposits	39,945	4,313	2,634	2,158	44	–	49,094
Other deposits	43,002	471	956	2,971	–	5,831	53,231
Other borrowings and due to other financial institutions	20,408	2,591	2,352	2,024	35	1,226	28,636
Other liabilities	480	19	65	441	117	27,519	28,641
Bonds, notes and loan capital	10,384	1,273	241	8,466	1,838	–	22,202
Total liabilities	114,219	8,667	6,248	16,060	2,034	34,576	181,804
Shareholders' equity and outside equity interests	–	–	–	–	–	13,787	13,787
Off balance sheet items affecting interest rate sensitivity	(4,818)	(111)	(1,214)	5,227	916	–	–
Interest sensitivity gap							
– net	10,121	(643)	1,165	10,905	(267)	(21,281)	–
– cumulative	10,121	9,478	10,643	21,548	21,281	–	–

NOTES TO THE FINANCIAL STATEMENTS

37: NET FAIR VALUE OF FINANCIAL INSTRUMENTS

Australian Accounting Standard AASB 1033: Presentation and Disclosure of Financial Instruments (AASB 1033) requires disclosure of the net fair value of on and off balance sheet financial instruments. The disclosures exclude all non-financial instruments, such as income taxes and regulatory deposits, and specified financial instruments, such as interests in controlled entities. The aggregate net fair value amounts do not represent the underlying value of the Group.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Net fair value is the fair value adjusted for transaction costs.

Quoted market prices, where available, are adjusted for material transaction costs and used as the measure of net fair value. In cases where quoted market values are not available, net fair values are based on present value estimates or other valuation techniques. For the majority of short-term financial instruments, defined as those which reprice or mature in 90 days or less, with no significant change in credit risk, the net fair value was assumed to equate to the carrying amount in the Group's statement of financial position.

The fair values are based on relevant information available as at 30 September 2004. While judgement is used in obtaining the net fair value of financial instruments, there are inherent weaknesses in any estimation technique. Many of the estimates involve uncertainties and matters of significant judgement, and changes in underlying assumptions could significantly affect these estimates. Furthermore, market prices or rates of discount are not available for many of the financial instruments valued and surrogates have been used which may not reflect the price that would apply in an actual sale.

The net fair value amounts have not been updated for the purposes of these financial statements since 30 September 2004, and therefore the net fair value of the financial instruments subsequent to 30 September 2004 may be different from the amounts reported.

	Net fair value		Carrying value	
Financial Assets	2004 $m	2003 $m	2004 $m	2003 $m
Liquid assets	6,363	6,592	6,363	6,592
Due from other financial institutions	4,781	2,427	4,781	2,427
Trading securities	5,478	4,213	5,478	4,213
Investment securities, shares in associates and joint venture entities	9,786	6,706	9,706	6,581
Loans and advances	206,788	151,058	204,962	149,465
Customers' liabilities for acceptances	12,466	13,178	12,466	13,178
Other financial assets	9,458	10,618	9,088	9,824

LIQUID ASSETS AND DUE FROM OTHER FINANCIAL INSTITUTIONS

The carrying values of these financial instruments are considered to approximate their net fair values as they are short-term in nature or are receivable on demand.

TRADING SECURITIES

Trading securities are carried at market value. Market value is generally based on quoted market prices, broker or dealer price quotations, or prices for securities with similar credit risk, maturity and yield characteristics.

INVESTMENT SECURITIES

Net fair value is based on quoted market prices or broker or dealer price quotations. If this information is not available, net fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

SHARES IN ASSOCIATES AND JOINT VENTURE ENTITIES

Net fair value is based on quoted market prices or broker or dealer price quotations. If this information is not available net fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristics, or by reference to the net tangible asset backing of the investee.

NOTES TO THE FINANCIAL STATEMENTS

37: NET FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

LOANS, ADVANCES AND CUSTOMERS' LIABILITIES FOR ACCEPTANCES

The carrying value of loans, advances and acceptances is net of specific and general provisions for doubtful debts and income yet to mature. The estimated net fair value of loans, advances and acceptances is based on the discounted amount of estimated future cash flows and accordingly has not been adjusted for either specific or general provisions for doubtful debts.

Estimated contractual cash flows for performing loans are discounted at estimated current bank credit spreads to determine fair value. For loans with doubt as to collection, expected cash flows (inclusive of the value of security) are discounted using a rate which includes a premium for the uncertainty of the flows.

The difference between estimated net fair values of loans, advances and acceptances and carrying value reflects changes in interest rates and the credit worthiness of borrowers since loan origination.

Net lease receivables, with a carrying value of $3,079 million (2003: $2,996 million) and a net fair value of $3,080 million (2003: $3,003 million), are included in loans and advances.

OTHER FINANCIAL ASSETS

Included in this category are accrued interest, fees receivable and derivative financial instruments. The carrying values of accrued interest and fees receivable are considered to approximate their net fair values as they are short term in nature or are receivable on demand.

The fair values of derivative financial instruments such as interest rate swaps and currency swaps were calculated using discounted cash flow models based on current market yields for similar types of instruments and the maturity of each instrument. Foreign exchange contracts and interest rate option contracts were valued using market prices and option valuation models as appropriate.

Properties held for resale, deferred tax assets and prepaid expenses are not considered financial assets.

	Net fair value		Carrying value	
Financial Liabilities	2004 $m	2003 $m	2004 $m	2003 $m
Due to other financial institutions	7,349	6,467	7,349	6,467
Deposits and other borrowings	168,542	124,519	168,557	124,494
Liability for acceptances	12,466	13,178	12,466	13,178
Bonds and notes	27,747	16,837	27,602	16,572
Loan capital	8,540	5,640	8,475	5,630
Other financial liabilities	13,665	13,285	13,525	13,062

DUE TO OTHER FINANCIAL INSTITUTIONS

The carrying value of amounts due to other financial institutions is considered to approximate the net fair value.

DEPOSITS AND OTHER BORROWINGS

The net fair value of a deposit liability without a specified maturity or at call is deemed by AASB 1033 to be the amount payable on demand at the reporting date. The fair value is not adjusted for any value expected to be derived from retaining the deposit for a future period of time.

For interest bearing fixed maturity deposits and other borrowings and acceptances without quoted market prices, market borrowing rates of interest for debt with a similar maturity are used to discount contractual cash flows.

BONDS AND NOTES AND LOAN CAPITAL

The aggregate net fair value of bonds and notes and loan capital at 30 September 2004 was calculated based on quoted market prices. For those debt issues where quoted market prices were not available, a discounted cash flow model using a yield curve appropriate for the remaining term to maturity of the instrument was used.

OTHER FINANCIAL LIABILITIES

This category includes accrued interest and fees payable for which the carrying amount is considered to approximate the fair value. Also included are derivative financial instruments, where fair value is determined on the basis described under 'Other financial assets'.

Income tax liabilities, other provisions and accrued charges are not considered financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS

37: NET FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

COMMITMENTS AND CONTINGENCIES

As outlined in note 48, the Group has various credit related commitments. Based upon the level of fees currently charged for granting such commitments, taking into account maturity and interest rates, together with any changes in the creditworthiness of counterparties since origination of the commitments, their estimated replacement or net fair value is not material.

TRANSACTION COSTS

The fair value of financial instruments required to be disclosed under US accounting standard, Statement of Financial Accounting Standards No. 107 'Disclosures about Fair Value of Financial Instruments' (SFAS 107) is calculated without regard to estimated transaction costs. Such transaction costs are not material, and accordingly the fair values shown above would not differ materially from fair values calculated in accordance with SFAS 107.

38: DERIVATIVE FINANCIAL INSTRUMENTS

DERIVATIVES

Derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices. They include swaps, forward rate agreements, futures, options and combinations of these instruments. The use of derivatives and their sale to customers as risk management products is an integral part of the Group's trading activities. Derivatives are also used to manage the Group's own exposure to fluctuations in exchange and interest rates as part of its asset and liability management activities and are classified as other than trading. Derivatives are subject to the same types of credit and market risk as other financial instruments, and the Group manages these risks in a consistent manner.

The principal exchange rate contracts used by the Group are forward foreign exchange contracts, currency swaps and currency options. Forward foreign exchange contracts are agreements to buy or sell a specified quantity of foreign currency on a specified future date at an agreed rate. A currency swap generally involves the exchange, or notional exchange, of equivalent amounts of two currencies and a commitment to exchange interest periodically until the principal amounts are re-exchanged on a future date. Currency options provide the buyer with the right, but not the obligation, either to purchase or sell a fixed amount of a currency at a specified rate on or before a future date. As compensation for assuming the option risk, the option writer generally receives a premium at the start of the option period.

The principal interest rate contracts used by the Group are forward rate agreements, interest rate futures, interest rate swaps and options. Forward rate agreements are contracts for the payment of the difference between a specified interest rate and a reference rate on a notional deposit at a future settlement date. There is no exchange of principal. An interest rate future is an exchange traded contract for the delivery of a standardised amount of a fixed income security or time deposit at a future date. Interest rate swap transactions generally involve the exchange of fixed and floating interest payment obligations without the exchange of the underlying principal amounts.

Derivative transactions generate income for the Group from buy/sell spreads and from trading positions taken by the Group. Income from these transactions is taken to net interest income, foreign exchange earnings or profit on trading instruments. Income or expense on derivatives entered into for balance sheet and revenue hedging purposes is accrued and recorded as an adjustment to the interest income or expense of the related hedged item.

CREDIT RISK

The credit risk of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligation. Credit risk arises when market movements are such that the derivative has a positive value to the Group. It is the cost of replacing the contract in the event of counterparty default. The Group limits its credit risk within a conservative framework by dealing with creditworthy counterparties, setting credit limits on exposures to counterparties, and obtaining collateral where appropriate.

The following table provides an overview of the Group's exchange rate, credit, commodity and interest rate derivatives. It includes all trading and other than trading contracts. Notional principal amounts measure the amount of the underlying physical or financial commodity and represent the volume of outstanding transactions. They are not a measure of the risk associated with a derivative.

The credit equivalent amount is calculated in accordance with the Australian Prudential Regulation Authority's Capital Adequacy guidelines. It combines the aggregate gross replacement cost with an allowance for the potential increase in value over the remaining term of the transaction should market conditions change.

The fair value of a derivative represents the aggregate net present value of the cash inflows and outflows required to extinguish the rights and obligations arising from the derivative in an orderly market as at the reporting date. Fair value does not indicate future gains or losses, but rather the unrealised gains and losses from marking to market all derivatives at a particular point in time.

NOTES TO THE FINANCIAL STATEMENTS

38: DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Consolidated	Notional principal amount 2004 $m	Credit equivalent amount 2004 $m	Fair value 2004 $m	Notional principal amount 2003 $m	Credit equivalent amount 2003 $m	Fair value 2003 $m
Foreign exchange contracts						
Spot and forward contracts	183,825	3,216	(1,411)	144,687	3,717	(683)
Swap agreements	51,437	3,095	(25)	42,528	3,124	(121)
Futures contracts[1]	251	n/a	2	353	n/a	–
Options purchased	13,288	398	224	10,971	433	395
Options sold[2]	18,852	n/a	(226)	15,889	n/a	(451)
Other contracts	2,686	436	115	3,818	408	112
	270,339	7,145	(1,321)	218,246	7,682	(748)
Interest rate contracts						
Forward rate agreements	39,572	9	5	47,617	10	11
Swap agreements	321,585	3,682	424	236,083	3,232	487
Futures contracts[1]	38,270	n/a	4	13,458	n/a	3
Options purchased	12,810	111	64	11,961	117	61
Options sold[2]	15,214	n/a	(35)	13,987	n/a	(23)
	427,451	3,802	462	323,106	3,359	539
Credit contracts						
Credit default swaps[3]	11,743	3,381	31	8,520	2,836	73
	709,533	14,328	(828)	549,872	13,877	(136)

1 Credit equivalent amounts have not been included as there is minimal credit risk associated with exchange traded futures where the clearing house is the counterparty
2 Options sold have no credit exposure, as they represent obligations rather than assets
3 Credit default swaps include structured financing transactions that expose the Group to the performance of certain assets. The total investment of the Group in these transactions is USD 750 million (2003: USD 750 million)

NOTES TO THE FINANCIAL STATEMENTS

38: DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The maturity structure of derivative activity is a primary component of potential credit exposure. The table below shows the remaining maturity profile by class of derivatives, based on notional principal amounts. The table also shows the notional principal amounts of the derivatives held for trading and other than trading purposes.

Consolidated At 30 September 2004	Remaining life Less than 1 year $m	 1 to 5 years $m	 Greater than 5 years $m	Total $m	Trading $m	Other than Trading $m
Foreign exchange contracts						
Spot and forward contracts	178,501	5,033	291	183,825	162,072	21,753
Swap agreements	9,945	33,631	7,861	51,437	13,670	37,767
Futures contracts	243	8	–	251	251	–
Options purchased	12,361	863	64	13,288	13,288	–
Options sold	18,001	789	62	18,852	18,852	–
Other contracts	1,015	1,436	235	2,686	2,681	5
	220,066	41,760	8,513	270,339	210,814	59,525
Interest rate contracts						
Forward rate agreements	39,514	58	–	39,572	31,437	8,135
Swap agreements	121,594	153,556	46,435	321,585	248,186	73,399
Futures contracts	35,759	2,511	–	38,270	32,498	5,772
Options purchased	4,546	7,680	584	12,810	12,773	37
Options sold	7,506	7,267	441	15,214	15,214	–
	208,919	171,072	47,460	427,451	340,108	87,343
Credit contracts						
Credit default swaps	1,310	9,472	961	11,743	8,775	2,968
Total	430,295	222,304	56,934	709,533	559,697	149,836

Consolidated At 30 September 2003	Remaining life Less than 1 year $m	 1 to 5 years $m	 Greater than 5 years $m	Total $m	Trading $m	Other than Trading $m
Foreign exchange contracts						
Spot and forward contracts	138,559	5,677	451	144,687	130,825	13,862
Swap agreements	9,632	24,616	8,280	42,528	17,763	24,765
Futures contracts	348	5	–	353	353	–
Options purchased	10,002	792	177	10,971	10,971	–
Options sold	14,475	1,228	186	15,889	15,889	–
Other contracts	1,379	2,258	181	3,818	3,808	10
	174,395	34,576	9,275	218,246	179,609	38,637
Interest rate contracts						
Forward rate agreements	47,090	527	–	47,617	42,764	4,853
Swap agreements	94,922	106,612	34,549	236,083	186,760	49,323
Futures contracts	13,114	344	–	13,458	13,458	–
Options purchased	5,407	5,790	764	11,961	11,961	–
Options sold	13,987	–	–	13,987	13,987	–
	174,520	113,273	35,313	323,106	268,930	54,176
Credit contracts						
Credit default swaps	2,157	6,287	76	8,520	5,298	3,222
Total	351,072	154,136	44,664	549,872	453,837	96,035

NOTES TO THE FINANCIAL STATEMENTS

38: DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Concentrations of credit risk exist for groups of counterparties when they have similar economic characteristics. Major concentrations of credit risk arise by location and type of customer.

The following table shows the concentrations of credit risk, by class of counterparty and by geographic location, measured by credit equivalent amount.

Approximately 47% (2003: 54%) of the Group's exposures are with counterparties which are either Australian banks or banks based in other OECD countries.

Consolidated At 30 September 2004	OECD governments $m	Australian and OECD banks $m	Corporations, non-OECD banks and others $m	Total $m
Australia	147	5,258	6,534	11,939
New Zealand	12	1,228	839	2,079
Overseas markets	2	212	96	310
	161	6,698	7,469	14,328

Consolidated At 30 September 2003	OECD governments $m	Australian and OECD banks $m	Corporations, non-OECD banks and others $m	Total $m
Australia	227	6,559	5,531	12,317
New Zealand	21	531	506	1,058
Overseas markets	3	386	113	502
	251	7,476	6,150	13,877

NOTES TO THE FINANCIAL STATEMENTS

38: DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The next table shows the fair values of the Group's derivatives by product type, disaggregated into gross unrealised gains and gross unrealised losses.

The fair value of a derivative represents the aggregate net present value of the cash inflows and outflows required to extinguish the rights and obligations arising from the derivative in an orderly market as at the reporting date. Fair value does not indicate future gains or losses, but rather the unrealised gains and losses from marking to market all derivatives at a particular point in time.

	Other than Trading		Trading		Trading	
Consolidated	Fair value as at 2004 $m	Fair value as at 2003 $m	Fair value as at 2004 $m	Fair value as at 2003 $m	Fair value Average 2004 $m	Fair value Average 2003 $m
Foreign exchange contracts						
Spot and forward contracts						
Gross unrealised gains	875	628	687	1,923	1,719	1,284
Gross unrealised losses	(2,392)	(2,509)	(581)	(725)	(927)	(794)
Swap agreements						
Gross unrealised gains	532	397	110	776	498	554
Gross unrealised losses	(430)	(283)	(237)	(1,011)	(254)	(672)
Futures contracts						
Gross unrealised gains	–	–	8	–	–	–
Gross unrealised losses	–	–	(6)	–	–	–
Options purchased	–	–	224	395	352	270
Options sold	–	–	(226)	(451)	(337)	(326)
Other contracts						
Gross unrealised gains	–	–	298	245	247	315
Gross unrealised losses	–	–	(183)	(133)	(111)	(136)
	(1,415)	(1,767)	94	1,019	1,187	495
Interest rate contracts						
Forward rate agreements						
Gross unrealised gains	–	–	8	13	6	7
Gross unrealised losses	–	–	(3)	(2)	(4)	(1)
Swap agreements						
Gross unrealised gains	467	402	1,825	1,843	2,127	1,885
Gross unrealised losses	(181)	(228)	(1,687)	(1,530)	(1,790)	(1,561)
Futures contracts						
Gross unrealised gains	6	–	54	51	52	41
Gross unrealised losses	(4)	–	(52)	(48)	(43)	(37)
Options purchased	8	–	56	61	65	79
Options sold	–	–	(35)	(23)	(36)	(58)
Other contracts						
Gross unrealised gains	–	–	–	–	–	–
Gross unrealised losses	–	–	–	–	–	–
	296	174	166	365	377	355
Credit contracts						
Credit default swaps						
Gross unrealised gains	42	74	44	34	37	44
Gross unrealised losses	(6)	–	(49)	(35)	(42)	(69)
	36	74	(5)	(1)	(5)	(25)
Total	(1,083)	(1,519)	255	1,383	1,559	825

The fair values of derivatives vary over time depending on movements in interest and exchange rates and the trading or hedging strategies used

NOTES TO THE FINANCIAL STATEMENTS

38: DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The Group classifies derivatives into two types according to the purpose they are entered into: trading or hedging.

In addition to customer and trading activities, the Group uses, inter alia, derivatives to manage the risk associated with its balance sheet and future revenue streams. The principal objectives of asset and liability management are to hedge the market value of the Group's capital and to manage and control the sensitivity of the Group's income while maintaining acceptable levels of interest rate and liquidity risk. The Group also uses a variety of foreign exchange derivatives to hedge against adverse movements in the value of foreign currency denominated assets and liabilities and future revenue streams.

Income and loss relating to trading derivatives is reported in the statement of financial performance as other operating 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.

During the year NZD2.4 billion hedge of NZD revenue were put in place to lock in historically high NZD exchange rates. Hedge contracts outstanding at 30 September 2004 totalled NZD3.7 billion.

The table below shows the notional principal amount, credit equivalent amount and fair value of derivatives held by the Group, split between those entered into for customer-related and trading purposes, and those entered into for balance sheet hedging and revenue related hedging.

Consolidated	Notional principal amount 2004 $m	Credit equivalent amount 2004 $m	Fair value 2004 $m	Notional principal amount 2003 $m	Credit equivalent amount 2003 $m	Fair value 2003 $m
Foreign exchange and commodity contracts						
Customer-related and trading purposes	210,814	4,511	94	179,609	5,795	1,019
Balance sheet hedging purposes	56,039	2,585	(1,371)	37,360	1,874	(1,857)
Revenue related hedging	3,486	49	(44)	1,277	13	90
	270,339	7,145	(1,321)	218,246	7,682	(748)
Interest rate contracts						
Customer-related and trading purposes	340,108	3,163	166	268,930	2,931	365
Balance sheet hedging purposes	87,343	639	296	54,176	428	174
	427,451	3,802	462	323,106	3,359	539
Credit contracts						
Customer-related and trading purposes	8,775	745	(5)	5,298	427	(1)
Balance sheet hedging purposes	2,968	2,636	36	3,222	2,409	74
	11,743	3,381	31	8,520	2,836	73
Total	709,533	14,328	(828)	549,872	13,877	(136)

Detailed below are the net deferred realised and unrealised gains and losses arising from other than trading contracts used to hedge interest rate exposure or to hedge anticipated transactions. These gains and losses are deferred only to the extent that there is an offsetting unrecognised gain or loss on the exposure being hedged. Deferred gains or losses are generally amortised over the expected term of the hedged exposure.

