different.

Concise Annual Report 2006 - Part 2 of 2 - Annual Review

guide to the concise report

ANZ presents two reports, the ANZ Concise Annual Report (this document) and the ANZ Financial Report. Both reports show how ANZ performed during the year ended 30 September 2006 and the overall financial position of the Group at the end of the year. The ANZ Concise Annual Report Part 2 of 2 includes Financial Statements which are an extract of and have been derived from the ANZ Financial Report. ANZ also publishes an announcement to the market each half year. All these documents are on anz.com. ANZ prepares its financial reports in accordance with applicable Australian Accounting Standards. Particular terms required by the Standards may not be familiar to some readers. This guide and the Glossary of Financial Terms (on pages 106 and 107) are designed to assist readers to understand the Concise Annual Report.

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CONCISE ANNUAL REPORT CONTENTS

The ANZ Concise Annual Report has two main sections – the 2006 Annual Review and the Concise Report. The front section, the Annual Review, contains information about significant matters that impacted the management and performance of ANZ during the year, including discussion and analysis of the financial results, updates on the specialist business units and Group-wide programs, the ten year summary and information on the directors.

The Concise Report contains information required by the Corporations Act 2001 (as amended), including:

- a Concise Financial Report, drawn up in accordance with applicable Australian Accounting Standards, including the Consolidated Income Statement, Balance Sheet, Statement of Recognised Income and Expense, and Statement of Cash Flow.
- the Directors' Report, including the Remuneration Report.
- the Independent Audit Report; and
- the Corporate Governance Report, as recommended by the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations.

These statements have been reviewed by ANZ's Audit Committee and approved by the Board.

The ANZ Concise Annual Report is a concise report for the purposes of section 314(2) of the Corporations Act 2001 and comprises two parts: Part 1 (Annual Review) and Part 2 (Concise Report). The two parts are distributed together as one document and should be read together. These documents may only be distributed by a person on the basis that Part 1 (Annual Review) and Part 2 (Concise Report) are distributed together.

The Concise Annual Report Part 2 of 2 cannot be expected to provide as full an understanding of the financial performance, financial position, and financing and investing activities of the Group as the ANZ Financial Report. A copy of the Financial Report for the year ended 30 September 2006 for the Group, including the independent Auditor's Report, is available to all members, and will be sent to a member without charge upon request. The Financial Report can be requested by telephone (Australia 1800 11 33 99 Overseas +613 9415 4010), by email at investor.relations@anz.com or viewed directly on the Internet at anz.com

CORPORATE GOVERNANCE REPORT

To ensure the reader is up-to-date with ANZ's corporate governance practices, this report provides information on the Group's governance framework, alignment with Australian and overseas governance issues, the Board and its procedures as well as Group codes, policies and related processes.

DIRECTORS' REPORT

This report is prepared in accordance with the requirements of the Corporations Act and provides information on how the business is performing and includes details about the Group's principal activities and the Directors and Company Secretaries. Details about the non-audit services and the Auditor's independence statement also form part of this report. In addition, it contains remuneration information on the Directors and senior executives, and details of declarations are provided by the Chief Executive Officer and the Chief Financial Officer.

CONSOLIDATED INCOME STATEMENT

The Income Statement provides ANZ's profit for the year including:

- the sources of ANZ's income split between net interest income and other income;
- the expenses incurred by ANZ during the year;
- provision for credit impairment; and
- ANZ's tax expense for the year.

The results of controlled companies are included in the consolidated results of the Group.

CONSOLIDATED BALANCE SHEET

The Balance Sheet is a summary of the assets, liabilities and shareholders' equity as at 30 September 2006. It shows what ANZ as a Group owns as assets, what it owes as liabilities and its net assets. Net assets are equal to total shareholders' equity. The assets and liabilities are listed in order of liquidity, with those assets representing cash shown first and those hardest to convert to cash, such as premises, last.

The assets and liabilities of controlled companies are included within the consolidated Balance Sheet of the Group.

STATEMENT OF RECOGNISED INCOME AND EXPENSE

The Statement of Recognised Income and Expense summarises the Group's income and expense items, other than those arising from transactions with equity holders, which are recognised directly in equity as required by Australian Accounting Standards.

CONSOLIDATED STATEMENT OF CASH FLOW

The Consolidated Statement of Cash Flow summarises the Group's cash payments and cash receipts for the financial year. The values may differ from those shown in the Consolidated Income Statement because the Consolidated Income Statement is prepared on an accrual accounting basis. Cash in this Statement refers to cash on hand, bank deposits and other forms of highly liquid investments that can readily be converted to cash.

NOTES TO THE CONCISE FINANCIAL STATEMENTS

These notes provide details on the basis of preparation of the Concise Financial Report including details on critical accounting estimates and judgements, segment analysis and dividends.

DIRECTORS' DECLARATION

This declaration is prepared in accordance with the requirements of the Corporations Act and contains the directors' sign-off that the Concise Financial Report complies with Australian Accounting Standards.

AUDITOR'S REPORT

The independent audit report is the external and independent opinion on the Concise Financial Report.

SHAREHOLDER INFORMATION AND StEPS

Information is provided on ordinary shares including the twenty largest holders and the distribution of holdings. It also includes on-market buy-back information, details on voting rights for ordinary shares and ANZ StEPS, employee shareholder information and information relating to Stock Exchanges, ANZ StEPS, American Depositary Receipts and Euro Trust Securities.

GLOSSARY OF FINANCIAL TERMS

The glossary of financial terms on pages 106 and 107 contains an explanation of key financial terms.

corporate governance

A SOLID FOUNDATION AT ANZ

This report sets out the Company's corporate governance framework. Further detail is contained on anz.com › about anz › corporate governance. This website is regularly updated to ensure it reflects the Company's most recent corporate governance information.

ANZ's shareholders depend on the Company's Board for strategic guidance and oversight of the Company as set out in the Board Charter (anz.com). The Board recognises its overriding responsibility to act honestly, fairly, diligently and progressively, in accordance with the law, in serving the interests of ANZ's shareholders and other stakeholders.

Corporate governance is an important focus for the Board. Good corporate governance meets ethical and stewardship responsibilities, and gives ANZ a strong commercial advantage. It receives close scrutiny, particularly since the establishment of the Board's Governance Committee in 2002.

ANZ has equity securities listed on the Australian (ASX), New Zealand (NZX) and New York (NYSE) Stock Exchanges and has debt securities listed on these and other overseas Stock Exchanges. As such, ANZ must comply with a range of listing requirements from both Australia and overseas.

In general, the Board seeks:

- to embrace principles considered to be best practice across the jurisdictions;
- to be an 'early adopter', where possible, by complying before a published law or recommendation takes effect; and
- to take an active role in discussions regarding best practice in corporate governance in Australia and overseas.

Consequently, the Board continually monitors governance developments to align ANZ's practices with best practice standards. During the year, the Board continued to work closely with management to review and update ANZ policies and procedures in light of changes to regulations, legislation and guidelines across relevant jurisdictions.

DIRECTORS

Mr C B Goode, AC — Chairman, Independent Non-Executive Director

B COM (Hons), MBA, HON LLD (Melb), HON LLD (Monash)

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

Skills, experience and expertise
Mr Goode has a background in the finance and resources industries and has been a professional non-executive director since 1989. Mr Goode brings a wide range of skills and significant experience of the finance industry to his role as Chairman of the Board.

Current directorships
Chairman: Woodside Petroleum Limited (Director from 1988), Australian United Investment Company Limited (Director from 1990), Diversified United Investment Limited (Director from 1991), and The Ian Potter Foundation Ltd (Director from 1987).

Former Directorships include
Former Director: Singapore Airlines Limited (from 1999–2006).

Age 68. **Residence** Melbourne.

Mr J McFarlane OBE — Chief Executive Officer

MA, MBA, SFFIN, FSI, FHKIB, FRSA

Chief Executive Officer since October 1997. Mr McFarlane is also a Director of ANZ's largest subsidiary, ANZ National Bank Limited in New Zealand.

Skills, experience and expertise
Mr McFarlane brings broad leadership, management and banking skills following a 31-year career in banking. Mr McFarlane is a former Group Executive Director, Standard Chartered Plc, Head of Citibank in the United Kingdom and Managing Director of Citicorp Investment Bank Ltd.

Current Directorships
Director: Financial Markets Foundation for Children (from 1999) and Australian Business Arts Foundation (from 2000).
Member: Foreign Affairs Council (from 2005), Business Regulation Advisory Group (from 2002), Financial Literacy Foundation Advisory Board (from 2005), the Council of the Australian Bankers Association (from 1997, including term as Chairman) and the Asia Business Council (from 2004).

Former Directorships include
Former Director: The International Monetary Conference (2001–2006, including term as President), Business Council of Australia (1999 –2003), Australian Graduate School of Management Ltd (1999 –2003) and The London Stock Exchange (1989 –1991).

Age 59. **Residence** Melbourne.

Dr G J Clark

Independent Non-Executive Director, Chairman of the Technology Committee

PHD, BSC (HONS), FAP, FTSE

Non-executive director since February 2004. Dr Clark is a member of the Governance Committee.

Skills, experience and expertise
Dr Clark is Principal of Clark Capital Partners, a US based firm that advises internationally on technology and the technology market place. Previously he held senior executive positions in IBM, News Corporation and Loral Space and Communications. He brings to the Board international business experience and a distinguished career in micro-electronics, computing and communications.

Current Directorships
Director: Babcock & Brown Capital Limited (from 2006) and KaComm Communications Pty Ltd (from 2006).

Former Directorships include
Former Director: James Hardie Industries NV (2002–2006), Digex (2000–2002) and Acton Semiconductor Pty Limited (2001–2005).

Age 63. **Residence** Based in New York, United States of America but also resides in Sydney.

Mr J K Ellis

Independent Non-Executive Director

MA, FAICD, HON FIE AUST, FAUS IMM, FTSE, HON DR ENG (CQU)

Non-executive director since October 1995. Mr Ellis is a member of the Audit Committee. Mr Ellis' term as Chairman of the Risk Committee ended on 30 September 2006 and he will continue as a member of the Risk Committee.

Skills, experience and expertise
A trained engineer, Mr Ellis brings to the Board his analytical skills together with his practical understanding of operational issues, investments and acquisitions across a range of sectors including natural resources, manufacturing, biotechnology and education.

Current Directorships
Chairman: Pacifica Group Limited (Director from 1999), Future Directions International Pty Ltd (from 2003), Landcare Australia Limited (from 2004), Golf Australia (from 2005), and the Earth Resources Development Council (from 2006).

Chancellor: Monash University (from 1999).

Consultant: Monash Energy Advisory Board (from 2006).

Former Directorships include
Former Chairman: Broken Hill Proprietary Company Limited (1997–1999), Black Range Minerals Limited (2000–2004), Australia-Japan Foundation (1999–2005) and National Occupational Health & Safety Commission (2003–2005).

Former Director: Australian Minerals & Energy Environment Foundation (1999–2003) and GroPep Limited (2000–2005).

Age 69. **Residence** Melbourne.

Mr D M Gonski, AO

Independent Non-Executive Director, Chairman of the Governance Committee

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

Non-executive director since February 2002. Mr Gonski is a member of the Risk Committee.

Skills, experience and expertise
A lawyer, Mr Gonski has a broad experience across business, the law and investment banking. He also brings to his role on the Board an appreciation for the community through his work in the arts and the not-for-profit sector.

Current Directorships
Chairman: Coca Cola Amatil Limited (Director from 1997), the Investec Group in Australia (Director from 2001), Sydney Grammar School Trust (from 1993) and University of New South Wales Foundation Limited (from 2006).

Chancellor: University of New South Wales (from 2005).

Director: The Westfield Group (from 1985) and Singapore Airlines Limited (from 2006).

President: Board of Trustees of Art Gallery of NSW (from 1997).

Former Directorships include
Former Chairman: Morgan Stanley Australia Limited (1999–2002), National Institute of Dramatic Art (2001–2005) and Australia Council for the Arts (2002–2006).

Former Director: John Fairfax Holdings Limited (1993–2005) and ING Australia Limited (2002–2005).

Age 53. **Residence** Sydney.

Ms M A Jackson, AC

Independent Non-Executive Director, Chairman of the People Committee

B EC, MBA, HON LLD (MONASH), FAICD, FCA

Non-executive director since March 1994. Ms Jackson is a member of the Audit Committee.

Skills, experience and expertise
A Chartered Accountant, with significant financial expertise, Ms Jackson has broad industrial and commercial experience including her involvement in transportation, mining, the media, manufacturing and insurance. This expertise coupled with her work in health and education contribute to her role on the Board.

Current Directorships
Chairman: Qantas Airways Limited (Director from 1992) and Asia Pacific Business Coalition on HIV/AIDS (from 2006).
Director: Billabong International Limited (from 2000) and Brain Research Institute (from 2006).
Member: Executive Committee Australia-Japan Business Co-operation (from 2002) and Business Council of Australia Chairman's Panel (from 2002).

Former Directorships include
Former Deputy Chairman: Southcorp Limited (2004–2005).

Former Co-Chairman: Australia NZ Leadership Forum (2003–2006).

Former Director: John Fairfax Holdings Limited (2003–2004) and Howard Florey Institute of Experimental Physiology and Medicine (1998–2006).

Former Partner: Consulting Division of KPMG Peat Marwick (1991–1992).

Age 53. **Residence** Melbourne.

Mr D E Meiklejohn — **Independent Non-Executive Director, Chairman of the Audit Committee**

B COM, DIP. ED, FCPA, FAICD, FAIM

Non-executive director since October 2004. Mr Meiklejohn is a member of the Governance Committee and the Risk Committee.

Skills, experience and expertise
Mr Meiklejohn has a strong background in finance and accounting. He also brings to the Board his experience across a number of directorships of major Australian companies spanning a range of industries.

Current Directorships
Chairman: PaperlinX Limited (from 1999).
Director: Coca Cola Amatil Limited (from 2005) and Mirrabooka Investments Limited (from 2006).
Vice President: Melbourne Cricket Club (from 1987).

Former Directorships include
Former Chairman: SPC Ardmona Limited (2002–2005) and former Deputy Chairman of GasNet Australia Limited (2001–2004).
Former Director: WMC Resources Limited (2002–2005) and OneSteel Limited (2000–2005). Director and Chief Financial Officer Amcor Limited (1985–2000).

Age 64. **Residence** Melbourne.

Mr J P Morschel — **Independent Non-Executive Director, Chairman of the Risk Committee**

DIPQS, FAIM

Non-executive director since October 2004. Mr Morschel is a member of the Risk Committee and, on 1 October 2006, became its Chairman. He is also a member of the People Committee.

Skills, experience and expertise
Mr Morschel has a strong background in banking and financial services, and brings the experience of being a director of major Australian and international companies.

Current Directorships
Chairman: Rinker Group Limited (from 2003).
Director: Singapore Telecommunications Limited (from 2001), Tenix Pty Limited (from 1998) and Gifford Communications Pty Limited (from 2000).

Former Directorships include
Former Director: Rio Tinto Plc (1998–2005), Rio Tinto Limited (1998–2005), CSR Limited (1996–2003), Leighton Holdings Limited (2001–2004) and Westpac Banking Corporation (1993–2001).

Age 63. **Residence** Sydney.

BOARD RESPONSIBILITY AND DELEGATION OF AUTHORITY

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

The ANZ Board is chaired by an independent non-executive director. Its structure provides for a division of responsibility between the Chairman and the Chief Executive Officer. This is supported by the ANZ Board Charter which states that the Chairman must be an independent non-executive director and that the majority of the Board must comprise independent non-executive directors.

The Board Charter clearly sets out the Board's purpose, powers, and specific responsibilities. The business of ANZ is managed under the direction of the Board. The Board delegates to the Chief Executive Officer, and through the Chief Executive Officer to other senior management, the authority and responsibility for managing the everyday affairs of the Company. The Board monitors management and performance on behalf of shareholders.

ROLE OF THE CHAIRMAN

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

- chairing meetings of shareholders and Board meetings;
- monitoring the performance of the Board and the mix of skills and effectiveness of individual contributions;
- maintaining ongoing dialogue with the Chief Executive Officer and appropriate mentoring and guidance;
- overseeing Board review processes; and
- ongoing mentoring of individual directors.

BOARD COMPOSITION, SELECTION AND APPOINTMENT

The Board strives to achieve a balance of skills, knowledge, experience, tenure and perspective among its directors. Details regarding the skills, experience and expertise of each director in office at the date of this Concise Annual Report can be found on pages 56 to 58.

The Governance Committee (see page 61) is delegated responsibility for the nominations process. The Committee regularly reviews the size and composition of the Board and Committees and whether there is a need for any new non-executive director appointments. Nominations may be provided from time to time to the Chairman of the Governance Committee. The Committee assesses the potential candidates against Board approved selection criteria including integrity, fitness and propriety, skills, qualifications, experience, communication capabilities and community standing. If found suitable, and where there is a need for any new appointments, candidates are recommended to the Board. Otherwise, the Chairman of the Committee maintains names of suitable candidates for succession purposes. The Chairman of the Board, unless otherwise agreed, is responsible for approaching potential candidates. The Board selection criteria and above process are reviewed by the Committee on a regular basis.

A new director receives an appointment letter. In addition, the appointment process includes the following key elements:

- **Receipt of appointment-related documents**

  Directors' Handbook – The Handbook includes information on a broad range of matters relating to the role of a director.

  Directors' Deed – Each director signs a Deed in the form approved by shareholders at the 2005 Annual General Meeting which covers a number of issues including indemnity, directors' and officers' liability insurance, the right to obtain independent advice and requirements concerning confidential information.

- **Undertaking induction training** – New directors take part in a formal induction program which ensures they have dedicated sessions with ANZ directors, executives and other key staff members regarding ANZ's values and culture, the Group's governance framework, the Directors' Code of Conduct and Director related policies, Board and Committee policies, processes and key issues, financial management and business operations.

In addition, each new Committee member participates in Committee-specific educational sessions with the relevant Committee chairman and ANZ executives.

- **Meeting share qualification** – Non-executive directors are required to accumulate over time a holding in shares in the Company that is equivalent to at least 100% of a non-executive director's base fee (and 200% of this fee in the case of the Chairman).

- **Election at next Annual General Meeting** – Subject to the provisions of ANZ's Constitution and the Corporations Act 2001, the Board may appoint a person as a director of ANZ at any time but that person must retire, and may seek election by shareholders, at the next Annual General Meeting.

FIT AND PROPER

ANZ has an effective and robust framework in place to ensure that individuals appointed to relevant senior positions within the ANZ Group have the appropriate fitness and propriety to properly discharge their prudential responsibilities on appointment and during the course of their appointment. The framework, set out in ANZ's Fit and Proper Policy, addresses the requirements of APRA's new Fit and Proper Prudential Standard (APS 520). It involves regular assessments being carried out for each director, relevant senior executive and the external auditor using role-specific competencies as a benchmark, as well as assessments prior to the appointment of a new director, relevant senior executive or external auditor.

INDEPENDENCE AND MATERIALITY

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

All non-executive directors are required to notify the Chairman of a potential change in his/her outside Board appointments. The Chairman reviews the proposed appointments and will consult with other directors as the Chairman deems appropriate.

In the 2006 financial year, the Board conducted its annual review of criteria for independence against international best practices including the ASX Corporate Governance Council's Best Practice Recommendations, NZX and NYSE Corporate Governance Standards, and the US Sarbanes-Oxley Act of 2002. ANZ's criteria are more rigid than those set in most jurisdictions including criteria stipulated specifically for audit committees. The criteria and process are both set out on ANZ's website.

The Board applies the following test in making its determination as to the existence of a material relationship: does the non-executive director (or a related party) have a relationship as either an acquirer from or supplier to the Bank that in the mind of a reasonable person would influence the non-executive director in making a decision on matters likely to come before the Board or its Committees?

During 2006, the Board considered each non-executive director's independence and concluded that the independence criteria were met by each non-executive director.

The Board noted some corporate customers/suppliers were associated with two non-executive directors as follows:

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

- Ms Jackson is Chairman of Qantas Airways Limited. ANZ has commercial relationships with Qantas as a partner in the co-branded ANZ Frequent Flyer Visa Cards, and as an acquirer of travel services for ANZ people.

In each case, the Board concluded that having regard to the nature and value of the commercial relationship and the materiality criteria described above, both Mr Gonski and Ms Jackson are independent.

Directors do not participate in any decisions regarding transactions with organisations with which they are associated as acquirer or supplier (see Conflict of Interest on this page). Directors' biographies on pages 56 to 58 and on anz.com highlight their associations outside of ANZ.

CONFLICT OF INTEREST

Over and above the issue of independence, each director has a continuing responsibility to determine whether he or she has a potential or actual conflict of interest in relation to any material matter which comes before the Board. Such a situation may arise from external associations, interests or personal relationships which might affect, or be seen potentially to affect, the director's position to act in the best interest of ANZ.

Under the Directors' Disclosure of Interest Policy and Policy for Handling Conflicts of Interest (see page 64 and anz.com), a director may not exercise any influence over the Board if a potential conflict of interest exists. In such circumstances, the director may not receive relevant Board papers, may not be present for Board deliberations on the subject, and may not vote on any related Board resolutions. These matters, should they occur, are recorded in the Board minutes.

TENURE AND RETIREMENT

ANZ's Constitution provides that an election of directors must be held at each annual general meeting. Each non-executive director must retire from office at the third annual general meeting after being elected or last re-elected, and may seek re-election.

An appointee who is filling a casual vacancy has to stand for election at the first Annual General Meeting after their appointment. This requirement does not apply to the Chief Executive Officer.

In the opinion of the Board, the length of service of a non-executive director is not a disabling criterion affecting that director's independence. During the year, the Board resolved that the majority of the non-executive directors serving on the Board will comprise non-executive directors who have served less than 9 years, except in circumstances of an even number of non-executive directors in which case it will be fifty percent or more. The Board maintains that having some Board members with a length of service greater than 9 years is beneficial in complex organisations that are subject to significant economic cycles.

It is also Board policy that directors appointed since July 1993 will, except in unusual circumstances, retire after 15 years of service as a director of ANZ.

During 2006, Dr Deane, who served for 12 years, retired from the Board.

PERFORMANCE EVALUATIONS

Performance evaluations are conducted internally and cover the Board, each non-executive director and Board Committees.

BOARD AND INDIVIUAL DIRECTORS

The framework used to assess the directors is based on the expectation they are performing their duties in a manner which should create and continue to build sustainable value for shareholders, and in accordance with the duties and obligations imposed upon them by the ANZ Constitution and the law.

The performance criteria take into account each director's contribution to:

- the charting of direction, strategy and financial objectives for ANZ;
- the monitoring of compliance with regulatory requirements and ethical standards;
- the monitoring and assessing of management performance in achieving strategies and budgets approved by the Board;
- the setting of criteria for, and evaluation of, the Chief Executive Officer's performance; and
- the regular and continuing review of executive succession planning and executive development activities.

Board and non-executive performance evaluations are conducted in two ways:

Annual review – On an annual basis, or more frequently if appropriate, the Chairman has a one-on-one meeting with each director specifically addressing the performance criteria including compliance with the Directors' Code of Conduct. In addition, they discuss the effectiveness of the Board and related issues including the Board's oversight and contribution to the Company, Board discussion (including the performance of the non-executive directors and the Chairman), Board memberships, Committees, and other relevant issues. They also discuss the performance of the Board against its Charter and goals set for the year. The Chairman provides a report to the Board on the outcome of these meetings.

Re-election statement – Directors when nominating for re-election are required to submit a written or oral statement to the Board setting out the reasons why they seek re-election. In the director's absence, the Board evaluates this statement (having regard to the performance criteria) and resolves whether to endorse the relevant director's re-election.

BOARD COMMITTEES

Each of the five main Board Committees conducts a self-evaluation at least annually (see Board Committees on this page) and reports the outcome to the Board (see pages 60 to 62).

