COMMUNITY CENTRAL BANK CORP
Form 4
June 08, 2007

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
COTTONE SALVATORE

(Last) (First) (Middle)

11812 SHAWNEE POINTE

(Street)

SHELBY TOWNSHIP, MI 48315

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
COMMUNITY CENTRAL BANK CORP [ccbd]

3. Date of Earliest Transaction (Month/Day/Year)
06/07/2007

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	06/07/2007		P		450.198	A	$ 9.9956	139,517.2969	D	
Common Stock								52,799.17	I	By wife
Common Stock								507	I	As custodian for granddaughter-1
Common Stock								507	I	As custodian for granddaughter-2

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
COTTONE SALVATORE 11812 SHAWNEE POINTE SHELBY TOWNSHIP, MI 48315	X			

Signatures

S/ Salvatore Cottone	06/08/2007
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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17,724

16,647

Shareholders equity(2)	
	17,724
	16,647

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(1) The Companies included in the class order changed in 2005, accordingly retained profits did not carry forward in 2005

(2) Shareholders equity excludes retained profits and reserves of controlled entities within the class order

vii) The Company has guaranteed payment on maturity of the principal and accrued interest of commercial paper notes issued by ANZ (Delaware) Inc. of $6,400 million as at 30 September 2005 (2004: $7,081 million).

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

ix) The Company is party to an underpinning agreement with Australia and New Zealand Banking Group (PNG) Limited whereby the Company undertakes to assume risk in relation to credit facilities extended by Australia and New Zealand Banking Group (PNG) Limited to individual customers which exceed 25% of Australia and New Zealand Banking Group (PNG) Limited s capital base.

x) On 10 March 2005, leave was given by the High Court in London to certain parties to make a claim against ANZ over its role in 1996 as arranger and escrow agent in respect of a buyback of Nigerian Government bills of exchange (the Noga claim). The claim was disclosed by ANZ in view of its potential size (DEM 973 million [$833 million at 31 March 2005 exchange rates] plus interest). ANZ considered the Noga claim to be opportunistic and that the chances of it being successful were very remote. ANZ took the opportunity to settle the proceedings at an early stage at a level which is not material to the bank.

GENERAL

There are outstanding court proceedings, claims and possible claims against the Group, the aggregate amount of which cannot readily be quantified. Appropriate legal advice has been obtained and, in the light of such advice, provisions as deemed necessary have been made. The gross amounts of accruals made for material litigation contingencies is $233 million (2004: $168 million).

Contingent Asset

National Housing Bank

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

Grindlays won an arbitration award in March 1997, under which NHB paid Grindlays an award of Indian Rupees 9.12 billion. NHB subsequently won an appeal to the Special Court of Mumbai, after which Grindlays filed an appeal with the Supreme Court of India. Grindlays paid the disputed money including interest into court. Ultimately, the parties settled the matter and agreed to share the moneys paid into court which by then totalled Indian Rupees 16.45 billion (AUD 661 million at 19 January 2002 exchange rates), with Grindlays receiving Indian Rupees 6.20 billion (AUD 248 million at 19 January 2002 exchange rates) of the disputed monies. ANZ in turn received a payment of USD124 million (USD equivalent of the Indian Rupees received by Grindlays) from Standard Chartered Bank under the terms of an indemnity given in connection with the sale of Grindlays to Standard Chartered Bank.

ANZ Claims

ANZ is pursuing two separate actions arising from the above.

(a) A $130 million plus compound interest claim against its insurers. $130 million is the balance of the limit of indemnity under ANZ s insurance arrangements for the 1991 92 policy year.

The proceedings, in the Supreme Court of Victoria, are against ANZ s captive insurance company ANZcover Insurance Pty Ltd (ANZcover). ANZ cover is an authorised general insurer restricted to insuring the interests of ANZ and its subsidiaries. ANZcover in turn purchases reinsurance from global reinsurers, primarily in the London reinsurance market. ANZcover has no retained exposure to the NHB claim, which is fully reinsured, save for a small exposure arising from the insolvency of some reinsurers in the London market.

The insurers contest liability and the proceedings remain on foot. The trial before the Supreme Court of Victoria is scheduled to be heard in early 2006.

(b) ANZ is entitled to share with NHB in the proceeds of any recovery from the estate of the customer whose account was credited with the cheques drawn by NHB. However, the Indian Taxation Department is claiming a statutory priority to all of the funds available for distribution to creditors of that customer.

No amounts receivable under either of these actions have been recognised in these accounts, except for $0.9 million which has been received from insurers, by way of settlement or distributions from schemes of arrangement, representing, in aggregate, $1.1 million of indemnity.