	Foreign Exchange Contracts		Interest Rate and Credit Contracts		Total	Total
Consolidated	2004 $m	2003 $m	2004 $m	2003 $m	2004 $m	2003 $m
Expected recognition in income						
Within one year	(37)	47	71	214	34	261
One to two years	(14)	26	127	86	113	112
Two to five years	–	14	40	117	40	131
Greater than five years	–	–	(3)	(5)	(3)	(5)
	(51)	87	235	412	184	499

NOTES TO THE FINANCIAL STATEMENTS

39: SECURITISATION

During the year ended 30 September 2004, the Group securitised residential mortgage loans amounting to $1,481 million (2003: $nil).

All securitised loans have been removed from the Group's balance sheet and transferred to third party special purpose entities (SPEs).

The Group retains servicing and (for some loans) custodian responsibilities for the loans sold. Following a securitisation, the Group receives fees for servicing the loans, custodian fees, fees for facilities provided and any excess income derived by the SPE after interest has been paid to investors and net credit losses and expenses absorbed.

The Group does not hold any material retained interest in the loans that have been sold. There is no recourse against the Group if cash flows from the securitised loans are inadequate to service the obligations of the SPE except to the limited extent provided in the transaction documents through the provision of arm's length services and facilities.

The securities issued by the SPEs do not represent deposits or other liabilities of the Company or the Group. Neither the Company nor the Group in any way stands behind the capital value or performance of the securities or the assets of the SPEs except to the limited extent provided in the transaction documents through the provision of arm's length services and facilities.

The Group may also provide liquidity facilities and other forms of credit enhancement to ensure adequate funds are available to the SPEs. The facilities are undrawn. The Group also provides hedging facilities to the SPEs to mitigate interest rate and currency risks. All these transactions are completed on an arm's length basis.

The following table summarises the cash flows from the SPEs to the Group in respect of assets securitised by the Group.

	2004 $m	2003 $m
Proceeds from securitising loans	1,481	–
Servicing fees received	4	4
Other cash inflows	7	13

40: LIFE INSURANCE

	Consolidated 2004[1] $m	2003 $m	2002[1] $m
Reconciliation of Life Insurance margin on services operating income to profit after income tax:			
Premium and related revenue	25	–	701
Investment revenue	2	–	238
Claims expense	(8)	–	(636)
Insurance policy liabilities expense	(4)	–	(204)
Life insurance margin on services operating income	15	–	99
Operating expenses	(3)	–	(54)
Profit before income tax	12	–	45
Income tax expense	–	–	(20)
Profit after income tax	12	–	25
Profit after income tax arose from:			
Movements in policy liabilities separated between:			
Planned margin of revenues over expenses released	12	–	18
Difference between actual and assumed experience	(1)	–	(1)
Investment earnings on assets in excess of policy liabilities	1	–	8
Profit after income tax	12	–	25

1 Results for 2002 include the profits of ANZ Life Assurance Company Limited, which was sold into a joint venture with ING in April 2002. Results for 2004 include the profits of NBNZ Life Insurance Limited, which was acquired as part of the purchase of NBNZ in December 2003

NOTES TO THE FINANCIAL STATEMENTS

41: SEGMENT ANALYSIS

For management purposes the Group is organised into seven major business segments including Personal Banking Australia, Institutional, New Zealand Business, Corporate Australia, Esanda and UDC, Asia Pacific and ING Australia. An expanded description of the principal activities for each of the business segments is contained in the Glossary on pages 141 to 142.

A summarised description of each business segment is shown below:

Personal Banking Australia	Comprises the activities of Personal Distribution (including Rural Banking), Banking Products, Cards and Merchant Services and Mortgages. Personal Distribution and Banking Products encompasses branches, call centres, on-line banking, as well as financial advisory products and services. Mortgages provides mortgage finance serviced by residential real estate in Australia and New Zealand. Cards and Merchant Services provides consumer and commercial credit cards, ePayment products, personal loans, merchant payment facilities and automatic teller machines
Institutional	Comprises businesses that provide a full range of financial services to the Group's largest corporate and institutional customers
New Zealand Business	Provides a full range of banking services including wealth management and card services, for personal, small business and corporate customers in New Zealand
Corporate Australia	Comprises corporate banking, business banking and small business banking in Australia
Esanda and UDC	Provides vehicle and equipment finance and rental services. Operates in Australia as Esanda and Esanda FleetPartners and in New Zealand as UDC and Esanda FleetPartners
Asia Pacific	Provides retail banking services in the Asia and Pacific regions, including ANZ's share of PT Panin Bank in Indonesia
ING Australia	A joint venture between ANZ and ING Group provides integrated manufacture and distribution of wealth creation, management and protection products and services aligned to ANZ distribution channels and the open market

As the composition of segments has changed over time, September 2003 comparatives have been adjusted to be consistent with the 2004 segment definitions. Comparatives for the year ended 30 September 2002 have not been provided because the data could not reasonably be disaggregated into the changed segments.

BUSINESS SEGMENT ANALYSIS[1, 2]

Consolidated 30 September 2004	Personal Banking Australia $m	Institutional $m	New Zealand Business $m	Corporate Australia $m	Esanda and UDC $m	Asia Pacific $m	ING Australia $m	Other[3] $m	Consolidated Total $m
External interest income	5,818	2,341	3,312	903	1,060	165	–	518	14,117
External interest expense	(1,313)	(2,347)	(1,842)	(513)	(592)	(115)	(21)	(2,120)	(8,863)
Net intersegment interest	(2,590)	658	(176)	248	(107)	100	(2)	1,869	–
Net interest income	1,915	652	1,294	638	361	150	(23)	267	5,254
Other external operating income	828	1,298	518	270	103	100	(22)	151	3,246
Share of net profit/loss of equity accounted investments	4	1	–	–	1	45	138	(44)	145
Net intersegment income	132	(24)	5	(98)	(10)	–	–	(5)	–
Operating income	2,879	1,927	1,817	810	455	295	93	369	8,645
Other external expenses	(1,263)	(578)	(736)	(201)	(158)	(109)	2	(983)	(4,026)
Net intersegment expenses	(288)	(123)	(130)	(58)	(28)	(29)	(2)	658	–
Operating expenses	(1,551)	(701)	(866)	(259)	(186)	(138)	–	(325)	(4,026)
Charge for doubtful debts	(183)	(159)	(99)	(59)	(67)	(23)	–	(42)	(632)
Income tax expense	(343)	(278)	(267)	(148)	(59)	(21)	15	(67)	(1,168)
Outside equity interests	–	(1)	(1)	–	–	(2)	–	–	(4)
Profit after income tax	802	788	584	344	143	111	108	(65)	2,815
Non-Cash Expenses									
Depreciation	(112)	(20)	(49)	(6)	(25)	(8)	–	(89)	(309)
Amortisation of goodwill	–	–	–	–	–	–	–	(146)	(146)
Financial Position									
Total external assets	93,738	55,736	55,870	18,992	14,524	2,379	1,777	16,329	259,345
Associate investments	14	69	2	–	1	176	1,697	1	1,960
Acquisition of NBNZ assets including goodwill	–	–	43,011	–	–	–	–	–	43,011
Total external liabilities	40,036	49,060	47,275	21,397	12,261	4,924	416	66,051	241,420

1 Results are equity standardised
2 Intersegment transfers are accounted for and determined on an arm's length or cost recovery basis
3 Includes Treasury, Operations, Technology & Shared Services, Corporate Centre, Risk Management, Group Financial Management and significant items

NOTES TO THE FINANCIAL STATEMENTS

41: SEGMENT ANALYSIS (CONTINUED)

The following analysis details financial information by business segment.

BUSINESS SEGMENT ANALYSIS[1, 2]

Consolidated 30 September 2003	Personal Banking Australia $m	Institutional $m	New Zealand Business $m	Corporate Australia $m	Esanda and UDC $m	Asia Pacific $m	ING Australia $m	Other[3] $m	Consolidated Total $m
External interest income	4,625	2,170	1,060	734	1,005	167	–	454	10,215
External interest expense	(1,044)	(2,087)	(475)	(403)	(512)	(123)	(16)	(1,244)	(5,904)
Net intersegment interest	(1,810)	620	(88)	243	(143)	96	–	1,082	–
Net interest income	1,771	703	497	574	350	140	(16)	292	4,311
Other external operating income	701	1,242	254	251	86	94	(9)	83	2,702
Share of net profit/loss of equity accounted investments	–	3	–	–	–	55	99	(51)	106
Net intersegment income	121	(26)	5	(92)	(8)	–	–	–	–
Operating income	2,593	1,922	756	733	428	289	74	324	7,119
Other external expenses	(1,144)	(551)	(280)	(180)	(155)	(111)	2	(809)	(3,228)
Net intersegment expenses	(295)	(124)	(122)	(54)	(24)	(31)	(2)	652	–
Operating expenses	(1,439)	(675)	(402)	(234)	(179)	(142)	–	(157)	(3,228)
Charge for doubtful debts	(169)	(165)	(37)	(55)	(63)	(19)	–	(106)	(614)
Income tax expense	(292)	(278)	(106)	(133)	(57)	(27)	8	(41)	(926)
Outside equity interests	–	(2)	–	–	–	(1)	–	–	(3)
Profit after income tax	693	802	211	311	129	100	82	20	2,348
Non-Cash Expenses									
Depreciation	(85)	(17)	(16)	(2)	(16)	(8)	–	(103)	(247)
Amortisation of goodwill	–	–	–	–	–	–	–	(18)	(18)
Financial Position									
Total external assets	79,829	56,977	14,379	15,993	13,460	2,027	1,736	11,190	195,591
Associate investments	12	32	–	–	1	117	1,648	4	1,814
Total external liabilities	35,660	48,005	12,016	19,508	10,795	4,524	403	50,893	181,804

1 Results are equity standardised
2 Intersegment transfers are accounted for and determined on an arm's length or cost recovery basis
3 Includes Treasury, Operations, Technology & Shared Services, Corporate Centre, Risk Management and Group Financial Management

The following analysis details financial information by geographic location.

GEOGRAPHIC SEGMENT ANALYSIS[4, 5]

Consolidated	2004 $m	2004 %	2003 $m	2003 %	2002 $m	2002 %
Income						
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
Total assets						
Australia	170,455	66	151,538	77	135,050	74
New Zealand[6]	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
Net profit before tax[7]						
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

4 Intersegment transfers are accounted for and determined on an arm's length or cost recovery basis
5 The geographic segments represent the locations in which the transaction was booked
6 2004 amount includes NBNZ assets, including goodwill acquired of $3.1 billion
7 Includes outside equity interests

NOTES TO THE FINANCIAL STATEMENTS

42: NOTES TO THE STATEMENTS OF CASH FLOWS

	Consolidated 2004 $m	Consolidated 2003 $m	Consolidated 2002 $m	The Company 2004 $m	The Company 2003 $m
a) Reconciliation of net profit after income tax to net cash provided by operating activities					
		Inflows (Outflows)			Inflows (Outflows)
Net profit after income tax	2,815	2,348	2,322	1,972	3,068
Adjustments to reconcile net profit after income tax to net cash provided by operating activities					
Provision for doubtful debts	632	614	860	433	464
Depreciation and amortisation	455	265	226	220	193
Provision for employee entitlements, restructuring and other provisions	429	219	248	352	87
Payments from provisions	(395)	(349)	(436)	(390)	(248)
(Profit) loss on sale of premises and equipment	5	5	(5)	5	6
Provision for surplus lease space	7	(11)	1	7	(1)
(Profit) on sale of controlled entities and associates	–	–	(170)	–	–
Recovery from NHB litigation	–	–	(248)	–	–
Profit on sale of investment securities	–	–	(4)	–	–
Unrealised (gain) loss on revaluation of treasury instruments	(169)	262	(282)	(535)	216
Net decrease (increase)					
Trading securities	514	1,669	(1,030)	(1,147)	1,583
Interest receivable	(478)	(189)	328	(326)	(144)
Accrued income	–	51	(16)	–	37
Tax balances	921	(386)	46	817	(447)
Amortisation of discounts/premiums included in interest income	(27)	(19)	(30)	16	9
Net increase (decrease)					
Interest payable	605	180	(348)	377	184
Accrued expenses	75	69	(1)	(49)	228
Other	(139)	(109)	(12)	(7)	14
Total adjustments	2,435	2,271	(873)	(227)	2,181
Net cash provided by operating activities	5,250	4,619	1,449	1,745	5,249

b) Reconciliation of cash and cash equivalents[1]

Cash and cash equivalents include liquid assets and amounts due from other financial institutions with an original term to maturity of less than 90 days. Cash and cash equivalents at the end of the financial year as shown in the statements of cash flows are reconciled to the related items in the statements of financial position as follows

	Consolidated 2004 $m	Consolidated 2003 $m	Consolidated 2002 $m	The Company 2004 $m	The Company 2003 $m
Liquid assets – less than 90 days	4,998	5,509	4,821	2,408	2,834
Due from other financial institutions – less than 90 days	2,856	1,806	3,104	1,834	1,577
	7,854	7,315	7,925	4,242	4,411

1 At 30 September 2004, cash and cash equivalents totalling nil (2003: nil; 2002: nil) were not available for use outside the local operations due to exchange control regulations

NOTES TO THE FINANCIAL STATEMENTS

42: NOTES TO THE STATEMENTS OF CASH FLOWS (CONTINUED)

c) Acquisitions and disposals[1]

Values retranslated at 30 September 2004 exchange rates

	Consolidated 2004 $m	2003 $m	2002 $m
Details of aggregate assets and liabilities of controlled entities and branches acquired, and disposed of, by the Group are as follows:			
Fair value of net assets acquired			
Liquid assets	842	–	–
Due from other financial institutions	2,737	–	–
Net loans and advances	32,215	–	141
Trading securities	1,742	–	–
Investment securities	225	–	–
Other assets	1,815	–	106
Premises and equipment	169	–	5
Due to other financial institutions	(1,151)	–	–
Payables and other liabilities	(2,588)	–	(7)
Deposits and other borrowings	(32,352)	–	(231)
Provisions	(115)	–	–
Unsubordinated debt	(1,179)	–	–
Loan capital	(514)	–	–
Fair value of net assets acquired	1,846	–	14
Goodwill on acquisition	3,266	–	53
Consideration paid	5,112	–	67
Cash consideration paid	4,842	–	67
Foreign currency translation	270	–	–
Fair value of net assets disposed			
Liquid assets	–	–	8
Investment securities	–	–	36
Net loans and advances	–	–	–
Life insurance investment assets	–	–	5,090
Other assets	–	–	38
Premises and equipment	–	–	4
Deposits and other borrowings	–	–	–
Payables and other liabilities	–	–	(22)
Life insurance policy liabilities	–	–	(4,798)
Provisions	–	–	36
Fair value of net assets disposed	–	–	392
Profit on disposal net of transaction costs	–	–	174
Net consideration received/receivable	–	–	566
Cash consideration received	–	–	–

1 For details on acquisitions and disposals refer to note 18

d) Non-cash financing and investing activities

	Consolidated 2004 $m	2003 $m	2002 $m	The Company 2004 $m	2003 $m
Share capital issues					
Dividend reinvestment plan	135	115	94	135	115

e) Financing arrangements

	Consolidated 2004 Available $m	2004 Unused $m	2003 Available $m	2003 Unused $m
Financing arrangements which are available under normal financial arrangements				
Credit standby arrangements				
Standby lines	889	884	978	549
Other financing arrangements				
Overdrafts and other financing arrangements	4,115	433	3,376	352
Total finance available	5,004	1,317	4,354	901

NOTES TO THE FINANCIAL STATEMENTS

43: CONTROLLED ENTITIES

	Incorporated in	Nature of Business
All controlled entities are 100% owned unless otherwise noted.		
The material controlled entities of the Group are:		
Amerika Samoa Bank Inc*	Amerika Samoa	Banking
ANZ Capel Court Limited	Australia	Investment Banking
ANZ Capital Funding Pty Ltd	Australia	Funding
ANZ Capital Hedging Pty Ltd	Australia	Hedging
ANZCOVER Insurance Pty Ltd	Australia	Self-Insurance
ANZ (Delware) Inc*	USA	Finance
ANZ Executors & Trustee Company Limited	Australia	Trustee/Nominee
ANZ Financial Products Pty Ltd	Australia	Investment
ANZ Funds Pty Ltd	Australia	Holding Company
ANZ Bank (Europe) Limited*	England	Banking
ANZ Bank (Samoa) Limited*	Samoa	Banking
ANZ Holdings (New Zealand) Limited*	New Zealand	Holding Company
ANZ National Bank Limited*	New Zealand	Banking
ANZ National (Int'l) Limited*	New Zealand	Finance
Arawata Finance Limited*	New Zealand	Finance
Burnley Investments Limited*	New Zealand	Investment
Whitelaw Investments*	New Zealand	Investment
Gold Liquid Investments Limited*	Cayman Islands	Investment
Arawata Holdings Limited*	New Zealand	Holding Company
Harcourt Corporation Limited*	New Zealand	Investment
Airlie Investments Limited*	New Zealand	Investment
Nerine Finance No. 2*[1]	New Zealand	Finance
Endeavour Finance Limited*	New Zealand	Finance
Tui Endeavour Limited*	New Zealand	Finance
NBNZ Holdings Ltd*	New Zealand	Holding Company
NBNZ Life Insurance Limited*	New Zealand	Insurance
Tui Securities Limited*	New Zealand	Investment
CNZ Investment Trust*	New Zealand	Investment
UDC Finance Limited*	New Zealand	Finance
Truck Leasing Limited*	New Zealand	Leasing
ANZ International (Hong Kong) Limited*	Hong Kong	Holding Company
ANZ Asia Limited*	Hong Kong	Banking
ANZ Bank (Vanuatu) Limited*	Vanuatu	Banking
ANZ International Private Limited*	Singapore	Finance
ANZ Singapore Limited*	Singapore	Merchant Banking
Bank of Kiribati Ltd*[1]	Kiribati	Banking
LFD Limited	Australia	Holding Company
Minerva Holdings Limited*	England	Holding Company
ANZEF Limited*	England	Export Finance
Norway Funds Limited*	New Zealand	Funding
ANZ Investment Holdings Pty Ltd	Australia	Investment
530 Collins Street Property Trust	Australia	Investment Activities
ANZ Lenders Mortgage Insurance Pty Limited	Australia	Mortgage Insurance
ANZ Orchard Investments Pty Ltd	Australia	Investment
ANZ Rural Products Pty Ltd	Australia	Investment
Australia and New Zealand Banking Group (PNG) Limited*	Papua New Guinea	Banking
Esanda Finance Corporation Limited	Australia	General Finance
Fleet Partners Pty Limited	Australia	Finance
NMRSB Pty Ltd	Australia	Investment
PT ANZ Panin Bank*[1]	Indonesia	Banking
Upspring Limited*	England	Investment

* Audited by overseas KPMG firms

1 Outside equity interests hold ordinary shares or units in the controlled entities listed above as follows: Bank of Kiribati - 150,000 $1 ordinary shares (25%) (2003 : 150,000 $1 ordinary shares 25%); PT ANZ Panin Bank – 7,500 IDR 1M shares (15%) (2003: 7,500 IDR 1M shares (15%); Nerine Finance No. 2 - 340,000,000 $1 redeemable preference shares (40%)

NOTES TO THE FINANCIAL STATEMENTS

44: ASSOCIATES

Significant associates of the Group are as follows:

	Ownership Interest held	Voting Interest	Incorporated in	Carrying Value[6] $m	Reporting date	Principal activity
PT Panin Indonesia Bank[1]	29%	29%	Indonesia	160	31 December	Banking
Metrobank Card Corporation Inc[2]	40%	40%	Indonesia	16	31 December	Cards Issuing
ETrade[3]	35%	35%	Australia	14	30 June	Online Stockbroking
Autobake Pty Ltd[4]	43%	20%	Australia	7	30 June	Manufacturing
Australian Convenience Foods Pty Ltd[5]	46%	20%	Australia	9	30 June	Manufacturing
Other associates				57		
Total shares in associates				263		

1 An associate from 1 April 2001. In 2004 the Group exercised options over a further 18% of PT Panin Indonesia Bank
2 An associate from 9 October 2003
3 An associate from 1 October 2002
4 An associate from 21 August 2002
5 An associate from 1 July 2002
6 2003 carrying values as follows: PT Panin Indonesia Bank $117 million, ETrade $12 million, Australian Convenience Foods Pty Ltd $7 million, Autobake Pty Ltd $8 million and Other associates $22 million. Total $166 million

45: INTERESTS IN JOINT VENTURE ENTITIES

The Group has an interest in a joint venture entity as follows:

	Interest[2] held	Voting[2] Interest	Incorporated in	Carrying Value $m	Reporting date	Principal activity
ING Australia Limited[1]	49%	49%	Australia	1,697	31 December	Funds Management and Insurance

1 A joint venture entity from 1 May 2002
2 This represents the Group's 49% share of the assets and liabilities of ING Australia Limited. The Group has joint control of the joint venture, therefore we do not consolidate this entity.
Key details of the joint venture are:
- ING Australia Limited is owned 51% by ING Group and 49% by the Group.
- Both shareholders have an equal say in strategic decisions with a number of matters requiring the approval of both Shareholders (ie require unanimous approval). 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 Group nominees and four ING Group nominees. All key issues (including business plans, major capital expenditure, acquisitions etc) require unanimous Board approval.
- Refer to Critical Accounting Policies item f) for details regarding valuation of investment in ING Australia Limited.