ADDITIONAL EVALUATION

In addition to the above evaluations, each director is also asked to complete a questionnaire setting out their views on the roles and responsibilities of the Board, the Chairman and the directors as well as the effectiveness and performance of the Board, the Chairman, individual directors, the Board's Committees and each Committee Chairman. The questionnaires are returned to the Chairman of the Governance Committee who presents the findings to the Board.

INDEPENDENT ADVICE

In order to assist directors to fulfill their responsibilities, each director has the right (with the prior approval of the Chairman) to seek independent professional advice regarding his/her responsibilities at the expense of the Group. In addition the Board and each Committee, at the expense of the Group, may obtain whatever professional advice it requires to assist in its work.

BOARD COMMITTEES

Each of the five principal Board Committees is comprised solely of independent non-executive directors, has its own Board approved Charter and has the power to initiate any special investigations it deems necessary. Committee membership is reviewed annually. Membership criteria are based on a director's skills and experience, as well as his/her ability to add value and commit time to the Committee. Board Committee attendance is contained on page 47.

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

The principal Board Committees engage in extensive meeting planning, following a process approved by the Board. Annual calendars of business are prepared involving relevant stakeholders and set by each Committee. The executives who are appointed to assist each Committee review any potential gaps and overlaps between the Committees. Any issues arising from this are reported to, and resolved by, the relevant Committee Chairmen. The results of this process are then reported to the Board to assist them in fulfilling their oversight responsibilities in respect of the delegations they have made to the various Committees. Changes to Committee calendars must be approved by the Committee Chairmen and communicated to the Committee members. Committees report to the Board through the Committee Chairmen following each Committee meeting. When there is a cross-Committee item, the Committees will communicate with each other through their Chairmen. Throughout the year, Committee Chairmen also conduct agenda planning meetings involving relevant stakeholders to take account of emerging issues.

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

A copy of each Committee Charter and Standing Rules applicable to each Committee can be found on ANZ's website.

The Audit Committee is responsible for oversight and monitoring of:

- the Company's financial reporting principles and policies, controls and procedures;
- the work of Internal Audit which reports directly and solely to the Chairman of the Audit Committee (refer to Internal Audit on page 63 for more information);
- the Audit Committees of subsidiary companies such as ANZ National Bank Limited; and
- the integrity of the Company's financial statements, compliance with regulatory requirements and the independent audit thereof.

The Audit Committee is also responsible for:

- the appointment, evaluation and oversight of the external auditor;
- compensation of the external auditor; and
- where appropriate, replacement of the external auditor.

Under the Committee Charter, all members of the Audit Committee must be financially literate and at least one member of the Committee must be a "financial expert" as defined in the US Sarbanes-Oxley Act.

Mr Meiklejohn and Ms Jackson were designated as the Audit Committee's 'financial experts' for this purpose for the 2006 financial year. Refer to pages 57 and 58 for their qualifications.

The Audit Committee meets with the external auditor without management being present. The Chairman of the Audit Committee meets separately and regularly with the Group General Manager Audit, the external auditor and management.

Some key 2006 financial year activities included:

- Review of the transition to Australian Equivalents of International Financial Reporting Standards (AIFRS) – The Committee monitored the Group's preparations for transition to the new standards including staff education and skill enhancement, systems modifications, new systems development and financial reporting changes. The Group reported in accordance with these standards for the 2006 financial year.
- Addressing ANZ Finance staff – The Chairman of the Audit Committee addressed ANZ Finance staff on the importance of internal controls over financial reporting and also provided insights and guidance on what the Committee expects from Finance.
- Overseeing the controls over financial reporting – The Committee oversaw the controls over financial reporting as required by Section 404 of the US Sarbanes Oxley Act.

The **Governance Committee** identifies and recommends prospective Board members and succession planning for the Chairman (see page 58), recommends processes for Board performance evaluations (see page 60), corporate governance principles and practices, and monitors the direction and control of corporate responsibility for ANZ.

Some key 2006 financial year activities included:

- Board oversight review – The Committee conducted a review of Board oversight and reported its findings to the Board.
- Monitoring changes to domestic and overseas legislation and regulations – The Committee received regular updates on changes to relevant legislation and regulations and considered potential impacts on ANZ's customers, staff, operations and the community. The Committee oversees related changes to relevant Codes, Charters, policies and procedures reporting these to the Board.
- Endorsement of Shareholder Charter – The Committee oversaw the development and endorsed ANZ's Shareholder Charter.

The **People Committee** is responsible for recommendations to the Board in respect of the Group's compensation program including any equity-based programs (details in the Remuneration Report on pages 70 to 91). It also evaluates the performance of and approves the compensation for Board appointees (including the Chief Executive Officer) and approves compensation levels and policy guidelines (details in the Remuneration Report on pages 70 to 91).

Some key 2006 financial year activities included:

- Annual review of remuneration for non-executive directors, the Chief Executive Officer and direct reports to Chief Executive Officer and review of the reward structure for the senior executive population.
- Review of succession plans – The Committee conducted reviews of the current succession plans for the Chief Executive Officer, Chief Executive Officer's direct reports and other business-critical roles.
- Preparation of the 2005 Remuneration Report on which shareholders were asked to vote for the first time (non-binding) at the 2005 Annual General Meeting.
- Review of Global Superannuation arrangements, Health and Safety, and Diversity at ANZ.

The **Risk Committee** is responsible for overseeing, monitoring and reviewing the Group's risk management principles and policies, strategies, process and controls including credit, market, balance sheet, operational risk and compliance. It may approve credit transactions and other matters beyond the approval discretion of executive management.

Some key 2006 financial year activities included:

- Greater strategic focus in risk management – The Committee reviewed, endorsed and monitored a number of risk framework and policy enhancements, designed to enable the Committee to better anticipate and monitor risk in a forward looking manner. These included risk appetite framework, capital adequacy and stress testing capabilities.
- Continued oversight of Basel II – The Group is progressing well in its preparation for the Basel Accord implementation in January 2008 including the accreditation submission. In addition, the Committee took part in a number of dedicated Basel II education sessions.

ANZ BOARD COMMITTEE MEMBERSHIPS – from 1 October 2005 – 30 September 2006

Audit	Governance	People	Risk	Technology
David Meiklejohn FE, C	David Gonski C	Margaret Jackson C	Jerry Ellis C	Gregory Clark C
Margaret Jackson FE	Gregory Clark	John Morschel	John Morschel▲	Roderick Deane (retired 30 June 2006)
Jerry Ellis	David Meiklejohn	Roderick Deane (retired 30 June 2006)	David Gonski	Charles Goode (ex-Officio)
Charles Goode (ex-Officio)	Charles Goode (ex-Officio)	Charles Goode (ex-Officio)	David Meiklejohn (commenced 1 February 2006)	
			Charles Goode (ex-Officio)	

C – Chairman, FE – Financial Expert (for the purposes of the US Sarbanes-Oxley Act requirements)

▲ – Mr Morschel replaced Mr Ellis as Chairman of the Risk Committee on 1 October 2006, although Mr Ellis remains as a member of the Committee.

- Regular Governance and Oversight – The Committee received regular reports on the Group's compliance positions, and Management's responses to ensure a strong culture of compliance. In addition, the Committee received reports on new and emerging risk issues and Management's responses necessary to ensure timely and necessary mitigation.

The **Technology Committee** assists the Board of Directors in the effective discharge of its responsibilities in relation to technology and operations related matters. The Committee is responsible for the oversight and evaluation of new projects in technology above $50 million and security issues relevant to ANZ's technology processes and systems. It is also responsible for the review and approval of management's recommendations for long-term technology and operations planning and the overall framework for the management of technology risk.

Some key 2006 financial year activities included:

- Review of technology systems – To enhance understanding of the Group's systems, the Committee took part in site visits of key operations and partner facilities. In addition, the Committee received several reports on technology systems and reviewed future technology strategy.
- Oversight of information security – The key drivers of information security were reviewed by the Committee, and emerging technology risks and management's responses necessary to ensure proper mitigation were monitored.
- Monitoring of New Zealand systems integration – The Committee oversaw the successful integration of our New Zealand technology operations into the Group.

ADDITIONAL COMMITTEES

In addition to the five principal Board Committees, the Board has constituted a Shares Committee and an Executive Committee, each comprised solely of directors, to assist in carrying out specific tasks.

The Executive Committee has the full power of the Board and is convened as necessary between regularly scheduled Board meetings. The Shares Committee has the power to administer ANZ's Employee Share Plan and Employee Share Option Plan. The Board also forms and delegates authority to ad hoc Committees of the Board as and when needed to carry out its functions.

DIRECTORS' MEETINGS

The number of Board meetings and Committee meetings held during the year ended September 30, 2006 and attended by each director are set out in the table on page 47.

CONTINUING EDUCATION

ANZ directors take part in a range of training and continuing education programs. In addition to a formal induction program (see page 59), continuing education sessions are held throughout the year focusing on a range of topics which may include accounting standards, corporate responsibility, tax accounting, payments, remuneration, economic developments, pending legislation, risk management and corporate governance.

Directors also receive a quarterly newsletter designed to keep them abreast of matters relating to their duties and responsibilities as directors.

In addition to formal Board-wide workshops, each Committee conducts its own continuing education sessions. Internal and/or external experts are engaged to conduct all education sessions.

Directors also receive regular Divisional briefings at Board meetings. These briefings provide directors with an insight into each area of the Company, in particular, performance, key issues, risks and strategy for growth. In addition, directors participate in site visits from time to time which provide them with the opportunity to meet with staff and customers.

ROLE OF COMPANY SECRETARY

The Board is responsible for the appointment of ANZ's Company Secretaries. Currently there are three people appointed as Company Secretary.

The Group General Counsel and Company Secretary is normally in attendance at all Board and Committee meetings. He prepares minutes and provides legal advice to the Board if and when required. He works closely with the Chairman of the Governance Committee to develop and maintain ANZ's corporate governance principles. He is responsible to the Board for the Company Secretary's Office function.

The Company Secretary is responsible for day-to-day operations of the Company Secretary's Office including lodgements with relevant stock exchanges, the administration of Board and Committee meetings, the management of dividend payments, the administration of the Group's Australian subsidiaries and the relationship with the share registry provider. The Chief Financial Officer is also appointed as Company Secretary.

Profiles of ANZ's Company Secretaries can be found in the Directors' Report on page 68.

RISK MANAGEMENT AND COMPLIANCE

ANZ's business controls are governed by an ongoing focus on risk and compliance issues within the framework of the Company's overall strategy. ANZ has established a comprehensive risk and compliance management framework to ensure best practice alignment.

The Board is principally responsible for establishing risk tolerance, approving related strategies and policies, monitoring and assessing the activities of management, overseeing policy compliance and the effectiveness of the risk systems and policies to meet the requirements of applicable regulations and the interests of shareholders, customers and staff.

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

On a day-to-day basis, the various risks inherent in ANZ's operations are managed by both Group Risk Management and each business unit.

For further information on risk management, please see pages 18 to 19 and anz.com.

FINANCIAL CONTROLS

As previously noted, the Audit Committee of the Board oversees the Company's financial reporting policies and controls, the integrity of the Company's financial statements, the relationship with the external auditor, the work of Internal Audit, and the Audit Committees of the subsidiary companies.

ANZ is registered with the Securities and Exchange Commission (SEC) as a Foreign Private Issuer of securities in the United States. As such, ANZ is required to comply with Section 404 of the Sarbanes Oxley Act with 2006 being the first year of compliance. Compliance will be represented in the form of a management report on internal control over financial reporting, which will be included in ANZ's Annual Report on Form 20-F to be filed with the SEC later in 2006.

Within this management report, ANZ intends to include: (1) a statement of management's responsibility for establishing and maintaining adequate internal control over financial reporting for the Company; (2) management's assessment of the effectiveness of the Company's internal control over financial reporting as at 30 September 2006; (3) a statement identifying the framework used by management to evaluate the effectiveness of the Company's internal controls over financial reporting; and (4) a statement that the Company's external auditor, KPMG, will issue an attestation report on management's assessment of the Company's internal controls over financial reporting.

AUDIT

INTERNAL AUDIT

Internal Audit provides independent assurance that the design and operation of the risk and control framework across the Group is effective. It operates under a Charter from the Audit Committee that gives it unrestricted access to review all activities of the Group. The Group General Manager Audit reports to the Chairman of the Audit Committee.

The Audit Committee reviews the performance of the Group General Manager Audit.

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

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

The Audit Committee plays an active role in reviewing significant issues arising from the work performed by Internal Audit. There is a robust process for ensuring prompt resolution of audit issues, which includes regular reviews of progress by the Chief Executive Officer and the Chairman of the Audit Committee.

The Audit Committee also receives formal reports on significant issues to ensure that any remedial action is undertaken promptly.

EXTERNAL AUDIT

The external auditor's role is to provide an independent opinion that ANZ's financial reports are true and fair and comply with applicable regulations. The external auditor performs an independent audit in accordance with Australian and United States Auditing Standards.

The Audit Committee oversees ANZ's Policy on Relationship with External Auditor. Under the policy, the Audit Committee is responsible for the appointment (subject to ratification by shareholders), compensation, retention and oversight of the external auditor.

The policy also stipulates that the Audit Committee:

- pre-approves all audit and non-audit services;
- regularly reviews the independence of the external auditor; and
- evaluates the effectiveness of the external auditor.

Details of non-audit services, together with the statement from the Board as to their satisfaction with KPMG's compliance with the related independence requirements of the Corporations Act 2001, are in the Directors Report on pages 68 to 69.

In addition, ANZ requires a two-year period before any former partner or employee of the external auditor is appointed as a director or senior executive of ANZ.

The lead partner of the external auditor is required to rotate off the ANZ audit after five years and cannot return for a further five years. Certain other senior audit staff are required to rotate off after a maximum of seven years.

Any potential appointments of ex-partners or ex-employees of the external auditor as ANZ finance staff, at senior management level or higher, must be pre-approved by the Chairman of the Audit Committee.

As disclosed in the 2004 and 2005 Concise Annual Reports, the US Securities and Exchange Commission (SEC) commenced an inquiry into non-audit services provided by ANZ's auditor, KPMG. ANZ has provided the information requested by the SEC. This inquiry has not concluded. Should the SEC determine that services provided by KPMG did not comply with the US auditor independence rules, the SEC may seek sanctions, the nature and amount of which are not known. Whilst ANZ cannot predict the outcome of the inquiry, based on information currently available, ANZ does not believe it will have a material adverse effect on the Company.

ETHICAL AND RESPONSIBLE DECISION-MAKING

The Board encourages management to promote and maintain a culture within ANZ which draws upon a set of unifying values to guide the actions and decisions of the Board and all employees (see anz.com › sustainability › our values).

More than 26,000 ANZ employees have participated in the Breakout culture development program. The program includes workshops to help staff to apply values-based decision-making, and to balance the competing needs of staff, shareholders, customers and the community in their roles and activities. To assist directors and staff in their understanding of the culture of the organisation, ANZ has three main codes of conduct which also guide everyday business practice and decision-making throughout the Group. These are detailed below.

CODES OF CONDUCT AND POLICIES

Below is an overview of ANZ's key codes and policies which apply to directors and employees. Summaries of these and other company policies can be found on anz.com.

- Codes of Conduct for Directors and for Employees – These policies set out the ethical standards to which directors and employees are expected to adhere. The Codes require that directors and employees adhere to the law, disclose any relevant interests, and act honestly and ethically in all their dealings. The codes also cover the confidentiality of information, limits on acceptance of gifts or entertainment and on use of ANZ goods, services and facilities. Key contact – Group General Counsel and Company Secretary.
- Code of Conduct for Financial Officers – (adopted from the Group of 100 Code of Conduct for CFOs and Senior Financial Officers). The Code requires that chief financial officers and other finance staff influencing financial reporting adhere to principles of honesty and integrity, respect confidentiality of information, declare conflicts of interest, maintain transparency in reporting, exercise diligence and good faith, ensure sound internal controls and set a standard for other financial professionals. Key contact – Chairman of the Audit Committee.

- **Continuous Disclosure Policy** – ANZ is committed to achieving best practice in the area of continuous disclosure. The policy is designed to ensure that there is full and timely disclosure of ANZ's activities to shareholders and the market. The policy requires that information disclosed to the relevant stock exchanges is placed on ANZ's website. Key contacts – Head of Investor Relations, Head of Media Relations and Group General Counsel and Company Secretary.
- **Critical Accounting Policies** – Details of the critical accounting policies and any changes in accounting policies made since the date of the 2005 Annual Report are set out on page 96 in this Concise Annual Report and in the 2006 Financial Report. Key contact – Group General Manager Finance.
- **Directors' Disclosure of Interest Policy and Policy for Handling Conflicts of Interest** – The Board has adopted a policy on disclosure of interests requiring that directors disclose certain interests and setting out a process for dealing with actual or potential conflicts of interest. Key contact – Group General Counsel and Company Secretary.
- **Employee Indemnity Policy** – This policy provides that the Group will indemnify employees against any liability that they incur in carrying out their role subject to meeting certain requirements. Further details on this policy and on indemnities given to certain employees can be found on page 69 of this Concise Annual Report. Key contact – General Manager Operational and Technology Risk.
- **Fit and Proper Policy** – The Board adopted this policy as part of the framework which aims to ensure individuals appointed to relevant senior positions within ANZ have the appropriate fitness and propriety to properly discharge their prudential responsibilities on appointment and during the course of their appointment. The policy sets out the assessment procedures for the determination of fitness and propriety of directors, senior executives and the external auditor. The policy is supported by role-specific competencies. Key contacts – Group General Counsel and Company Secretary and Group General Manager, People Capital and Breakout.
- **Policy on the Prevention of Money Laundering, Criminal and Terrorist Financing** – This policy covers Anti-Money Laundering and Anti-Terrorism laws and regulations. It sets out principles related to identification and record keeping procedures, the need for staff awareness and related training, and annual requirements for independent testing and compliance reporting. The policy is aimed at ensuring that ANZ is able to protect its reputation, integrity, assets, liabilities and shareholder funds. Key contacts – General Manager Operational and Technology Risk and General Manager Group Compliance.
- **Policy on Relationship with External Auditor** – The Board and the Audit Committee's policy on audit and non-audit services regulates the audit-related and non-audit services that may be conducted by ANZ's external auditor. It sets in place a formal approval process regarding the provision of audit and non-audit services. This approval process is the responsibility of the Audit Committee. In addition it sets out the rotation requirements for the lead partner and other members of the audit team, and processes related to the potential appointment of ex-partners or ex-employees of the external auditor. Key contact – Chairman of the Audit Committee.
- **Securities Trading Policy** – The policy prohibits trading in ANZ securities or the securities of other companies for all employees, contractors and consultants engaged by ANZ who are aware of unpublished price-sensitive information. In addition, the policy specifically prohibits restricted employees trading in ANZ securities during 'blackout periods', which are the six weeks leading up to the day following the half-yearly and annual results announcements. Non-executive directors are required to seek approval from the Chairman in advance of any trading in ANZ securities. The Chairman of the Board is required to seek approval from the Chairman of the Governance Committee. With respect to trading in non-ANZ securities, a process is in place which enables non-executive directors to request the Group General Counsel and Company Secretary to make appropriate enquiries within ANZ as to whether any confidential information is in ANZ's possession that would cause the director any risk of trading in securities with insider knowledge. Key contacts – General Manager Group Compliance and Group General Counsel and Company Secretary.
- **Whistleblower Policy** (formerly known as Serious Complaints Policy) – The Whistleblower Process is an additional mechanism by which ANZ staff, contractors and consultants may voice any concerns they may have regarding any malpractice or impropriety that they find within ANZ. It requires that protection be given to employees against dismissal or penalty as a result of disclosing concerns in good faith. Key contacts – Chairman of the Audit Committee, Group General Manager Audit, and Group General Counsel and Company Secretary.
- **New Zealand Policies** – Recognising the importance of ANZ's presence in New Zealand and the requirements of the Reserve Bank of New Zealand, the ANZ National Bank Limited Board reviews and approves all ANZ governance and risk management polices before they are adopted by ANZ National Bank Limited to ensure that they meet all New Zealand regulatory requirements. Key contact – General Counsel and Company Secretary, ANZ National Bank Limited.

COMMITMENT TO SHAREHOLDER COMMUNICATION

Shareholders are the owners of ANZ, and the Company's stated aim is to 'perform and grow to create value for our shareholders'.

In order to make informed decisions about ANZ, and to communicate views to the Company, shareholders need an understanding of the Company's business operations and performance.

ANZ encourages shareholders to take an active interest in the Company, and seeks to provide shareholders with quality information in a timely fashion generally through ANZ's reporting of results, the Company's Concise Annual and Financial Reports, briefings, half yearly newsletters and via its dedicated shareholder site on anz.com.

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

Should shareholders require any information, they are also provided with relevant contact details for ANZ and relevant share registries in the half-yearly shareholder newsletters, the Concise Annual Report (under Information for Shareholders) and anz.com.

ACCESS TO DIRECTORS

Management is able to consult directors as required on a regular basis. Employees have access to the directors directly or through the Company Secretary. Shareholders who wish to communicate with the directors may direct correspondence to a particular director, or to the non-executive directors as a whole.

UPHOLDING SHAREHOLDER RIGHTS

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

To allow as many shareholders as possible to have an opportunity to attend a meeting, ANZ rotates shareholder meetings around capital cities and makes them available to be viewed online using Webcast technology. Further details on meetings and presentations held throughout this financial year are available on anz.com › shareholders › presentations.

Prior to the Annual General Meeting, shareholders are given the opportunity to submit any questions they have for the Chairman or Chief Executive Officer to enable key common themes to be considered.

The external auditor is present at ANZ Annual General Meetings and available to answer shareholder questions. The auditor can respond on any business item that concerns them in their capacity as auditor.

Shareholders have the right to vote on various resolutions related to Company matters. If shareholders are unable to attend a meeting they can submit their proxies via post or electronically through anz.com. Where votes are taken on a poll, ANZ appoints an independent party to verify the results, which are reported to the ASX and posted on anz.com.

CONTINUOUS DISCLOSURE

ANZ's practice is to release all price-sensitive information in a timely manner and as required under the ASX listing rules:

- to all relevant stock exchanges on which ANZ's securities are listed; and
- to the market and community generally through ANZ's media releases, website and other appropriate channels. ANZ-related releases are posted on anz.com.

Through ANZ's Continuous Disclosure Policy (see page 64 and anz.com) the Company demonstrates its commitment to continuous disclosure. The policy reflects relevant obligations under applicable stock exchange listing rules and legislation.

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

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

ALIGNMENT WITH AUSTRALIAN AND OVERSEAS CORPORATE GOVERNANCE ISSUES

INTERNATIONAL

- Australian Equivalents to International Financial Reporting Standards – (AIFRS) – ANZ complied with Australian equivalents to IFRS as issued by the International Accounting Standards Board when it reported its results for the half-year ended 31 March 2006 and the full year ended 30 September 2006. Subsequent reporting of the Company's results will continue in accordance with the Australian equivalents.
- Basel II – Work towards compliance with the Basel II Capital Accord continues within ANZ, with full implementation of the new Accord scheduled for January 2008. ANZ's program is aimed at ensuring the Company achieves accreditation at the advanced levels for both credit and operational risk under Basel II. Many of the tools and processes that meet the accreditation demands of Basel II are in place and in use throughout the Group.

AUSTRALIA

- ASX Corporate Governance Council – Principles of Good Corporate Governance and Best Practice Recommendations – ANZ considers these principles important, including the "if not, why not" disclosure approach to governance, and has complied with each of the recommendations throughout the financial year.

NEW ZEALAND

- NZX Corporate Governance Rules and Principles – As an overseas listed issuer on the NZX, ANZ is deemed to comply with the NZX Listing Rules provided that it remains listed on the ASX, complies with the ASX listing rules and provides the NZX with all the information and notices that it provides the ASX.

The Australian Stock Exchange (ASX) corporate governance rules and principles may materially differ from the New Zealand Stock Exchange's (NZX) corporate governance rules and the principles of the NZX's Corporate Governance Best Practice Code. More information about the corporate governance rules and principles of the ASX can be found at www.asx.com and, in respect of the NZX, at www.nzx.com. Irrespective of any differences, ANZ complies with all applicable governance principles and requirements both in Australia and New Zealand.

OTHER JURISDICTIONS

- United States of America – As a 'foreign private issuer' registered with the SEC with securities listed on the NYSE, ANZ is required to comply with certain corporate governance requirements contained in US securities laws, including applicable sections of the Sarbanes-Oxley Act of 2002 and applicable New York Stock Exchange (NYSE) Listing Standards. Under the NYSE Listing Standards, ANZ is required to provide a brief description of the significant differences between its corporate governance practices and corporate governance requirements for US listed companies under the NYSE Listing Standards on the Group's website (anz.com). Information will also be provided in the Company's US Form 20-F 2006 Annual Report and available on ANZ's website (anz.com).
- United Kingdom and other jurisdictions – ANZ monitors best practice developments in corporate governance across other relevant jurisdictions.

POLITICAL DONATIONS

In the year to 30 September 2006, ANZ donated $100,000 to the Liberal Party and $50,000 to the Australian Labor Party.

ANZ's compliance with the ASX Corporate Governance Principles

FOCUS & PRINCIPLE			ANZ'S COMPLIANCE	✓
1		**Lay solid foundation for management and oversight**		
	1.1	Formalise the functions reserved to the Board and those delegated to management	Pg 58	✓
2		**Structure the board to add value**		
	2.1	The majority of the Board should be independent directors	Pg 58	✓
	2.2	The chairperson should be an independent director	Pg 58	✓
	2.3	The roles of the Chairperson and Chief Executive Officer should not be exercised by the same person	Pg 58	✓
	2.4	The Board should establish a nomination committee	Pg 61	✓
	2.5	Provide related disclosures	See above	✓
3		**Promote ethical and responsible decision-making**		
	3.1	Establish a code of conduct to guide the directors, the Chief Executive Officer, the Chief Financial Officer and any other key executives as to:		
		3.1.1 the practices necessary to maintain confidence in the company's integrity	Pg 63	✓
		3.1.2 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	Pg 63, 64	✓
	3.2	Disclose the policy concerning trading in company securities by directors, officers and employees	Pg 64	✓
	3.3	Provide related disclosures	See above	✓
4		**Safeguard integrity of financial reporting**		
	4.1	Require the Chief Executive Officer and the Chief Financial Officer to state in writing to the Board that the company's financial reports present a true and fair view, in material respects, of the company's condition and operational results and are in accordance with accounting standards	Pg 69	✓
	4.2	The board should establish an audit committee	Pg 60	✓
	4.3	Structure the audit committee so that it consists of ▪ only non-executive directors ▪ a majority of independent directors ▪ an independent chairperson, who is not chairperson of the Board ▪ at least three members	Pg 60	✓
	4.4	The audit committee should have a formal charter	Pg 60	✓
	4.5	Provide related disclosures	See above	✓
5		**Making timely and balanced disclosure**		
	5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance	Pg 63, 65	✓
	5.2	Provide related disclosures	See above	✓
6		**Respect the rights of shareholders**		
	6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation	Pg 64	✓
	6.2	Request the external auditor to attend the AGM and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report	Pg 65	✓
7		**Recognise & manage risk**		
	7.1	The Board or appropriate committees should establish policies on risk oversight and management	Pg 62	✓
	7.2	The Chief Executive Officer and the Chief Financial Officer should state to the Board in writing that		
		7.2.1 the statement given in accordance with best practice recommendation 4.1 is founded on a sound system of risk management and internal compliance and control which implements the polices adopted by the Board	Pg 69	✓
		7.2.2 the company's risk management and internal compliance and control system is operating effectively and efficiently in all material respects	Pg 69	✓
	7.3	Provide related disclosures	See above	✓
8		**Encourage enhanced performance**		
	8.1	Disclose the process for performance evaluation of the Board, its committees, individual directors and key executives	Pg 59, 60	✓
9		**Remunerate fairly and responsibly**		
	9.1	Provide disclosure in relation to the company's remuneration policies to enable investors to understand the costs and benefits of the policies, and the link between remuneration paid to the directors and key executives and corporate performance	Pg 70 to 91	✓
	9.2	The Board should establish a remuneration committee	Pg 61	✓
	9.3	Clearly distinguish the structure of non-executive directors remuneration from that of executives	Pg 70 to 91	✓
	9.4	Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders	Pg 70 to 91	✓
	9.5	Provide related disclosures	See above	✓
10		**Recognise the legitimate interests of stakeholders**		
	10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders	Pg 63	✓

directors' report

The directors present their report together with the Concise Financial Report of the consolidated entity (the Group), being Australia and New Zealand Banking Group Limited (the Company) and its controlled entities, for the year ended 30 September 2006 and the Independent Auditors' Report thereon. The information is provided in conformity with the Corporations Act 2001.

discussion and analysis

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, life insurance and funds management activities through the ING Australia Limited (INGA) joint venture.

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

At 30 September 2006, the Group had 1,265 points of representation.

RESULT

Consolidated net profit after income tax attributable to shareholders of the Company was $3,688 million, an increase of 16% over the prior year.

The increase in consolidated net profit after income tax attributable to shareholders is predominately due to an increase in net interest income of 19% to $6,943 million. This increase was driven mainly by growth in average interest earning assets and average deposits.

The provision for credit impairment charge decreased by 30% to $407 million. The decrease is principally due to a reduction in both the individual and collective provision charges driven by favourable economic conditions as well as the Group's strengthening risk profile.

One of the key drivers of the Group's performance has been strong overall balance sheet growth over the past 12 months. The major components of the Group's balance sheet and the related movements from the prior year are as follows:

- Net loans and advances increased by 10% from $232,490 million to $255,410 million, primarily due to growth in mortgage and institutional lending in Australia.
- Deposits and other borrowings increased by 8% from $190,322 million to $204,794 million principally to fund business growth.
- Bonds and notes increased by 28% from $39,073 million to $50,050 million primarily to fund asset growth.

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:

- **Simplified Divisional Structure** – From 1 May 2006 the Group simplified its structure into the following divisions; Personal, Institutional, New Zealand and Partnerships & Private Bank.
- **Adoption of Australian Equivalents to International Financial Reporting Standards (AIFRS)** – 2006 is the first financial year to be presented under AIFRS. This represents a major change to the Group's accounting policies and basis of reporting.
- **Growth in Asia** – ANZ acquired a 20% stake in Tianjin City Commercial Bank in China, 10% stake in Sacombank in Vietnam and opened the Group's third office in mainland China.

Further review of matters affecting the Group's state of affairs are also contained in this Concise Annual Report Part 1 of 2 under the Chief Executive Officer's Report on page 13.

DIVIDENDS

The directors propose that a final fully franked dividend of 69 cents per fully paid ordinary share shall be paid on 15 December 2006. The proposed payment amounts to approximately $1,267 million.

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

Type	Cents per share	Amount before bonus option plan adjustment $m	Date of payment
Final 2005	59	1,078	16 December 2005
Interim 2006	56	1,024	3 July 2006

The proposed final dividend of 69 cents together with the interim dividend of 56 cents brings the dividends in relation to the year ended 30 September 2006 to 125 cents fully franked.

REVIEW OF OPERATIONS

Over the past decade ANZ has improved financial performance, productivity and returns to shareholders. Focus has increased on our customers, our people and our communities.

The 30 September 2006 financial year has produced a strong result based on solid business performance. Divisional performance showed good growth in the Group's three main segments; Personal, Institutional and New Zealand.

Additional review of the operations of the Group during the financial year including an assessment of the business strategies of the Group is contained in the Chief Executive Officer's Report on page 13 of Part 1 of 2 of this Concise Annual Report.

EVENTS SINCE THE END OF THE FINANCIAL YEAR

Details of significant events that have arisen between 30 September 2006 and date of this report can be found on page 101 of this Concise Annual Report.

FUTURE DEVELOPMENTS

The Group plans to enhance future shareholder returns and distinguish itself from other banks through:

- Investing to increase revenue growth;
- Improving cost and capital productivity; and
- Advancing stakeholder foundations.

The Group's major objective is to build on the strong base created to date and to be a bank that truly differentiates itself in the eyes of shareholders, customers, employees, and its various communities.

In addition to the above, details of likely developments in the operations of the Group and its prospects in future financial years are contained in Part 1 of 2 of this Concise Annual Report under the Chief Executive Officer's Report on page 13. In the opinion of the directors, disclosure of any further information would be likely to result in unreasonable prejudice to the Group.

ENVIRONMENTAL REGULATION

ANZ recognises our obligation to our stakeholders – customers, shareholders, staff and the community – to operate in a way that advances sustainability and mitigates our environmental impact. Our commitment to improve our environmental performance is integral to our "making a sustainable contribution to society".

We acknowledge that we have an impact on the environment:

- directly through the conduct of our business operations; and
- indirectly through the products and services we provide to our customers.

As such, ANZ has established an Environment Charter, strategy and internal responsibilities for reducing the impact of our operations and business activities on the environment.

The operations of the Group are not subject to any particular and 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 manage such environmental risks. Having made due enquiry, to the best of our knowledge no member of the Group has incurred any environmental liability during the year.

DIRECTORS' QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES

At 1 October 2005, the Board comprised 8 non-executive directors and one executive director, the Chief Executive Officer. Dr Roderick Deane retired on 30 June 2006.

At the date of this report, the Board comprises 7 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 skills, qualifications and experience are contained on pages 56 to 58 of this Concise Annual Report and on anz.com.

Details of the number of Board and Board Committee meetings held during the year, directors' attendance at those meetings, and details of directors' special responsibilities are shown on page 47 of this Concise Annual Report.

For those directors in office at 30 September 2006, details of the directorships of other listed companies held by each director in the 3 years prior to the end of the 2006 financial year are listed in this Concise Annual Report on pages 56 to 58.

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 62. 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 27 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. Mr L'Estrange is also a member of Chartered Secretaries Australia.

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

Mr Marriott has been involved in the finance industry for more than 25 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, FCIS, ANZ Company Secretary.

Mr Priestley, a qualified lawyer, joined ANZ in 2004. Prior to ANZ, he had a long career with Mayne Group and held positions which included responsibility for the legal, company secretarial, compliance and insurance functions. He is a Fellow of Chartered Secretaries Australia and also a member of Chartered Secretaries Australia's Legislation Review Committee.

NON-AUDIT SERVICES

The Company's Relationship with External Auditor Policy (which incorporates requirements of the Corporations Act 2001 and applicable requirements for companies listed in the United States) 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 (or permitted non-audit service) 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 2006, and has confirmed that the provision of non-audit services for 2006 is consistent with the Company's Relationship with External Auditor Policy and 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 2006.

The non-audit services supplied to the Group by the Group's external auditor, KPMG, and the amount paid or payable by the Group by type of non-audit service during the year ended 30 September 2006 are as follows:

	Amount paid/ payable $'000s	
Non-audit service	2006	2005
Tax compliance and related services	–	4
Controls and process reviews	–	254
US Sarbanes-Oxley[1]	–	885
Accounting advice	–	74
Sustainability review	203	82
Training courses	44	–
Other	–	6
Total	247	1,305

1 Treated as audit fees in 2006. 2005 work related to the compliance trial.

For the reasons set out above, the directors are satisfied that the provision of non-audit services by the external auditor during the year ended 30 September 2006 is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

AUDITOR'S INDEPENDENCE STATEMENT

The lead auditor's independence statement given pursuant to Class Order 05/910 is set out on page 102 and forms part of the Directors' Report for the year ended 30 September 2006.

DIRECTORS AND OFFICERS WHO WERE PREVIOUSLY PARTNERS OF THE AUDITOR

The following persons were during the financial year and are currently directors or 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); and
- Mr Peter Marriott, Chief Financial Officer (left KPMG in January 1993).

CHIEF EXECUTIVE OFFICER/CHIEF FINANCIAL OFFICER 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 applicable law) 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 applicable law 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 Indemnity Deeds with each of its directors, with certain secretaries of the Company, and with certain employees and other individuals who act as directors or officers 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, 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 or any act or omission performed or omitted by them 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.

ROUNDING OF AMOUNTS

The Company is a company of the kind referred to in Australian Securities and Investments Commission class order 98/100 (as amended) pursuant to section 341(1) of the Corporations Act 2001.

As a result, amounts in this Directors' Report and the accompanying financial statements have been rounded to the nearest million dollars except where otherwise indicated.

EXECUTIVE OFFICERS' AND EMPLOYEE SHARE OPTIONS

Details of share options issued over unissued shares granted to the Chief Executive Officer and disclosed executives, and on issue as at the date of this report are detailed in the Remuneration Report.

Details of share options issued over unissued shares granted to employees and on issue as at the date of this report are detailed in Note 47 of the 2006 ANZ 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.

remuneration report

Introduction

This Remuneration Report details ANZ's remuneration policies which apply to key management personnel (KMP) and ANZ's senior executives. The report identifies the link between remuneration and ANZ's performance, and individual outcomes relating to remuneration and equity for ANZ's directors and top executives (as required by AASB 124 and the Corporations Act 2001).

This report covers the KMP of the Company and the Group (which includes the directors of the parent) and the five highest paid executives in the Company and the Group.

KMP were selected according to the following criteria:

- All directors of the ANZ Board: Based on responsibility for providing direction in relation to the management of ANZ. The Board Charter clearly sets out the Board's purpose, powers, and specific responsibilities.

Section A: Remuneration Tables

TABLE 1: DIRECTOR REMUNERATION
For the year ended 30 September 2006, remuneration details of the KMP identified as directors of the Company, are set out below:

		SHORT-TERM EMPLOYEE BENEFITS				
	Financial Year	Cash salary/fees $	Value of shares acquired in lieu of cash salary/fees[1] $	Associated entity Board fees (cash) $	Committee fees (cash) $	Value of shares acquired in lieu of cash incentive[1,2] $
Current Non-Executive Directors						
C Goode (Appointed director July 1991; appointed Chairman August 1995)	**2006**	78,724	621,118	–	–	n/a
Independent Non Executive Director, Chairman	2005	79,415	420,585	–	–	n/a
G Clark (Appointed February 2004)	**2006**	137,250	45,738	–	34,808	n/a
Independent Non Executive Director	2005	130,000	–	–	25,440	n/a
J Ellis (Appointed October 1995)	**2006**	144,426	38,551	–	65,500	n/a
Independent Non Executive Director	2005	103,000	27,000	–	42,250	n/a
D Gonski (Appointed February 2002)	**2006**	122,521	60,446	–	46,775	n/a
Independent Non Executive Director	2005	88,970	41,030	22,150	22,512	n/a
M Jackson (Appointed March 1994)	**2006**	183,000	–	–	65,500	n/a
Independent Non Executive Director	2005	130,000	–	–	42,250	n/a
D Meiklejohn (Appointed October 2004)	**2006**	183,000	–	–	66,866	n/a
Independent Non Executive Director	2005	130,000	–	–	31,027	n/a
J Morschel (Appointed October 2004)	**2006**	149,526	45,738	–	40,000	n/a
Independent Non Executive Director	2005	111,723	30,000	–	19,500	n/a
Former Non-Executive Directors						
R Deane (Appointed September 1994; retired 30 June 2006)	**2006**	137,250	–	122,141[7]	21,025	n/a
Independent Non Executive Director	2005	130,000	–	122,384	17,618	n/a
J Dahlsen (Appointed May 1985; retired 3 February 2005) Independent Non Executive Director	2005	44,417	–	–	18,809	n/a
B Scott (Appointed August 1985; retired 23 April 2005) Independent Non Executive Director	2005	72,857	–	28,516	17,234	n/a
Total of all Non-Executive Directors	**2006**	1,135,697	811,591	122,141	340,474	n/a
	2005	1,020,382	518,615	173,050	236,640	n/a
Executive Director						
J McFarlane (Appointed October 1997)[9,10]	**2006**	50	2,071,192	–	–	2,420,005
Chief Executive Officer	2005	44	1,882,896	–	–	2,100,004
Total of all Directors	**2006**	1,135,747	2,882,783	122,141	340,474	2,420,005
	2005	1,020,426	2,401,511	173,050	236,640	2,100,004

COMMENTARY ON CHANGES BETWEEN 2005 & 2006

Non-Executive Directors

As a result of the closure of the ANZ Directors' Retirement Scheme as at 30 September 2005, Non-executive Directors' fees were adjusted based on an independent actuarial valuation of the scheme. A subsequent market adjustment was also applied to fees. Refer to Section B1 for further details.

Executive Director (Chief Executive Officer)

As a result of an independent market analysis on the competitiveness of J McFarlane's remuneration against other major companies, the Board approved a $200,000 increase to J McFarlane's fixed remuneration (effective 1 October 2005). The last fixed remuneration increase occurred 1 October 2003. Increasing J McFarlane's fixed remuneration to $2.2m also uplifts his target incentive to $2.2m (100% of his fixed remuneration). His actual incentive payment for the financial year ended 30 September 2006 was $2.4m (compared to $2.1m in 2005) reflecting the Board's assessment of his performance against agreed balanced scorecard objectives which include ANZ's financial performance and its performance against specified measures for shareholders, customers, staff and the community. The last Long Term Incentive (LTI) allocation issued in December 2004, was approved by shareholders at the 2004 AGM. There are no further LTI allocations under J McFarlane's existing employment contract which has resulted in a reduction in amortised LTI equity for the 2006 year (compared with 2005).

- Executives: Based on direct reports of the CEO with key responsibility for the strategic direction and management of a major revenue-generating division or who controls material revenue and expenses.

The **People Committee** has responsibility for making recommendations to the Board for both director and executive remuneration and executive succession (refer to page 61 of the Corporate Governance Report for more details about the Committee's role, and anz.com › about ANZ (listing at top of screen) › Corporate Governance › ANZ People Committee Charter, which details the terms of reference under which the Committee operates). On a number of occasions throughout the year, both the People Committee and management received external advice on matters relating to remuneration. The following advisors were used: Blake Dawson Waldron, Ernst & Young, Hay Group, Greenwoods & Freehills, and PricewaterhouseCoopers.

		POST-EMPLOYMENT	LONG TERM EMPLOYEE BENEFITS		SHARE-BASED PAYMENTS[5]		
Other $	Total $	Super contributions[3] $	Retirement benefit accrued during year[4] $	Long service leave accrued during the year $	Total amortisation value of LTI shares $	Total amortisation value of LTI options $	Total Remuneration[6] $
–	699,842	12,276	–	n/a	n/a	n/a	712,118
–	500,000	11,723	243,284	n/a	n/a	n/a	755,007
–	217,796	12,276	–	n/a	n/a	n/a	230,072
–	155,440	11,723	50,189				217,352
–	248,477	12,276	–	n/a	n/a	n/a	260,753
–	172,250	11,723	110,981	n/a	n/a	n/a	294,954
–	229,742	12,276	–	n/a	n/a	n/a	242,018
–	174,662	11,723	104,001	n/a	n/a	n/a	290,386
–	248,500	12,276	–	n/a	n/a	n/a	260,776
–	172,250	11,723	122,008	n/a	n/a	n/a	305,981
–	249,866	12,276	–	n/a	n/a	n/a	262,142
–	161,027	11,723	64,781	n/a	n/a	n/a	237,531
–	235,264	–	–	n/a	n/a	n/a	235,264
–	161,223	–	60,459	n/a	n/a	n/a	221,682
1,600[8]	282,016	9,104	–	n/a	n/a	n/a	291,120
–	270,002	11,723	49,169	n/a	n/a	n/a	330,894
–	63,226	4,423	111,303	n/a	n/a	n/a	178,952
–	118,607	6,803	127,089	n/a	n/a	n/a	252,499
1,600	2,411,503	82,760	–	n/a	n/a	n/a	2,494,263
–	1,948,687	93,287	1,043,264	n/a	n/a	n/a	3,085,238
219,370[11,12]	4,710,617	428,700	–	59,376	1,310,649	756,311	7,265,653
4,031[12]	3,986,975	417,000	–	31,242	982,987	1,791,718	7,209,922
220,970	7,122,120	511,460	–	59,376	1,310,649	756,311	9,759,916
4,031	5,935,662	510,287	1,043,264	31,242	982,987	1,791,718	10,295,160

1 Shares acquired through participation in Directors' Share Plan (relates to CEO only in relation to his cash incentive, as Non-executive Directors (NEDs) do not participate in short-term incentive arrangements). Value reflects the price at which the shares were purchased on market (amortisation not applicable). Share purchases for NEDs were made on 28 October 2004 and 4 May 2005 for the 2005 year and on 31 October 2005 and 1 May 2006 for the 2006 year.
2 100% of the CEO's cash incentive vested during the financial year that performance relates to.
3 Includes $300,000 additional employer contribution, agreed as part of the CEO's contract extension announced 26 October 2004 (refer to section D2). For J Morschel, superannuation guarantee contributions paid in respect of each other NED, are paid to him as cash in lieu.
4 The accrual for the ANZ Directors' Retirement Scheme relates only to the 2005 financial year, due to its closure as at 30 September 2005. The following benefits were paid under the ANZ Directors' Retirement Scheme to the following former directors: R Deane (retired 30 June 2006) – $723,107; J Dahlsen (retired 3 February 2005) – $513,668; B Scott (retired 23 April 2005)– $516,214. The accrued entitlements fixed under the ANZ Directors' Retirement Scheme as at 30 September 2005 are as follows: C Goode – $1,312,539; G Clark – $83,197; J Ellis – $523,039; D Gonski – $249,445; M Jackson – $487,022; D Meiklejohn – $64,781; J Morschel – $60,459.
5 In accordance with the requirements of AASB 2 Share-based Payment, 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 the options will vest at the commencement of their exercise period (i.e. the shortest possible vesting period is assumed) and that the LTI performance shares will vest after 3 years. The fair value is determined at grant date and is allocated on a straight-line basis over the expected vesting period. The fair value for options and performance shares was determined using a binomial pricing model that is explained in section F9 for options, and F10 for performance shares. 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 or the performance shares vest.
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 senior managers of the entity and directors, senior managers and secretaries of the controlled entities. The total premium, which cannot be disclosed because of confidentiality requirements, 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 Amounts paid in NZD are converted to AUD at an average rate for the year of 1.1433 (1.0847 in 2005).
8 Other for R Deane relates to a non-monetary benefit received on retirement as a gift from the Board.
9 Amortisation value of options as a percentage of total remuneration (as shown in the Total column above) was 10% in 2006 (25% in 2005).
10 J McFarlane elected to use almost all of his cash salary and incentive to purchase on market deferred shares under the Directors' Share Plan. The purchase dates were 28 October 2004, 1 February 2005, 2 May 2005 and 8 August 2005 for the 2005 year and 31 October 2005, 30 January 2006, 1 May 2006 and 7 August 2006 for the 2006 year.
11 Relates to reimbursement to J McFarlane of $202,837 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 arrangements detailed in section D2).
12 Relates to professional services rendered in respect of taxation matters ($16,533 in 2006).