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

NOTES TO THE FINANCIAL STATEMENTS

45: INTERESTS IN JOINT VENTURE ENTITIES (CONTINUED)

	2004 $m	2003 $m
Retained profits attributable to the joint venture entity		
At the beginning of the financial year	57	2
At the end of the financial year	116	57
Movement in the carrying amount of the joint venture entity		
Carrying amount at the commencement of the period	1,648	1,593
Share of net profit	97	55
Completion accounts adjustment	(10)	–
Dividend received	(38)	–
Carrying amount at the end of the financial year	1,697	1,648
Share of assets and liabilities[1]		
Investments	10,301	9,659
Other assets	768	663
Total assets	11,069	10,322
Policy holder liabilities	9,565	8,928
Other liabilities	375	324
Total liabilities	9,940	9,252
Net assets	1,129	1,070
Share of revenues, expenses and results		
Revenues	386	310
Expenses	(220)	(197)
Profit from ordinary activities before income tax	166	113
Income tax expense	(28)	(14)
Profit from ordinary activities after income tax	138	99
Amortisation of notional goodwill	(41)	(44)
Net equity accounted profit	97	55
Share of commitments		
Lease commitments	173	169
Other commitments	16	23
Total expenditure commitments	189	192
Share of contingent liabilities[2]	73	77

1 This represents the Group's share of the assets and liabilities of ING Australia, less outside equity interests and including goodwill on acquisition of ANZ Funds Management entities
2 This represents Deeds of Subordination with ASIC and buyer of last resort

NOTES TO THE FINANCIAL STATEMENTS

46: FIDUCIARY ACTIVITIES

The Group conducts investment fiduciary activities for trusts, including deceased estates. These trusts have not been consolidated as the Company does not have direct or indirect control.

Where the Company or its controlled entities incur liabilities in respect of these operations as trustee, where the primary obligation is incurred in an agency capacity as trustee of the trust rather than on the Group's own account, a right of indemnity exists against the assets of the applicable funds or trusts. As these assets are sufficient to cover the liabilities and it is therefore not probable that the Company or its controlled entities will be required to settle the liabilities, the liabilities are not included in the financial statements.

The aggregate amounts of funds concerned are as follows:

	2004 $m	2003 $m
Trusteeships	1,632	1,432

Funds management activities are conducted through the ANZ/INGA joint venture and ANZ National Bank Limited. As at 30 September 2004, the ANZ/INGA joint venture had funds under management of $30,679 million (2003: $28,655 million) whilst ANZ National Bank Limited had funds under management of $1,495 million.

47: COMMITMENTS

	Consolidated 2004 $m	Consolidated 2003 $m	The Company 2004 $m	The Company 2003 $m
Capital expenditure				
Contracts for outstanding capital expenditure				
Not later than 1 year	60	55	20	11
Later than 1 year but not later than 5 years	–	1	–	1
Total capital expenditure commitments	60	56	20	12
Lease rentals				
Future rentals in respect of leases				
Land and buildings				
Not later than 1 year	201	164	135	134
Later than 1 year but not later than 5 years	495	391	336	320
Later than 5 years	442	441	405	425
	1,138	996	876	879
Furniture and equipment				
Not later than 1 year	13	17	7	12
Later than 1 year but not later than 5 years	19	23	12	20
	32	40	19	32
Total lease rental commitments	1,170	1,036	895	911
Total commitments	1,230	1,092	915	923

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 provisioned for due to their immateriality, therefore are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS

48: CONTINGENT LIABILITIES, CONTINGENT ASSET AND CREDIT RELATED COMMITMENTS

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.

	Consolidated		The Company		Controlled Entities	
	2004 Contract amount $m	2003 Contract amount $m	2004 Contract amount $m	2003 Contract amount $m	2004 Contract amount $m	2003 Contract amount $m
Undrawn facilities	78,851	65,381	62,118	57,914	16,733	7,467
Underwriting facilities	63	15	–	15	63	–
	78,914	65,396	62,118	57,929	16,796	7,467

CONTINGENT LIABILITIES

The qualitative details of the estimated maximum amount of contingent liabilities that may become payable relate to non-customer contingent liabilities. These contingent liabilities relate to transactions that the Group has entered into as principal. By contrast, the quantitative tabular presentation relates to customer contingent liabilities, ie direct credit substitutes and trade and performance related items. Hence, as the contingent liabilities refer to different aspects of Group operations, there are no reconciling items.

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.

	Consolidated		The Company		Controlled Entities	
	2004 Contract amount $m	2003 Contract amount $m	2004 Contract amount $m	2003 Contract amount $m	2004 Contract amount $m	2003 Contract amount $m
Guarantees	5,065	4,954	4,923	4,888	142	66
Credit derivatives – sold	2,636	2,409	2,636	2,409	–	–
Standby letters of credit	1,057	1,406	1,036	1,387	21	19
Bill endorsements	168	148	168	148	–	–
Documentary letters of credit	2,262	1,755	2,045	1,637	217	118
Performance related contingents	9,625	9,027	9,352	8,815	273	212
Other	1,336	854	931	601	405	253
Total contingent liabilities	22,149	20,553	21,091	19,885	1,058	668

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

i) 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.

NOTES TO THE FINANCIAL STATEMENTS

48: CONTINGENT LIABILITIES, CONTINGENT ASSET AND CREDIT RELATED COMMITMENTS (CONTINUED)

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

ii) Nominee Activities

The Group will indemnify each customer of 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.

iii) 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 the Australian Prudential Regulation Authority, 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.

iv) 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 30 September 2004, the Group in New Zealand received Notices of Proposed Adjustment (the 'Notice') in respect of one of these structured finance transactions undertaken in the 2000 financial year. The Notice is formal advice that the New Zealand Inland Revenue Department (IRD) is proposing to amend tax assessments. The Notice is not a tax assessment and does not establish a tax liability, but it is the first step in a formal dispute process. Should the same position be adopted by the IRD on the remaining transactions of that kind, the maximum potential tax liability would be approximately NZD348 million (including interest tax effected) for the period to 30 September 2004. Of that maximum potential liability, approximately NZD116 million is subject to tax indemnities provided by Lloyds TSB Bank PLC under the agreement by which ANZ acquired the National Bank of New Zealand and which 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.

v) 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. ANZ remains liable in relation to the Foreign Exchange Regulation Act and differential cheques 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 recognised in these accounts.

NOTES TO THE FINANCIAL STATEMENTS

48: CONTINGENT LIABILITIES, CONTINGENT ASSET AND CREDIT RELATED COMMITMENTS (CONTINUED)

FERA

In 1991, certain amounts were transferred from non-convertible Indian Rupee accounts maintained with Grindlays in India. 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.

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. These orders had directed repayment of Indian Rupees 24 million (plus interest accruing at 24% since 1991). Since the appeal decision was handed down, no further action has been taken against Grindlays in relation to a further twelve proceedings received by it in 1991 in similar circumstances totalling Indian Rupees 277 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 31 July 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 13 August 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]
- 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]
- Binnstone Traders Pty Ltd[4]

1 Relief granted on 21 August 2001
2 Relief granted on 13 August 2002
3 Relief granted on 9 September 2003
4 Revocation Deed on 24 June 2004

NOTES TO THE FINANCIAL STATEMENTS

48: CONTINGENT LIABILITIES, CONTINGENT ASSET AND CREDIT RELATED COMMITMENTS (CONTINUED)

It is the condition of the class order that the Company and each of the above controlled entities enter into a Deed of Cross Guarantee. A Deed of Cross Guarantee under the class order was lodged and approved by the Australian Securities and Investments Commission. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up any of the controlled entities under certain provisions of the Corporations Act 2001. The Company will only be liable in the event that after six months any creditor has not been paid in full. The controlled entities have also given similar guarantees in the event that the Company is wound up. The consolidated statement of financial performance and consolidated statement of financial position of the Company and its wholly owned controlled entities which have entered into the Deed of Cross Guarantee are:

	Consolidated	
	2004 $m	2003 $m
Profit before tax	3,017	2,595
Income tax expense	(771)	(643)
Profit after income tax	2,246	1,952
Retained profits at start of year [1]	6,100	4,788
Total available for appropriation	8,346	6,740
Ordinary share dividends provided for or paid	(1,598)	(640)
Transfer from reserves	224	–
Retained profits at end of year	6,972	6,100
Assets		
Liquid assets	3,747	3,919
Investment securities	6,107	3,818
Net loans and advances	134,566	116,557
Other assets	35,806	38,916
Premises and equipment	1,114	1,178
Total assets	181,340	164,388
Liabilities		
Deposits and other borrowings	99,811	90,186
Income tax liability	1,551	766
Payables and other liabilities	62,713	59,353
Provisions	618	614
Total liabilities	164,693	150,919
Net assets	16,647	13,469
Shareholders' equity[2]	16,647	13,469

1 The Companies included in the class order changed in 2003, accordingly retained profits did not carry forward in 2003
2 Shareholders' equity excludes retained profits and reserves of controlled entities within the class order

vii) The Company has guaranteed payment on maturity of the principal and accrued interest of commercial paper notes issued by ANZ (Delaware) Inc. of $7,068 million as at 30 September 2004 (2003: $6,988 million).

viii) The Company is party to an underpinning agreement with ANZ National Bank Limited whereby the Company undertakes to assume risk in relation to credit facilities extended by ANZ National Bank Limited to individual customers which exceed 35% of ANZ National Bank Limited's capital base.

ix) The Company is party to an underpinning agreement with Australia and New Zealand Banking Group (PNG) Limited whereby the Company undertakes to assume risk in relation to credit facilities extended by Australia and New Zealand Banking Group (PNG) Limited to individual customers which exceed 50% of Australia and New Zealand Banking Group (PNG) Limited's capital base.

GENERAL

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.

NOTES TO THE FINANCIAL STATEMENTS

48: CONTINGENT LIABILITIES, CONTINGENT ASSET AND CREDIT RELATED COMMITMENTS (CONTINUED)

CONTINGENT ASSET

On 14 October 2003 ANZ issued proceedings in the Victorian Supreme Court against its captive insurance company ANZcover Insurance Pty Ltd (ANZcover) regarding its insurance claim consequent upon settlement of its former subsidiary ANZ Grindlays Bank Limited's 1992 dispute with India's National Housing Bank (NHB). ANZcover is an authorised general insurer restricted to insuring the interests of ANZ and its subsidiaries. ANZcover in turn purchases reinsurance from global reinsurers, primarily in the London reinsurance market. ANZcover has no retained exposure to the NHB claim which is fully re-insured save for a small exposure arising from the insolvency of some re-insurers in the London market.

The January 2002 settlement of the NHB litigation saw Grindlays recover Rupees 6.20 billion ($248 million at 19 January 2002 rates) of the disputed monies that Grindlays Bank had lodged with the Court, which by that time totalled Rupees 16.45 billion ($661 million at 19 January 2002 rates), including interest, with NHB receiving the balance. ANZ in turn received a payment of USD124 million from Standard Chartered Bank under the terms of the Indian Indemnity. The claim of $130 million (plus compound interest) is for the balance of the limit of indemnity under ANZcover's reinsurance arrangements for the 1991–92 policy year. The proceedings remain on foot.

49: SUPERANNUATION COMMITMENTS

A number of pension and superannuation schemes have been established by the Group worldwide. The Group may be obliged to contribute to the schemes as a consequence of legislation and provisions of trust deeds. Legal enforceability is dependent on the terms of the legislation and trust deeds. The major schemes with assets in excess of $25 million are:

Country	Scheme	Scheme type	Contribution levels Employee	Employer
Australia	ANZ Australian Staff Superannuation Scheme[1,2]	Defined Contribution Scheme Section C[3]	optional[7]	Balance of cost[9]
		or Defined Contribution Scheme Section A	optional	9% of salary[10]
		or Defined Benefit Scheme Pension Section[4]	nil	Balance of cost
New Zealand	ANZGROUP (New Zealand) Staff Superannuation Scheme[1,2]	Defined Benefit Scheme[5]	nil	Balance of cost[11]
		or Defined Contribution Scheme	2.5% min	7.5% of salary[12]
	National Bank Staff Superannuation Fund[1,2]	Defined Benefit Scheme[6]	5.0% of salary	Balance of cost[13]
		or Defined Contribution Scheme	2.0% min	11.2% of salary
England	ANZ UK Staff Pension Scheme[1]	Defined Benefit Scheme	5.0%[8]	Balance of cost[14]

Balance of cost: the Group's contribution is assessed by the actuary after taking account of members' contributions and the value of the schemes' assets

1 These schemes provide for pension benefits
2 These schemes provide for lump sum benefits
3 Closed to new members in 1997
4 Closed to new members. Operates to make pension payments to retirees who were members or to dependants of the members
5 Closed to new members on 31 March 1990. Operates to make pension payments to retirees who were members of that section of the scheme or to dependants of the members
6 Closed to new members on 1 October 1991
7 Optional but with minimum of 1%
8 From 1 October 2003, members of the Senior Management section, commenced contributions at the rate of 5% of salary, and all new members at the rate of 5% of salary
9 As determined by the Scheme Trustee on the recommendation of the actuary, currently 9% (2003: 9%) of members' salaries
10 2003: 9% of salary
11 As recommended by the actuary, currently nil (2003: nil)
12 2003: 7.5% of salary
13 As recommended by the actuary, currently 20.7% of member's salaries
14 The Group recommenced contributions to the Scheme, effective from 1 October 2003. Contributions are currently 25% of pensionable salaries. Additional half yearly contributions of GBP 500,000 for 15 years will commence, with the first payment to be made in November 2004

NOTES TO THE FINANCIAL STATEMENTS

49: SUPERANNUATION COMMITMENTS (CONTINUED)

The details of defined benefit schemes are as follows:

2004 Schemes	Employer's contribution $m	Accrued benefits $m	Net market value of assets held by scheme $m	Excess of net market value of assets over accrued benefits $m	Vested benefits $m
ANZ Australian Staff Superannuation Scheme					
Pension Section[1]	–	41	35	(6)	41
ANZ UK Staff Pension Scheme[1]	8[4]	869	844	(25)	844
ANZ Group (New Zealand) Staff Superannuation Scheme[2]	–	6	6	–	6
National Bank Staff Superannuation Fund[3,6]	3	175	164	(11)	179
Other	1	3	4	1	7
Totals	12	1,094	1,053	(41)	1,077

2003 Schemes	Employer's contribution $m	Accrued benefits $m	Net market value of assets held by scheme $m	Excess of net market value of assets over accrued benefits $m	Vested benefits $m
ANZ Australian Staff Superannuation Scheme					
Pension Section[5]	–	43	37	(6)	43
ANZ UK Staff Pension Scheme[5]	–[4]	872	771	(101)	845
ANZ Group (New Zealand) Staff Superannuation Scheme[5]	–	6	6	–	6
National Bank Staff Superannuation Fund[6]	n/a	n/a	n/a	n/a	n/a
Other	1	3	4	1	7
Totals	1	924	818	(106)	901

1 Amounts were measured at 31 December 2003
2 Amounts were measured at 30 June 2004
3 Amounts were measured at 30 September 2004
4 Represents employer contributions from the period 1 October 2003 to 30 September 2004 (nil in the prior year)
5 Amounts were measured at 31 December 2002
6 This scheme arises from the acquisition of the National Bank of New Zealand effective on 1 December 2003

ANZ Australian Staff Superannuation Scheme Pension Section

The pension section of the ANZ Australian Staff Superannuation Scheme is closed to new members. The last full actuarial valuation, conducted by the actuary Towers Perrin (now Russell Employee Benefits), as at 31 December 2001 showed a small surplus. An interim valuation conducted as at 31 December 2003 showed a deficit of $6 million and the expectation is that this has remained materially unchanged since that date. The Group has no present liability under the Scheme's trust deed to commence contributions or fund the deficit. A full actuarial valuation is due to be conducted as at 31 December 2004 at which time the funding position will be re-assessed.

NOTES TO THE FINANCIAL STATEMENTS

49: SUPERANNUATION COMMITMENTS (CONTINUED)

National Bank Staff Superannuation Fund

The last full actuarial valuation of the pension section of the National Bank Staff Superannuation Fund was conducted by Aon Consulting NZ as at 31 March 2004, and showed a deficit of NZD6 million ($6 million). An interim valuation conducted as at 30 September 2004 shows a deficit of NZD12 million ($11 million). The Group has no present liability under the Scheme's trust deed to fund the deficit, however it does have a contingent liability if the Scheme was wound up. Under the Scheme's trust deed the Group is required to pay the Trustees of the Scheme an amount sufficient to ensure members do not suffer a reduction in benefits to which they would otherwise be entitled, as a result of a wind up of the Scheme.

The Group took actuarial advice at 31 March 2004 and has taken action to fund the deficit by contributing 20.7% of salary.

ANZ UK Staff Pension Scheme

The deficit disclosed above has been determined for the purpose of AASB1028 "Employee Benefits".

Consulting actuaries Watson Wyatt LLP have advised that as at 31 December 2003, the Scheme would have met the minimum funding requirement test (MFR) as defined in the UK legislation, being 115% funded on that basis.

The Group has no present liability under the Scheme's trust deed to fund the deficit, however it does have a contingent liability if the Scheme was wound up. If this were to happen, the Trustee would be able to pursue the Bank for additional contributions under the UK Employer Debt regulations. This is calculated based on an insurance buy-out of the Scheme. This is considered unlikely, given the Group intends to continue the Scheme on an on-going basis and the financial strength of the Group.

From 1 October 2003, the Group recommenced contributions at the rate of 25% of pensionable salaries. These contributions are sufficient to cover the cost of accruing benefits. In order to address the deficit, the Group has agreed to pay half yearly additional contributions of GBP 500,000 for a period of 15 years, commencing for the year beginning 1 October 2004, with the first payment being made in November 2004.

50: EMPLOYEE SHARE AND OPTION PLANS

The Company has four share purchase and option incentive plans available for employees and directors of the Group: the ANZ Employee Share Acquisition Plan[1]; the ANZ Employee Share Save Scheme; the ANZ Share Option Plan; and the ANZ Directors' Share Plan. Shareholders of the Company have approved the implementation of each of the current plans. Fully paid ordinary shares issued under these plans rank equally with other existing fully paid ordinary shares, other than in respect of voting rights.

Each option granted under the ANZ Share Option Plan entitles a holder to purchase one ordinary share subject to any terms and conditions imposed on issue. The exercise price of the options, determined in accordance with the rules of the plan, is based on the weighted average price of the Company's shares traded during the five business days preceding the date of granting the options.

An offer to employees and directors cannot be made under any of the plans if an issue pursuant to that offer will result in the aggregate of shares issued and options granted over unissued shares held for employees under various employee share and option incentive schemes exceeding 7% of the issued capital (and unexercised options) of the Company.