Section A: Remuneration Tables (continued)

TABLE 2: EXECUTIVE KEY MANAGEMENT PERSONNEL REMUNERATION AND TOP 5 REMUNERATED
For the year ended 30 September 2006, remuneration details of the KMP identified as executives of the Group, (as required under AASB 124), and the five most highly remunerated executives in the Company and the Group (as required under the Corporations Act 2001), other than the Chief Executive Officer, are set out below:

		SHORT-TERM EMPLOYEE BENEFITS				POST-EMPLOYMENT
	Financial Year	Cash salary/fees $	Non monetary benefits[1] $	Total cash incentive[2,3] $m	**Total** $	Super contributions $
Current Executives						
R Edgar[8]	**2006**	787,068	14,788	850,000	1,651,856	49,725
Senior Managing Director	2005	727,696	28,281	800,000	1,555,977	46,800
B Hartzer	**2006**	883,626	59,640	1,300,000	2,243,266	58,500
Group Managing Director, Personal Division	2005	694,435	61,542	1,080,000	1,835,977	46,800
G Hodges[9] Chief Executive, ANZ National Bank	**2006**	841,866	71,920	895,000	1,808,786	7,459
Limited (New Zealand)	2005	648,556	11,465	863,000	1,523,021	40,838
P Marriott	**2006**	842,618	6,313	1,080,000	1,928,931	52,650
Chief Financial Officer	2005	748,700	7,277	920,000	1,675,977	46,800
S Targett	**2006**	936,600	6,313	1,000,000	1,942,913	58,500
Group Managing Director Institutional	2005	748,700	7,277	880,000	1,635,977	46,800
P Hodgson[10] Chief Risk Officer	**2006**	701,393	6,313	825,000	1,532,706	43,875
Former Executives						
Sir J Anderson (retired effective 31 December 2005)[11,12] Chief Executive & Director, ANZ National Bank Limited (New Zealand)	2005	838,110	–	460,960	1,299,070	83,811
E Funke Kupper (resigned effective 1 February 2006)[13]	**2006**	234,483	2,110	–	236,593	14,663
Group Managing Director, Asia Pacific	2005	654,550	7,277	770,000	1,431,827	40,950
Total of all Executive KMPs	**2006**	4,526,261	161,084	5,125,000	9,812,345	241,497
	2005	5,060,747	123,119	5,773,960	10,957,826	352,799
Total of all Disclosed Executives	**2006**	5,227,654	167,397	5,950,000	11,345,051	285,372
	2005	5,060,747	123,119	5,773,960	10,957,826	352,799

COMMENTARY ON CHANGES BETWEEN 2005 & 2006

A review of 2005 remuneration (based on fixed remuneration, short-term incentives and long-term incentives) was undertaken to assess the competitiveness of executive remuneration relative to the market. To ensure appropriate recommendations from this review, ANZ used multiple data sources such as Annual Report disclosures from ANZ's major competitors, and independent financial services market data sourced externally. Overall, it was found that reward levels were not market competitive and below the median of the market. As a result, adjustments to individual reward mixes were made. The remuneration adjustments were assessed individually, based on market positioning, role changes and market pressures. The remuneration adjustments for ANZ's disclosed executives can be summarised as follows: i) Increased Fixed Pay for B Hartzer and S Targett to reflect increased responsibilities associated with ANZ's restructure into three broad divisions. ii) A corresponding increase in target STI amounts for B Hartzer and S Targett due to their adjusted TEC. iii) Increased LTI allocation awarded to current disclosed executives.

Other year on year variations include: i) A greater proportion of S Targett's amortised sign-on equity falling into the 2006 financial year (refer to footnote 6). ii) Change in position (and responsibility) for G Hodges from Group Managing Director Corporate in the 2005 financial year, to the Chief Executive, ANZ National Bank Limited, New Zealand in 2006. iii) P Hodgson not included in 2005 total of all disclosed executives (2006 only). iv) 2005 disclosures only for Sir J Anderson, therefore not included in the 2006 totals. v) E Funke Kupper's remuneration for the 2006 year is based on four months only.

LONG-TERM EMPLOYEE BENEFITS		SHARE-BASED PAYMENTS[5]					
Retirement benefit accrued during year[4] $	Long service leave accrued during the year $	Total amortisation value of STI shares $	Total amortisation value of LTI shares $	Total amortisation value of LTI options $	Total amortisation value of performance rights $	Total amortisation of other equity allocations[6] $	**Total Remuneration[7,14]** $
–	37,607	108,692	503,179	181,819	202,340	–	2,735,218
1,672	13,928	173,907	555,470	264,095	–	–	2,611,849
–	40,575	94,597	175,183	174,542	216,792	–	3,003,455
–	19,469	149,259	237,943	282,929	–	–	2,572,377
–	48,447	82,179	150,066	149,602	202,340	–	2,448,879
1,635	46,140	131,825	186,089	218,920	–	–	2,148,468
–	34,830	127,015	206,816	206,831	209,566	–	2,766,639
–	12,422	208,525	295,175	317,175	–	–	2,556,074
–	20,020	–	44,857	43,215	216,795	1,166,859	3,493,159
–	12,497	–	40,544	39,059	–	789,238	2,564,115
–	11,716	130,541	113,241	30,377	173,434	–	2,035,890
33,367	–	–	–	–	–	477,452	1,893,700
–	–	104,930	146,895	147,119	152,622	–	802,822
–	10,860	184,924	221,068	239,523	–	–	2,129,152
–	181,479	517,413	1,226,996	903,128	1,200,455	1,166,859	15,250,172
36,674	115,316	848,440	1,536,289	1,361,701	–	1,266,690	16,475,735
–	193,195	647,954	1,340,237	933,505	1,373,889	1,166,859	17,286,062
36,674	115,316	848,440	1,536,289	1,361,701	–	1,266,690	16,475,735

1 Non-monetary benefits consist of salary packaged items such as car parking, novated lease motor vehicles and G Hodges' non-monetary benefits include housing and airfares.
2 Total cash incentive relates to the full incentive amount for the financial year that the performance relates to.
3 100% of the cash incentive awarded in both 2005 and 2006 vested to the person in the applicable financial year.
4 Accrual relates to Retirement Allowance. As a result of being employed with ANZ prior to November 1992, R Edgar and G Hodges are eligible to receive a Retirement Allowance on retirement, retrenchment, death, or resignation for illness, incapacity or domestic reasons. The Retirement Allowance is calculated as follows: 3 months of notional salary (which is 65% of fixed remuneration) 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).
5 In accordance with the requirements of AASB 2, 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 the options / performance rights will vest at the commencement of their exercise period (i.e. 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 (BOP) model. For performance rights a modified Black-Scholes and a BOP model were used. The valuation models are explained in section F9. The amount included as remuneration is not related to nor indicative of the benefit (if any) that may ultimately be realised should the options / performance rights become exercisable. For deferred shares, the fair value is the volume weighted average price of the Company's shares traded on the ASX on the day the shares were granted.
6 Amortisation of other equity allocations for Sir J Anderson relates to the granting of zero priced options (ZPO). ZPOs were granted as part of his employment contract. Refer to section E2 for further details. Amortisation of other equity allocations for S Targett relates to the grant of deferred shares beginning on 11 May 2004 (four tranches to the value of $700,000 each issued at 6 month intervals in May and November in 2004 and 2005, subject to Board approval and continued employment) and hurdled A options (refer to section F11.1 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.
7 Remuneration amounts disclosed 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 senior managers of the entity and directors, senior managers and secretaries of the controlled entities. The total premium, which cannot be disclosed because of confidentiality requirements, 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.
8 B Edgar was the Chief Operating Officer prior to October 2005.
9 Prior to November 2005, G Hodges was the Group Managing Director Corporate. Between 1 November 2005 and 31 December 2005, he was the Chief Executive Designate (New Zealand), with his position changing to Chief Executive, ANZ National Bank Limited, New Zealand effective 1 January 2006.
10 P Hodgson is disclosed as one of the five most highly remunerated executives in the Company for 2006 only (as required under the Corporations Act 2001). Therefore 2005 comparative information has not been provided, and he has not been included in the Executive KMP totals.
11 Amounts paid to Sir J Anderson in NZD in 2005 were converted to AUD at an average rate for the 2005 year of 1.0847.
12 Sir J Anderson ceased employment during the year, effective 31 December 2005, and received his fixed pay during the period 1 October 2005 to 31 December 2005 of NZ$250,250, a retirement gratuity payment of NZ$1,193,150 as part of his employment contract, a payment in lieu of notice plus annual leave entitlements totalling NZ$437,109, a payment in lieu of his equity participation for 2006 of NZ$250,000 and a payment in relation to his 2006 STI bonus of NZ$250,000. Total payment NZ$2,380,509.
13 E Funke Kupper received a final payment on resignation of $165,554 relating to his accrued annual leave and long service leave. With the inclusion of the final payment his total remuneration for 2006 would be $968,376.
14 Amortisation value of options and rights as a percentage of total remuneration was: R Edgar 14% (2005: 10%); B Hartzer 13% (2005: 11%); G Hodges 14% (2005: 10%); P Marriott 15% (2005: 12%); S Targett 15% (2005: 11%); P Hodgson 10%.

Section B. Non-executive Directors' Remuneration

B1. NON-EXECUTIVE DIRECTORS' REMUNERATION POLICY

Non-executive Directors' (NEDs) 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 NEDs of comparable companies.

The total of NEDs' fees (including superannuation contributions) are within the maximum annual aggregate limit agreed to by shareholders at the Annual General Meeting held on 16 December 2005 ($3 million, excluding superannuation benefit payouts and retirement benefits), and are set at levels that fairly represent the responsibilities of, and the time spent by the NEDs on Group matters. NEDs receive a fee for being a director of the Board, and additional fees for either chairing or being a member of a committee. Work on special committees may attract additional fees of an amount considered appropriate in the circumstances. An additional fee is also paid if a NED serves as a director on a subsidiary board. NEDs do not receive any performance / incentive payments and are not eligible to participate in any of the Group's incentive arrangements.

To compensate for the removal of the Non-Executive Directors' Retirement Scheme (as at 30 September 2005), NED fees were increased by 27.5% effective 1 October 2005. This amount was determined based on an independent actuarial valuation of the scheme by Mercer Finance and Risk Consulting and advice from expert remuneration consultants PricewaterhouseCoopers. This increase is also in line with market practice in relation to fee increases due to the removal of Directors' Retirement Schemes, where increases have typically ranged from 25% to 30%. Market adjusted fee increases of ~10% were also approved for 2006 based on market analysis and independent advice that market movements of 10% to 15% were expected in 2006. Committee membership fees received a larger market adjustment (excluding Governance Committee and Technology Committee) to ensure market competitiveness.

The fee structure is illustrated in Table 3 below:

TABLE 3

		Breakdown of 2005/2006 Fees		
Role	2004/05 Fees $	Increase relating to closure of Retirement Scheme $	Increase relating to market adjustment $	Total 2005/06 Fees $
Chairman	500,000	137,500	62,500	700,000
Non-Executive Director	130,000	35,750	17,250	183,000
Committee Chair[1]	32,500	8,938	4,062	45,500
Committee Member[1]	9,750	2,681	7,569	20,000

1 Except Governance Committee and Technology Committee, where the current Chair and Member Fees are $26,775 and $8,033 respectively. These 2005/2006 fee amounts reflect the fee increase due to the removal of the ANZ Directors' Retirement Scheme. No additional market adjustment was applied.

For details of remuneration paid to directors for the year ended 30 September 2006, refer to Table 1 in section A of this Remuneration Report.

NED SHAREHOLDING GUIDELINES

NEDs have agreed to accumulate ANZ shares, over a five-year period, to the value of 100% (200% for Chairman) of the base annual NED Fee and to maintain this shareholding while a director of ANZ. NEDs have agreed to apply up to 25% of their base fee annually through the Directors' Share Plan or other means, towards the purchase of ANZ shares in order to achieve / maintain the desired holding level. This guideline was approved by the Board in September 2005.

B2. NON-EXECUTIVE DIRECTORS' RETIREMENT POLICY

The NED retirement scheme was closed effective 30 September 2005.

Accrued entitlements relating to the ANZ Directors' Retirement Scheme were fixed at 30 September 2005 and will be carried forward to retirement, and collected by the NED when they retire (refer to footnote 4 in Table 1 for the fixed entitlement for each NED). Based on shareholder approval at the 2005 AGM, NEDs nominated the proportion of their accrued entitlement to be held until retirement as either cash or shares. Those electing the cash alternative receive an additional amount relating to the interest accrued at the 30 day bank bill rate from 1 October 2005 to the date of retirement. Those electing shares will be entitled to receive dividends on the shares purchased. Refer to the 2005 notice of AGM for further details.

B3. DIRECTORS' SHARE PLAN

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

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

Section C. Executive Remuneration Structure

C1. REMUNERATION GUIDING PRINCIPLES

ANZ's reward policy approved by the Board shapes the Group's remuneration strategies and initiatives.

The following principles underpin ANZ's reward policy:

1. Focus on creating and enhancing value for all ANZ stakeholders;
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; and
4. The provision of a competitive reward proposition to successfully attract, motivate and retain the highest quality individuals required to deliver ANZ's business and growth strategies.

SHAREHOLDING GUIDELINES

Direct Reports to the CEO are expected to accumulate ANZ shares, over a five year period, to the value of 200% of their Fixed Pay and to maintain this shareholding while an executive of ANZ. Our next most senior executives are expected to accumulate ANZ shares to the value of 100% of their Fixed Pay and to maintain this shareholding while an executive of ANZ. This guideline was introduced in June 2005. New executives will be expected to accumulate the required holdings within five years of appointment.

C2. REMUNERATION STRUCTURE OVERVIEW

The executive remuneration program (which includes the remuneration of senior managers, the company secretaries and other KMP) aims to differentiate remuneration on the basis of achievement against group, business unit and individual performance targets which are aligned to sustained growth in shareholder value using a balanced scorecard approach.

The program comprises the following components:

- Fixed Pay component: salary, non-monetary benefits and superannuation contributions. (Refer to C3)
- Variable or "at risk" component (Refer to C4):
  – Short-Term Incentive (STI); and
  – Long-Term Incentive (LTI).

Depending on the competitive market, the proportion of remuneration "at risk" generally increases for the most senior or complex roles, or for those roles where there is strong market pressure to provide greater levels of remuneration. Figure 1 below shows the relative mix of Fixed, STI and LTI at target payment levels.

Fixed Pay is set at the median of the market. STI and LTI payments for on target performance are also set at market median. The plan design allows for the opportunity to earn upper quartile total remuneration for significant out performance, and significantly reduced payment for underperformance. In this way the remuneration structure is heavily weighted towards "reward for performance".

C3. FIXED REMUNERATION

For most executives, Fixed Pay comprises cash salary, a superannuation contribution, and the remainder as nominated benefits. The types of benefits that can be packaged by executives include novated car leases, additional superannuation contributions, car parking, child care, laptops and contributions towards the Employee Share Save Scheme.

Executive remuneration is reviewed annually based on individual performance and market data. ANZ operates with a midpoint targeted to the local market median being paid in the finance industry in the relevant global markets in which ANZ operates, and a range around this midpoint.

C4. VARIABLE REMUNERATION

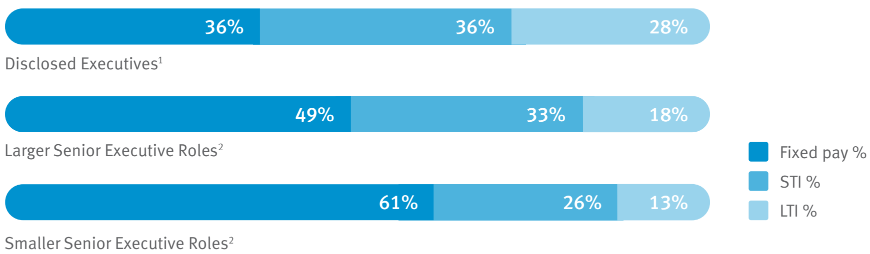
Variable remuneration forms a significant part of executives' potential remuneration, providing an at-risk component that is designed to drive performance in both the short-term (annually) and in the medium and long-term (3 years or more).

The opportunities available to executives under ANZ's variable reward programs are designed to reinforce the achievement of short and long term performance targets and to ensure remuneration competitiveness in the relevant markets in which they operate.

Most executives participate in the short-term incentive (STI) plan detailed in section C4.1 and the long-term incentive (LTI) plan detailed in section C4.2.

Equity allocated under ANZ incentive schemes remains at risk until fully vested (in the case of Deferred Shares) or exercisable (in the case of Options or Performance Rights). As such, **it is a condition of grant that no schemes are entered into that specifically protect the unvested value of shares, options and performance rights allocated.** Doing so would constitute a breach of the grant conditions and would result in the forfeiture of the relevant shares or options. We also advise that all current disclosed directors and executives did not enter into (and are not currently involved in) any schemes to protect the value of their interests in any vested ANZ securities.

Figure 1: Target reward mix



1 2006 disclosed executives' (current employees only) reward mix pertains to Dr R Edgar, B Hartzer, G Hodges, P Hodgson, P Marriott and S Targett.
2 The reward mix for larger senior executive roles and smaller senior executive roles is based on average data

C4.1 Short-Term Incentives

ANZ's STI approach supports our strategic objectives by providing rewards that are significantly differentiated on the basis of achievement against performance targets. Most executives participate in the plan explained below. All STI plans are reviewed and approved by the People Committee.

Determination of STI Levels

The size of the overall pool available each year is based on performance against a cash earnings per share (EPS) growth target. This pool is then spread between the Divisions based on their performance against a balanced scorecard of financial and qualitative measures, and then distributed to individuals based on relative performance. The Board is required to approve the STI Group and Division outcomes and the distribution of the STI pool amongst the Divisions.

Each executive has a target STI which is determined according to job size and market relativities. The size of the actual STI payment made at the end of each financial year to individuals may be at, above or below the target and this will be determined according to ANZ Group, Division and Individual Performance.

Individual performance objectives are set and aligned at the start of each financial year according to a balanced scorecard of measures at the Group, Division and Individual level. These measures are aligned with the achievement of ANZ's overall balanced scorecard, and therefore considered the most appropriate measures for aligning with company performance. Division and Individual objectives are a subset of the Group objectives, which ensures there is alignment of objectives throughout the executive population.

Performance objectives under ANZ's balanced scorecard include a number of qualitative and quantitative measures which include, but are not limited to:

- Financial Measures including: Economic Value Added (EVA™); Revenue, EPS and Net Profit After Tax
- Customer Measures including: Customer Satisfaction and Market Share
- Employee Engagement, Risk Management and Compliance Measures
- Environment, Health & Safety and Community Measures.

Performance against these objectives is assessed at the end of the financial year and rewards are made based on performance against targets.

The STI is payable 100% in cash (except where specific business plans require otherwise). Executives are able to elect to sacrifice part or all of their incentive towards the purchase of ANZ shares which are restricted from sale for 12 months, or towards additional superannuation contributions. As the incentive amount has already been earned, there are no performance measures attached to the shares.

The target STI award level for disclosed executives is 100% of TEC in 2006 with a maximum STI award of 150% of TEC. For larger senior executive roles in the ANZ STI plan, the target STI is 67% of TEC, with a maximum of 100% of TEC, and for smaller senior executive roles the target is 43% of TEC and the maximum 65% of TEC. Note, the target and maximum STI amounts for larger and smaller senior executive roles may vary for customised incentive schemes.

C4.2 Long-Term Incentives

Long-term incentives (LTIs) are used as a mechanism to link a significant portion of executives' remuneration to the attainment of sustained growth in shareholder value. LTI is delivered as 100% Performance Rights, with a single long-term performance measure.

A Performance Right is a right to acquire a share at nil cost, subject to meeting time and performance hurdles. Performance Rights are designed to reward executives for share price growth dependent upon the Company's Total Shareholder Return (TSR) outperforming peers. TSR represents the change in the value of a share plus the value of reinvested dividends paid. TSR was chosen as the most appropriate comparative measure as it focuses on the delivery of shareholder value and is a well understood and tested mechanism to measure performance.

The conditions under which Performance Rights are granted are approved by the Board in accordance with the rules of the ANZ Share Option Plan.

Each Performance Right has the following features

- Performance rights held by eligible executives will be tested once only against the performance hurdle at the end of three years;
- Subject to the performance hurdle being met, the executive has a two-year exercise period that commences three years after the grant date;
- Upon exercise, each Performance Right entitles the executive to one ordinary share;
- In case of dismissal for serious misconduct, Performance Rights are forfeited;
- In case of resignation or termination on notice, only Performance Rights that become exercisable by the end of the notice period may be exercised;
- In case of retrenchment or retirement, the Performance Rights will generally be performance tested at the date of termination, and where performance hurdles have been met, Performance Rights will vest on a pro-rata basis and a grace period provided in which to exercise;
- In case of death or total & permanent disablement, the performance hurdle is waived and a grace period is provided in which to exercise all Performance Rights; and
- A performance hurdle applies, which is explained below.

The proportion of Performance Rights that become exercisable will depend upon a single point testing of the TSR achieved by ANZ relative to the companies in the comparator group (shown below) at the end of a three-year period. An averaging calculation will be used for TSR over a 90 day period for start and end values in order to reduce the impact of share price volatility.

TSR Vesting Scale

Relative TSR Performance	% Vesting
‹ 50th percentile	0%
50th to 74th percentile	50% – 98%
75th percentile or above	100%

Where median performance is achieved, executives' total remuneration will typically be below market median for the financial services industry. 75th percentile performance is required for full vesting which enables executives to receive the full value of their LTI. To ensure an independent TSR measurement, ANZ engages the services of an external organisation (Macquarie Financial Services) to calculate ANZ's performance against the TSR hurdle.

Comparator Group

The peer group of companies against which ANZ's TSR performance is measured, comprises the following companies:

AMP Limited
AXA Asia Pacific Holdings Limited
Commonwealth Bank of Australia
Insurance Australia Group Limited
Macquarie Bank Limited
National Australia Bank Limited
QBE Insurance Group Limited
St George Bank Limited
Suncorp-Metway Limited
Westpac Banking Corporation

The companies in this comparator group were chosen because they represent ANZ's key competitors in the financial services industry, are an appropriate reference group for investors and are of sufficient size by market capitalization and weight in the ASX Top 50.

Refer to section F11 for details pertaining to legacy LTI equity vehicles (which are yet to vest).

Size of LTI Grants

The size of individual LTI grants is determined by an individual's level of responsibility, performance and the assessed potential of the executive. Typically, at the most senior levels the Target LTI value will range from around 13% to 28% of the individual's target reward mix, as shown in Figure 1 in Section C2.

Executives are advised of their LTI dollar value, which is then converted into a number of Performance Rights based on a valuation. ANZ engages external experts (PricewaterhouseCoopers and Mercer Finance & Risk Consulting) to independently value the Performance Right, taking into account factors including the performance conditions, life of instrument, share price at grant date etc. These valuations are then reviewed by KPMG and the highest value is then approved by the Board as the allocation value. LTI allocations are made annually in or around November.

Example

- Executive granted LTI value of $60,000
- Approved Allocation Valuation is $11.60 per Performance Right
- $60,000 / $11.60 = 5,173 Performance Rights allocated to executive

C5. PERFORMANCE OF ANZ

Table 4 shows ANZ's annual performance over the five-year period spanning 1 October 2002 to 30 September 2006. The table illustrates the impact of ANZ's performance on shareholder wealth, taking into account dividend payments, share price changes and other capital adjustments during the financial year.

Table 4	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006[1]
Basic Earnings Per Share (EPS)	141.4	142.4	153.1	160.9	200.0
NPAT ($m)	2,322	2,348	2,815	3,018	3,688
Total Dividend (cps)	85	95	101	110	125
Share price at 30 September ($)	16.88	17.17	19.02	24.00	26.86
Total Shareholder Return (%)	15.3	6.7	17.0	32.6	17.1

1 Figures are based on AIFRS results

In table 4, ANZ's Total Shareholder Return (TSR, which includes share price growth, dividends and other capital adjustments) has been shown for each individual financial year between 2002 and 2006. Figure 2 compares ANZ's TSR performance against the median TSR of the LTI comparator group and the S&P/ASX 200 Banks Accumulation Index over the 2002 to 2006 measurement period. The difference between the S&P/ASX 200 Banks Accumulation Index and the median of ANZ's comparator group over the 2005 and 2006 financial years is due to the weightings in the Index of the large banking institutions that have underperformed comparatively during this period; whereas the organisations in ANZ's comparator group are weighted evenly.