The closing market price of one ordinary share at 30 September 2004 was $19.02.

1 The ANZ Employee Share Acquisition Plan includes the $1,000 Share Plan and the Deferred Share Plan

NOTES TO THE FINANCIAL STATEMENTS

50: EMPLOYEE SHARE AND OPTION PLANS (CONTINUED)

ANZ EMPLOYEE SHARE ACQUISITION PLAN

$1,000 Share Plan

Subject to Board approval this plan allows for the issue of up to $1,000 of shares to all eligible employees each financial year. Refer to section C7 of the Remuneration Report for more details.

The shares are issued for no consideration. During the financial year, 1,244,654 shares with an average issue price of $18.04 were issued under the $1,000 Share Plan (2003: 1,028,623 shares with an average issue price of $17.70 were issued). These shares are issued from the Share Capital account, hence only an increase in the number of shares on issue results.

Details of the movement in employee shares under the $1,000 Share Plan are as follows:

	The Company 2004	The Company 2003
Number of shares at beginning of the year	4,537,676	4,217,660
Number of shares issued to the trust	1,512,886	1,242,614
Number of shares distributed to employees	(787,873)	(915,612)
Number of shares forfeited	(33,437)	(6,986)
Number of shares at end of the year	5,229,252	4,537,676

	The Company 2004	The Company 2003
Number of shares acquired since commencement of the $1,000 Share Plan[1]	8,258,575	7,013,921

1 Excludes shares issued under the bonus option plan and the dividend reinvestment plan

Deferred Share Plan

Selected employees may also be issued deferred shares, which vest in the employee up to three years from the date of issue. Ordinary shares issued under this plan may be held in trust for up to 10 years, and may be required to meet performance hurdles before being able to be traded after the restriction period has expired. The issue price is based on the volume weighted average price of the shares traded on the ASX in the weeks leading up to and including the date of issue. Unvested shares are forfeited on resignation or dismissal, or if a performance condition has not been met. Refer to sections C5.1 and C5.2 of the Remuneration Report for more details.

During the financial year, 2,750,277 (2003: 2,587,091) deferred shares were issued under this Plan.

Details of the movement in employee shares under the Deferred Share Plan are as follows:

	The Company 2004	The Company 2003
Number of shares at beginning of the year	8,020,848	7,500,351
Number of shares issued to the trust	2,851,886	2,666,291
Number of shares distributed to employees	(2,034,234)	(2,024,878)
Number of shares forfeited	(122,604)	(120,916)
Number of shares at end of the year	8,715,896	8,020,848

	The Company 2004	The Company 2003
Number of shares acquired since commencement of the Deferred Share Plan[1]	16,628,462	13,878,185

1 Excludes shares issued under the bonus option plan and the dividend reinvestment plan

NOTES TO THE FINANCIAL STATEMENTS

50: EMPLOYEE SHARE AND OPTION PLANS (CONTINUED)

ANZ EMPLOYEE SHARE SAVE SCHEME

Eligible employees have the opportunity to request that a proportion of their income be directed to the purchase of ANZ shares. The amount they elect to contribute is deducted fortnightly and shares are purchased on market quarterly in arrears by the trust. The Company contributes 5% of the purchase price and pays for brokers fees and stamp duty. Senior executives may participate but are not eligible to receive the 5% discount. Employees are eligible to participate in the Scheme if they are permanent full-time or part-time employees of the Company and have been employed since 1 October immediately prior to the invitation being made by the Company. Employees nominate a restriction period between 1 to 10 years during which period the shares are held in trust. Dividends are paid to the employees.

Details of the movement in employee shares under the ANZ Employee Share Save Scheme are as follows:

	The Company 2004	2003
Number of shares at beginning of the year	394,405	302,410
Number of shares purchased	279,723	291,210
Number of shares issued to the trust	24,243	16,408
Number of shares distributed to employees	(246,241)	(215,623)
Number of shares at end of the year	452,130	394,405

	The Company 2004	2003
Number of shares acquired since commencement of the ANZ Employee Share Save Scheme	1,043,375	763,652

Costs associated with the ANZ Employee Share Save Scheme were recognised in Personnel Expenses and Liquid Assets (amounts were less than $500,000).

ANZ SHARE PURCHASE SCHEME

The ANZ Share Purchase Scheme is a closed scheme. Shares have been progressively paid up by eligible officers, with the last remaining shares held under the scheme fully paid up and redeemed during the year. No fully paid ordinary shares have been issued under this Scheme since 1996.

Details of the movement in employee shares under the ANZ Share Purchase Scheme are as follows:

	The Company 2004	2003
Number of shares at beginning of the year	229,500	1,272,500
Number of shares redeemed by employees[1]	(229,500)	(1,043,000)
Number of shares at end of the year	–	229,500

1 Redeemed once paid out by employee

NOTES TO THE FINANCIAL STATEMENTS

50: EMPLOYEE SHARE AND OPTION PLANS (CONTINUED)

ANZ SHARE OPTION PLAN

Selected employees may be granted options, which entitle them to purchase ordinary fully paid shares in the Company at or greater than a price fixed at the time when the options are issued (depending on whether the exercise price is indexed or not). Voting and dividend rights will be attached to the unissued ordinary shares when the options have been exercised.

Details of the options over unissued ordinary shares as at the beginning and end of the financial year and movements during the year are set out below.

								No. options outstanding at 30 September 2004		
Grant date	Exercise price $	Earliest exercise date	Expiry date	No. options at beginning of the year	Options granted	Options lapsed and surrendered	Options exercised	On issue	Vested	Hurdle
11/12/1998	9.62	11/12/2001	10/12/2003	15,000	–	–	15,000	–	Yes	A
25/03/1999	10.72	25/03/2002	24/03/2004	22,000	–	–	22,000	–	Yes	A
02/06/1999	10.48	02/06/2002	01/06/2004	325,000	–	–	325,000	–	Yes	A
02/06/1999	10.48	02/06/2002	01/06/2004	115,000	–	10,000	105,000	–	Yes	N
23/02/2000	9.39	23/02/2003	22/02/2007	442,000	–	–	295,000	147,000	Yes	B
08/03/2000	9.48	08/03/2003	07/03/2007	350,000	–	350,000	–	–	Yes	B
23/05/2000	11.09	23/05/2003	23/05/2007	271,250	–	–	107,500	163,750	Yes	N
26/09/2000	12.03	26/09/2003	25/09/2007	57,500	–	–	27,500	30,000	Yes	N
21/11/2000	13.62	22/11/2003	21/11/2007	2,043,258	–	–	1,338,039	705,219	Yes	B
27/12/2000	13.91	25/10/2003	07/02/2008	1,472,500	–	36,750	441,028	994,722	Yes	N
31/12/2000	14.06	31/12/2003	31/12/2004	750,000	–	–	750,000	–	Yes	E
27/01/2001	13.91	07/02/2004	07/02/2008	921,000	–	34,500	214,700	671,800	Yes	N
21/02/2001	14.20	21/02/2004	20/02/2008	4,063,825	–	72,050	1,020,207	2,971,568	Yes	N
27/02/2001	14.75	27/02/2004	26/02/2008	75,000	–	–	50,000	25,000	Yes	B
24/04/2001	12.98	25/04/2004	24/04/2008	934,900	–	–	403,600	531,300	Yes	B
24/04/2001	12.98	25/04/2004	24/04/2008	2,271,415	–	62,325	540,563	1,668,527	Yes	N
07/05/2001	12.98	07/05/2004	06/05/2008	176,900	–	(650)	73,450	104,100	Yes	N
01/06/2001	14.61	01/06/2004	31/05/2008	414,250	–	17,500	86,750	310,000	Yes	N
23/08/2001	15.77	21/08/2004	20/08/2008	76,000	–	–	–	76,000	Yes	B
27/08/2001	16.09	27/08/2004	26/08/2008	75,750	–	8,250	4,500	63,000	Yes	N
24/10/2001	16.33	25/10/2004	24/10/2008	870,200	–	5,100	111,800	753,300	No	B
24/10/2001	16.33	25/10/2004	24/10/2008	3,101,925	–	156,200	134,125	2,811,600	No	N
24/10/2001	0.00	24/10/2002	24/10/2003	409	–	–	409	–	Yes	N
24/10/2001	16.33	24/10/2004	23/10/2008	50,000	–	–	–	50,000	No	B
31/12/2001	16.48	31/12/2004	31/12/2005	500,000	–	–	–	500,000	No	E
31/12/2001	16.80	31/12/2003	31/12/2007	500,000	–	–	–	500,000	Yes	F
28/02/2002	17.49	26/02/2005	25/02/2009	20,000	–	–	–	20,000	No	B
24/04/2002	18.03	24/04/2005	24/04/2009	3,183,849	–	226,063	77,145	2,880,641	No	N
24/04/2002	0.00	24/04/2003	24/04/2004	4,705	–	(5,243)	9,948	–	Yes	N
24/04/2002	18.03	24/04/2005	24/04/2009	885,193	–	19,393	105,299	760,501	No	C
24/04/2002	18.03	24/04/2005	24/04/2009	415,000	–	10,000	25,000	380,000	No	C
31/05/2002	18.55	14/05/2005	13/05/2009	145,000	–	–	–	145,000	No	N
27/06/2002	18.55	28/06/2005	27/06/2009	286,470	–	20,035	4,625	261,810	No	N
21/07/2002	17.18	22/07/2005	21/07/2009	17,000	–	–	–	17,000	No	C
23/10/2002	17.34	23/10/2005	22/10/2009	2,584,352	–	295,825	–	2,288,527	No	D
23/10/2002	17.34	23/10/2005	22/10/2009	2,265,111	–	131,293	13,053	2,120,765	No	N
20/11/2002	17.56	20/11/2005	19/11/2009	40,000	–	–	–	40,000	No	D
31/12/2002	16.69	31/12/2004	31/12/2007	1,000,000	–	–	–	1,000,000	No	F
20/05/2003	17.60	20/05/2006	19/05/2010	2,890,631	–	291,150	2,241	2,597,240	No	D
20/05/2003	17.60	20/05/2006	19/05/2010	2,139,491	–	107,372	4,423	2,027,696	No	N
09/06/2003	18.12	09/06/2006	08/06/2010	10,000	–	–	–	10,000	No	N
05/11/2003	17.55	05/11/2006	04/11/2010	–	2,796,256	136,938	1,076	2,658,242	No	N
05/11/2003	17.55	05/11/2006	04/11/2010	–	1,322,863	60,922	66,276	1,195,665	No	C
31/12/2003	17.48	31/12/2005	31/12/2008	–	1,000,000	–	–	1,000,000	No	F
11/05/2004	0.00	11/05/2004	10/05/2006	–	11,967	–	11,967	–	Yes	N
11/05/2004	18.22	11/05/2007	10/05/2011	–	2,751,348	60,928	–	2,690,420	No	N
11/05/2004	18.22	11/05/2007	10/05/2011	–	1,664,836	34,016	585	1,630,235	No	C
Totals				35,781,884	9,547,270	2,140,717	6,387,809	36,800,628		

The aggregate fair value of shares issued as a result of the exercise of options during the 2004 financial year was $116 million.

NOTES TO THE FINANCIAL STATEMENTS

50: EMPLOYEE SHARE AND OPTION PLANS (CONTINUED)

On 24 October 2003 the Company issued a prospectus to invite shareholders to participate in a pro-rata renounceable rights issue. In accordance with the rules set out in the ANZ Share Option Plan in the event of a rights issue, the exercise price of options granted under the plan is to be reduced in accordance with ASX Listing Rule 6.22. As a result the exercise price of each option issued under the ANZ Share Option Plan is reduced by 72 cents from the amount previously disclosed.

Details of performance hurdles applicable to options are as follows:

N No performance hurdles apply. Once the exercise period has been reached, the options may be exercised. These options are only granted to high-potential employees below executive level. As their purpose is predominately retention and to share in any growth in the share price, additional hurdles are not applied. These types of options will not be granted after November 2004.

A During the two year period commencing three years and ending five years after the date of issue of the options, the percentage change of the ANZ Total Shareholder Return (ANZ TSR) to exceed the percentage change of the S&P/ASX 200 Banks (Industry Group) Accumulation Index from date of issue to any time from the third anniversary date up to and including the proposed exercise date.

B & C During the four-year period commencing three years, and ending seven years, after the issue date of the options:

› 50% of the options allocated may be exercised by the option holder subject to the ANZ TSR exceeding the percentage change in the S&P/ASX 200 Banks (Industry Group) Accumulation Index measured over the same period and calculated as at the last trading day of any month; and

› 50% of the options allocated may be exercised by the option holder subject to the ANZ TSR exceeding the percentage change in the S&P/ASX 100 Accumulation Index measured over the same period and calculated as at the last trading day of any month.

D Options may be exercised during the four-year period commencing three years, and ending seven years, after the issue date of the options. The exercise price will be set according to the movement in the S&P/ASX 200 Banks (Industry Group) Accumulation Index (excluding ANZ) since issue date, and can be no lower than the base issue price.

E The options may be exercised only if the ANZ Accumulation Index over the period from the date on which the options are granted to the last trading day of any month occurring during the relevant exercise period, equals or exceeds the, S&P/ASX 100 Accumulation Index calculated over the same period (applicable to the CEO only).

F One half of the options may be exercised only if the ANZ TSR calculated over the period commencing on the date of grant and ending on the last day of any month after the second anniversary of their date of grant exceeds the percentage change in the S&P/ASX 200 Banks (Industry Group) Accumulation Index over that same period; and the other half of the options may be exercised only if the ANZ TSR calculated over the relevant period exceeds the percentage change in the S&P/ASX 100 Accumulation Index over that same period (applicable to the CEO only).

These options will expire immediately on termination of employment, except in the event of retirement, retrenchment, death or disablement or where agreed by the directors of the Company, in which case the exercise of the options may be allowed.

In the event of a takeover offer or takeover announcement, the directors of the Company may allow the options to be exercised.

If there is a bonus issue prior to the expiry or exercise of the options, then upon exercise of the options, option holders are entitled to those shares as if the options had been exercised prior to that issue. Those shares will be allotted to the option holder when the options are exercised.

NOTES TO THE FINANCIAL STATEMENTS

50: EMPLOYEE SHARE AND OPTION PLANS (CONTINUED)

The following options were exercised by employees and former employees during the financial year:

Exercise price $	No. of shares issued	Proceeds received $	Exercise price $	No. of shares issued	Proceeds received $
0.00	409	0.00	14.34	8,000	114,720
0.00	9,948	0.00	14.61	83,750	1,223,587
0.00	11,967	0.00	14.63	4,500	65,835
9.39	100,000	939,000	14.63	82,750	1,210,632
9.62	15,000	144,300	14.75	50,000	737,500
10.11	195,000	1,971,450	14.92	21,000	313,320
10.48	90,000	943,200	15.33	3,000	45,990
10.48	325,000	3,406,000	16.09	4,500	72,405
10.72	22,000	235,840	16.33	108,600	1,773,438
11.09	85,000	942,650	16.33	121,725	1,987,769
11.20	15,000	168,000	17.05	3,200	54,560
11.81	22,500	265,725	17.05	12,400	211,420
12.03	25,000	300,750	17.34	12,768	221,397
12.75	2,500	31,875	17.55	1,076	18,883
12.98	73,450	953,381	17.55	66,276	1,163,143
12.98	400,400	5,197,192	17.60	4,423	77,844
12.98	530,313	6,883,462	18.03	25,000	450,750
13.62	1,330,039	18,115,131	18.03	77,145	1,390,924
13.70	3,200	43,840	18.03	105,299	1,898,540
13.70	10,250	140,425	18.06	285	5,147
13.91	210,200	2,923,882	18.22	585	10,658
13.91	358,278	4,983,646	18.55	4,625	85,793
14.06	750,000	10,545,000	18.59	2,241	41,660
14.20	999,207	14,188,739			

For those options exercised by employees and former employees during the financial year, the market price of the Company's shares during the year were as follows:

High	$19.44
Low	$15.94
As at 30 September 2004	$19.02

NOTES TO THE FINANCIAL STATEMENTS

50: EMPLOYEE SHARE AND OPTION PLANS (CONTINUED)

As at the date of the Directors' Report, unexercised options over ordinary shares are as per the table on the previous page, adjusted for the exercise of the following options which were exercised by employees and former employees since the end of the financial year.

Exercise price $	No. of shares issued	Proceeds received $	Exercise price $	No. of shares issued	Proceeds received $
9.39	10,000	93,900	16.09	2,250	36,203
11.09	15,000	166,350	16.33	174,800	2,854,484
12.03	884	10,635	16.33	234,600	3,831,018
12.98	158,700	2,059,926	17.34	2,031	35,218
12.98	96,125	1,247,703	17.55	1,214	21,306
12.98	8,250	107,085	17.60	1,547	27,227
13.62	9,000	122,580	18.03	2,536	45,724
13.91	47,242	657,136	18.22	230	4,191
13.91	31,500	438,165	18.22	323	5,885
14.20	153,750	2,183,250	18.94	6,183	117,106
14.61	9,250	135,143	19.30	8,458	163,239

Amounts received from exercising options under the ANZ Share Option Plan during the financial year were recognised as follows:

	The Company 2004 $m	The Company 2003 $m
Share capital	86	73
Liquid assets	86	73

ANZ DIRECTORS' SHARE PLAN

Directors may elect to forgo remuneration to which they may have otherwise become entitled and receive shares to the value of the remuneration forgone. Participation in the Plan is voluntary.

Refer to section B3 of the Remuneration Report for more details.

Details of the movement in shares under this Scheme are as follows:

	The Company[1] 2004	The Company[1] 2003
Number of shares at beginning of the year	464,467	349,767
Number of shares purchased	197,655	114,700
Number of shares sold	–	–
Number of shares forfeited	–	–
Number of shares at end of the year	662,122	464,467

1 Includes deferred shares

51: DIRECTORS AND SPECIFIED EXECUTIVES REMUNERATION AND SHARE AND OPTION DISCLOSURES

The remuneration and share and options details concerning the Directors of the Company and AASB 1046 "Director and Executive Disclosures by Disclosing Entities" specified executives of the Group are detailed on pages 6 to 23.

NOTES TO THE FINANCIAL STATEMENTS

52: DIRECTORS AND SPECIFIED EXECUTIVES - RELATED PARTY TRANSACTIONS

This note covers the related party transactions (excluding share and options transactions) of the directors of the Company and AASB1046 "Director and Executive Disclosures by Disclosing Entities" specified executives, as identified on pages 6 and 8.

Australian Securities and Investments Commission (ASIC) Class Order 98/110 dated 10 July 1998 (as amended)

The directors and specified executives have been exempted, subject to certain conditions, by an ASIC class order, 98/110 dated 10 July 1998 (as amended), from making disclosures of loans regularly made, guaranteed or secured directly or indirectly by the Group to related parties or in respect of a financial instrument transaction regularly made by the Group to related parties (other than shares and share options), other than to the director or specified executive, or to an entity controlled or significantly influenced by the director or specified executive, where the loan or financial instrument transaction is lawfully made and occurs in the course of ordinary banking business either at arm's length or with the approval of a general meeting of the relevant entity and its ultimate chief entity (if any).

The class order does not apply to a loan or financial instrument transaction of which any director or specified executive should reasonably be aware that, if not disclosed, would have the potential to adversely affect the decisions made by users of the financial statements about the allocation of scarce resources.

A condition of the class order is that for each financial year to which it applies, the Company must provide evidence to ASIC that the Company has systems of internal controls and procedures which:

i) in the case of any material financial instrument transaction, ensure that; and

ii) in any other case, are designed to provide a reasonable degree of assurance that, any financial instrument transaction of a bank which may be required to be disclosed in the Company's financial statements and which is not entered into regularly, is drawn to the attention of the directors.

SHARES AND SHARE OPTIONS TRANSACTIONS

The aggregate of and movement during the financial year of shares and share options relating to the directors and specified executives and their personally related parties are detailed on pages 20 to 23.

Directors and specified executives receive normal dividends on these shares.

LOAN TRANSACTIONS

Details regarding loans outstanding at the reporting date to directors and specified executives including personally related parties (subject to the ASIC Class Order 98/110 (as amended) disclosure limitation as described above), where the individuals aggregate loan balance exceeded $100,000 at any time in the reporting period, are as follows:

	Balance 1 October 2003	Balance 30 September 2004	Interest paid and payable in the reporting period	Highest balance in the reporting period
	$	$	$	$
Directors				
Non-executive Directors				
C B Goode	3,500,000	–	170,734	3,500,000
J C Dahlsen	13,154,657	17,695,111	632,052	21,062,375
D M Gonski	18,342,500	18,342,000	1,369,075	18,342,500
Executive Directors				
J McFarlane[1]	24,981	10,349,429	245,507	14,033,903
Specified executives				
E Funke Kupper	688,542	680,000	832[2]	722,500
B C Hartzer	1,709,927	2,645,581	149,632[2]	4,222,927
P Hawkins	9,495,000	14,303,423	618,611	14,303,423

1 The loan balances as at 30 September 2004 principally relate to loans for the purchase of ANZ shares, including the exercise of options
2 Interest payments were reduced as a result of a linked offset account

NOTES TO THE FINANCIAL STATEMENTS

52: DIRECTORS AND SPECIFIED EXECUTIVES - RELATED PARTY TRANSACTIONS (CONTINUED)

Details regarding the aggregate of loans made, guaranteed or secured by any entity in the Group to each group of directors and specified executives including related parties (subject to the ASIC Class Order 98/110 (as amended) disclosure limitation as described above) are as follows:

	Balance 1 October 2003	Balance 30 September 2004	Interest paid and payable in the reporting period	Number in group at 30 September
	$	$	$	
Directors				
2004	35,022,138	46,386,540	2,417,368	4
Specified executives				
2004	11,897,647	17,725,828	771,443	4

Loans made to the non-executive directors are made in the course of ordinary business on normal commercial terms and conditions. Loans to the executive director are made pursuant to the Executive Directors' Loan Scheme authorised by shareholders on 18 January 1982, on the same terms and conditions applicable to other employees within the Group in accordance with established policy.

No amounts have been written down or recorded as allowances, as the balances are considered fully collectible.

OTHER TRANSACTIONS OF DIRECTORS AND SPECIFIED EXECUTIVES

Other transactions (other than shares and share options)

Under the ASIC class order referred to above, disclosure of other transactions regularly made by the Group is limited to disclosure of such transactions with a director of the Company, specified executives of the Group and to an entity controlled or significantly influenced by the directors and specified executives, on the basis the transactions are:

- on arm's length terms and conditions no more favourable than those entered into by other employees or unrelated customers;
- information about them does not have the potential to affect adversely decisions about the allocations of scarce resources made by users of the financial report, or the discharge of accountability by the director or specified executive; and
- are deemed trivial or domestic in nature.

Transactions between the directors, specified executives and related entities and the Group during the financial year were in the nature of normal personal banking, debentures, investment and deposit transactions. These transactions occurred on an arm's length basis and on normal commercial terms and conditions no more favourable than those given to other employees or customers and were trivial and domestic in nature.

NOTES TO THE FINANCIAL STATEMENTS

53: DIRECTORS OF CONTROLLED ENTITIES OF THE COMPANY - RELATED PARTY TRANSACTIONS[1]

LOAN TRANSACTIONS

Loans to executive directors of controlled entities are made pursuant to the Executive Directors' Loan Scheme authorised by shareholders on 18 January 1982. These loans were in the nature of normal personal loans and were made on the same terms and conditions applicable to other eligible employees within the Group in accordance with established policy.

OTHER TRANSACTIONS OF DIRECTORS AND PERSONALLY RELATED ENTITIES

i) Financial instrument transactions

ASIC class order 98/110 dated 10 July 1998 (as amended)

Disclosure of financial instrument transactions regularly made by a bank is limited to disclosure of such transactions with a director of the controlled entity concerned or an entity controlled or significantly influenced by the director of the controlled entity.

Financial instrument transactions between the directors of the controlled entities or their personally related entities and the Bank during the financial year were in the nature of normal personal banking, investment and deposit transactions. These transactions occurred on an arm's length basis and on normal commercial terms and conditions no more favourable than those given to other employees or customers.

ii) Transactions other than financial instrument transactions of banks

All other transactions with directors of the controlled entities of the Company and their personally related entities are conducted on arm's length terms and conditions, and are deemed trivial or domestic in nature. These transactions are in the nature of deposits, debentures, or investment transactions conducted with non-bank controlled entities.

All other transactions with directors' personally related entities occur within a normal customer or supplier relationship and are on arm's length terms and conditions.

1 Relates to all other related party disclosures not concerning directors of Australia and New Zealand Banking Group Limited as disclosed in note 52

54: TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURE ENTITIES - RELATED PARTY DISCLOSURES

During the course of the financial year the Company and the Group conducted transactions with associates and joint venture entities on normal commercial terms and conditions as shown below:

	Consolidated 2004 $'000	Consolidated 2003 $'000	The Company 2004 $'000	The Company 2003 $'000
Aggregate				
Amounts receivable from associates and joint venture entities	101,835	30,691	27,553	1,139
Interest revenue	4,078	1,126	2,422	507
Dividend revenue	38,353	5,606	365	326
Commissions received from ING Australia joint venture	87,026	79,146	80,127	70,504
Costs recovered from ING Australia joint venture	9,776	15,802	9,761	15,544

NOTES TO THE FINANCIAL STATEMENTS

55: US GAAP RECONCILIATION

The consolidated financial statements of the Group are prepared in accordance with Generally Accepted Accounting Principles applicable in Australia (Australian GAAP) which differ in some respects from Generally Accepted Accounting Principles in the United States (US GAAP).

The following are reconciliations of the net profit, shareholders' equity and total assets, applying US GAAP instead of Australian GAAP.

	Note	2004 $m	2003 $m	2002 $m
Net profit reported under Australian GAAP		2,815	2,348	2,322
Items having the effect of increasing (decreasing) net income according to US GAAP (total tax impact of adjustments shown separately):				
Employee share issue and options	(xix)	(43)	(21)	(40)
Depreciation charged on the difference between revaluation amount and historical cost of buildings	(i)	2	2	2
Difference in gain or loss on disposal of properties revalued under historical cost	(i)	12	2	5
Deferred profit on sale and leaseback transactions over the lease term	(iii)	(10)	(4)	(9)
Amortisation of goodwill	(ii)	189	62	(6)
Amortisation of sale and leaseback gain over the lease term	(iii)	26	25	25
Pension expense adjustment	(vi)	(5)	2	18
Mark to market and non compliant derivative hedges (under SFAS133)	(xv)	(89)	(47)	(17)
Adjustment on entering joint venture	(xvii)	(14)	–	(205)
Interest on reclassified preference shares and amortisation of costs	(xx)	(64)	(1)	–
Pension plan deficit amortisation	(vi)	(11)	–	–
Guarantee fee obligation	(xviii)	(23)	–	–
Acquisition cost of NBNZ adjustment	(xxiv)	(37)	–	–
Total tax impact of the above adjustments (refer below)		40	12	2
Net income according to US GAAP		2,788	2,380	2,097
Earnings per share (cents) according to US GAAP*				
Basic		155	144	127
Diluted		149	144	126
Adjustments to determine other comprehensive income for US GAAP				
Net income according to US GAAP		2,788	2,380	2,097
Currency translation adjustments, net of hedges after tax: Tax is (Sep 2004: $9m; Sep 2003: $54m; Sep 2002: $43m)	(xiii)	233	(356)	(98)
Unrealised profit (loss) on available for sale securities net of tax: Tax is (Sep 2004: $3m; Sep 2003: -$1m; Sep 2002: $1m)	(ix)	7	(2)	3
Mark to market of cash flow hedges net of tax: Tax is: (Sep 2004: $-40m; Sep 2003: $33m; Sep 2002: $26m)	(xv)	(94)	76	60
Pension plan deficit net of tax: Tax is: (Sep 2004: $-6m; Sep 2003: $-42m)	(vi)	(14)	(99)	–
Total comprehensive income according to US GAAP		2,920	1,999	2,062
Total tax impact of the above adjustments comprises				
(Gain)/loss on assets sold and leased back		3	1	2
Amortisation of deferred profit		(3)	(2)	(1)
Pension expense adjustment		2	(1)	6
Marked to market of non-compliant derivative hedges		27	14	(5)
Guarantee revenue		7	–	–
Pension plan deficit amortisation		4	–	–
		40	12	2

* Rounded to the nearest whole cent and restated for rights issue

NOTES TO THE FINANCIAL STATEMENTS

55: US GAAP RECONCILIATION (CONTINUED)

	Note	2004 $m	2003 $m	2002 $m
Shareholders' equity reported under Australian GAAP[1]		17,907	13,770	11,448
Elimination of gross asset revaluation reserves	(i)	(224)	(247)	(266)
Unrealised profit (loss) on available for sale securities	(ix)	8	1	3
Adjustment to accumulated depreciation on buildings revalued	(i)	52	50	48
Restoration of previously deducted goodwill	(ii)	695	695	695
Accumulated amortisation of goodwill	(ii)	(263)	(452)	(514)
Deferred profit on sale and leaseback transactions	(iii)	(20)	(17)	(20)
Provision for final cash dividend	(iv)	–	–	681
Pension expense adjustment	(vi)	(48)	(14)	126
Derivatives and hedging activities	(xv)	69	309	247
Adjustment on entering joint venture	(xvii)	(217)	(203)	(203)
Reclassification of preference shares	(xx)	(990)	(988)	–
Guarantee fee obligation	(xviii)	(16)	–	–
Acquisition cost of NBNZ purchase adjustment	(xxiv)	(37)	–	–
Total tax impact of the above adjustments (refer below)		1	(84)	(106)
Shareholders' equity according to US GAAP		16,917	12,820	12,139
Total assets reported under Australian GAAP		259,345	195,591	183,105
Elimination of gross incremental revaluations	(i)	(191)	(203)	(205)
Unrealised profit (loss) on available for sale securities	(ix)	12	2	3
Adjustment to accumulated depreciation on buildings revalued	(i)	52	50	48
Restoration of previously deducted goodwill	(ii)	695	695	695
Accumulated amortisation of goodwill	(ii)	(263)	(452)	(514)
Prepaid pension adjustment	(vi)	58	66	67
Reclassification of deferred tax assets against deferred tax liabilities	(v)	(672)	(726)	(462)
Revaluation of hedges	(xv)	192	397	501
Issue Costs	(xx)	10	13	–
Adjustment to carrying value of the ING Australia joint venture	(xvii)	(217)	(203)	(203)
Consolidation of variable interest entities	(xii)	3,036	–	–
Guarantee receivable	(xviii)	4	–	–
NBNZ goodwill due to acquisition cost adjustment	(xxiv)	(37)	–	–
Total assets according to US GAAP		262,024	195,230	183,035

1 Excluding outside equity

Total tax impact of the above adjustments comprises	2004 $m	2003 $m	2002 $m
Deferred profit on sale and leaseback transactions	6	5	6
Pension expense adjustment	14	4	(38)
Derivative and hedging activities	(19)	(93)	(74)
	1	(84)	(106)

NOTES TO THE FINANCIAL STATEMENTS

55: US GAAP RECONCILIATION (CONTINUED)

i) Premises and equipment

In accordance with Australian GAAP, the Group holds its properties at a deemed cost value (refer note 1xiv). However in the past the Group at various times, has revalued properties, increasing the book value of these assets. Any increments on revaluation were credited directly to the Asset Revaluation Reserve (ARR), and decrements were debited to the ARR to the extent of any previous revaluation increments.

Decrements in excess of any previous revaluation increments were charged to the statement of financial performance. The ARR forms part of Shareholders' equity and is not available for future property writedowns while properties are measured at deemed cost.

Under US GAAP, revaluation of properties is not permitted except for decrements which are regarded as other than temporary. Any such decrements are recorded in the statement of financial performance. Subsequent recoveries to the statement of financial performance are not allowed.

The impact of previous revaluations under Australian GAAP is that depreciation charges are generally higher and profits on disposal are lower than those recorded under US GAAP. The depreciation charges, together with the profits and losses on revalued assets sold have been adjusted to historical cost in the US GAAP reconciliation.

ii) Goodwill

Under Australian GAAP the Group changed its accounting policy in respect of goodwill in the financial year ended 30 September 1993 so that goodwill is amortised over a period not exceeding 20 years. Previously, goodwill on acquisition was charged in full to the Group's statement of financial performance in the year of acquisition.

Historically, under US GAAP, goodwill has been capitalised and amortised over the period of time during which the benefits are expected to arise, such period not exceeding 20 years. Until 1 October 2002, adjustments were made in the US GAAP reconciliation statement to restore goodwill written-off in full under Australian GAAP and to amortise such goodwill over the period of the expected benefits. As at 1 October 2002, ANZ adopted SFAS 142 "Goodwill and Other Intangible Assets". Under US GAAP for goodwill acquired during the year ended 30 September 2002 and for all goodwill balances after 30 September 2002 a review for impairment test will apply rather than systematic goodwill amortisation. This review is undertaken in accordance with SFAS 142 'Goodwill and Other Intangible Assets.' Goodwill acquired is allocated to reporting segments that are expected to benefit from the acquisition. These units have been evaluated using a combination of discounted cashflows and multiples of earnings methodologies. Any impairment is recognised in earnings in the year in which it is identified. The 2004 review did not indicate any impairment.

For comparability the table below reconciles the Group's US GAAP reported income to 'adjusted' income excluding the effect of goodwill amortisation.

	2002
US GAAP reported net income	$2,097m
Goodwill amortisation	$26m
Reported net income excluding effect of amortisation	$2,123m
Basic EPS using adjusted net income	129*
Diluted EPS using adjusted net income	128*

* Rounded to nearest whole cent and restated for rights issue

iii) Sale-leaseback transactions

Under Australian GAAP for operating leases, gains on disposal under sale-leaseback transactions can be recognised in the period of sale. Under US GAAP, the gain is amortised over the remaining lease term. This difference in treatment has been adjusted in the US GAAP reconciliation.

iv) Dividends in 2002

Historically Australian GAAP dividends were shown in the statement of financial performance in the period to which they relate rather than in the period when they are declared as required by US GAAP. This difference in treatment has been adjusted in the US GAAP shareholders' equity reconciliation. Changes in Australian GAAP for 2003 disallowed accrual of dividends, thus there is no adjustment for the 2004 or 2003 years.

v) Income taxes

Under Australian GAAP, tax benefits relating to carry forward tax losses must be 'virtually certain' of being realised before being booked. Realisations of benefits relating to other timing differences must be 'beyond reasonable doubt' before they may be booked. These tests are more stringent than those applied under US GAAP. However no material adjustment to future tax benefits for US GAAP is required.

Australian GAAP allows offsetting of future income tax benefits and liabilities to the extent they will reverse in the same period.

Under US GAAP, deferred tax liabilities and deferred tax assets are offset and presented for each tax paying component of an enterprise and within each particular tax jurisdiction. The impact of the difference in this approach to Australian GAAP has been adjusted for in the US GAAP reconciliation for total assets.

As detailed in note 6, the Group implemented tax consolidation during the year. The amounts due to and receivable from the Holding Company are as follows:

	2004 $'000	2003 $'000
Amounts due from group entities	323	–
Amounts due to group entities	474	–

vi) Pension commitments

Under Australian GAAP, contributions in respect of defined benefit schemes are recorded in the income statement and are made at levels necessary to ensure that these schemes are maintained with sufficient assets to meet their actuarially assessed liabilities. Any net deficiency arising from the aggregation of assets and liabilities of the Group's defined benefit schemes, where there is a legal or constructive obligation, is provided for in the Group's financial statements (refer note 49).

NOTES TO THE FINANCIAL STATEMENTS

55: US GAAP RECONCILIATION (CONTINUED)

Under US SFAS 87 'Employers' Accounting for Pensions' and the disclosure requirements of SFAS 132 'Employers' Disclosures about Pensions and Other Post Retirement Benefits', pension expense is a function of an employee's service period, interest costs, expected actuarial return on the schemes' assets, amortisation of net transition asset and recognised prior service cost. In addition, reconciliation between the accrued pension liability/prepaid asset and the funded status (difference between projected benefit obligation and fair value of pension plan assets) of the pension schemes is required.

In the year ended 30 September 2003, as required under US GAAP an additional liability was recognised for the Group's UK Pension plan of $142 million ($99 million after tax). As at 30 September 2004, based on 30 June 2004 actuarial information, due to an improvement in the position of the plan, this liability has been reduced to $136 million ($95 million after tax). In 2004, a liability was recognised for the Group's NBNZ pension plan of $35 million ($25 million after tax). These liabilities are required to be recognised where the accumulated benefit obligation exceeds the fair value of plan assets and an asset has been recognised as prepaid pension cost, or the liability already recognised as unfunded accrued pension cost, is less than the unfunded accumulated benefit obligation.

vii) Post retirement and post employment benefits

Post retirement and post employment benefits other than pension payments are not material and no adjustment is required in the US GAAP reconciliation.

viii) Trading securities

US GAAP requires that in instances where trading securities are not bought and held principally for the purpose of selling them in the near term, they should be classified as available for sale and recorded at market value with unrealised profits and losses in respect of market value adjustments recognised as other comprehensive income in Shareholders' equity.

The residual emerging markets portfolio had been classified as available with the market value writedown taken through the statement of financial performance for both Australian and US GAAP purposes.

Except for the above, no adjustment is required to be made in the US GAAP reconciliation as the effect of reclassifying certain trading securities as available for sale is not material.

ix) Investment securities

US GAAP requires that investments not classified as trading securities or as held to maturity securities shall be classified as available for sale securities and be recorded at market value in accordance with SFAS 115 'Accounting for Certain Investments in Debt and Equity Securities'. An adjustment is made in the US GAAP reconciliation to reclassify certain investment securities under Australian GAAP to reflect available for sale securities which are carried at market value with unrealised profits and losses in respect of market value adjustments being reported as other comprehensive income in shareholders' equity.

x) Accounting for the impairment of loans

SFAS 114 'Accounting by Creditors for Impairment of a Loan', as amended by SFAS 118 'Accounting by Creditors for Impairment of a Loan – Income Recognition and Disclosures', requires the value of an impaired loan to be measured as the present value of future cash flows discounted at the loan's initial effective interest rate, the loan's observable market price or the fair value of the collateral, if the loan is collateral dependent.

There is no requirement under Australian GAAP to discount the expected future cash flows attributable to impaired loans in assessing the level of specific provision for doubtful debts.

No adjustment is required in the US GAAP reconciliation as the estimated fair value of impaired loans is not materially different from the carrying value (net of the allowance for loan losses).

xi) Accounting for the impairment of long lived assets and for long lived assets to be disposed of

SFAS 144 'Accounting for the Impairment or Disposal of Long-Lived Assets', requires that where an event or a change in circumstance indicates that the carrying value of an asset that is expected to be held and used may not be recoverable, an impairment loss should be recognised. The standard also requires that where there is a committed plan to dispose of an asset, the asset should be reported at the lower of the carrying value or fair value less selling costs.

The Group has assessed the carrying values of all non-current assets and where required, have written down the assets to their recoverable amounts.

xii) Accounting for transfers and servicing of financial assets and extinguishments of liabilities and variable interest entities

SFAS 140 'Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities' prescribes the accounting and disclosure requirements for transfers of financial assets and extinguishments of liabilities. Under certain circumstances, the statement also requires a transferor of financial assets that are pledged as collateral to reclassify those assets, and the transferee to recognise those assets and their obligation to return them.

No adjustment is required in the US GAAP reconciliation as the effect of applying the provisions of SFAS 140 on total assets is not material. Refer to note 39 for the required disclosures.

In the year ended 30 September 2004, the Group first applied the provisions of FASB Interpretation No. 46 (Revised) "Consolidation of Variable Interest Entities" ("FIN 46R"). FIN 46R addresses the consolidation of entities in which a reporting enterprise has an economic interest, but for which a voting interest approach to consolidation is not effective in identifying where control of the entity really lies, or in which the equity investors do not bear the economic risks and rewards of the entity. Overall, the objective of FIN46R is to improve the consistency and comparability of financial statements of enterprises engaged in similar activities.

NOTES TO THE FINANCIAL STATEMENTS

55: US GAAP RECONCILIATION (CONTINUED)

An entity is a Variable Interest Entity ("VIE") if the entity's equity at risk is not sufficient to finance its activities without additional subordinated financial support from other parties. An entity is also a VIE if, as a group the holders of the equity investment at risk lack any one of the following characteristics:

- Direct or indirect ability to make decisions about the entity's activities through voting rights
- Obligation to absorb the expected losses of the special purpose entity if they occur
- The right to receive the residual returns of the entity if there are any.