Figure 2: ANZ 5-Year Cumulative Total Shareholder Return Performance

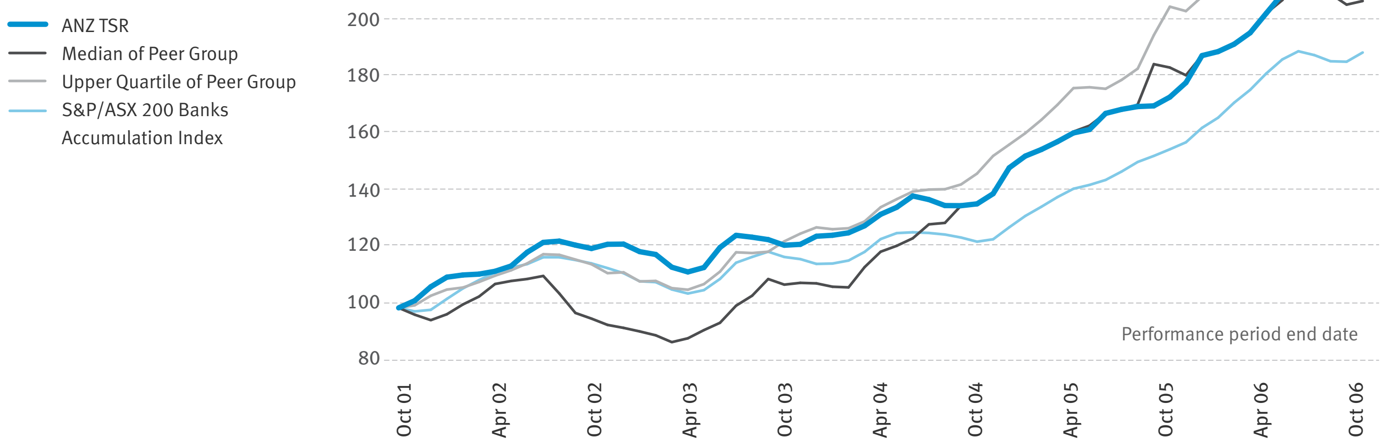
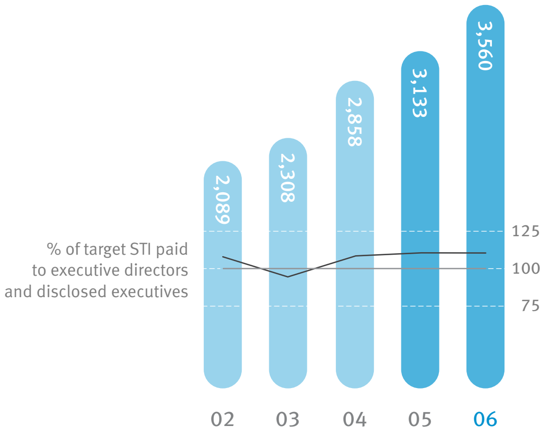


Figure 3: ANZ – Cash Earnings & Average STI payments ($m)



- Cash earnings (AGAAP)[1]
- Cash earnings (AIFRS)[2]
- Average STI payments against target
- Target STI

Figure 3 illustrates the relationship between the average actual STI payments against target and the Group's performance measured using cash earnings over the last 5 years. The average STI payments for each year are based on those executives (including the CEO) disclosed in each relevant reporting period. As illustrated in the chart, the average STI payments are generally in alignment with the cash earnings trend.

1 Earnings excluding goodwill, significant items and NBNZ incremental integration costs.
2 Earnings adjusted for non-core items and AIFRS 2005 adjustments.

Section D. Chief Executive Officer's remuneration

D1. CHIEF EXECUTIVE OFFICER (CEO) REMUNERATION OVERVIEW

The CEO (identified as a KMP) is ANZ's only executive director. The structure of J McFarlane's remuneration, which is in accordance with his employment agreement, is as follows:

Fixed Pay: Consists of salary, benefits and superannuation contributions. Since October 2003, J McFarlane has elected to receive almost all of his Fixed Pay in the form of shares purchased under the Directors' Share Plan. These shares are not subject to a performance condition as they are provided in place of cash remuneration at the CEO's choice. However, they are subject to forfeiture in case of termination for serious misconduct.

Short-Term Incentive: The Board sets J McFarlane's balanced scorecard at the beginning of the financial year. The Board then assesses performance against these objectives at the end of the year to determine the appropriate incentive (relative to target). These objectives are aligned with the achievement of ANZ's business plan, and are the most appropriate indicators of performance. These objectives include a number of quantitative and qualitative measures, which include (but are not limited to) financial, customer, people, environment and community measures. J McFarlane's STI 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 is made up of Hurdled Options and Performance Shares as approved by shareholders at the 2001 and 2004 Annual General Meetings respectively. No equity was issued to J McFarlane in the 2006 financial year. The performance conditions pertaining to the Options and Performance Shares issued during the 2005 year are indicated in F11.1 Hurdled A options and F11.3 respectively. They are linked to Company performance and increasing shareholder value. There are no further LTI allocations under his existing employment contract.

The remuneration of J McFarlane for the year ended 30 September 2006 is set out in Table 1 in section A of this Remuneration Report. The mix of remuneration for J McFarlane under his **current contract** is made up as follows:

- Fixed Remuneration of $2,200,000 per annum;
- Target variable Short-Term Incentive of $2,200,000 per annum;
- Long-Term Incentive of $2,600,000 granted on 31 December 2004 - one allocation only in 2005 financial year (based on valuation of 175,000 performance shares at issue). Note, the fair value of LTI equity granted since December 2003, and annualised over the period from grant date to contract end date is $1,530,000. This amount has been reflected in the reward mix bar in figure 4 below.

Variations to J McFarlane's remuneration structure which will impact remuneration in future periods, require Board approval.

Figure 4: Target reward mix – Chief Executive Officer

- Fixed pay %
- STI %
- LTI %

Shareholding Guideline

The Chief Executive Officer of ANZ is expected to accumulate ANZ shares, over a five year period, to the value of 200% of his Fixed Remuneration and to maintain this shareholding while CEO of ANZ. This shareholding guideline was introduced in September 2005. The CEO is currently compliant, with 1,973,422 beneficially held shares.

D2. CEO'S CONTRACT TERMS

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

- The term of the contract was extended by one year to 30 September 2007;
- In addition to mandatory superannuation contributions, the Company makes additional employer contributions of $300,000 per annum (effective from 1 October 2003), paid quarterly to J McFarlane's chosen superannuation fund; and
- J McFarlane was granted 175,000 Performance Shares on 31 December 2004.

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

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 30 September 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) applies in all events of separation.

In the event of resignation not approved by the Board or dismissal for serious misconduct, all unexercised options and Performance Shares will be forfeited. In the event of termination on notice or agreed separation, all vested options and Performance Shares must be exercised within 6 months of the termination or agreed separation date, subject to meeting the relevant performance hurdles. In the event of serious misconduct, shares held in the Directors' Share Plan will be forfeited. On resignation or termination on notice, shares held under the Directors Share Plan will be released.

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.

D4. CEO'S PARTICIPATION IN EQUITY PROGRAMS

Hurdled Options:

At the 2001 Annual General Meeting, 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. For options granted to the CEO, the exercise price is equal to the weighted average share price on the ASX during the 5 trading days immediately before or after the Company's Annual General Meeting that immediately precedes the allocation. The exercise of these options is subject to performance hurdles being satisfied. J McFarlane's specific performance hurdles are indicated in section F11.1 (Hurdled A), and for Performance Shares in section F11.3. For options granted to the CEO, the life and exercise period may differ, as disclosed in F3.

Performance Shares:

175,000 Performance Shares were issued to J McFarlane on 31 December 2004 as part of his contract extension, as approved by shareholders at the 2004 Annual General Meeting. No dividends will be payable on the shares until they vest. Vesting will be subject to time and performance hurdles being satisfied as detailed in section F11.3. As these Performance Shares were granted as part of J McFarlane's contract extension to 30 September 2007, as opposed to a new contract, the conditions of grant were aligned with those of the original contract (eg the vesting and exercise period) apart from the application of a TSR performance hurdle.

Given we expect the decisions and actions of J McFarlane to be based on long-term considerations (with the impact of decisions and actions to extend well beyond the end of his contract), the adoption of an exercise period (31 December 2006 to 31 December 2009) that commences before and extends beyond his contract end date encourages a balanced focus. The performance hurdles ensure that full benefits are not achieved if targets are not met.

Directors' Share Plan

J McFarlane participates in the Directors' Share Plan, which is explained in section B3.

Please refer to section F for details of grants and holdings.

Section E. Disclosed executives' contract terms

Contractual terms are similar, but do, on occasion, vary to suit different needs. Section E1 details the contractual terms for those disclosed executives who are on open-ended contracts. Section E2 details the contractual terms for Sir J Anderson, who was on a fixed term contract. Note, the contract terms detail the structure of disclosed executive remuneration. Variations to the remuneration structure which will impact remuneration in future periods, requires Board approval.

E1. OPEN-ENDED CONTRACTS: DR RJ EDGAR, E FUNKE KUPPER, BC HARTZER, GK HODGES, PJ HODGSON, PR MARRIOTT AND S TARGETT

Length of Contract	Open-ended.
Fixed Remuneration	Remuneration consists of salary, mandatory employer superannuation contributions and benefits.
Short-Term Incentive	Eligible to participate. Refer to section C4.1 for details of short-term incentive arrangements.
Long-Term Incentive	Eligible to participate at the Board's discretion – refer to section C4.2 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.
Retirement	On retirement, shares and options are released in full.
Termination on Notice by ANZ	ANZ may terminate the executive's employment by providing 12 months' written notice or payment in lieu of the notice period based on Fixed Pay. 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. There is discretion to pay incentives on a pro-rata basis (depending on termination date and subject to business performance).
Redundancy	If ANZ terminates employment for reasons of bona fide redundancy, a severance payment will be made that is equal to 12 months Fixed Pay. All STI deferred shares are released. All options granted since 24 April 2002 are released on a pro-rata basis. All LTI deferred shares are released on a pro-rata basis. There is discretion to pay incentives on a pro-rata basis (depending on termination date and subject to business performance).
Death or Total and Permanent Disablement	All options and shares are released; pro-rata short-term incentive.
Termination for serious misconduct	ANZ may immediately terminate the executive's employment at any time in the case of serious misconduct, and the employee will only be entitled to payment of Fixed Pay up to the date of termination. Payment of statutory entitlements of long service leave (only if minimum 15 years of service) and annual leave applies in all events of separation. On termination for serious misconduct any options and any deferred shares still held in trust will be forfeited.
Other Aspects	S Targett: Subject to continued employment and the approval of the Board, four tranches to the value of $700,000 each of deferred shares to be granted at six month intervals in May and November in 2004 and 2005, and Hurdled Options with the value of $750,000 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, sign-on options can be exercised as a pro-rata proportion to the period of employment. Sign-on deferred shares will vest in full, including any scheduled to be granted during the notice period.

E2. FIXED TERM CONTRACT (SIR J ANDERSON)

Length of Contract	Contract was effective from 1 December 2003 to 30 September 2005, and extended to 15 April 2006. Retired effective 31 December 2005.
Fixed Remuneration	The Fixed Pay package was NZD1,000,000 per annum and was inclusive of employer contributions to the superannuation fund.
Short-Term Incentive	STI payments were subject to both business and individual performance. The target payment was 50% of Fixed Pay.
Equity Participation	Zero Priced Options (ZPOs) were granted as part of Sir J Anderson's contract under the ANZ Share Option Plan. A ZPO is a right to acquire a share at nil cost. They were designed to deliver equity to the CEO of the National Bank of New Zealand (NBNZ) and to meet the particular needs and circumstances at the time of the acquisition of NBNZ. Grants were fixed at NZD500,000 worth of ZPOs annually, granted in two tranches per annum and with a nil exercise price. The ZPOs had no time based vesting criteria, and so were able to be exercised at any time during employment and within 6 months of the termination of employment.
Resignation	Sir J Anderson was able to terminate his employment by giving 12 months' written notice. On resignation any ZPOs not exercised as at the termination date would lapse.
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 was made to Sir J Anderson on his retirement 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).
Termination on Notice by ANZ	The employment contract provided ANZ National Bank Limited with a right to terminate Sir J Anderson's employment by providing notice or payment in lieu of notice equal to the unexpired term of the employment agreement (which had an end date of 15 April 2006). On termination on notice, any options could be exercised in accordance with the ANZ Share Option Plan Rules.
Death or Total and Permanent Disablement	Exercise any ZPOs; pro rata incentive.
Termination for serious misconduct	The employment contract provided ANZ National Bank Limited with a right to terminate Sir J Anderson's employment at any time without notice for serious misconduct, on the basis that Sir J Anderson would have been entitled to payment up to the date of termination. On termination for serious misconduct any ZPOs which had not been exercised as at the termination date would lapse.

E3. PARTICIPATION IN EQUITY PROGRAMS

A number of shares and options are granted to executives under the remuneration programs detailed in Section C. For disclosed executives, details of all grants made during the year and legacy LTI programs are listed in Section F. Aggregate holdings of shares and options are also shown. The deferred shares component of the LTI is administered under the ANZ Employee Share Acquisition Plan. For executives, the shares are deferred for three years.

Section F. Equity instruments relating to disclosed directors and executives

F1. SHAREHOLDINGS OF NON-EXECUTIVE DIRECTORS (INCLUDING MOVEMENTS DURING THE 2005 & 2006 YEARS)

2006 Financial Year Name	Balance of shares as at 1 Oct 2005[1]	Shares acquired during the year in lieu of salary[2]	Shares resulting from any other change during the year[3]	Balance of shares held as at 30 Sept 2006[1,4]	Balance of shares held as at report sign-off date[1]
CB Goode	535,637	26,046	65,345	627,028	648,003
G Clark	5,000	1,920	–	6,920	8,501
RS Deane	75,364	–	–	75,364	75,364
JK Ellis	91,196	1,614	22,000	114,810	115,951
DM Gonski	54,904	2,534	11,510	68,948	68,948
MA Jackson	93,297	–	–	93,297	93,297
DE Meiklejohn	5,156	–	2,000	7,156	7,156
JP Morschel	5,502	1,920	–	7,422	9,003

2005 Financial Year Name	Balance of shares as at 1 Oct 2004[1]	Shares acquired during the year in lieu of salary[2]	Shares resulting from any other change during the year[3]	Balance of shares held as at 30 Sept 2005[1,5]	Balance of shares held as at report sign-off date[1]
CB Goode	502,464	20,781	12,392	535,637	559,451
G Clark[6]	2,000	–	3,000	5,000	6,766
JC Dahlsen (retired 3 February 2005)	121,915	–	(8,441)	113,474	113,474
RS Deane	75,364	–	–	75,364	75,364
JK Ellis[7]	84,476	1,703	5,017	91,196	115,042
DM Gonski[7]	52,612	2,055	237	54,904	67,892
MA Jackson	93,297	–	–	93,297	93,297
DE Meiklejohn[8]	2,656	–	2,500	5,156	6,326
JP Morschel	4,000	1,502	–	5,502	7,268
BW Scott (retired 23 April 2005)	72,475	–	(6,494)	65,981	65,981

1 Balance of shares held at 1 October 2004/2005, 30 September 2005/2006, 2 November 2005 and 1 November 2006, includes directly held shares, nominally held shares and shares held by related parties.
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 Other shares resulting from any other changes during the year include the net result of any shares purchased/sold or acquired under the Dividend Reinvestment Plan.
4 The following shares were nominally held as at 30 September 2006: CB Goode – 408,553; G Clark – 1,920; RS Deane – 73,000; JK Ellis – 47,898; DM Gonski – 66,076; MA Jackson – 10,632; DE Meiklejohn – 4,654; JP Morschel – 3,422.
5 The following shares were nominally held as at 30 September 2005: CB Goode – 141,860; RS Deane – 73,000; JK Ellis – 23,900; DM Gonski – 52,159; MA Jackson – 10,632; DE Meiklejohn – 2,656; JP Morschel – 1,502.
6 Shareholding for G Clark includes 3,000 shares held by G Clark's related party previously omitted.
7 Balance of shares held as at report sign-off date (2005) includes shares purchased on 27 October 2005 under the Directors' Retirement Benefit scheme previously omitted for JK Ellis and DM Gonski.
8 Shareholding excludes shares held through JB Were and RBC investment products previously disclosed.

F2. SHAREHOLDINGS OF CEO (INCLUDING MOVEMENTS DURING THE 2005 & 2006 YEARS)

	Balance of shares as at 1 Oct 2005/2006[1]	Shares acquired during the year in lieu of salary[2]	Performance shares granted during the year[3,4]	Value of performance shares granted during the year[5] $	Shares acquired during the year through the exercise of options[6]	Shares resulting from any other change during the year[7]	Balance of shares held as at 30 Sept 2005/2006[1,8]	Balance of shares held as at report sign-off date[1]
2006	1,819,715	81,118	–	–	2,000,000	(1,927,411)	1,973,422	2,074,993
2005	1,690,507	89,995	175,000	2,628,500	500,000	(635,787)	1,819,715	1,820,056

1 Balance of shares held at 1 October 2004/2005, 30 September 2005/2006, 2 November 2005 and 1 November 2006 includes directly held shares, nominally held shares and shares held by related parties.
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 The grant of performance shares on 31 December 2004 was approved by shareholders at the 2004 AGM, with the earliest vesting date being 31 December 2006. Refer to section F11.3 for further information.
4 Nil performance shares forfeited or vested. The maximum amortisation balance is $331,263 for subsequent financial years, however the value will be nil if the minimum performance hurdle is not achieved.
5 The fair value of performance shares granted during the 2005 financial year (and approved at the 2004 AGM) is based on the fair value of the shares as at 31 December 2004 ($15.02) multiplied by the number granted.
6 All options held/exercised by the CEO have been approved by shareholders (December 1999 and December 2001).
7 Other shares resulting from any other changes during the 2005 / 2006 years include the net result of any shares purchased, sold, or acquired under the Dividend Reinvestment Plan. For 2005, it also includes those shares received on 28 October 2004 in regards to the 2004 incentive (for the period ending 30 September 2004), and for 2006 it includes those shares received on 31 October 2005 in regards to the 2005 incentive (for the period ending 30 September 2005)
8 1,270,176 shares were held nominally as at 30 September 2005 and 1,486,294 shares as at 30 September 2006.

F3. OPTIONS GRANTED TO CEO[1]

Financial Year	2005	2006

Type of options	Grant date	First date exercisable	Date of expiry[4]	Exercise price[5] $	Number granted[6,7]	Number vested during the 2005/2006 FY	Percentage that vested during the 2005/2006 FY %	Vested and exercisable as at 30 Sept 2005/2006	Vested and unexercisable as at 30 Sept 2005/2006
Hurdled[2]	31-Dec-01	31-Dec-04	31-Dec-05	16.48	500,000	500,000	100	–	–
Hurdled A	31-Dec-01	31-Dec-03	31-Dec-07	16.80	500,000	–	–	500,000	–
Hurdled A	31-Dec-02	31-Dec-04	31-Dec-07	16.69	1,000,000	1,000,000	100	500,000	500,000[8]
Hurdled A	31-Dec-03	31-Dec-05	31-Dec-08	17.48	1,000,000	1,000,000	100	–	–
Hurdled A[3]	31-Dec-04	31-Dec-06	31-Dec-08	20.49	500,000	–	–	–	–
Total					3,500,000	2,500,000		1,000,000	500,000

1 All options granted to the CEO have been approved by shareholders (December 1999 and December 2001).
2 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 "ASX 100 Accumulation Index" calculated over the same period. Refer to section F11.1 for Hurdled A details.
3 The fair value per option at the 31 December 2004 grant date is $1.98. Refer to section F9 for details of the valuation methodology and inputs.
4 Treatment of options on termination of employment is explained in section D3 of the Remuneration Report.
5 The exercise price is equal to the weighted average share price during the 5 trading days immediately after the Company's Annual General Meeting. Note, the original exercise price of options issued prior to the Renouncable Rights issue in November 2003 have been reduced by 72 cents, because of the dilution of share capital associated with the Renouncable Rights issue.
6 Nil options forfeited or expired during the period.
7 The maximum amortisation balance is $124,767 for subsequent financial years, however the value will be nil if the minimum performance hurdles are not achieved.
8 The options have met the time vesting hurdle, however only 50% of the 1 million granted have passed the performance hurdle at this stage.

F4. OPTION HOLDINGS OF CEO (INCLUDING MOVEMENTS DURING THE 2005 & 2006 YEARS)[1]

Type of options	Balance as at 1 Oct 2005/2006	Granted during the year as remuneration[1]	Value of options granted during the year[2] $	Exercised during the year	Date of exercise of options	Number of ordinary shares issued on exercise of options	Value of options exercised during the year[3] $	Share price on date of exercise of options $	Amount paid per share $	Balance as at 30 Sept 2005/2006	Total value of options granted and exercised during the year $
2006											
Hurdled	3,000,000	–	–	500,000	03-Jul-06	500,000	4,955,000	26.71	16.80	1,000,000	4,955,000
				500,000	04-Jul-06	500,000	5,030,000	26.75	16.69		5,030,000
				1,000,000	31-Aug-06	1,000,000	9,730,000	27.21	17.48		9,730,000
2005											
Hurdled	3,000,000	500,000	990,000	500,000	08-Aug-05	500,000	2,530,000	21.54	16.48	3,000,000	3,520,000

1 All options granted to the CEO have been approved by shareholders (December 1999 and December 2001).
2 The value of options granted during the 2005 year is based on the fair value of the option ($1.98) multiplied by the number granted. Refer to section F9 for details of the valuation methodology and inputs.
3 The value per option used in this calculation is based on the difference between the volume weighted average price of the Company's shares traded on the ASX on the day the options were exercised, and the exercise price. This is then multiplied by the number granted.

F5. DEFERRED SHARES GRANTED TO DISCLOSED EXECUTIVES

Financial Year	2005	2006

LTI Deferred Shares[1]

Name	Grant date	Vesting date	Number granted[2,3]	Value of deferred shares granted during the 2005 or 2006 year[4] $	Number that vested during the 2005 or 2006 year	Percentage that vested during the 2005 or 2006 year %
Dr RJ Edgar	24-Oct-01	24-Oct-04	2,700		2,700	100
	24-Apr-02	24-Apr-05	3,200		3,200	100
	23-Oct-02	23-Oct-05	7,600		7,600	100
	20-May-03	20-May-06	8,500		8,500	100
	05-Nov-03	05-Nov-06	8,889		–	–
	05-Nov-03	05-Nov-06	25,000		–	–
	11-May-04	11-May-07	8,452		–	–
	05-Nov-04	05-Nov-07	6,519	134,941	–	–
	05-Nov-04	05-Nov-07	26,000	538,189	–	–
Total			96,860	673,130	22,000	23
E Funke Kupper	24-Oct-01	24-Oct-04	6,000		6,000	100
	24-Apr-02	24-Apr-05	4,500		4,500	100
	23-Oct-02	23-Oct-05	8,000		8,000	100
	20-May-03	20-May-06	6,800		6,800	100
	05-Nov-03	05-Nov-06	6,838		–	–
	11-May-04	11-May-07	6,256		–	–
	05-Nov-04	05-Nov-07	6,018	124,570	–	–
Total			44,412	124,570	25,300	57
BC Hartzer	24-Oct-01	24-Oct-04	2,800		2,800	100
	24-Apr-02	24-Apr-05	4,600		4,600	100
	23-Oct-02	23-Oct-05	6,600		6,600	100
	20-May-03	20-May-06	6,500		6,500	100
	05-Nov-03	05-Nov-06	7,408		–	–
	11-May-04	11-May-07	7,135		–	–
	05-Nov-04	05-Nov-07	9,127	188,925	–	–
Total			44,170	188,925	20,500	46
GK Hodges	24-Oct-01	24-Oct-04	1,000		1,000	100
	24-Apr-02	24-Apr-05	1,400		1,400	100
	23-Oct-02	23-Oct-05	3,800		3,800	100
	20-May-03	20-May-06	6,500		6,500	100
	05-Nov-03	05-Nov-06	5,699		–	–
	11-May-04	11-May-07	6,586		–	–
	05-Nov-04	05-Nov-07	7,522	155,702	–	–
Total			32,507	155,702	12,700	39
PJ Hodgson	24-Apr-02	24-Apr-05	800		800	100
	23-Oct-02	23-Oct-05	900		900	100
	20-May-03	20-May-06	1,000		1,000	100
	05-Nov-03	05-Nov-03	1,097		–	–
	11-May-04	11-May-07	1,111		–	–
	05-Nov-04	05-Nov-07	1,974	40,822	–	–
	08-Dec-04	08-Dec-07	12,481	248,402	–	–
Total			19,363	289,224	2,700	14
PR Marriott	24-Oct-01	24-Oct-04	5,700		5,700	100
	24-Apr-02	24-Apr-05	5,500		5,500	100
	23-Oct-02	23-Oct-05	9,300		9,300	100
	20-May-03	20-May-06	9,100		9,100	100
	05-Nov-03	05-Nov-06	9,573		–	–
	11-May-04	11-May-07	9,275		–	–
	05-Nov-04	05-Nov-07	8,475	175,429	–	–
Total			56,923	175,429	29,600	52

Financial Year	2005	2006

LTI Deferred Shares[1] (continued)

Name	Grant date	Vesting date	Number granted[2,3]	Value of deferred shares granted during the 2005 or 2006 year[4] $	Number that vested during the 2005 or 2006 year	Percentage that vested during the 2005 or 2006 year %
S Targett	05-Nov-04	05-Nov-07	6,519	134,941	–	–

1 LTI deferred shares were last granted under the ANZ Long-Term Incentive Program in the 2005 year, and therefore were not granted in the 2006 year. LTI is now delivered in the form of Performance Rights (refer to section C4.2). The LTI deferred shares are restricted for 3 years and may be held in trust beyond this time. Refer to section F11.2 of the Remuneration Report for more details.
2 Nil shares forfeited during the 2005 & 2006 years.
3 The maximum amortisation balance for each executive for subsequent financial years is as follows: Dr RJ Edgar $296,805; BC Hartzer $99,681; GK Hodges $84,525; PJ Hodgson $118,134; PR Marriott $103,853; S Targett $49,417.
4 The value of shares granted during the 2005 year is based on the volume weighted average price of the Company's shares traded on the ASX on the day the shares were granted, multiplied by the number granted.