The Group is required to consolidate those VIEs for which the Group is the primary beneficiary.

Those entities that have been identified as requiring consolidation as a result of the application of FIN46R have been detailed in note 55 xxii. These entities are not consolidated or equity accounted under Australian GAAP.

Details of the treatment of securitisations under Australian GAAP are detailed in note 39.

The Group retains servicing and (for some loans) custodian responsibilities for sold loans. The fair value of these servicing rights is estimated to be approximately $13 million as at 30 September 2004. These interests are not considered to be material and as such have not been adjusted for in the US GAAP reconciliation.

Following a securitisation the Group may also receive any excess income derived by the SPV after interest has been paid to investors and net credit losses and expenses absorbed. Due to the significant uncertainties inherent in estimating the underlying loan repayment rates and interest margins with respect to the these loan securitisation programs, future cash flows cannot be reliably measured and no asset in relation to any entitlement to residual income is recognised.

xiii) Comprehensive income

SFAS 130 'Reporting Comprehensive Income' establishes standards for reporting and display of comprehensive income and its components. Comprehensive income is defined as all changes in shareholders' equity during a period excluding those resulting from investments by shareholders and distributions to shareholders.

Accordingly, the Group has shown currency translation adjustments, unrealised profit on available for sale securities, additional pension liability and certain SFAS 133 adjustments as components of other comprehensive income with net income according to US GAAP forming the remaining component of comprehensive income. Amounts transferred in and out of comprehensive income relating to unrealised profits on available for sale securities are specific to individual assets. The fair value of equity investments recorded as available for sale subject to adjustment in the US GAAP reconciliation was $14 million as at 30 September 2004 (2003: $4 million), with a book value of $2 million (2003: $2 million).

The movement in the unrealised gain relating to these securities during the year is equal to $10 million, realised gains before tax on these securities during the year is equal to $5 million (2003: $4 million).

The currency translation adjustment through comprehensive income includes a net gain on hedges after tax of $21 million (before tax $30 million) (2003: net gain after tax $126 million; before tax $180 million).

xiv) Earnings per share ('EPS')

Under US GAAP, EPS is computed in accordance with SFAS 128 'Earnings Per Share'. This Standard is similar to Australian GAAP.

xv) Accounting for derivative instruments and hedging activities

The Group has adopted SFAS 133 'Accounting for Derivative Instruments and Hedging Activities' as amended by SFAS 138 'Accounting for Certain Derivative Instruments and Certain Hedging Activities' in its US GAAP reconciliation from 1 October 2000. SFAS 133 requires all derivatives to be recognised on balance sheet at fair value. Movements in the fair value of derivatives are taken to the statement of financial performance, unless the derivatives meet the criteria prescribed in SFAS 133 for fair value, cash flow, or foreign currency hedges. If certain criteria are met derivatives can be designated as hedges. Under SFAS 133 normal banking hedging practices may not qualify for hedge accounting, notwithstanding their ability to hedge existing balance sheet positions from an economic perspective.

As a result future fair value movements recognised in the US GAAP reconciliation may not be indicative of the Group's risk profile. The Group uses instruments and hedging techniques that are effective in managing interest rate risk and foreign exchange risk.

Further information on the results of the Group's hedging activities, and the effectiveness of the risk management policies, can be assessed better by considering the information provided on interest rate risk in note 35, and the information on hedging derivatives provided in note 38: Derivative Financial Instruments. The accounting for derivatives under Australian GAAP is outlined in note 1 (xiii).

Under SFAS 133, movements in the value of derivatives designated as fair value hedges are taken to the statement of financial performance, along with the movement in the fair value of the underlying exposure that is being hedged to the extent the hedge is effective. These amounts largely offset each other with any ineffectiveness recognised in the US GAAP statement of financial performance.

NOTES TO THE FINANCIAL STATEMENTS

55: US GAAP RECONCILIATION (CONTINUED)

Movements in the effective portion of the fair value of derivatives designated as cash flow hedges are taken to other comprehensive income.
Any ineffectiveness is recognised in the US GAAP statement of financial performance immediately. Amounts are subsequently reclassified out of other comprehensive income into earnings as the hedged transaction impacts earnings.

The impact on adoption of SFAS 133 and SFAS 138 at 1 October 2000 was a transitional adjustment to increase US GAAP profit by $11 million, and a transitional adjustment to decrease other comprehensive income by $52 million. Changes in market conditions and the Group's hedging policies may result in volatility in these US GAAP adjustments going forward. The net gain/(loss) after tax in the net income according to US GAAP recognised during the September 2004 year, due to fair value and cashflow hedge ineffectiveness (in respect of qualifying hedges) or non compliance is ($28) million and ($35) million, respectively.

xvi) Provisions

The recognition requirements for restructuring provisions under Australia GAAP and US GAAP are similar and as such no adjustment has been made in the reconciliation. SFAS146 "Accounting for Costs Associated with Exit or Disposal Activities" has additional disclosure requirements, which are addressed in the following.

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 surplus premises space (2003: 92%) and the remainder for other associated costs including technology costs. The personnel costs relate to ongoing business initiatives in response to changing market conditions that demanding 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 30 September is distributed as follows:

	2004 $m	2003 $m
One time termination and staff benefits	73	58
Excess premises	10	22
Other contract termination and associated costs	23	12
Total	106	92

All restructuring costs are expensed and recorded as operating expenses in the most appropriate category; for example, termination benefits are recorded in personnel and, surplus premises are recorded in premises, with the remainder recorded in other.

Note 27 to the financial statements provides additional details on the movements in the provision for restructuring costs.

xvii) Gain and non-capitalisable costs recognised on entering joint venture

In accordance with Australian GAAP the Group recognised a profit (net of transaction costs) based on the difference between fair value and carrying value of the share of businesses transferred to an external party on entering into a joint venture.

Under US GAAP the gain may not be recognised 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.

xviii) Guarantees

As of 1 January 2003 FIN 45 'Guarantors Accounting and Disclosure Requirements for Guarantors, including indirect Guarantees of indebtedness of Others' requires a guarantor (for non derivative contracts) to recognise at inception a liability equal to the fair value of the obligations undertaken in issuing that guarantee. The fair value of the obligation in issuing the guarantee at inception is typically equal to the net present value of the future amount of the premium receivable under the contract.

ANZ provides a variety of guarantees and indemnifications to our customers to enhance their credit standing or allow them to complete various business transactions. The Group considers the following off balance sheet non derivative arrangements to be guarantees under FIN 45: Standby letters of credit, Guarantees, Bill endorsements, Documentary letters of credit, Performance related contingencies. The fair value of the estimated liability related to guarantees for the forementioned instruments at 30 September 2004 has been adjusted in the US GAAP reconciliation.

Standby letters of credit generally include guarantees of payments for loans, credit facilities, promissory notes and trade acceptances and are generally issued in connection with agreements made by customers with counterparties. Documentary letters of credit are an undertaking by the bank to guarantee payment to a beneficiary provided documents are presented in strict compliance with the terms and conditions of the documentary credit. Performance guarantees are issued to guarantee completion of projects in accordance with contract terms. They can be issued to support a customers obligation to supply specified products, commodities or maintenance or warranty services to a third party. ANZ as guarantor becomes obligated to perform under the guarantee when a counterparty does not fulfill its obligations under an associated contract. The majority of these contracts are short term.

Sold – credit derivatives also meet the definition of guarantees under this statement but are recorded in the statement of financial position at their fair value.

Details of the maximum potential amount of future payments can be found at note 48. The amounts detailed in note 48 represent the notional amounts that could be lost under the guarantees and indemnifications if there was a total default by the guaranteed parties, without consideration of possible recoveries.

NOTES TO THE FINANCIAL STATEMENTS

55: US GAAP RECONCILIATION (CONTINUED)

xix) Accounting for stock – compensation plans

Under Australian GAAP an expense is not required to be recognised for share options issued to employees or for shares issued at a discount. However, ANZ expenses the deferred share plan under Australian GAAP.

SFAS 123 'Accounting for Stock-Based Compensation' requires shares and options issued as part of a compensation plan to employees to be recognised using either the fair value method or the intrinsic value method as prescribed by APB No. 25 and its related interpretations.

For US GAAP, APB No.25 share-based employee compensation cost for variable share option plans (those with performance hurdles) is measured using the intrinsic value method. US GAAP compensation cost is determined at date of issue and is expensed if the strike price is less than the market price at the time and it is probable that performance hurdles are met.

To the extent that the intrinsic value increases in subsequent periods an additional expense is recorded.

Variable share option plans include all plans with performance conditions. The Group's policy is to generally grant share options at the average market price of the underlying shares at the date of grant.

Share issues to employees under the $1000 Share Plan are expensed in the year issued under US GAAP. Under Australian GAAP they are issued from Share Capital Account and are not expensed. An adjustment is made in the US GAAP reconciliation for $22 million (2003: $18 million).

The following amounts were booked as a compensation expense during the year in relation to stock based compensation:

	2004 $m	2003 $m
Gross[1]	90	68
After tax[2]	63	48

1 This includes the Deferred Share Plan which is also expensed under Australian GAAP.
2 The tax deduction for the deferred share and the $1,000 share plan occurs at the time that shares are issued. The tax effect is recognised under Australian GAAP and therefore, no adjustment is made in the US GAAP reconciliation.

NOTES TO THE FINANCIAL STATEMENTS

55: US GAAP RECONCILIATION (CONTINUED)

xix) Accounting for stock – compensation plans (continued)
If the fair value basis of accounting had been applied to account for compensation costs as stipulated in SFAS 123, the following profit after income tax and earnings per share would have appeared.

The fair value of the options has been calculated using a modified Black-Scholes option pricing model. The fair value is calculated as at the grant date and the value amortised on a straight-line basis over the vesting period. Note 4 details the assumptions taken into account in the fair value calculation. An adjustment is made in the US GAAP reconciliation for $21 million (2003: $3 million).

	2004 $m	2003 $m	2002 $m
Net income according to US GAAP	2,788	2,380	2,097
Intrinsic method adjustment (APB 25)	43	21	40
Fair value adjustment (SFAS 123)	(53)	(50)	(44)
Adjusted Pro Forma net income according to US GAAP	2,778	2,351	2,093

	2004 As Reported	2004 Pro Forma	2003 As Reported	2003 Pro Forma	2002 As Reported	2002 Pro Forma
– Basic earnings per share (cents)*	155	155	144	143	127	127
– Diluted earnings per share (cents)*	149	149	144	142	126	126

* Rounded to nearest whole cent and restated for rights issue

Details of the share-based compensation plans are included in note 50.

xx) Classification of financial instruments with characteristics of both liability and equity – all new issues post May 2003

Under Australian GAAP, preference shares issued on 23 September 2003 (known as ANZ StEPS) are classified as equity instruments as they are not considered to be mandatorily converting to ordinary shares and do not meet the classification requirements of a financial liability upon issue.

SFAS 150 'Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity' requires that the StEPS be classified as a liability because the monetary value of the obligation to the holders of the securities is known at inception and the holders are not exposed to changes in the fair value of equity. Any associated dividends have been reclassified as interest expense in the US GAAP reconciliation.

SFAS 150 does not apply to issues of preference shares made prior to 31 May 2003.

NOTES TO THE FINANCIAL STATEMENTS

55: US GAAP RECONCILIATION (CONTINUED)

xxi) Details of Pension Schemes and Pension Expense

Reconciliations of the funded status of major defined benefit schemes as at 30 June 2004 are summarised below.

Details of the funding of the schemes are set out in note 49.

Australian Scheme

	2004 $m	2003 $m	2002 $m
Change in benefit obligation			
Balance at start of year	50	51	54
Interest costs	2	3	3
Benefits paid	(5)	(6)	(6)
Actuarial gains (losses)	(3)	2	–
Benefit obligation, 30 June	44	50	51
Change in plan assets			
Fair value at start of year	35	43	49
Actual return on plan assets	4	(2)	–
Employer contribution	–	–	–
Benefits paid	(5)	(6)	(6)
Total fair value of plan assets, 30 June	34	35	43
Funded status	(10)	(15)	(8)
Unrecognised net transition loss	–	1	2
Unrecognised net loss	10	16	10
Adjustment required to recognise minimum unfunded projected benefit obligation	(10)	(17)	(12)
Net amount recognised	(10)	(15)	(8)
Amounts recognised in the consolidated statement of financial position consist of:			
Prepaid benefits costs	–	–	–
Accrued benefit liabilities	(10)	(15)	(8)
The assumptions used in the actuarial calculations are as follows:			
Discount rate used in determining present values			
– pensioners	6.0%	5.0%	6.0%
Annual increase in future compensation levels			
– pensions	2.5%	2.5%	2.5%
Expected long-term rate of return on assets	7.5%	7.5%	7.5%
Weighted average assets allocations			
- Equity securities	61%	n/a*	n/a*
- Debt securities	23%	n/a*	n/a*
- Real estate	9%	n/a*	n/a*
- Other	7%	n/a*	n/a*
	100%	n/a*	n/a*

* Information is not available

The Plan's investment objectives are to maximise returns over the long term whilst accepting a moderate degree of performance variability; and to exceed inflation (CPI increases), on average, by at least 3% over rolling five and seven year periods. The Plan's investment strategy is to combine 70% growth assets (shares and property) and 30% defensive assets (diversified fixed income and cash). This combination reduces the expected variability compared to a portfolio invested only in shares.

NOTES TO THE FINANCIAL STATEMENTS

55: US GAAP RECONCILIATION (CONTINUED)

xxi) Details of Pension Schemes and Pension Expense (continued)

Cash Flows

Contributions
It is anticipated that nil will be contributed to this scheme in 2005.

Estimated Future Benefit Payments
The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Year	2004 $m Pension Benefits	2004 $m Other Benefits
2005	5	–
2006	5	–
2007	5	–
2008	4	–
2009	4	–
2010-14	18	–

UK Pension Scheme

	2004 $m	2003 $m	2002 $m
Change in benefit obligation			
Balance at start of year	952	1,034	1,038
Service cost	12	13	15
Interest cost	49	53	62
Benefits paid	(46)	(49)	(62)
Actuarial gains (losses)	(11)	56	27
Foreign currency exchange rate fluctuations	19	(155)	(46)
Benefit obligation, 30 June	975	952	1,034
Change in plan assets			
Fair value at start of year	790	982	1,152
Actual return on plan assets	71	(4)	(69)
Employer contribution	8	(1)	(2)
Benefits paid	(46)	(49)	(62)
Foreign currency exchange rate fluctuations	16	(138)	(37)
Total fair value of plan assets, 30 June	839	790	982
Funded status	(136)	(162)	(52)
Unrecognised net transition gain	(3)	(10)	(19)
Unrecognised loss	165	194	92
Unrecognised prior service cost	32	44	46
Adjustment required to recognise minimum benefit obligation	(136)	(142)	–
Net amount recognised	(78)	(76)	67
Amounts recognised in the consolidated statement of financial position consist of:			
Prepaid benefits costs	58	66	67
Accrued benefit liabilities	(136)	(142)	–
The assumptions used in the actuarial calculations are as follows:			
Discount rate used in determining present values			
– active members	5.75%	5.25%	5.75%
– pensioners	5.75%	5.25%	5.75%
Annual increase in future compensation levels			
– salary	4.50%	4.25%	4.5%
– pensions	2.75%	2.25%	2.5%
Expected long-term rate of return on assets	7.00%	6.25%	6.75%

NOTES TO THE FINANCIAL STATEMENTS

55: US GAAP RECONCILIATION (CONTINUED)

xxi) Details of Pension Schemes and Pension Expense (continued)

The Trustee of the ANZ UK Staff Pension Scheme determines their investment strategy after consulting with the Bank with regard to the liability profile of the plan and in accordance with the Statement of Investment Principles. Following an asset liability modelling exercise, the Trustee has determined the following benchmarks which they believe provide an adequate balance between maximising the return on the assets and minimising the risk of failing to meet the liabilities over the long term:

	2004	2003	2002
Weighted average assets allocations			
- Equity securities	50%	45%	n/a*
- Debt securities	34%	36%	n/a*
- Real estate	15%	15%	n/a*
- Other	1%	4%	n/a*
	100%	100%	n/a*

* Information is not available

Cash Flows

Contributions

It is anticipated that $12 million will be contributed to this scheme in 2005.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Year	2004 $m Pension Benefits	2004 $m Other Benefits
2005	48	–
2006	50	–
2007	53	–
2008	55	–
2009	55	–
2010-14	314	–

NOTES TO THE FINANCIAL STATEMENTS

55: US GAAP RECONCILIATION (CONTINUED)

xxi) Details of Pension Schemes and Pension Expense (continued)

NZ Scheme

	2004 $m	2003 $m	2002 $m
Change in benefit obligation			
Balance at start of year	–	–	–
Increase due to NBNZ acquisition	183	–	–
Service cost	4	–	–
Interest cost	7	–	–
Benefits paid	–	–	–
Actuarial gains (losses)	–	–	–
Foreign currency exchange rate fluctuations	10	–	–
Benefit obligation, 30 June	204	–	–
Change in plan assets			
Fair value at start of year	–	–	–
Increase due to NBNZ acquisition	151	–	–
Actual return on plan assets	7	–	–
Employer contribution	3	–	–
Benefits paid	–	–	–
Foreign currency exchange rate fluctuations	8	–	–
Total fair value of plan assets, 30 June	169	–	–
Funded status	(35)	–	–
Unrecognised net transition gain	–	–	–
Unrecognised loss (gain)	–	–	–
Unrecognised prior service cost	–	–	–
Adjustment required to recognise minimum benefit obligation	–	–	–
Net amount recognised	(35)	–	–
Amounts recognised in the consolidated statement of financial position consist of:			
Prepaid benefits costs	–	–	–
Accrued benefit liabilities	(35)	–	–
The assumptions used in the actuarial calculations are as follows:			
Discount rate used in determining present values			
- active members	6.4%	–	–
- pensioners	6.4%	–	–
Annual increase in future compensation levels			
- salary	3.0%	–	–
- pensions	4.3%	–	–
Expected long-term rate of return on assets	8.0%	–	–
Weighted average assets allocations			
- Equity securities	53%	–	–
- Debt securities	26%	–	–
- Real estate	–	–	–
- Other	21%	–	–
	100%	–	–

Assets in the Fund are held in pooled funds and are managed by specialist investment managers. Investment returns are measured against the relevant market index for each assets class and are targeted to outperform the index by a prescribed amount over a three-year period. The strategic range around the asset allocation benchmarks is 10 percentage points.

NOTES TO THE FINANCIAL STATEMENTS

55: US GAAP RECONCILIATION (CONTINUED)

xxi) Details of Pension Schemes and Pension Expense (continued)

Cash Flows

Contributions
It is anticipated that approximately 20.7% of salaries (gross of tax) will be contributed to this scheme in 2005. This will be subject to a full actuarial valuation in March 2005.

Estimated Future Benefit Payments
The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Year	2004 $m Pension Benefits	2004 $m Other Benefits
2005	7	–
2006	7	–
2007	7	–
2008	7	–
2009	7	–
2010-14	38	–

The elements of the net periodic pension cost of the above schemes are as follows:

	2004 $m	2003 $m	2002 $m
Service cost	16	14	13
Interest cost	58	57	59
Expected return on schemes' assets	(60)	(70)	(77)
Amortisation net transition asset	(6)	(6)	(7)
Recognised gains/losses	4	–	–
Recognised prior service cost	4	4	4
Net periodic pension cost	16	(1)	(8)
Amortisation of prepaid pension expense	–	–	(8)
Employer contributions	(11)	(1)	(2)
Net pension expense	5	(2)	(18)

The Group also sponsors defined contribution schemes. The Group's contributions to major defined contribution schemes amounted to $127 million for the year (2003: $102 million; 2002: $80 million).

NOTES TO THE FINANCIAL STATEMENTS

55: US GAAP RECONCILIATION (CONTINUED)

xxii) Variable Interest Entities

The following entities have been identified as requiring consolidation as a result of the application of FIN46R on the basis that the Group is the Primary Beneficiary. These entities are not consolidated or equity accounted under Australian GAAP:

Entity	Nature	Purpose & Activities	Total Assets* $m
Arc Funding Pty Ltd	Repackaging Vehicle	SPV issues commercial paper to finance the acquisition or holding of financial assets.	174
Aurora Securitisation Pty Ltd	Conduit	SPV issues commercial paper and on-lends the funds to special purpose trusts that acquire or hold financial assets.	2,147
Coast Asset Corporation	Conduit	SPV issues commercial paper in the United States and on-lends the funds to special purpose companies that acquire or hold financial assets.	370
Coral[3]	ANZ Client deal Capital Markets funded	SPV issues commercial paper to finance the acquisition or holding of financial assets.	221
Eos[2]	Repackaging Vehicle	SPV issues commercial paper to finance the acquisition or holdings of financial assets.	178
Echo Funding Pty Ltd	Repackaging Vehicle	SPV issues medium term notes on a segregated series basis and uses the funds to acquire bonds or exposures through credit derivatives.	77
Kingfisher Securitisation Pty Ltd	Conduit	SPV raises funds by issuing debt instruments and uses the funds so raised to acquire assets / investments.	291
Omeros Trust[1]	Repackaging Vehicle	SPV raises funds by issuing notes to Aurora Securitisation. The proceeds of notes are used to finance the acquisition or holding of financial assets.	279
Omeros II Trust [1]	Repackaging Vehicle	SPV raises funds by issuing notes to Aurora Securitisation. The proceeds of notes are used to finance the acquisition or holding of financial assets	68
Orion	Repackaging Vehicle	SPV issues commercial paper to finance the acquisition or holding of financial assets.	37
Solera Trust	Repackaging Vehicle	SPV issues commercial paper and on-lends the funds to special purpose trusts that acquire or hold financial assets.	178
Stellar Funding Pty Ltd	Repackaging Vehicle	SPV issues commercial paper to finance the acquisition or holding of financial assets.	152
Surf Capital	Repackaging Vehicle	SPV raises funds by issuing notes to Coast Asset Corporation. The proceeds of notes are used to finance the acquisition or holding of financial assets.	157

1 Consolidates into Aurora Securitisation Pty Ltd
2 Consolidates into Solera Trust
3 Consolidates into Coast Asset Corporation

* Total assets are shown gross of any consolidation eliminations

NOTES TO THE FINANCIAL STATEMENTS

55: US GAAP RECONCILIATION (CONTINUED)

xxii) Variable Interest Entities (continued)

The Group also holds a significant variable interest in the following Variable Interest Entities; however, it is not the Primary Beneficiary:

Entity	Nature	Purpose & Activities	Total Assets $m	Maximum exposure to loss* $m
Kingfisher Trust 2001-1G	ANZ client deal. Capital markets funded	Trust raises funds by issuing notes to the market. Proceeds of notes are used to fund the acquisition of Receivables and Related Securities.	613	88
Kingfisher Trust 2004-1G	ANZ client deal. Capital markets funded	Trust raises funds by issuing notes to the market. Proceeds of notes are used to fund the acquisition of Receivables and Related Securities.	1,383	80

* Maximum exposure to loss is considered to be the notional amounts of the liquidity and redraw facilities

xxiii) Maturity analysis of the Group's Bonds and Notes and Loan Capital

At 30 September	2004 $m	2003 $m	2002 $m
Less than 1 year	4,657	4,289	3,972
Between 1 year and 2 years	9,568	3,360	5,068
Between 2 years and 3 years	5,128	5,481	2,131
Between 3 years and 4 years	3,537	1,994	3,024
Between 4 years and 5 years	5,483	2,552	1,962
After 5 years	7,285	4,084	969
Perpetual	419	442	1,027
Total	36,077	22,202	18,153

xxiv) Material business combination in the year of acquisition

On 1 December 2003, the Company acquired 100% of the issued share capital of NBNZ Holdings Ltd and its controlled entities. The number of shares acquired was 159 million. The results of NBNZ's operations have been included in the consolidated financial statements since that date. NBNZ is a leading bank in New Zealand.

The aggregate purchase price under US GAAP was $4,805 billion (converted as at the date of acquisition). The following table summarises the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition, at the exchange rate which prevailed at the date of acquisition.

	Fair Value of NBNZ's Net Assets Acquired $M
Liquid assets	799
Due from other financial institutions	2,597
Trading securities	1,653
Investment securities	213
Net loans and advances	30,564
Other assets	1,722
Premises and equipment	160
Total assets acquired	37,708
Due to other financial institutions	1,092
Deposits and borrowings	30,694
Provisions	109
Creditors and other liabilities	2,455
Unsubordinated debt	1,119
Loan capital	488
Total liabilities assumed	35,957
Net assets acquired	1,751
Goodwill	3,054

The amount of goodwill under US GAAP is not the same as that recognised under Australian GAAP, as the cost of the hedges of the acquisition price are not considered part of the acquisition price under US GAAP.

NOTES TO THE FINANCIAL STATEMENTS

55: US GAAP RECONCILIATION (CONTINUED)

xxiv) Material business combination in the year of acquisition (continued)

Operating result of ANZ had the acquisition of NBNZ occurred on 1 October 2002 for the 2004 and 2003 financial years
The following table illustrates the impact to the Group results, had NBNZ been acquired at the commencement of the 2003 financial year.

	Year ended 30 September 2004 $m	Year ended 30 September 2003 $m
Operating income	17,622	14,274
Income before extraordinary items and the cumulative effect of accounting changes	–	–
Net income	2,719	2,687
EPS*	153	145

* Rounded to nearest whole cent

The pro-forma net income reported above includes $550 million in 2004 and $409 million in relation to NBNZ in 2003.

The balances have been adjusted to reflect the difference in depreciation and amortisation expense caused by any variation between the fair value acquired, and the carrying value of these assets in the accounts of ANZ. No adjustment has been made for any change to accounting policies.

Net income in 2003 has not been adjusted for FAS133 'Accounting for Derivative Instruments and Hedging Activities' as NBNZ did not prepare US GAAP accounts prior to acquisition.

Disposal of controlled entities
There were no material controlled entities disposed of during the year to 30 September 2004.

(xxv) Recently issued Australian accounting standards
A number of new accounting standards have been issued by the Australian Accounting Standards Board (AASB) that have not yet been adopted for Australian GAAP. A summary of the standards that currently apply appear in note 1.

We will also be required to adopt the Australian equivalents of International Financial Reporting Standards (IFRS) as issued by the AASB, for the half-year ending 31 March 2006 and year ending 30 September 2006. A summary of the significant areas of impact of adopting IFRS appears in note 57.

Some of these standards, once adopted, will result in certain adjustments in the reconciliations of net income to US GAAP and shareholders' equity to US GAAP no longer being required.

56: EXCHANGE RATES

The exchange rates used in the translation of the results and the assets and liabilities of major overseas branches and controlled entities are:

	2004		2003		2002	
	Closing	Average	Closing	Average	Closing	Average
Great British pound	0.3983	0.4054	0.4070	0.3822	0.3477	0.3621
United States dollar	0.7165	0.7263	0.6795	0.6124	0.5441	0.5323
New Zealand dollar	1.0700	1.1254	1.1431	1.1139	1.1585	1.2001

NOTES TO THE FINANCIAL STATEMENTS

57: INTERNATIONAL FINANCIAL REPORTING STANDARDS

For reporting periods beginning on or after 1 January 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 31 March 2006 and the year ended 30 September 2006 are released.

The Group is required to prepare an opening balance sheet in accordance with Australian equivalents to IFRS as at 1 October 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 1 October 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 Initial impact on retained earnings at 1 October 2005 Volatility in future earnings Lower general provision	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 ELP charge to profit will be replaced, on adoption of IFRS, by a charge for specific provisions 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 provisioning which the bank holds against its credit exposures.
Debt v Equity classification Initial impact on statement of financial position at 1 October 2005 New liabilities recognised	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 Initial impact on retained earnings at 1 October 2005 for yield adjusted fees and 1 October 2004 for other financial service fees Increased deferral of fee income	Revised rules governing the accounting for fee income will result in more fees being deferred on initial payment, and recognised either as an adjustment to yield or over the period of service. Fees required to be treated as an adjustment to yield will be recognised in interest income rather than fee income. On initial application, certain fees that have previously been recognised in the statement of financial performance will be recognised 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 Initial impact on retained earnings at 1 October 2004 Volatility in future earnings	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.

NOTES TO THE FINANCIAL STATEMENTS

57: INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Hedging Initial impact on retained earnings at 1 October 2005 Volatility in future earnings New assets/liabilities recognised	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 recognise 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 Benefits Initial impact on retained earnings at 1 October 2004 Volatility in future earnings	The Group does not currently recognise an asset or liability for the net position of the defined benefit superannuation schemes, including those which operate in Australia, New Zealand and the United Kingdom. On adoption of AASB 119: Employee Benefits, the Group will recognise the net position of each scheme on the statement of financial position, with a corresponding entry to the statement of financial performance. The initial adjustment will be made, retrospectively, against opening retained earnings as at 1 October 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 recognised in the statement of financial performance.
Securitisation Initial impact on retained earnings at 1 October 2004 New assets/liabilities recognised	IFRS introduces new requirements for the recognition of financial assets, including those transferred to a special purpose vehicle for securitisation. Existing securitisations, 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. Securitisations commenced on or after 1 January 2004 have been assessed in accordance with IFRS and current Australian GAAP.
Share-Based Payments Initial impact on retained earnings at 1 October 2004 Higher expenses	The Group currently recognises 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 recognise 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 Payments, the Group will recognise 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 recognise 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 1 October 2004.
Taxation Initial impact on retained earnings at 1 October 2004 New assets/liabilities recognised	Under AASB 112: Income Taxes, a "balance sheet" approach will be adopted, replacing the "statement of financial performance" approach currently used. This method recognises 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.

Capital measurement - The Australian Prudential Regulation Authority (APRA) has announced that it intends to revise its capital adequacy requirements to take account of the impact of IFRS. This will be achieved through the progressive release of a series of discussion papers. Priority areas for review by APRA include the treatment of innovative capital instruments for capital adequacy purposes and the treatment of superannuation fund surpluses and deficits. APRA has stated that it will not make any IFRS-related changes to the existing prudential framework until it has completed relevant consultations, and not before 1 July 2005 at the earliest. In the interim, existing prudential standards will continue to apply.

NOTES TO THE FINANCIAL STATEMENTS

58: EVENTS SINCE THE END OF THE FINANCIAL YEAR

ANZ Trustees merger with Equity Trustees Limited

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

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

Share buyback

On 26 October 2004, the Company announced the intention to undertake an on-market share buyback of at least $350 million. The buyback is contingent on regulatory approval for a new offshore hybrid equity transaction.

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

Sale of London-headquartered project finance activities

On 26 October 2004, the Company announced entry into a Memorandum of Understanding for the sale, subject to due diligence and other standard conditions, of the majority of its London-headquartered project finance activities to Standard Chartered Bank. The amount of the loans and commitments is approximately $2 billion. The premium from the sale above book value is not expected to be significant.

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

DIRECTORS' DECLARATION

The directors of Australia and New Zealand Banking Group Limited declare that the financial statements and notes of the Company and the consolidated entity:

a) are in accordance with the Corporations Act 2001, including:

   i) complying with applicable Australian Accounting Standards, and other mandatory professional reporting requirements; and

   ii) giving a true and fair view of the financial position of the Company and of the consolidated entity as at 30 September 2004 and of their performance as represented by the results of their operations and their cash flows, for the year ended on that date; and

   iii) that the directors have been given the declaration under section 295A of the Corporations Act 2001; and

b) in the directors' opinion at the date of this declaration there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Company and some of its wholly owned controlled entities (listed in note 48) executed a Deed of Cross Guarantee enabling them to take advantage of the accounting and audit relief offered by class order 98/1418 (as amended), dated 13 August 1998 issued by the Australian Securities and Investments Commission.

The nature of the Deed of Cross Guarantee is to guarantee each creditor payment in full of any debt in accordance with the terms of the Deed of Cross Guarantee.

At the date of this declaration, there are reasonable grounds to believe that the Company and its controlled entities which executed the Deed of Cross Guarantee are able, as an economic entity, to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee.

Signed in accordance with a resolution of the directors.

Charles Goode
Director

John McFarlane
Chief Executive Officer

4 November 2004

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED.

SCOPE

We have audited the financial report of Australia and New Zealand Banking Group Limited for the financial year ended 30 September 2004, consisting of the remuneration report, the statements of financial position, statements of financial performance, statements of changes in shareholders' equity and statements of cash flows, and accompanying notes 1 to 58 and the directors' declaration, set out on pages 6 to 127. The financial report includes the consolidated financial statements of the consolidated entity, comprising the Company and the entities it controlled at the end of the year or from time to time during the financial year. The Company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

AUDIT OPINION

In our opinion, the financial report of Australia and New Zealand Banking Group Limited is in accordance with:

a) the Corporations Act 2001, including:

  i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 September 2004 and of their performance for the financial year ended on that date; and

  ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

b) other mandatory professional reporting requirements in Australia.

KPMG

Chris Hall
Partner

Melbourne
4 November 2004

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) Economic Loss Provisioning

Description and Significance

Each month the Group recognises an expense for credit losses 'provision for doubtful debts' based on the average one year loss expected to be incurred if the same loan portfolio was held over an economic cycle. The provision for doubtful debts is booked to the General Provision which is maintained to cover the losses inherent in the Group's existing loan portfolio. The method used by the Group for determining the expense charge is referred to as 'Economic Loss Provisioning' (ELP). The Group uses ELP models to calculate the expected loss by considering:

- the size, composition and risk profile of the current loan portfolio; and
- the history of credit losses for each loan portfolio.

Ongoing reviews

The Group regularly reviews the assumptions used in the ELP models. These reviews are conducted in recognition of the subjective nature of the ELP 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 ELP methodology, the existing General Provision 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, ELP charge levels may be periodically increased or decreased with a direct impact on profitability.

As part of its review of the ELP model outputs, the Group also regularly evaluates the overall level of the General Provision. The Group is required, by APRA prudential standards, to have policies which cover the level of General Provisions that are needed 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 Provision. The Group considers it appropriate to maintain its General Provision in excess of the APRA guidelines.

Quantification of Sensitivity

The average charge to profit for ELP 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 provision of $250 million).

As at September 2004, the balance of the General Provision of $1,992 million (Sep 2003: $1,534 million) represents 1.01% (Sep 2003: 1.01%) of risk weighted assets.

b) Specific Provisioning

Description and Significance

The Group maintains a specific provision for doubtful debts arising from its exposure to organisations and credit counterparties.

When a specific debt loss is identified as being probable, its value is transferred from the general provision to the specific provision. Specific provisioning 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 provision 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 Provision.

Quantification of Sensitivity

The recognition of losses has an impact on the size of the General Provision rather than directly impacting profit. However, to the extent that the General Provision 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 Provision to the Specific Provision, net of recoveries, during the year was $443 million (Sept 2003: $527 million; Sep 2002: $728 million).

CRITICAL ACCOUNTING POLICIES

c) Deferred acquisition costs, software assets and deferred income

Description and Significance

The Group recognises 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 recognised 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 capitalised 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 capitalised.

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 recognised as income.

Quantification of Sensitivity

Deferred acquisition costs – At 30 September, 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 recognised as an adjustment to the yield earned on interest earning assets.

Software assets – At 30 September, 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 recognised. 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 stabilise going forward. Consistent with US accounting rules on software capitalisation, only costs incurred during configuration, coding and installation stages are capitalised. Administrative, preliminary project and post implementation costs including determining performance requirements, vendor selection and training costs are expensed as incurred.

Deferred income – At 30 September, 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 recognised when the hedged transaction occurs, or immediately if the hedged transaction is no longer expected to occur.

CRITICAL ACCOUNTING POLICIES

The balances of deferred assets and liabilities at 30 September were:

	Deferred Acquisition Costs 2004 $m	Deferred Acquisition Costs 2003 $m	Software Assets 2004 $m	Software Assets 2003 $m	Deferred Income 2004 $m	Deferred Income 2003 $m
Personal Banking Australia	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 Centre	22	–	42	56	90	249
Total	465	360	430	465	149	280

Deferred acquisition costs analysis

	2004 Brokerage amortised $m	2004 Brokerage paid[1] $m	2004 Balance[2] $m	2003 Brokerage amortised $m	2003 Brokerage paid[1] $m	2003 Balance[2] $m
Personal Banking Australia	64	89	145	41	70	109
Esanda & 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 capitalised relating to the acquisition of mortgages assets
2 Includes capitalised debt raising expenses
3 Includes Group Centre 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.

CRITICAL ACCOUNTING POLICIES

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 recognised at fair value. Gains and losses on derivative instruments not carried at their fair value amounts are recognised 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 recognised as income or expenses. Instead these movements are recognised 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 recognised 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 summarises 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
Securitisation 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 securitisation 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
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
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

CRITICAL ACCOUNTING POLICIES

f) Valuation of investment in ING Australia Limited (INGA)

Description and significance

The Group adopts the equity method of accounting for its 49% interest in ING Australia. As of 30 September 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 31 March 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 30 September 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 INGA for 31 March 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 31 March 2004.

A review for 30 September 2004 reporting purposes revealed there were no indicators of impairment and a further independent review was not required. As at 30 September 2004, ANZ believed no change was required to the carrying value of ANZ's investment in INGA.

g) Valuation of goodwill in ANZ National Bank Ltd

Description and significance

Goodwill arising from the NBNZ acquisition is systematically amortised 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 unamortised 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 capitalisation of earnings methodology. Based on the results of this valuation, it is considered that there is no indication of impairment as at 30 September 2004.

RISK MANAGEMENT

ANZ recognises the importance of effective risk management to its business success. Management is committed to achieving strong risk control, resulting in "no surprises" and a distinctive risk management capability 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 recognises that effective risk management is based upon having an appropriate risk culture embedded in the organisation. 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

The Group has an overall lending objective of sound profitable growth. To support this objective, a credit risk management framework exists to provide a structured and disciplined process for managing credit risk.

This framework is top down, being defined firstly by the Group's Vision and Values and secondly, by Credit Principles and Policies. The effectiveness of the credit risk management framework is validated through compliance and monitoring processes. These, in conjunction with the overall Group portfolio strategy, define and guide the credit process, organisation and staff.

Group Risk Management's responsibilities for credit risk policy and management are executed through dedicated departments, which support the Group's wholesale and retail business units. All major Business Unit credit decisions (including those arising from automated decision processes) require dual approval by both business writers and independent risk personnel.

Market Risk

ANZ has a detailed market risk management and control framework, to support trading activities, which incorporates a risk measurement approach to quantify the magnitude of market risk within the trading books. This approach, along with related analysis, identifies the range of possible outcomes that can be expected over a given period of time, and establishes the relative likelihood of those outcomes.

Market risk 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). ANZ has a separate risk management and control framework for balance sheet risks, which is built around a Board-approved policy and limit framework. The framework quantifies the magnitude of risks and controls the potential impact that changes in market interest rates can have on the net interest income (NII) and market value of equity of the Group.

Within overall strategies and policies, control of market risk exposures at Group level is the responsibility of Group Market Risk, who work closely with the three business units: Foreign Exchange and Commodities, Capital Markets, and Group Treasury.

Operational Risk

Group Risk Management is responsible for establishing the Group's framework and associated Group-level operational risk policies. Business Units are responsible for the identification and day-to-day management of operational risks.

A Risk Drivers and Controls Approach to operational risk measurement is utilised to measure the operational risk profile of Business Units and allocate operational risk economic capital. This approach gives business managers strong and clear incentive to reduce operational risk.

Compliance

ANZ's policy is to conduct its business in accordance with the laws of the countries in which it operates, relevant regulatory codes of conduct, and standards set by the Group. ANZ promotes a culture of compliance, where compliance is valued and embedded in everyday business. ANZ does not tolerate wilful or knowing breaches of the law, codes of conduct or of its standards and staff are required to observe these responsibilities.

In order to assist the Group identify, manage, monitor and measure its compliance obligations, the Group has a comprehensive regulatory compliance program in place, which is consistent with the Australian Standard on Compliance Programs (AS 3806).

Group Compliance, a discrete function within Group Risk Management, is responsible for setting, reviewing and monitoring ANZ's Regulatory Compliance Program. Business Units retain ultimate day-to-day responsibility for compliance management within their areas.