STI Deferred Shares[1]

Name	Grant date	Vesting date	Number granted[2,3]	Value of deferred shares granted during the year $	Number that vested during the 2005 or 2006 year	Percentage that vested during the 2005 or 2006 year %
Dr RJ Edgar	24-Oct-01	24-Oct-04	3,891		3,891	100
	24-Apr-02	24-Apr-05	4,302		4,302	100
	23-Oct-02	23-Oct-05	6,423		6,423	100
	20-May-03	20-May-06	5,622		5,622	100
	05-Nov-03	05-Nov-06	6,781		–	–
	11-May-04	11-May-07	7,683		–	–
Total			34,702	–	20,238	58
E Funke Kupper	24-Oct-01	24-Oct-04	6,510		6,510	100
	24-Apr-02	24-Apr-05	5,724		5,724	100
	23-Oct-02	23-Oct-05	8,554		8,554	100
	20-May-03	20-May-06	4,148		4,148	100
	05-Nov-03	05-Nov-06	7,636		–	–
	11-May-04	11-May-07	7,052		–	–
Total			39,624	–	24,936	63
BC Hartzer	24-Oct-01	24-Oct-04	7,058		7,058	100
	24-Apr-02	24-Apr-05	6,364		6,364	100
	23-Oct-02	23-Oct-05	4,457		4,457	100
	20-May-03	20-May-06	1,992		1,992	100
	05-Nov-03	05-Nov-06	7,322		–	–
	11-May-04	11-May-07	7,244		–	–
Total			34,437	–	19,871	58
GK Hodges	24-Oct-01	24-Oct-04	3,128		3,128	100
	24-Apr-02	24-Apr-05	3,324		3,324	100
	23-Oct-02	23-Oct-05	4,761		4,761	100
	20-May-03	20-May-06	4,503		4,503	100
	05-Nov-03	05-Nov-06	5,129		–	–
	11-May-04	11-May-07	5,653		–	–
Total			26,498	–	15,716	59
PJ Hodgson	24-Apr-02	24-Apr-05	4,888		4,888	100
	23-Oct-02	23-Oct-05	8,305		8,305	100
	20-May-03	20-May-06	4,776		4,776	100
	05-Nov-03	05-Nov-06	7,835		–	–
	11-May-04	11-May-07	9,330		–	–
	05-Nov-04	05-Nov-05	4,262[4]		4,262	100
Total			39,396	–	22,231	56
PR Marriott	24-Oct-01	24-Oct-04	5,963		5,963	100
	24-Apr-02	24-Apr-05	5,475		5,475	100
	23-Oct-02	23-Oct-05	8,527		8,527	100
	20-May-03	20-May-06	5,403		5,403	100
	05-Nov-03	05-Nov-06	7,978		–	–
	11-May-04	11-May-07	9,604		–	–
Total			42,950	–	25,368	59

1 STI deferred shares issued were granted under a historical ANZ Short-Term Incentive Program. (STI is now delivered generally as 100% cash, therefore no STI deferred shares were granted to the Executives during the year. Refer to section C4.1). STI deferred shares are restricted for 3 years and may be held in trust beyond this time.
2 Nil shares forfeited during the 2005 & 2006 years.
3 The maximum amortisation balance for each executive for subsequent financial years is as follows: Dr RJ Edgar $32,162; BC Hartzer $30,848; GK Hodges $23,743; PJ Hodgson $38,831; PR Marriott $39,922.
4 These STI deferred shares were granted as part of the Institutional Bonus Scheme in 2004. 20% of bonus amounts in excess of $125,000 were delivered as one year deferred shares.

F5. DEFERRED SHARES GRANTED TO DISCLOSED EXECUTIVES (CONTINUED)

Financial Year 2005 2006

Other Deferred Shares[1]

Name	Grant date	Vesting date	Number granted[2,3]	Value of deferred shares granted during the 2005 or 2006 year[4] $
S Targett	11-May-04	11-May-07	38,419	n/a
	05-Nov-04	05-Nov-07	35,105	726,659
	13-May-05	13-May-08	32,080	707,339
	07-Nov-05	07-Nov-08	29,838	703,282
Total			135,442	2,137,280

1 Other shares issued to S Targett relate to the issue of deferred shares (four tranches to the value of $700,000 each issued at 6 month intervals in May and November in 2004 and 2005, 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 upon commencement with ANZ.
2 Nil shares forfeited or vested during the 2005 & 2006 years.
3 The maximum amortisation balance is $1,282,669 for subsequent financial years.
4 The value of shares granted during the 2005 year is based on the volume weighted average price of the Company's shares traded on the ASX on the day the shares were granted, multiplied by the number granted.

F6. SHAREHOLDINGS OF DISCLOSED EXECUTIVES (INCLUDING MOVEMENTS DURING THE 2005 & 2006 YEARS)

2006 Financial Year

Name	Balance of shares as at 1 Oct 2005[1]	Shares granted during the year as remuneration	Number of shares acquired during the year through exercise of options	Shares resulting from any other change during the year[2]	Balance of shares held as at 30 Sept 2006[1,3]
Dr RJ Edgar	421,733	–	–	–	421,733
E Funke Kupper[5]	189,892	–	–	(89,450)	100,442
BC Hartzer	88,638	–	–	7,445	96,083
GK Hodges	171,919	–	67,400	–	239,319
PJ Hodgson	59,557	–	–	(5,798)	53,759
PR Marriott	641,633	–	168,000	(149,120)	660,513
S Targett	113,123	29,838	–	–	142,961

2005 Financial Year

Name	Balance of shares as at 1 Oct 2004[1]	Shares granted during the year as remuneration	Number of shares acquired during the year through exercise of options	Shares resulting from any other change during the year[2]	Balance of shares held as at 30 Sept 2005[1,4]
Sir J Anderson	12,022	–	22,370	–	34,392
Dr RJ Edgar	384,214	32,519	75,000	(70,000)	421,733
E Funke Kupper[5]	185,008	6,018	134,000	(135,134)	189,892
BC Hartzer[6]	79,046	9,127	–	465	88,638
GK Hodges	164,397	7,522	55,000	(55,000)	171,919
PR Marriott	677,867	8,475	80,000	(124,709)	641,633
S Targett	38,419	73,704	–	1,000	113,123

1 Balance of shares held at 1 October 2004/2005 and 30 September 2005/2006, include directly held shares, nominally held shares and shares held by related parties.
2 Other shares resulting from any other changes during the year include the net result of any shares purchased, or sold or any acquired under the Dividend Reinvestment Plan.
3 The following shares were held nominally as at 30 September 2006: Dr RJ Edgar – 213,510; E Funke Kupper – 0; BC Hartzer – 78,607; GK Hodges – 104,012; PJ Hodgson – 53,759; PR Marriott – 177,930; S Targett – 141,961.
4 The following shares were held nominally as at 30 September 2005: Sir J Anderson – 55; Dr RJ Edgar – 213,510; E Funke Kupper – 189,242; BC Hartzer – 78,607; GK Hodges – 104,012; PR Marriott – 177,930; S Targett – 112,123.
5 Amounts shown do not include ANZ Stapled Exchangeable Preferred Securities (ANZ StEPS). Elmer Funke Kupper held 500 ANZ StEPS as at 1 October 2005; this holding remained unchanged up to and including 30 September 2006. No other disclosed executives held ANZ StEPS.
6 Shareholding for GK Hodges includes 25,000 shares held by GK Hodges's related party previously omitted.

F7. OPTIONS GRANTED TO DISCLOSED EXECUTIVES[1]

Financial Year 2005 2006

Name	Type of options[2]	Grant date	First date exercisable	Date of expiry[3]	Exercise price[4,5] $	Number granted[6,7]	Number vested during the 2005 or 2006 year	Percentage that vested during the 2005 or 2006 year %	Vested and exercisable as at 30 Sept 2005 or 2006
Sir J Anderson	Zero-Priced	05-Nov-04	05-Nov-04	04-Nov-06	–	11,699	11,699	100	–
	Zero-Priced	13-May-05	13-May-05	12-May-07	–	10,671	10,671	100	–
Total						22,370	22,370	100	–
Dr RJ Edgar	Hurdled A	24-Oct-01	25-Oct-04	24-Oct-08	16.33	34,000	34,000	100	–
	Hurdled A	24-Apr-02	24-Apr-05	24-Apr-09	18.03	41,000	41,000	100	–
	Index Linked	23-Oct-02	23-Oct-05	22-Oct-09	17.34	125,000	125,000	100	–
	Index Linked	20-May-03	20-May-06	19-May-10	17.60	147,000	147,000	100	–
	Hurdled A	05-Nov-03	05-Nov-06	04-Nov-10	17.55	66,666	–	–	–
	Hurdled A	11-May-04	11-May-07	10-May-11	18.22	63,115	–	–	–
	Hurdled B	05-Nov-04	05-Nov-07	04-Nov-11	20.68	52,000	–	–	–
	Performance Rights	18-Nov-05	19-Nov-08	18-Nov-10	–	60,346	–	–	–
Total						589,127	347,000	59	–

F7. OPTIONS GRANTED TO DISCLOSED EXECUTIVES[1] (CONTINUED)

Financial Year	2005	2006

Name	Type of options[2]	Grant date	First date exercisable	Date of expiry[3]	Exercise price[4,5] $	Number granted[6,7]	Number vested during the 2005 or 2006 year	Percentage that vested during the 2005 or 2006 year %	Vested and exercisable as at 30 Sept 2005 or 2006
E Funke Kupper[8]	Hurdled A	24-Oct-01	25-Oct-04	24-Oct-08	16.33	77,000	77,000	100	–
	Hurdled A	24-Apr-02	24-Apr-05	24-Apr-09	18.03	57,000	57,000	100	–
	Index Linked	23-Oct-02	23-Oct-05	22-Oct-09	17.34	131,000	131,000	100	–
	Index Linked	20-May-03	20-May-06	19-May-10	17.60	119,000	119,000	100	–
	Hurdled A	05-Nov-03	05-Nov-06	04-Nov-10	17.55	51,282	–	–	–
	Hurdled A	11-May-04	11-May-07	10-May-11	18.22	46,722	–	–	–
	Hurdled B	05-Nov-04	05-Nov-07	04-Nov-11	20.68	48,000	–	–	–
	Performance Rights	18-Nov-05	19-Nov-08	18-Nov-10	0.00	45,518	–	–	–
Total						575,522	384,000	67	–
BC Hartzer	Hurdled A	24-Apr-01	25-Apr-04	24-Apr-08	12.98	42,000	–	–	42,000
	Hurdled A	24-Oct-01	25-Oct-04	24-Oct-08	16.33	36,000	36,000	100	36,000
	Hurdled A	24-Apr-02	24-Apr-05	24-Apr-09	18.03	59,000	59,000	100	59,000
	Hurdled A	24-Apr-02	24-Apr-05	24-Apr-09	18.03	50,000	50,000	100	50,000
	Index Linked	23-Oct-02	23-Oct-05	22-Oct-09	17.34	109,000	109,000	100	–
	Index Linked	20-May-03	20-May-06	19-May-10	17.60	113,000	113,000	100	–
	Hurdled A	05-Nov-03	05-Nov-06	04-Nov-10	17.55	55,555	–	–	–
	Hurdled A	11-May-04	11-May-07	10-May-11	18.22	53,279	–	–	–
	Hurdled B	05-Nov-04	05-Nov-07	04-Nov-11	20.68	72,800	–	–	–
	Performance Rights	18-Nov-05	19-Nov-08	18-Nov-10	0.00	64,656	–	–	–
Total						655,290	367,000	56	187,000
GK Hodges	Hurdled A	24-Oct-01	25-Oct-04	24-Oct-08	16.33	13,000	13,000	100	–
	Hurdled A	24-Apr-02	24-Apr-05	24-Apr-09	18.03	17,400	17,400	100	17,400
	Hurdled A	24-Apr-02	24-Apr-05	24-Apr-09	18.03	50,000	50,000	100	50,000
	Index Linked	23-Oct-02	23-Oct-05	22-Oct-09	17.34	63,000	63,000	100	–
	Index Linked	20-May-03	20-May-06	19-May-10	17.60	113,000	113,000	100	–
	Hurdled A	05-Nov-03	05-Nov-06	04-Nov-10	17.55	42,735	–	–	–
	Hurdled A	11-May-04	11-May-07	10-May-11	18.22	49,181	–	–	–
	Hurdled B	05-Nov-04	05-Nov-07	04-Nov-11	20.68	60,000	–	–	–
	Performance Rights	18-Nov-05	19-Nov-08	18-Nov-10	0.00	60,346	–	–	–
Total						468,662	256,400	55	67,400
PJ Hodgson	Hurdled A	24-Oct-01	25-Oct-04	24-Oct-08	16.33	9,000	9,000	100	9,000
	Hurdled A	24-Apr-02	24-Apr-05	24-Apr-09	18.03	9,600	9,600	100	9,600
	Index Linked	23-Oct-02	23-Oct-05	22-Oct-09	17.34	14,700	14,700	100	–
	Index Linked	20-May-03	20-May-06	19-May-10	17.60	17,200	17,200	100	–
	Hurdled A	05-Nov-03	05-Nov-06	04-Nov-10	17.55	8,221	–	–	–
	Hurdled A	11-May-04	11-May-07	10-May-11	18.22	8,300	–	–	–
	Hurdled B	05-Nov-04	05-Nov-07	04-Nov-11	20.68	15,750	–	–	–
	Performance Rights	18-Nov-05	19-Nov-08	18-Nov-10	0.00	51,725	–	–	–
Total						134,496	50,500	38	18,600
PR Marriott	Hurdled A	23-Feb-00	23-Feb-03	22-Feb-07	9.39	25,000	–	–	25,000
	Hurdled A	21-Nov-00	22-Nov-03	21-Nov-07	13.62	170,000	–	–	170,000
	Hurdled A	24-Apr-01	25-Apr-04	24-Apr-08	12.98	80,000	–	–	–
	Hurdled A	24-Oct-01	25-Oct-04	24-Oct-08	16.33	73,000	73,000	100	73,000
	Hurdled A	24-Apr-02	24-Apr-05	24-Apr-09	18.03	70,000	70,000	100	70,000
	Index Linked	23-Oct-02	23-Oct-05	22-Oct-09	17.34	153,000	153,000	100	–
	Index Linked	20-May-03	20-May-06	19-May-10	17.60	158,000	158,000	100	–
	Hurdled A	05-Nov-03	05-Nov-06	04-Nov-10	17.55	71,794	–	–	–
	Hurdled A	11-May-04	11-May-07	10-May-11	18.22	69,263	–	–	–
	Hurdled B	05-Nov-04	05-Nov-07	04-Nov-11	20.68	67,600	–	–	–
	Performance Rights	18-Nov-05	19-Nov-08	18-Nov-10	0.00	62,501	–	–	–
Total						1,000,158	454,000	45	338,000
S Targett[9]	Hurdled A	11-May-04	11-May-07	10-May-11	18.22	307,377	–	–	–
	Hurdled B	05-Nov-04	05-Nov-07	04-Nov-11	20.68	52,000	–	–	–
	Performance Rights	18-Nov-05	19-Nov-08	18-Nov-10	0.00	64,657	–	–	–
Total						424,034	–	–	–

1 Options granted pertains to those options granted, vested or exercised during the year, options yet to vest and any unexercised options.
2 Refer to section F11.1 for more details pertaining to hurdled A, hurdled B and index linked options. Refer to section E2 for further information on zero priced options granted to Sir J Anderson.
3 Treatment of options on termination of employment is explained in section E of the Remuneration Report.
4 The exercise price for hurdled A & B options and index linked options is equal to the weighted average share price over the 5 trading days up to and including the grant date. The exercise price for zero-priced options and performance rights is nil. Note, the original exercise price of options issued prior to the Renouncable Rights issue in November 2003 have been reduced by 72 cents, because of the dilution of share capital associated with the Renouncable Rights issue. Given index-linked options have a dynamic exercise price, the original exercise price is shown in F7 (refer to F11.1 for more details).
5 Refer to section F9 for details of the valuation methodology and inputs.
6 For the 2005 report, no additional options were granted in the period up to and including 2 November 2005. For the 2006 report, Performance Rights were granted on 24 October 2006 (before the report sign-off date). The allocation price was $13.08 with an expiry date of 5 years from the date of grant. The number of Performance Rights granted to each disclosed executive is as follows: Dr RJ Edgar 45,872; BC Hartzer 64,985; GK Hodges 57,340; PJ Hodgson 45,872; PR Marriott 57,340; S Targett 57,340. These amounts relate to the 2007 financial year.
7 The maximum amortisation balance for each executive for subsequent financial years is as follows: Dr RJ Edgar $584,181; BC Hartzer $633,200; GK Hodges $582,742; PJ Hodgson $447,821; PR Marriott $619,771; S Targett $736,140. The value will be nil however, if the minimum performance hurdles are not achieved.
8 E Funke Kupper forfeited 441,522 options (unexercised options granted from 23 October 2002) in 2006 at the time of resignation.
9 S Targett was granted Hurdled Options to compensate for the loss of equity from S Targett's previous employer.

F8. OPTION HOLDINGS OF DISCLOSED EXECUTIVES (INCLUDING MOVEMENTS DURING THE 2005 & 2006 YEARS)

2006 Financial Year

Name	Type of options	Balance as at 1 Oct 2005	Granted during the year as remuneration	Resulting from any other change during year[2]	Value of options granted during the year[1] $	Exercised during the year
Dr RJ Edgar	Hurdled	181,781	–	–	–	–
						–
	Index-Linked	272,000	–	–	–	–
	Performance Rights	–	60,346	–	–	–
E Funke Kupper	Hurdled	146,004	–	(146,004)	–	–
						–
	Index-Linked	250,000	–	(250,000)	–	–
	Performance Rights	–	45,518	(45,518)	–	–
BC Hartzer	Hurdled	368,634	–	–	–	–
	Index-Linked	222,000	–	–	–	–
	Performance Rights	–	64,656	–	–	–
GK Hodges	Hurdled	219,316	–	–	–	17,400
						50,000
	Index-Linked	176,000	–	–	–	–
	Performance Rights	–	60,346	–	–	–
PJ Hodgson	Hurdled	50,871	–	–	–	–
						–
	Index-Linked	31,900	–	–	–	–
	Performance Rights	–	51,725	–	–	–
PR Marriott	Hurdled	546,657	–	–	–	25,000
						73,000
						70,000
	Index-Linked	311,000	–	–	–	–
	Performance Rights	–	62,501	–	–	–
	Other[4]	11,442	–	–	–	–
S Targett	Hurdled	359,377	–	–	–	–
	Performance Rights	–	64,657	–	–	–

2005 Financial Year

Name	Type of options	Balance as at 1 Oct 2004	Granted during the year as remuneration	Resulting from any other change during year	Value of options granted during the year[1] $	Exercised during the year
Sir J Anderson	Zero-priced	–	22,370	–	477,452	11,699
						10,671
Dr RJ Edgar	Hurdled	204,781	52,000	–	130,000	34,000
						41,000
	Index-Linked	272,000	–	–	–	–
E Funke Kupper	Hurdled	232,004	48,000	–	120,000	77,000
						57,000
	Index-Linked	250,000	–	–	–	–
BC Hartzer	Hurdled	295,834	72,800	–	182,000	–
	Index-Linked	222,000	–	–	–	–
GK Hodges	Hurdled	214,316	60,000	–	150,000	26,000
						16,000
						13,000
	Index-Linked	176,000	–	–	–	–
PR Marriott	Hurdled	559,057	67,600	–	169,000	80,000
	Index-Linked	311,000	–	–	–	–
	Other[4]	11,000	–	442	–	–
S Targett	Hurdled	307,377	52,000	–	130,000	–

1 The value of options granted during the year is based on the fair value of the option multiplied by the number granted. Refer to section F9 for details of the valuation methodology and inputs.
2 Refers to forfeiture of options upon resignation for E Funke Kupper. Value of options on forfeiture was $2,229,912.
3 The value per option used in this calculation is based on the difference between the volume weighted average price of the Company's shares traded on the ASX on the day the options were exercised, and the exercise price. This is then multiplied by the number granted.
4 Other refers to share options granted to a related party. 11,000 of these options were vested and exercisable as at 30 September 2005 and 30 September 2006.
5 Aggregate value of options exercised, granted and forfeited during the 2006 year for each disclosed executive is as follows: PR Marriott – $1,225,430; E Funke Kupper – $2,229,912; GK Hodges – $612,666.
6 Aggregate value of options exercised, granted and forfeited during the 2005 year for each disclosed executive is as follows: Sir J Anderson – $940,500; Dr RJ Edgar – $474,966; E Funke Kupper – $599,069; BC Hartzer – $182,000; GK Hodges – $578,148; PR Marriott – $862,166; S Targett – $130,000.

Date of exercise of options	Number of ordinary shares issued on exercise of options	Value of options exercised during the year[3] $	Share price on date of exercise of options $	Amount paid per share $	Balance as at 30 Sept 2006[5]
n/a	–	n/a	n/a	n/a	181,781
n/a	–	n/a	n/a	n/a	
–	–	–	–	–	272,000
–	–	–	–	–	60,346
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	368,634
–	–	–	–	–	222,000
–	–	–	–	–	64,656
17-May-06	17,400	158,166	27.12	18.03	151,916
17-May-06	50,000	454,500	27.12	18.03	
–	–	–	–	–	176,000
–	–	–	–	–	60,346
–	–	–	–	–	50,871
–	–	–	–	–	
–	–	–	–	–	31,900
–	–	–	–	–	51,725
10-Nov-05	25,000	342,000	23.07	9.39	378,657
11-Nov-05	73,000	511,730	23.34	16.33	–
11-Nov-05	70,000	371,700	23.34	18.03	–
–	–	–	–	–	311,000
–	–	–	–	–	62,501
–	–	–	–	–	11,442
–	–	–	–	–	359,377
–	–	–	–	–	64,657

Date of exercise of options	Number of ordinary shares issued on exercise of options	Value of options exercised during the year[3] $	Share price on date of exercise of options $	Amount paid per share $	Balance as at 30 Sept 2005[6]
10-Nov-04	11,699	233,515	19.96	00.00	–
17-May-05	10,671	229,533	21.51	00.00	
20-May-05	34,000	187,982	21.86	16.33	181,781
20-May-05	41,000	156,984	21.86	18.03	
–	–	–	–	–	272,000
27-Oct-04	77,000	264,403	19.76	16.33	146,004
06-May-05	57,000	214,666	21.80	18.03	
–	–	–	–	–	250,000
–	–	–	–	–	368,634
–	–	–	–	–	222,000
20-May-05	26,000	214,211	21.86	13.62	219,316
20-May-05	16,000	142,062	21.86	12.98	
20-May-05	13,000	71,875	21.86	16.33	
–	–	–	–	–	176,000
11-May-05	80,000	693,116	21.64	12.98	546,657
–	–	–	–	–	311,000
–	–	–	–	–	11,442
–	–	–	–	–	359,377

F9. OPTION VALUATIONS

Option type	Grant date	Option value[1] $	Exercise price (5 day VWAP) $	Share price at grant $	ANZ expected volatility[2] %	Option term (years)	Vesting period (years)	Expected life (years)	Expected dividend yield[3] %	Risk free interest rate[4] %
Hurdled	05-Nov-04	2.62	20.68	20.77	18.50	7	3	3	5.30	5.24
Hurdled (CEO)	31-Dec-04	1.98	20.49	20.59	16.50	4	2	2	5.50	5.16
Zero-priced	05-Nov-04	20.70	–	20.77	n/a	2	–	n/a	n/a	n/a
Zero-priced	13-May-05	22.05	–	22.15	n/a	2	–	n/a	n/a	n/a
Zero-priced	07-Nov-05	23.57	–	23.60	n/a	1	–	n/a	n/a	n/a
Performance Rights	18-Nov-05	11.64	–	24.05	15.00	5	3	4	5.00	5.31

1 The Binomial Option Pricing Model ("the model") is used to assess the value of ANZ's options and Performance Rights (other than zero priced options granted to Sir J Anderson, for which the value is the volume weighted average price of the Company's shares traded on the ASX on the day 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 2, 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 F11.1) 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.

F10. PERFORMANCE SHARE VALUATION

Share type	Grant date	Share value[1] $	Share price at grant $	ANZ expected volatility[2] %	Term of shares (years)	Vesting period (years)	Expected life (years)	Expected dividend yield[3] %	Risk free interest rate[4] %
CEO Performance Shares	31-Dec-04	15.02	20.59	16.50	5	2	2	5.40	5.00

1 The Binomial Pricing Model ("the model") is used to assess the value of the Performance Shares. In accordance with AASB 2, the model utilises probability theory to determine the value of the performance shares which also reflects the performance hurdle. Under the terms of the performance shares, the hurdle conditions (outlined in section F11.3) must be met before the shares can vest.

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 performance shares.

3 In estimating the fair value of the performance shares, 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 the performance shares.

F11. LEGACY LONG TERM INCENTIVE (LTI) PROGRAMS

F11.1 Options (Granted prior to October 2005)

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;
- A maximum life of 7 years and an exercise period that commences 3 years after the date of grant, 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 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 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.

Hurdled Options (Hurdled B) (Granted November 2004)

In November 2004 hurdled options were granted with a relative TSR performance hurdle attached.

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's TSR is at or above the 75th percentile in the comparator group.

Comparator Group

AMP Limited
AXA Asia Pacific Holdings Limited
Commonwealth Bank of Australia
Insurance Australia Group Limited
Macquarie Bank Limited
National Australia Bank Limited
QBE Insurance Group Limited
St George Bank Limited
Suncorp-Metway Limited
Westpac Banking Corporation

Hurdled Options (Hurdled A) (Granted to Executives from February 2000 until July 2002, and from November 2003 until May 2004. Granted to CEO from December 2001 until December 2004.)

Until May 2004, hurdled options were granted to executives with the following performance hurdles attached. The following performance hurdles also pertain to the options granted to the CEO:

1. Half the options may only be exercised once ANZ's 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).

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, i.e. 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. They are exercisable between the 3rd and 7th year after grant date, subject to the adjusted exercise price being above the prevailing share price.

F11.2 Deferred Shares (Granted from February 2000)

Deferred Shares granted under the LTI arrangements were designed to reward executives for superior growth whilst also encouraging executive 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 beyond the deferral period;
- 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.

Deferred Shares no longer form part of ANZ's Senior Executive LTI program, however there may be circumstances (such as retention) where this type of equity (including Deferred Share Rights) will be issued.

F11.3 Performance Shares (Granted December 2004 to CEO)

In December 2004 Performance Shares were granted to the CEO of ANZ with a relative TSR performance hurdle attached. The proportion of shares that vest 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 Performance Shares becoming exercisable. Performance above median will result in further Performance Shares becoming exercisable, increasing on a straight-line basis until all of the Performance Shares become exercisable where ANZ's TSR is at or above the 75th percentile in the comparator group. No dividends will be payable on the shares until they vest, with the earliest possible vesting date being 31 December 2006.

Comparator Group

AMP Limited

AXA Asia Pacific Holdings Limited

Commonwealth Bank of Australia

Insurance Australia Group Limited

Macquarie Bank Limited

National Australia Bank Limited

QBE Insurance Group Limited

St George Bank Limited

Suncorp-Metway Limited

Westpac Banking Corporation

Signed in accordance with a resolution of the directors

Charles Goode
Director

John McFarlane
Chief Executive Officer

1 November 2006

financial statements

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED AND CONTROLLED ENTITIES
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2006

	Consolidated 2006 $m	Consolidated 2005[3] $m
Total income	25,510	21,297
Interest income	22,301	17,719
Interest expense	(15,358)	(11,901)
Net interest income	6,943	5,818
Other operating income	3,015	3,377
Share of joint venture profit from ING Australia and ING New Zealand	138	149
Share of associates profit	56	52
Operating income	10,152	9,396
Operating expenses	(4,531)	(4,418)
Profit before credit impairment and income tax	5,621	4,978
Provision for credit impairment	(407)	(580)
Profit before income tax	5,214	4,398
Income tax expense	(1,522)	(1,220)
Profit for the year	3,692	3,178
Profit attributable to minority interest	4	3
Profit attributable to shareholders of the Company[1,2]	3,688	3,175
Earnings per ordinary share (cents)		
Basic	200.0	169.5
Diluted	194.0	164.4

The notes appearing on pages 96 to 101 form an integral part of these financial statements.

1 The results of 2006 include the impact of these significant items:
- Settlement of ANZ National Bank Limited claims ($14 million profit after tax); and
- Settlement of NHB insurance claim ($79 million profit after tax).

The results of 2005 include the impact of the significant item:
- Gain on sale of NBNZ Life ($14 million profit after tax).

2 Includes NBNZ incremental integration costs of $26 million (2005: $52 million) after tax.

3 The 2005 comparative is not restated for the financial instruments standards being AASB 132, AASB 139 and AASB 4, as permitted under the first time adoption transitional provisions.

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED AND CONTROLLED ENTITIES
CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2006

	Consolidated 2006 $m	Consolidated 2005[1] $m
Assets		
Liquid assets	15,019	11,601
Due from other financial institutions	9,665	6,348
Trading securities[2]	9,179	6,285
Derivative financial instruments	9,164	6,511
Available-for-sale assets/investment securities[3]	10,653	10,042
Net loans and advances	255,410	232,490
Customers' liabilities for acceptances	13,435	13,449
Regulatory deposits	205	159
Share of associates and joint venture entities	2,200	1,926
Deferred tax assets	1,384	1,389
Goodwill and other intangible assets[4]	3,337	3,458
Other assets	5,011	6,173
Premises and equipment	1,109	1,054
Total assets	335,771	300,885
Liabilities		
Due to other financial institutions	14,118	12,027
Deposits and other borrowings	204,794	190,322
Derivative financial instruments	8,753	7,006
Liability for acceptances	13,435	13,449
Current tax liabilities	569	199
Deferred tax liabilities	1,384	1,602
Payables and other liabilities	10,679	7,618
Provisions	957	914
Bonds and notes	50,050	39,073
Loan capital	11,126	9,137
Total liabilities	315,865	281,347
Net assets	19,906	19,538
Shareholders' equity		
Ordinary share capital	8,271	8,053
Preference share capital	871	1,858
Reserves	(354)	(46)
Retained earnings	11,084	9,646
Share capital and reserves attributable to shareholders of the Company	19,872	19,511
Minority interest	34	27
Total equity	19,906	19,538

The notes appearing on pages 96 to 101 form an integral part of these financial statements.

1 The 2005 comparative is not restated for the financial instruments standards being AASB 132, AASB 139 and AASB 4, as permitted under the first time adoption transitional provisions.
2 Includes bills held in portfolio $1,569 million (September 2005: $1,182 million).
3 In 2005 available-for-sale assets were reported as investment securities.
4 Excludes notional goodwill related to the ING Australia joint venture of $826 million (September 2005: $826 million) and the ING New Zealand joint venture $79 million (September 2005: $82 million).

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED AND CONTROLLED ENTITIES
STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE YEAR ENDED 30 SEPTEMBER 2006

	Consolidated 2006 $m	Consolidated 2005 $m
Items recognised directly in equity[1]		
Currency translation adjustments		
Exchange differences on translation of foreign operations taken to equity	(203)	(443)
Available-for-sale assets		
Valuation gain taken to equity	20	n/a
Cumulative (gain) transferred to the income statement on sale	(8)	n/a
Cash flow hedges		
Valuation gain taken to equity	121	n/a
Transferred to income statement for the year	(56)	n/a
Actuarial (loss)/gain on defined benefit plans	(55)	25
Net income/(loss) recognised directly in equity	(181)	(418)
Profit for the year	3,692	3,178
Total recognised income and expense for the year	3,511	2,760
Total recognised income and expense for the year attributable to minority interest	4	3
Total recognised income and expense for the year attributable to shareholders of the Company	3,507	2,757
Effect of adoption of AASB 132 and AASB 139 on shareholders' equity:[2]		
Available-for-sale reserve	(10)	
Cash flow hedging reserve	162	
Retained earnings	(431)	
	(279)	

The notes appearing on pages 96 to 101 form an integral part of these financial statements.

1 These items are disclosed net of tax.
2 No portion is attributable to minority interest.

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 SEPTEMBER 2006

	Consolidated 2006 $m	Consolidated 2005 $m
	Inflows (Outflows)	
Cash flows from operating activities		
Interest received	23,014	17,868
Dividends received	53	144
Fee income received	2,082	2,303
Other income received	1,057	1,013
Interest paid	(14,676)	(11,414)
Personnel expenses paid	(2,737)	(2,498)
Premises expenses paid	(379)	(367)
Other operating expenses paid	(2,416)	(2,144)
Recovery from NHB litigation	114	–
Income taxes paid		
Australia	(788)	(572)
Overseas	(437)	(500)
Goods and services tax received (paid)	(18)	18
(Increase)/decrease in operating assets		
Liquid assets – greater than three months	(1,300)	(728)
Due from other financial institutions	1,318	(371)
Trading securities	(1,681)	(821)
Regulatory deposits	(42)	5
Loans and advances	(26,848)	(28,788)
Increase/(decrease) in operating liabilities		
Deposits and other borrowings	16,129	19,856
Due to other financial institutions	1,859	4,972
Payables and other liabilities	541	(1,339)
Net cash (used in) operating activities	(5,155)	(3,363)
Cash flows from investing activities		
Net decrease /(increase)		
Available-for-sale assets		
Purchases	(15,480)	(17,188)
Proceeds from sale or maturity	16,239	17,856
Controlled entities and associates		
Purchased (net of cash acquired)	(289)	(208)
Proceeds from sale (net of cash disposed)	14	360
Premises and equipment		
Purchases	(250)	(325)
Proceeds from sale	19	86
Other	1,697	(1,719)
Net cash provided by/(used in) investing activities	1,950	(1,138)
Cash flows from financing activities		
Net (decrease) increase		
Bonds and notes		
Issue proceeds	17,506	17,968
Redemptions	(8,949)	(5,025)
Loan capital		
Issue proceeds	1,248	1,225
Redemptions	(656)	(93)
Change in minority interest	–	8
Dividends paid	(1,930)	(1,808)
Share capital issues	147	120
Share capital buyback	(146)	(204)
Euro Trust security issue	–	875
Euro Trust issue costs	–	(4)
Net cash provided by financing activities	7,220	13,062
Net cash (used in) operating activities	(5,155)	(3,363)
Net cash provided by/(used in) investing activities	1,950	(1,138)
Net cash provided by financing activities	7,220	13,062
Net increase in cash and cash equivalents	4,015	8,561
Cash and cash equivalents at beginning of year	13,702	7,854
Foreign currency translation on opening balances	2,627	(2,713)
Cash and cash equivalents at end of year	20,344	13,702

The notes appearing on pages 96 to 101 form an integral part of these financial statements.

Notes to the Concise Financial Statements

1: BASIS OF PREPARATION OF CONCISE FINANCIAL REPORT

This Concise Financial Report has been derived from the Group's 2006 full Financial Report and is prepared in accordance with the Corporations Act 2001 and Australian Accounting Standard AASB 1039 'Concise Financial Reports'. A complete description of the accounting policies adopted by the Group is provided in the 2006 ANZ Financial Report.

The Group revised its accounting policies effective 1 October 2004 to enable the preparation of financial statements that comply with Australian Equivalents to International Financial Reporting Standards (AIFRS). Australian Accounting Standard AASB 1 'First-time adoption of Australian Equivalents to International Financial Reporting Standards' has been applied in preparing the ANZ Financial Report.

The ANZ Financial Report on which this Concise Financial Report is based is the first annual ANZ Financial Report to be prepared in accordance with AIFRS. With the exception of Australian Accounting Standard AASB 132 'Financial Instruments: Presentation and Disclosure', Australian Accounting Standard AASB 139 'Financial Instruments: Recognition and Measurement' and Australian Accounting Standard AASB 4 'Insurance Contracts', comparative figures for 2005 have been restated. The Group has taken the exemption available under AASB 1 to apply AASB 132, AASB 139 and AASB 4 from 1 October 2005.

The presentation currency used in this concise financial report is Australian Dollars.

2: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group has identified the following critical estimates and judgements used in applying accounting policies:

- Provisions for credit impairment;
- Special purpose and off-balance sheet entities;
- Valuation of investment in ING Australia and ING(NZ) Holdings Limited; and
- Goodwill and valuation of goodwill in ANZ National Bank Limited.

Details of all significant accounting policies and critical accounting estimates and judgements are contained in the 2006 ANZ Financial Report which can be obtained from anz.com.

3: MAJOR EVENTS THIS FINANCIAL YEAR

- **Simplified Divisional Structure** – From 1 May 2006 the Group simplified its structure into the following divisions; Personal, Institutional, New Zealand and Partnerships & Private Bank.
- **Investment in China's Tianjin City Commercial Bank:** During the year ANZ completed a 20% (US$111.4 million) investment in China's Tianjin City Commercial Bank. ANZ is the first foreign bank to own a 20 per cent shareholding in a Chinese bank.
- **Settlement of the NHB Insurance Claim:** During the year ANZ settled its $130 million claim against a number of reinsurers in relation to the National Housing Bank (NHB) matter. $113 million pre-tax profit was recovered in relation to the long running dispute.
- **New Property Strategy:** ANZ made a decision during the year to progress a new property strategy with the development of a purpose-built campus in Melbourne by the year 2009.

4: ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The 2006 ANZ Financial Report is the Group's first annual report prepared in accordance with AIFRS. The accounting policies have been consistently applied to all periods presented and the opening AIFRS balance sheet as at 1 October 2004, except in relation to Australian Accounting Standard AASB 132 'Financial Instruments: Presentation and Disclosure', Australian Accounting Standard AASB 139 'Financial Instruments: Recognition and Measurement', and Australian Accounting Standard AASB 4 'Insurance Contracts'. The Group has taken the exemption available under Australian Accounting Standard AASB 1 'First-time adoption of Australian Equivalents to International Financial Reporting Standards' to apply these accounting standards from 1 October 2005.

Reconciliations and descriptions of the effect of transition to AIFRS on the Group's reported income statement, balance sheet and cash flow statement are set out in Note 51 of the ANZ Financial Report. A summary of this information is set out below and on the following page.

Effect of transition to AIFRS

(i) Impact on the balance sheet	1 Oct 2005 $m	30 Sept 2005 $m	1 Oct 2004 $m
Total assets under AGAAP	295,966[1]	295,966[1]	259,345
Adjustments from 1 October 2004	–	5,090	–
Adjustments from 30 September 2005	4,919	–	–
Credit loss provisioning	184	–	–
Fee revenue	(276)	–	–
Derivative reclassification and accounting	89	–	–
Financial instruments remeasurement	(199)	–	–
Reclassification of StEPS	7	–	–
Accounting for INGA	(138)	–	–
Goodwill	–	224	–
Defined benefit superannuation schemes	–	(7)	59
Share based payments	–	5	–
Securitisation vehicles	–	(388)	5,026
Other	(14)	(5)	5
Total assets under AIFRS	300,538	300,885	264,435
Total liabilities under AGAAP	276,478[1]	276,478[1]	241,420
Adjustments from 1 October 2004	–	5,286	–
Adjustments from 30 September 2005	4,869	–	–
Derivative reclassification and accounting	81	–	–
Financial instruments remeasurement	(145)	–	–
Reclassification of StEPS	1,000	–	–
Defined benefit superannuation schemes	–	(31)	200
Share based payments	–	4	24
Securitisation vehicles	–	(388)	5,029
Taxation	–	–	(18)
Other	6	(2)	51
Total liabilities under AIFRS	282,289	281,347	246,706
Total equity under AGAAP	19,488	19,488	17,925
Adjustments to retained earnings			
From 1 October 2004	–	71	–
From 30 September 2005	253	–	–
Credit loss provisioning	207	–	–
Fee revenue	(276)	–	–
Derivative accounting	(153)	–	–
Financial instruments remeasurement	(37)	–	–
Reclassification of StEPS	(6)	–	–
Accounting for INGA	(146)	–	–
Goodwill	–	224	–
Defined benefit superannuation schemes	–	24	(141)
Share based payments	–	(63)	(4)
Securitisation vehicles	–	–	(3)
Resetting of reserves	–	–	249
Taxation	–	–	16
Other	(20)	(3)	(46)
Adjustments to reserves			
From 1 October 2004	–	(205)	–
From 30 September 2005	(182)	–	–
Credit loss provisioning	(23)	–	–
Derivative accounting	161	–	–
Financial instruments remeasurement	(17)	–	–
Accounting for INGA	8	–	–
Share based payments	–	23	44
Resetting of reserves	–	–	(249)
Adjustments to share capital			
From 1 October 2004	–	(62)	–
From 30 September 2005	(21)	–	–
Reclassification of StEPS	(987)	–	–
Share based payments	–	41	(64)
Taxation	–	–	2
Total equity under AIFRS	18,249	19,538	17,729

1 Includes restatement of derivative financial assets and liabilities not intended to be settled on a net basis.

Effect of transition to AIFRS (continued)

(ii) Impact on the income statement

	2005 $m
Profit attributable to shareholders under AGAAP	3,018
Goodwill amortisation	224
Share based payments	(63)
Other	(4)
Profit attributable to shareholders under AIFRS	3,175

(iii) Impact on the statement of cash flows

The adoption of AIFRS has not resulted in any material adjustments to the statement of cash flows.

5: DIVIDENDS

Ordinary Dividends

	2006 $m	2005 $m
Interim dividend	1,024	930
Final dividend	1,078[1]	983[1]
Bonus option plan adjustment	(34)	(36)
Dividends on ordinary shares	2,068	1,877

1 Dividends are not accrued and are recorded when determined. Final dividend of $1,267 million for 2006 not included in above table.

A fully franked final dividend of 69 cents, is proposed to be paid on each fully paid ordinary share on 15 December 2006 (2005: final dividend of 59 cents, paid on 16 December 2005, fully franked). The 2006 interim dividend of 56 cents, paid 3 July 2006, was fully franked (2005: interim dividend of 51 cents paid on 1 July 2005, 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% (2005: 30%).

Dividend Franking Account

The amount of franking credits available to the Company for the subsequent financial year is $341 million (2005: $78 million), after adjusting for franking credits that will arise from the payment of tax on Australian profits for the 2006 financial year, $543 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.

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.

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 that a bank under its supervision must consult with it before declaring a coupon payment on a Tier 1 instrument, including a dividend if the bank has incurred a loss, or proposes to pay coupon payments on Tier 1 instruments (including dividends), which exceed the level of current year profits.

Dividend Reinvestment Plan

During the year, 3,545,901 ordinary shares were issued at $23.85 per share, and 3,039,401 ordinary shares at $26.50 per share, under the dividend reinvestment plan (2005: 3,900,116 ordinary shares at $19.95 per share, and 3,406,775 ordinary shares at $21.85 per share). All shareholders can elect to participate in the dividend reinvestment plan.

Bonus Option Plan

Dividends paid during the year have been reduced as a result of certain shareholders participating in the bonus option plan and foregoing all or part of their right to dividends. These shareholders were issued bonus shares.

During the year, 1,384,144 ordinary shares were issued under the bonus option plan (2005: 1,749,584 ordinary shares).

Preference Dividends

	2006 $m	2005 $m
ANZ Stapled Exchangeable Preferred Securities (ANZ StEPS)[1]	–	66
Euro Trust Securities	27	18
Dividends on preference shares	27	84

1 Under AIFRS, the ANZ StEPS issue is now treated as loan capital with distributions being reported as an interest expense in the financial year ended 30 September 2006.

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 issued by a New Zealand subsidiary (ANZ Holdings (New Zealand) Limited) which is stapled to a fully paid preference share issued by the Company.

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 or security ranking equal or below the preference share component of ANZ StEPS. Distributions are reported as interest expense from 1 October 2005 due to the reclassification of the preference securities as loan capital under AIFRS.

Euro Trust Securities

On 13 December 2004, the Group issued 500,000 Euro Floating Rate Non-cumulative Trust Securities (‘Euro Trust Securities’) at €1,000 each into the European market, raising €500 million (A$871 million at the spot rate at the date of issue, net of issue costs). The Euro Trust Securities comprise 2 fully paid securities – an interest paying unsecured note issued by a United Kingdom subsidiary (ANZ Jackson Funding PLC) and a fully paid €1,000 preference share issued by the Company, which are stapled together and issued as a Euro Trust Security by ANZ Capital Trust III.

Distributions on Euro Trust Securities 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 3 month EURIBOR rate plus a 66 basis point margin. At each payment date the 3 month EURIBOR 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 Euro Trust Securities, the Company may not pay dividends or return capital on its ordinary shares or any other share capital or security ranking equal or below the preference share component.

6: SEGMENT ANALYSIS

For management purposes the Group is organised into three major business segments comprising Personal, Institutional and New Zealand Business. A description of each of the operating business segments, including the types of products and services each segment provides to customers, is detailed in the 2006 ANZ Financial Report.

As the composition of segments has changed over time, September 2005 comparatives have been adjusted to be consistent with the 2006 segment definitions detailed in the 2006 ANZ Financial Report. September 2005 business segment comparatives have not been adjusted for AASB 132 and AASB 139.