A comprehensive compliance framework has been established to ensure compliance with each of APRA's Prudential Standards. Each standard is assigned to a specific Senior Executive for accountability and control. For example, dealings between the Company and its subsidiaries and other related entities are specifically governed by Board-approved policies and procedures, which have been designed to ensure compliance with APRA's Prudential Standard APS222.

FINANCIAL INFORMATION

1: CROSS BORDER OUTSTANDINGS

Cross border outstandings of the Group to countries which individually represented in excess of 0.75% of the Group's total assets are shown below.

There were no cross border outstandings to any other country exceeding 0.75% of total assets.

Cross border foreign outstandings are based on the country of domicile of the borrower or guarantor of the ultimate risk and comprise loans (including accrued interest), placements with banks, acceptances and other monetary assets denominated in currencies other than the borrower's local currency.

For certain countries, local currency obligations are also included. Cross border foreign outstandings are before specific and general provisions.

	Governments and other official institutions $m	Banks and other financial institutions $m	Other commercial and industrial $m	Total $m	% of Group assets
At 30 September 2004					
United Kingdom	217	2,400	2,652	5,269	2.0
USA	177	3,157	1,184	4,518	1.7
At 30 September 2003					
United Kingdom	205	1,571	2,769	4,545	2.3
USA	94	1,818	1,171	3,083	1.6

2: CERTIFICATES OF DEPOSIT AND TERM DEPOSIT MATURITIES

The following table shows the maturity profile of the Group's certificates of deposit and term deposits in excess of $100,000 issued at 30 September 2004.

	Less than 3 months $m	Between 3 months and 6 months $m	Between 6 months and 12 months $m	After 1 year $m	Total $m
Australia					
Certificates of deposit	7,702	2	380	4,147	12,231
Term deposits	14,751	1,625	895	314	17,585
	22,453	1,627	1,275	4,461	29,816
Overseas					
Certificates of deposit	3,623	469	605	127	4,824
Term deposits	19,367	2,684	1,480	792	24,323
	22,990	3,153	2,085	919	29,147
Total	45,443	4,780	3,360	5,380	58,963

FINANCIAL INFORMATION

3: VOLUME AND RATE ANALYSIS

The following table allocates changes in interest income and interest expense between changes in volume and changes in rate for the past two years. Volume and rate variances have been calculated on the movement in average balances and the change in the interest rates on average interest earning assets and average interest bearing liabilities. The variance caused by the change of both volume and rate has been allocated in proportion to the relationship of the absolute dollar amounts of each change to the total.

	2004 over 2003 Change due to			2003 over 2002 Change due to		
	Volume $m	Rate $m	Total $m	Volume $m	Rate $m	Total $m
Interest earning assets						
Due from other financial institutions						
Australia	7	1	8	(10)	5	(5)
New Zealand	106	8	114	1	(4)	(3)
Overseas markets	6	(11)	(5)	(9)	(12)	(21)
Investments in public securities						
Australia	42	46	88	47	(5)	42
New Zealand	68	9	77	17	1	18
Overseas markets	43	(26)	17	15	(19)	(4)
Loans, advances and bills discounted						
Australia	1,320	310	1,630	949	41	990
New Zealand	2,146	(82)	2,064	176	98	274
Overseas markets	(102)	20	(82)	(84)	(40)	(124)
Other assets						
Australia	(6)	28	22	2	86	88
New Zealand	13	(23)	(10)	–	(37)	(37)
Overseas markets	(75)	62	(13)	14	(53)	(39)
Intragroup assets						
Overseas markets	17	8	25	7	(18)	(11)
Change in interest income	3,585	350	3,935	1,125	43	1,168
Intragroup elimination	(17)	(8)	(25)	(7)	18	11
	3,568	342	3,910	1,118	61	1,179
Interest bearing liabilities						
Time deposits						
Australia	282	142	424	205	23	228
New Zealand	557	11	568	94	20	114
Overseas markets	(45)	5	(40)	(10)	(71)	(81)
Savings deposits						
Australia	26	47	73	23	11	34
New Zealand	97	36	133	4	(1)	3
Overseas markets	–	–	–	(1)	(3)	(4)
Other demand deposits						
Australia	115	104	219	117	54	171
New Zealand	174	(16)	158	9	11	20
Overseas markets	–	–	–	(1)	(1)	(2)
Due to other financial institutions						
Australia	28	8	36	1	(1)	–
New Zealand	44	9	53	4	2	6
Overseas markets	(53)	19	(34)	(21)	(48)	(69)
Commercial paper						
Australia	31	25	56	64	10	74
New Zealand	383	–	383	–	–	–
Overseas markets	20	(4)	16	18	(33)	(15)
Borrowing corporations' debt						
Australia	24	10	34	27	(6)	21
New Zealand	6	(4)	2	21	(1)	20
Loan capital, bonds and notes						
Australia	522	42	564	210	45	255
New Zealand	90	(6)	84	6	1	7
Overseas markets	(1)	–	(1)	(8)	(3)	(11)
Other liabilities						
Australia	187	64	251	135	(10)	125
New Zealand	(78)	64	(14)	(19)	18	(1)
Overseas markets	18	(24)	(6)	(3)	(7)	(10)
Intragroup liabilities						
Australia	(30)	(123)	(153)	20	(14)	6
New Zealand	141	37	178	(27)	10	(17)
Change in interest expense	2,538	446	2,984	868	6	874
Intragroup elimination	(17)	(8)	(25)	(7)	18	11
	2,521	438	2,959	861	24	885
Change in net interest income	1,047	(96)	951	257	37	294

FINANCIAL INFORMATION

4: CONCENTRATIONS OF CREDIT RISK

Concentrations of credit risk exist if a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Off balance sheet transactions of the Group are substantially with other banks.

	2004		2003		2002	
	Loans and advances[1] $m	Specific provision $m	Loans and advances[1] $m	Specific provision $m	Loans and advances[1] $m	Specific provision $m
Australia						
Agriculture, forestry, fishing and mining	4,592	26	3,829	71	3,436	16
Business service	3,346	4	2,632	4	2,120	5
Entertainment, leisure and tourism	3,660	7	2,632	23	2,465	28
Financial, investment and insurance	3,548	5	4,966	5	4,603	13
Government and official institutions	126	–	51	–	67	–
Lease finance	2,667	1	2,613	2	2,503	2
Manufacturing	4,734	26	5,366	5	4,303	7
Personal[2]	19,492	24	15,648	23	14,893	27
Real estate – construction	2,368	3	1,767	4	1,152	5
Real estate – mortgage[3]	81,771	8	69,660	11	57,049	32
Retail and wholesale trade	7,626	21	6,821	54	5,957	15
Other	6,550	84	5,335	65	3,990	61
	140,480	209	121,320	267	102,538	211
Overseas						
Agriculture, forestry, fishing and mining	10,551	43	2,756	12	2,526	3
Business service	931	4	323	1	435	1
Entertainment, leisure and tourism	968	3	534	5	586	4
Financial, investment and insurance	3,288	9	1,516	5	1,561	21
Government and official institutions	461	–	274	–	212	–
Lease finance	604	3	609	–	844	1
Manufacturing	4,682	21	3,654	17	4,701	34
Personal[2]	2,594	4	1,771	19	1,848	7
Real estate – construction	721	9	472	1	551	1
Real estate – mortgage[3]	35,303	6	12,759	4	11,956	5
Retail and wholesale trade	2,233	9	1,741	9	1,648	15
Other	5,998	64	5,058	144	5,943	282
	68,334	175	31,467	217	32,811	374
Total portfolio	208,814	384	152,787	484	135,349	585

1 Loans and advances exclude acceptances
2 Personal includes non-business loans to individuals through overdrafts, personal loans, credit cards and fully drawn advances
3 Real estate mortgage includes residential and commercial property exposure. Loans within this category are for the purchase of such properties and must be secured by property

FINANCIAL INFORMATION

4: CONCENTRATIONS OF CREDIT RISK (CONTINUED)

	2001		2000	
	Loans and advances[1] $m	Specific provision $m	Loans and advances[1] $m	Specific provision $m
Australia				
Agriculture, forestry, fishing and mining	3,500	104	4,157	34
Business service	2,044	7	2,206	6
Entertainment, leisure and tourism	2,293	27	2,062	4
Financial, investment and insurance	4,311	3	5,532	1
Government and official institutions	122	–	103	–
Lease finance	2,524	5	2,821	8
Manufacturing	4,034	11	4,236	19
Personal[2]	13,435	36	12,728	131
Real estate – construction	1,198	11	1,376	7
Real estate – mortgage[3]	49,127	13	43,912	9
Retail and wholesale trade	6,017	16	5,691	24
Other	3,850	70	4,196	17
	92,455	303	89,020	260
Overseas				
Agriculture, forestry, fishing and mining	2,686	8	2,429	12
Business service	214	1	274	1
Entertainment, leisure and tourism	361	1	505	6
Financial, investment and insurance	2,276	26	1,952	128
Government and official institutions	372	27	627	25
Lease finance	936	4	504	–
Manufacturing	5,153	30	4,781	118
Personal[2]	1,804	18	1,876	16
Real estate – construction	921	9	820	36
Real estate – mortgage[3]	11,638	12	10,628	16
Retail and wholesale trade	2,021	18	1,950	35
Other	5,853	43	4,266	56
	34,235	197	30,612	449
Total portfolio	126,690	500	119,632	709

1 Loans and advances exclude acceptances
2 Personal includes non-business loans to individuals through overdrafts, personal loans, credit cards and fully drawn advances
3 Real estate mortgage includes residential and commercial property exposure. Loans within this category are for the purchase of such properties and must be secured by property

FINANCIAL INFORMATION

5: DOUBTFUL DEBTS – INDUSTRY ANALYSIS

	2004 $m	2003 $m	2002 $m	2001 $m	2000 $m
Balance at start of year	2,018	2,081	1,886	2,082	2,302
Adjustment for exchange rate fluctuations	51	(98)	(28)	32	37
Acquisition of provisions	273	–	–	–	–
Bad debts written off (refer (i) below)	(680)	(640)	(697)	(834)	(539)
Charge to statement of financial performance	632	614	860	531	502
Recoveries (refer (ii) below)	82	61	60	75	46
Other[1]	–	–	–	–	(266)
Total provisions for doubtful debts	2,376	2,018	2,081	1,886	2,082
i) Total write-offs by industry					
Australia					
Agriculture, forestry, fishing and mining	(86)	(4)	(72)	(14)	(12)
Business service	(4)	(11)	(8)	(6)	(5)
Entertainment, leisure and tourism	(5)	(3)	(4)	(5)	(10)
Financial, investment and insurance	–	(9)	(8)	(7)	(3)
Lease finance	(2)	(22)	(7)	(11)	(9)
Manufacturing	(15)	(10)	(17)	(22)	(11)
Personal[2]	(203)	(177)	(237)	(292)	(133)
Real estate – construction	(2)	(10)	(12)	(13)	(5)
Real estate – mortgage[3]	(8)	(11)	(19)	(13)	(51)
Retail and wholesale trade	(38)	(42)	(47)	(97)	(28)
Other	(105)	(15)	(37)	(28)	(8)
Overseas					
Other	(212)	(326)	(229)	(326)	(264)
Total write-offs	(680)	(640)	(697)	(834)	(539)
ii) Total recoveries by industry					
Australia					
Agriculture, forestry, fishing and mining	–	2	3	5	4
Business service	1	1	1	1	–
Entertainment, leisure and tourism	–	1	2	1	1
Financial, investment and insurance	1	1	–	2	4
Lease finance	2	2	2	1	2
Manufacturing	–	6	3	2	5
Personal[2]	46	24	27	30	9
Real estate – construction	3	3	2	1	1
Real estate – mortgage[3]	1	1	4	3	4
Retail and wholesale trade	2	3	3	2	2
Other	2	–	1	1	2
Overseas					
Other	24	17	12	26	12
Total recoveries	82	61	60	75	46
Net write-offs	(598)	(579)	(637)	(759)	(493)
Ratio of net write-offs to average loans and acceptances	0.3%	0.4%	0.4%	0.5%	0.4%

1 2000 includes $266 million reduction from the sale of Grindlays
2 Personal includes non-business loans to individuals through overdrafts, personal loans, credit cards and fully drawn advances
3 Real estate mortgage includes residential and commercial property exposure. Loans within this category are for the purchase of such properties and must be secured by property

FINANCIAL INFORMATION

6: SHORT TERM BORROWINGS

The Group's short-term borrowings comprise commercial paper, as well as unsecured notes issued by subsidiary borrowing corporations with an original term to maturity of less than one year. The Group has commercial paper programs in the United States, where it issues paper through ANZ (Delaware) Inc., and in Europe and Asia, where the Group issues paper direct.

	2004 $m	2003 $m	2002 $m
Balance at end of year			
Commercial paper – ANZ (Delaware) Inc.	7,068	6,981	1,654
Commercial paper – other	11,712	5,458	3,963
Unsecured notes	–	–	12
Weighted average interest rate at end of year			
Commercial paper – ANZ (Delaware) Inc.	1.68%	1.07%	1.85%
Commercial paper – other	5.41%	4.76%	4.92%
Unsecured notes	–	–	6.22%
Maximum amount outstanding at any month end during year			
Commercial paper – ANZ (Delaware) Inc.	7,068	6,988	5,541
Commercial paper – other	18,387	7,407	5,647
Unsecured notes	–	7	29
Average amount outstanding during year			
Commercial paper – ANZ (Delaware) Inc.	6,485	4,740	3,641
Commercial paper – other	12,588	5,216	3,888
Unsecured notes	–	7	14
Weighted average interest rate during year			
Commercial paper – ANZ (Delaware) Inc.	1.14%	1.22%	2.00%
Commercial paper – other	5.49%	4.83%	4.57%
Unsecured notes	–	5.85%	5.54%

GLOSSARY

Asia Pacific provides primarily retail banking services in the Pacific Region and Asia, including ANZ's share of PT Panin Bank in Indonesia; this business unit excludes Institutional and Corporate transactions included in the geographic results for Asia Pacific which are included in Institutional results.

Corporate Australia incorporates Corporate Banking Australia, Business Banking and Small Business Banking in Australia.

› Small Business Banking in Australia provides business banking services to metropolitan-based small businesses, with business banking funds under management of up to $50,000.

› Business Banking in Australia provides a full range of banking services to metropolitan-based small to medium businesses, with turnover up to $10 million and business banking funds under management of more than $50,000.

› Corporate Banking Australia manages customer relationships and develops financial solutions for medium-sized businesses, with a turnover of $10 million to $150 million.

Economic loss provisioning (ELP) charge is determined based on the expected average annual loss of principal over the economic cycle for the current risk profile of the lending portfolio.

Equity standardisation Economic Value Added (EVA™) principles are in use throughout the Group, whereby risk adjusted capital is allocated and charged against business units. Equity standardised profit is determined by eliminating the impact of earnings on each business unit's book capital and attributing earnings on the business unit's risk adjusted capital. This enhances comparability of business unit performance. Geographic results are not equity standardised.

Esanda and UDC comprises Esanda Finance Corporation Limited and UDC Finance Corporation Limited. They provide vehicle and equipment finance and rental services, operating in Australia as Esanda and Esanda FleetPartners, and in New Zealand as UDC and Esanda FleetPartners.

Group Centre provides support to the other segments in the areas of People Capital, Risk Management, Finance, Operations, Technology, Strategy, Administration and Treasury.

Impaired assets are loans or other credit facilities where there is reasonable doubt about the collectability of interest, fees (past and future) or principal outstanding, or where concessional terms have been provided because of the financial difficulties of the customer.

ING Australia (INGA), the joint venture between the Group and ING Group, provides integrated manufacture and distribution of wealth creation, management and protection products and services aligned to the Group's distribution and the open market.

Institutional is a segment encompassing businesses that provide a full range of financial services to the Group'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 $150 million in Australia and New Zealand and, through corporate clients where the Group 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 corporate and institutional customers.

› Markets - Provides origination, underwriting, structuring, risk management, advice and sale of credit and derivative products, foreign exchange and commodity trading and sales-related services, globally.

› Corporate and Structured Financing - Provides complex financing and advisory services, structured financial products, leasing, private equity, project and leveraged finance and infrastructure investment to ANZ's corporate, institutional, and small business customers.

Net advances include gross loans and advances and acceptances less income yet to mature and provisions (for both as at and average volumes).

Net interest average margin is net interest income as a percentage of average interest earning assets. Non-assessable interest income is grossed up to the equivalent before tax amount for the purpose of these calculations.

Net interest spread is the average interest rate received on interest earning assets less the average interest rate paid on interest bearing liabilities. Non-assessable interest income is grossed up to the equivalent before tax amount for the purpose of these calculations.

Net non-interest bearing items, which are referred to in the analysis of interest spread and net interest average margin, includes shareholders' equity, provisions for doubtful debts, and deposits not bearing interest and other liabilities not bearing interest, offset by premises and equipment and other non-interest earning assets. Non-accrual loans are included within interest bearing loans, advances and bills discounted.

Net specific provision is the transfer from the general provision to the specific provision (representing new and increased specific provisions less specific provision releases on impaired assets) less recoveries.

New Zealand Business comprises the ANZ businesses of NZ Banking, Mortgages and Consumer Finance, and all of the businesses of National Bank of New Zealand (NBNZ) which was acquired on 1 December 2003.

The ANZ businesses of Institutional and UDC that operate in New Zealand through global lines are excluded from New Zealand Business, although these activities are included in the equivalent NBNZ businesses.

Accordingly, New Zealand Business provides full service banking operations in the personal, corporate, business and rural sectors in New Zealand. The wealth management sector is serviced by Private Banking, ING New Zealand, and the NBNZ funds management business. Life insurance and fire and general insurance services are also provided through NBNZ.

Operating expenses exclude the charge for doubtful debts.

Operations, Technology and Shared Services comprises the Group's core support units responsible for operating the Group's global technology platforms, development and maintenance of business applications, information security, the Group's payments back-office processing, and the provision of other essential shared services to the Group, including property, human resources operations, procurement and outsourcing.

Overseas includes the results of all operations outside Australia, except if New Zealand is separately shown.

Overseas markets includes the results of operations in the UK, Europe, Asia, Pacific and the Americas. The Group's geographic segments are Australia, New Zealand and Overseas markets.

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

› Personal Banking Distribution - provides a full range of banking and financial planning services to personal customers across Australia, and to small business and agricultural customers in rural Australia.

› Banking Products - manufactures deposit, transaction accounts and margin lending products.

› Mortgages - provides mortgage finance secured by residential real estate.

› Cards and Merchant Services - provides consumer and commercial credit cards, ePayment products, personal loans, and merchant payment and ATM facilities.

Service transfer pricing is used to allocate services that are provided by central areas to each of its business units. The objective of service transfer pricing is to remove cross-subsidies between business units, and ensure each business accounts for the cost of the services it uses. Transfer pricing arrangements are reviewed periodically. The basis of pricing for internal services varies from cost recovery, to market equivalent. Changes in transfer pricing arrangements in current periods are, to the extent possible, reflected in prior period comparatives to assist comparability. NBNZ has not yet adopted full transfer pricing.

The Statement of Financial Performance of each business unit includes net inter business unit fees and net inter business unit expenses. This treatment is consistent with the Group's strategy of managing along specialist business lines. Net inter business unit fees includes intra-group receipts or payments for sales commissions. A product business (for example, Mortgages) will pay a distribution channel (for example, Personal Banking) for product sales. Both the payment and receipt are shown as net inter business unit fees. Net inter business unit expenses consist of the charges made to business units for the provision of support services. Examples of services provided include technology and payments, risk management, finance and human resources management. Both payments by business units and receipts by services providers are shown as net inter business unit expenses.

The results of the segments may include business units and a support unit. The services provided by the support unit are allocated to the business units. As a result of this allocation, the sum of individual profit and loss line items of the business units may not equal the corresponding line item in the Statement of Financial Performance of the segment.

Total advances include gross loans and advances and acceptances less income yet to mature (for both as at and average volumes).

Treasury is the banker to all ANZ businesses charged with providing cashflow support, ensuring liquidity, managing interest rate risk and providing capital to the businesses.

Unproductive facilities comprise certain facilities (such as standby letters of credit, bill endorsements, documentary letters of credit and guarantees to third parties, undrawn facilities to which the Group is irrevocably committed and market related exposures) where the customer status is defined as non-accrual.

ALPHABETICAL INDEX

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2004 ANZ FINANCIAL REPORT

AUSTRALIA AND NEW ZEALAND
BANKING GROUP LIMITED
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