BUSINESS SEGMENT ANALYSIS[1, 2]

Consolidated At 30 September 2006	Personal $m	Institutional $m	New Zealand Businesses $m	Other[3] $m	Consolidated total $m
External interest income	9,323	7,393	5,421	164	22,301
External interest expense	(2,663)	(4,774)	(3,450)	(4,471)	(15,358)
Net intersegment interest	(3,647)	(550)	(452)	4,649	–
Net interest income	3,013	2,069	1,519	342	6,943
Other external operating income	1,180	1,245	463	127	3,015
Share of net profit/loss of equity accounted investments	7	15	20	152	194
Net intersegment income	34	(70)	(2)	38	–
Operating income	4,234	3,259	2,000	659	10,152
Profit after income tax	1,256	1,396	683	353	3,688
Total external assets	136,730	119,104	66,064	13,873	335,771
Total external liabilities	67,449	108,686	57,153	82,577	315,865

BUSINESS SEGMENT ANALYSIS[1, 2]

Consolidated At 30 September 2005	Personal $m	Institutional $m	New Zealand Businesses $m	Other[3] $m	Consolidated total $m
External interest income	7,996	4,603	4,779	341	17,719
External interest expense	(2,294)	(3,721)	(3,058)	(2,828)	(11,901)
Adjust for intersegment interest	(3,113)	508	(223)	2,828	–
Net interest income	2,589	1,390	1,498	341	5,818
Other external operating income	1,117	1,680	530	50	3,377
Share of net profit/loss of equity accounted investments	7	5	8	181	201
Net intersegment income	41	(75)	4	30	–
Operating income	3,754	3,000	2,040	602	9,396
Profit after income tax	1,095	1,213	639	228	3,175
Total external assets	122,372	105,455	61,980	11,078	300,885
Total external liabilities	60,350	91,755	55,458	73,784	281,347

1 Results are equity standardised.
2 Intersegment transfers are accounted for and determined on an arm's length or cost recovery basis.
3 Includes Partnerships & Private Bank, Treasury, Operations, Technology and Shared Services, Corporate Centre, Risk Management and Group Financial Management. Also includes the London headquartered project finance and certain structured finance transactions that ANZ has exited as part of its de-risking strategy.

7: 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:

	2006		2005	
	Closing	Average	Closing	Average
Euro	0.5882	0.6071	0.6325	0.6024
Great British pound	0.3982	0.4150	0.4325	0.4142
New Zealand dollar	1.1455	1.1433	1.0998	1.0847
United States dollar	0.7476	0.7468	0.7623	0.7657

8: EVENTS SINCE THE END OF THE FINANCIAL YEAR

On 1 September 2006, the Group announced that it had agreed to sell Esanda Fleetpartners in Australia and New Zealand to Nikko Principal Investments Australia, the Australian private equity arm of Nikko Cordial Corporation for approximately $380 million. The profit after tax on sale is anticipated to be approximately $130 million. This sale was completed during October 2006. Esanda Fleetpartners contributed approximately $20 million to the Group's net profit after tax for the year ended 30 September 2006.

There have been no other significant events from 30 September 2006 to the date of this report.

Directors' Declaration

The directors of Australia and New Zealand Banking Group Limited declare that in their opinion the accompanying Concise Financial Report of the Consolidated Group for the year ended 30 September 2006 complies with Australian Accounting Standard AASB 1039 'Concise Financial Reports' and has been derived from, or is consistent with, the full financial report for the year.

In our declaration in the Group's 2006 Financial Report required by section 295(4) of the Corporations Act 2001 we declared that:

a) in the directors' opinion, the financial statements and notes of the Company and the consolidated entity have been prepared in accordance with the Corporations Act 2001, including that they:

i) comply with applicable Australian Accounting Standards, and other mandatory professional reporting requirements; and

ii) give a true and fair view of the financial position of the Company and of the consolidated entity as at 30 September 2006 and of their performance as represented by the results of their operations and their cash flows, for the year ended on that date; and

b) in the directors' opinion, the remuneration disclosures that are contained on pages 70 to 91 of the Remuneration Report in the Directors' Report found in Part 2 of 2 of the Concise Annual Report 2006 comply with Australian Accounting Standard AASB 124 'Related Party Disclosures' when read in conjunction with the Corporations Act 2001; and

c) the directors have received the declarations required by section 295A of the Corporations Act 2001; and

d) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

Charles Goode
Director

John McFarlane
Chief Executive Officer

1 November 2006

Independent audit report on concise financial report to the members of Australia and New Zealand Banking Group Limited

SCOPE

We have audited the concise financial report of Australia and New Zealand Banking Group Limited and its controlled entities for the financial year ended 30 September 2006, consisting of the income statement, statement of recognised income and expense, balance sheet, statement of cash flow, accompanying notes 1 to 8 and the accompanying discussion and analysis on the income statement, statement of recognised income and expense, balance sheet and statement of cash flow set out on page 67. We have audited information disclosed by the Company, as permitted by the Corporations Regulations 2001, about the remuneration of directors and executives ('remuneration disclosures'), required by Australian Accounting Standard AASB 124 Related Party Disclosures, under the heading 'Remuneration report' on pages 70 to 91 of the directors' report and not in the concise financial report. The company's directors are responsible for the concise financial report and the remuneration report. We have conducted an independent audit of the concise financial report and the remuneration report in order to express an opinion on them to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the concise financial report is free of material misstatement. We have also performed an independent audit of the full financial report and the remuneration report of Australia and New Zealand Banking Group Limited and its controlled entities for the year ended 30 September 2006. Our audit report on the full financial report and the remuneration report was signed on 1 November 2006, and was not subject to any qualification.

Our procedures in respect of the audit of the concise financial report included testing that the information in the concise financial report is consistent with the full financial report and examination, on a test basis, of evidence supporting the amounts, discussion and analysis and other disclosures which were not directly derived from the full financial report. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report is presented fairly in accordance with Australian Accounting Standard AASB 1039 'Concise Financial Reports'.

The audit opinion expressed in this report has been formed on the above basis.

AUDIT OPINION

In our opinion the concise financial report of Australia and New Zealand Banking Group Limited and its controlled entities for the year ended 30 September 2006 complies with Australian Accounting Standard AASB 1039 'Concise Financial Reports'.

KPMG

KPMG
Melbourne

Michelle Hinchliffe
Partner

1 November 2006

Copy of the auditor's independence statement

LEAD AUDITOR'S INDEPENDENCE STATEMENT

I state that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 September 2006 there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit, other than contraventions (relating to minor matters rectified within 7 days and reported to the directors) covered by ASIC Class Order 05/910; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG
Melbourne

Michelle Hinchliffe
Partner

1 November 2006

shareholder information

Ordinary shares

At 6 October 2006, the twenty largest holders of ordinary shares held 1,061,035,417 ordinary shares, equal to 57.77% of the total issued ordinary capital.

Name	Number of shares	%	Name	Number of shares	%
1 NATIONAL NOMINEES LIMITED	224,059,389	12.20	11 WESTPAC FINANCIAL SERVICES LIMITED	10,887,249	0.59
2 CHASE MANHATTAN NOMINEES LTD	217,393,315	11.84	12 PSS BOARD	9,222,086	0.50
3 WESTPAC CUSTODIAN NOMINEES LIMITED	193,204,045	10.52	13 POTTER WARBURG NOMINEES PTY LIMITED	8,913,914	0.48
4 CITICORP NOMINEES PTY LIMITED	93,182,832	5.07	14 UBS NOMINEES PTY LTD	7,250,000	0.39
5 ANZ NOMINEES LIMITED	89,258,228	4.86	15 SUNCORP CUSTODIAN SERVICES PTY LIMITED	6,332,335	0.34
6 RBC GLOBAL SERVICES AUSTRALIA	52,179,530	2.84	16 ANZEST PTY LTD (DEFERRED SHARE PLAN A/C)	6,083,136	0.33
7 COGENT NOMINEES PTY LIMITED	47,922,326	2.61	17 IAG NOMINEES PTY LIMITED	5,445,352	0.30
8 QUEENSLAND INVESTMENT CORPORATION	34,152,561	1.86	18 VICTORIAN WORKCOVER AUTHORITY	5,126,337	0.28
9 HKBA NOMINEES LIMITED	21,239,228	1.16	19 ANZEST PTY LTD (ESAP SHARE PLAN A/C)	4,895,621	0.27
10 AMP LIFE LIMITED	19,410,884	1.06	20 AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	4,877,049	0.27
Total				1,061,035,417	57.77

Distribution of shareholdings

At 6 October 2006 Range of shares	Number of holders	% of holders	Number of shares	% of shares
1 to 1,000	162,364	55.72	71,650,288	3.90
1,001 to 5,000	103,346	35.46	227,422,508	12.38
5,001 to 10,000	15,521	5.33	108,433,556	5.91
10,001 to 100,000	9,739	3.34	205,854,483	11.21
Over 100,000	438	0.15	1,223,214,237	66.60
Total	291,408	100	1,836,575,072	100

At 6 October 2006:

- there were no entries in the register of Substantial Shareholdings;
- the average size of holdings of ordinary shares was 6,302 (2005: 6,927) shares; and
- there were 5,023 holdings (2005: 5,037 holdings) of less than a marketable parcel (less than $500 in value or 19 shares based on the market price of $ 27.42), which is less than 1.73% of the total holdings of ordinary shares.

Voting rights of ordinary shares

The Constitution provides for votes to be cast:

i) on show of hands, 1 vote for each shareholder; and

ii) on a poll, 1 vote for each fully paid ordinary share.

On-market buy-back

The Group commenced an on-market buyback of $350 million of ordinary equity on 10 January 2005. The buy-back period was extended to 30 March 2006. The buy-back was completed on 14 March 2006 and the Group had repurchased 15.7 million shares at an average cost of $22.26 per share.

Preference Shares – ANZ Stapled Exchangeable Preferred Securities (ANZ StEPS)

At 6 October 2006, the twenty largest holders of ANZ StEPS held 4,427,873 securities, equal to 44.28% of the total issued securities.

Name	Number of securities	%
1 ANZ NOMINEES LIMITED	935,718	9.36
2 NATIONAL NOMINEES LIMITED	840,036	8.40
3 CHASE MANHATTAN NOMINEES LTD	768,498	7.68
4 POTTER WARBURG NOMINEES PTY LIMITED	362,629	3.63
5 CITICORP NOMINEES PTY LIMITED	325,124	3.25
6 UBS NOMINEES PTY LTD	216,366	2.16
7 UCA CASH MANAGEMENT FUND LTD	152,500	1.52
8 WESTPAC CUSTODIAN NOMINEES LIMITED	131,358	1.31
9 WOODROSS NOMINEES PTY LTD	101,185	1.01
10 COGENT NOMINEES PTY LIMITED	93,646	0.94
11 QUESTOR FINANCIAL SERVICES LIMITED (TPS RF A/C)	62,564	0.63
12 RBC GLOBAL SERVICES AUSTRALIA	61,904	0.62
13 TRANSPORT ACCIDENT COMMISSION	60,000	0.60
14 THE AUSTRALIAN NATIONAL UNIVERSITY	50,000	0.50
15 AUSTRALIAN EXECUTOR TRUSTEES LIMITED (NO 1 ACCOUNT)	49,927	0.50
16 SHARE DIRECT NOMINEES PTY LTD (GLOBAL MARKETS ACCOUNT)	46,922	0.47
17 CAMBOOYA PTY LTD	45,269	0.45
18 CITICORP NOMINEES PTY LIMITED (CFSIL CWLTH SPEC 5 A/C)	42,880	0.43
19 RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED (GSJBW A/C)	40,807	0.41
20 UOB KAY HIAN PRIVATE LIMITED (CLIENTS A/C)	40,540	0.41
Total	4,427,873	44.28

Distribution of ANZ StEPS holdings

At 6 October 2006 Range of securities	Number of holders	% of holders	Number of securities	% of securities
1 to 1,000	11,344	93.82	2,984,544	29.85
1,001 to 5,000	631	5.22	1,433,210	14.33
5,001 to 10,000	60	0.50	481,821	4.82
10,001 to 100,000	47	0.39	1,267,011	12.67
Over 100,000	9	0.07	3,833,414	38.33
Total	12,091	100	10,000,000	100

At 6 October 2006: There were 3 holdings (2005: 1 holding) of less than a marketable parcel (less than $500 in value or 5 securities based on the market price of $ 102.00), which is less than 0.03% of the total holdings of StEPS.

Voting rights of ANZ StEPS

A preference share does not entitle its holder to vote at any general meeting of ANZ except in the following circumstances:

a) on a proposal:

i) to reduce the share capital of ANZ;

ii) that affects rights attached to the preference shares;

iii) to wind up ANZ; or

iv) for the disposal of the whole of the property, business and undertaking of ANZ;

b) on a resolution to approve the terms of a buy-back agreement;

c) during the period in which a dividend which has been declared as payable on a dividend payment date has not been paid in full; or

d) during the winding-up of ANZ.

If a poll is conducted on a resolution on which a holder is entitled to vote, the holder has one vote for each preference share held.

Employee shareholder information

At the Annual General Meeting in January 1994, shareholders approved an aggregate limit of 7% of all classes of shares and options, which remain subject to the rules of a relevant incentive plan, being held by employees and directors. At 30 September 2006 participants held 2.25% (2005: 2.41%) of the issued shares and options of ANZ under the following incentive plans:

ANZ Employee Share Acquisition Plan;

ANZ Employee Share Save Scheme;

ANZ Share Option Plan;

ANZ Directors' Share Plan; and

ANZ Directors' Retirement Benefit Plan.

Stock exchange

The Group's ordinary shares are listed on the Australian Stock Exchange and the New Zealand Stock Exchange.

The Group's other stock exchange listings include:

- Australian Stock Exchange – ANZ Stapled Exchangeable Preferred Securities (ANZ StEPS) [*ANZ Holdings (New Zealand) Limited and Australia and New Zealand Banking Group Limited*]; senior and subordinated debt [*Australia and New Zealand Banking Group Limited*];
- Channel Islands Stock Exchange – Subordinated debt [*ANZ Jackson Funding PLC*];
- London Stock Exchange – Senior and subordinated debt securities issued off the Euro Medium Term Note program [*Australia and New Zealand Banking Group Limited and ANZ National (Int'l) Limited*]; senior debt securities issued off the US Medium Term Note program [*ANZ National (Int'l) Limited*];
- Luxembourg Stock Exchange – Senior debt [*ANZ National Bank Limited*] and senior and subordinated debt [*Australia and New Zealand Banking Group Limited*]; Non-cumulative Trust Securities [*ANZ Capital Trust III*];
- New York Stock Exchange – American Depositary Receipts [*Australia and New Zealand Banking Group Limited*];
- New Zealand Stock Exchange – Senior and subordinated debt [*ANZ National Bank Limited*]; and
- Swiss Stock Exchange – Senior debt [*Australia and New Zealand Banking Group Limited*].

ANZ StEPS

In September 2003, 10 million ANZ Stapled Exchangeable Preferred Securities (ANZ StEPS) were issued at an issue price of $100.00 each. Each ANZ StEPS is a stapled security comprising a Preference Share in Australia and New Zealand Banking Group Limited and an unsecured Note issued by ANZ Holdings (New Zealand) Limited. ANZ StEPS are quoted on the Australian Stock Exchange.

American depositary receipts

The Bank of New York is the Depositary for ANZ's American Depositary Receipt (ADR) program in the United States of America. The ADRs are listed on the New York Stock Exchange. ADR holders should deal directly with the Bank of New York, New York on all matters relating to their ADR holdings, by telephone on 1-888-269-2377 (toll free for domestic callers), 1-610-382-7836 (for international callers) or by email to shareowners@bankofny.com.

Euro Trust Securities

In December 2004, ANZ issued 500,000 Floating Rate Non-cumulative Trust Securities at an issue price of €1,000 each through ANZ Capital Trust III. Each Euro Trust Security represents an interest in a stapled security comprising a Preference Share in Australia and New Zealand Banking Group Limited and an unsecured Note issued by ANZ Jackson Funding PLC. The Euro Trust Securities are quoted on the Luxembourg Stock Exchange, and the unsecured Note is listed on the Channel Islands Stock Exchange but cannot be traded separately from the Euro Trust Securities.

glossary of financial terms

Adjusted common equity (ACE) – Tier one capital less preference shares at current rates, deductions from regulatory capital and transitional capital relief as approved by the Australian Prudential Regulation Authority.

AIFRS – Australian Equivalents to International Financial Reporting Standards.

Arrears – a contractually due and payable sum which remains overdue/unpaid.

Assets – resources controlled by the Group. Assets can be in the form of money, such as cash or amounts owed; they can be fixed assets such as property or equipment; or they can be intangibles such as a company's goodwill, trademarks and patents. For accounting purposes, assets are future economic benefits which are controlled by the entity and result from past transactions or events. For banks, loans are assets.

Available-for-sale securities – comprise non-derivative financial assets which the Group considers to be 'available for sale' but which are not considered to be trading securities.

Bonds and notes – the Group's liability for long-term financing issued in wholesale markets.

Capital adequacy ratio – a measure that compares our regulatory capital with our risk-weighted assets.

Cash earnings per share – earnings per share excluding significant items and non-core items.

Collective provision – Provision for Credit Losses that are inherent in the portfolio but not able to be individually identified; presently unidentified impaired assets. A collective provision may only be recognised when a loss event has already occurred. Losses expected as a result of future events, no matter how likely, are not recognised.

Consolidated balance sheet – a financial statement that reports a company's assets or resources and the claims against them – including liabilities or obligations of a business and shareholders' equity.

Cost to income ratio (CTI) – a business efficiency measure. It's the ratio of our expenses to our income.

Credit rating – a measurement of the credit-worthiness of a business. AAA is the top credit rating accorded by ratings agencies such as Moody's Investors Service and Standard & Poor's. The better our credit rating, the cheaper we can borrow money from capital markets. ANZ's long-term credit rating is AA–.

Credit risk – the potential for loss arising from the failure of a customer or counter-party to meet its contractual obligations.

Customers' liability for acceptances – the amounts owed to the Group from customers for acceptances, a form of lending.

Deferred tax assets – the future tax savings to the Group as a result of timing differences that arise due to different treatment of transactions under accounting and tax rules.

Deposits and other borrowings – ANZ's largest liability, this represents ANZ's obligations to our depositors.

Dividend (final) – the amount of the Company's after tax earnings determined and paid to shareholders on the day of the Annual General Meeting.

Dividend (interim) – the amount of the Company's after-tax earnings determined and paid to ordinary shareholders at the beginning of July.

Dividend per share (DPS) – the amount of the Company's after tax earnings determined and paid to ordinary shareholders. It is usually expressed as a number of cents per share, or as a dividend per share.

Due from other financial institutions – the monies owed to ANZ by other banks and financial institutions.

Earnings per share (EPS) – the amount, in dollars, of earnings divided by the number of shares. For example, if the earnings are $2 million and 1 million shares are outstanding, the earnings per share would be $2.00 ($2 million ÷ 1 million shares = $2.00). The earnings figure is based on profit after tax less preference share dividends.

Economic value added (EVA™) – a measure of risk-adjusted accounting profit. It is based on operating profit after tax, adjusted for one-off items, the cost of capital, imputation credits and economic credit costs.

Equity – the residual interest in the assets of a company after deducting all liabilities. As a publicly listed company, our shareholders own these net assets. This is called shareholders' equity.

Equity standardisation – EVA™ principles are in use throughout the Group, whereby risk adjusted capital is allocated and charged against Business Units. Equity standardised profit is determined by eliminating the impact of earnings on each business unit's book capital and attributing earnings on the business unit's risk adjusted capital. This enhances comparability of business unit performance. Geographic results are not equity standardised.

Franked dividends – dividends paid by the company out of profits on which the company has already paid Australian tax.

Full-time equivalent (FTE) – our total staff numbers based on the working week. For example, two part-time staff in Australia each working 20 hours a week would be defined as one FTE as their hours add up to 40 hours a week.

Goodwill – the remaining amount, of the historic excess over net asset value paid by ANZ for the acquisition of other companies.

Impaired assets – loans or other credit facilities where there is reasonable doubt about the collectibility of interest, fees (past and future) or principal outstanding, or where concessional terms have been provided because of the financial difficulties of the customer.

Income tax liabilities – the amounts payable in respect of income tax.

Individual provision charge – the amount of impairment of those loans and advances assessed for impairment on an individual basis (as opposed to on a collective basis).

Interest margin – a measure which tells us how much interest we have generated by lending money after accounting for our costs of borrowing that money, either from customers or financial markets. The interest margin is calculated by dividing net interest by average interest-earning assets. This is expressed as a percentage.

Liability – a company's obligations to a lender, supplier of goods and services, a tax authority and others. For accounting purposes, liabilities are future sacrifices of economic benefits that an entity is obliged to make as a result of past transactions or events. For ANZ, liabilities are largely money we have borrowed to fund our lending activities.

Liability for acceptances – the amount owed to customers who have purchased customer acceptances from the Group.

Liquid assets – the cash or cash equivalents held by ANZ.

Loan capital – the long-term funding that would rank behind other creditors, and ahead of only shareholders in the event of a winding up.

Market capitalisation of ordinary shares – the stock market's assessment of a company's value, calculated by multiplying the number of shares on issue by the current share price.

Market risk – the potential loss the Group may incur from changes to interest rates, foreign exchange rates or the prices of equity shares and indices, commodities, debt securities and other financial contracts, including derivatives. It also includes the risk that the Group will incur due to increased interest expenses arising from funding requirements during periods of poor market liquidity.

Net loans and advances – ANZ's largest asset by value, this consists of the loans ANZ has advanced to individuals and organisations, less provision for credit impairment.

Net profit after tax (NPAT) – a company's net profit after all taxes, expenses and provision for credit impairment have been deducted from the operating income.

Net tangible assets (NTA) – the share capital and reserves attributable to shareholders of the company less preference shares, goodwill and other intangible assets.

Non-performing loans – loans where there is reasonable doubt about the collectibility of interest, fees (past and future) or principal outstanding, or where concessional terms have been provided because of the financial difficulties of the customer.

Non-interest income – includes fees, profits on capital markets trading, foreign exchange earnings and any other revenue that is not interest income.

Operating revenue – the income ANZ generates from its activities. This includes net interest, fee income and earnings from capital markets and foreign exchange dealings.

Operational risk – the direct or indirect loss resulting from inadequate or failed internal processes, systems or from external events.

Ordinary and preference share capital – the amounts received when shares were originally subscribed for.

Organic growth – where we have grown assets or liabilities through growth in our existing businesses rather than through acquisition of another company.

Other assets – includes assets that do not fit into the categories listed including interest accrued and not yet received.

Payables and other liabilities – includes various operating creditors and accrued interest payable.

Premises and equipment – the value of all the land, buildings, furniture, equipment, etc. which are owned by the Group.

Profit per full-time employee – productivity measure that shows, on average, how much profit is earned by each full-time equivalent employee.

Provisions – the Group's accrued obligations for long service leave, annual leave and other obligations, which although known, are not yet payable.

Regulatory deposits – the cash ANZ has deposited at central banks to meet regulatory requirements.

Reserves – retained profits plus surpluses or deficits arising from, for example, foreign exchange gains or losses on offshore operations, available-for-sale securities and cash flow hedging.

Retained earnings – the amount of profits retained by the Group.

Return on equity (ROE) – a calculation which shows the return the company has made on the money ordinary shareholders have invested in ANZ. It is expressed as a percentage.

Risk-weighted assets – the Group's assets adjusted for the risk of the counter-party. The relative risk weight for each counter-party is determined by the Bank for International Settlements. For example, a mortgage with a LVR (loan to valuation ratio) below 80 per cent carries a risk weighting of just 50 per cent.

Service transfer pricing – is used to allocate services that are provided by central areas of the company to each of its business units.

Shares in associates – ANZ's investment in companies where the interest is large enough to provide influence rather than control over the company.

Significant items – events which are 'one-off' and not expected to be repeated. These are described in detail within the results. Special notations are made for any calculations which either include or exclude these transactions.

Tier one capital – consists of Shareholders' Equity plus Hybrid Loan Capital, less specific deductions. Tier one capital before deductions is divided into "Fundamental Capital" (Shareholders' Equity plus some exclusions and deductions) and "Residual Capital" (Hybrid Tier one instruments) with limits required for each category.

Tier two capital – consists of Upper Tier two capital, being provisions for credit impairment, equity accounted profits and reserves, and perpetual subordinated notes, and Lower Tier two capital which is dated subordinated notes. Limits apply to each category and sub-category of Tier two capital.

Total shareholder return (TSR) – the percentage return to ordinary shareholders from share price movements and dividends.

Trading securities – the securities held by ANZ that are regularly bought and sold as part of its normal trading activities with a view to short-term profit taking.

Australia and New Zealand Banking Group Limited
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