48: SUPERANNUATION COMMITMENTS

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

			Contribution levels	
Country	**Scheme**	**Scheme type**	**Employee**	**Employer**
Australia	ANZ Australian Staff Superannuation Scheme(1),(2)	Defined Contribution Scheme Section C(3)	optional(7)	Balance of cost(9)
		or Defined Contribution Scheme Section A	optional	9% of salary(10)
		or Defined Benefit Scheme Pension Section(4)	nil	Balance of cost(11)
New Zealand	ANZGROUP (New Zealand) Staff Superannuation Scheme(1),(2)	Defined Benefit Scheme(5)	nil	Balance of cost(12)
		or Defined Contribution Scheme	minimum of 2.5% of salary	7.5% of salary(13)
	National Bank Staff Superannuation Fund(1),(2)	Defined Benefit Scheme(6)	5.0% of salary	Balance of cost(14)
		or Defined Contribution Scheme	minimum of 2.0% of salary	11.2% of salary(15)
England	ANZ UK Staff Pension Scheme(1)	Defined Benefit Scheme	5.0% of salary(8)	Balance of cost(16)

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

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(1) These schemes provide for pension benefits

(2) These schemes provide for lump sum benefits

(3) Closed to new members in 1997

(4) Closed to new members. Operates to make pension payments to retired members or their dependents

(5) Closed to new members on 31 March 1990. Operates to make pension payments to retired members of that section of the scheme or their dependents

(6) Closed to new members on 1 October 1991

(7) Optional but with minimum of 1% of salary

(8) From 1 October 2003, members of the Senior Management section commenced contributions at the rate of 5% of salary, and all new members at the rate of 5% of salary

(9) As determined by the Trustee on the recommendation of the actuary currently 9% (2004: 9%) of members salaries

(10) 2004: 9% of salary

(11) As determined by the Trustee on the recommendation of the actuary currently nil (2004: nil)

(12) As recommended by the actuary currently nil (2004: nil)

(13) 2004: 7.5% of salary

(14) As recommended by the actuary currently 22.3% (2004: 22.3%) of members salaries

(15) 2004: 11.2% of salary

(16) The Group recommenced contributions to the Scheme, effective from 1 October 2003. Contributions are currently 25% of pensionable salaries. Additional half yearly contributions of GBP 500,000 for 15 years have commenced, with the first payment made in November 2004

The details of defined benefit sections of the schemes are as follows:

2005 Schemes	**Employer s contribution $m**	**Accrued benefits $m**	**Net market value of assets held by scheme $m**	**Excess of net market value of assets over accrued benefits $m**	**Vested benefits $m**
ANZ Australian Staff Superannuation Scheme Pension Section(1)		40	35	(5)	40
ANZ UK Staff Pension Scheme(1)	11	855	811	(44)	835
ANZ Group (New Zealand) Staff Superannuation Scheme(1)		6	6		6
National Bank Staff Superannuation Fund(2)	7	173	165	(8)	176
Other (3),(4)	1	6	5	(1)	7
Totals	19	1,080	1,022	(58)	1,064

(1) Amounts were measured at 31 December 2004

(2) Amounts were measured at 31 March 2005

(3) Amounts were measured at 30 September 2005

(4) Other includes the defined benefit arrangements in Japan, Philippines and Taiwan

Explanation of Responses:

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

(1) Amounts were measured at 31 December 2003

(2) Amounts were measured at 30 June 2004

(3) Amounts were measured at 30 September 2004

(4) Other includes the defined benefit arrangements in Japan, Philippines and Taiwan

ANZ Australian Staff Superannuation Scheme Pension Section

The Pension Section of the ANZ Australian Staff Superannuation Scheme is closed to new members. A full actuarial valuation, conducted by the Scheme Actuary, Russell Employee Benefits, as at 31 December 2004 showed a deficit of $5 million and the expectation is that this deficit has remained materially unchanged since that date.

The Group has no present liability under the Scheme s Trust Deed to commence contributions or fund the deficit. An interim actuarial valuation will be conducted as at 31 December 2005, at which time the funding position will be reassessed. The next full actuarial valuation is due to be conducted as at 31 December 2007.

ANZ UK Staff Pension Scheme

The deficit disclosed above for the UK Staff Pension Scheme has been determined for the purpose of AASB1028 Employee Benefits .

Consulting actuaries Watson Wyatt LLP have advised that as at 31 December 2003 the Scheme would have met the minimum funding requirement (MFR) test as defined in UK legislation, being 115% funded on that basis. Following an interim actuarial valuation of the Scheme at 31 December 2004, the actuary expects the Scheme s funding level to be comfortably within the MFR and statutory surplus limits.

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

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

National Bank Staff Superannuation Fund

The last full actuarial valuation of the pension section of the National Bank Staff Superannuation Fund was conducted by Aon Consulting NZ as at 31 March 2004, and showed a deficit of NZD6 million ($6 million). Based on an interim actuarial valuation, a deficit of NZD12 million ($11 million) was disclosed as at 30 September 2004. An actuarial valuation conducted as at 31 March 2005 showed a deficit of NZD8.6 million ($8 million). The Group has no present liability under the Scheme s Trust Deed to fund the deficit, but it does have a contingent liability if the Scheme was wound up. Under the Scheme s Trust Deed, if the Scheme were wound up, the Group is required to pay the Trustees of the Scheme an amount sufficient to ensure members do not suffer a reduction in benefits to which they would otherwise be entitled.

49: EMPLOYEE SHARE AND OPTION PLANS

The Company has three share purchase and option incentive plans available for employees and directors of the Group: the ANZ Employee Share Acquisition Plan(1); the ANZ Share Option Plan; and the ANZ Directors Share Plan. Shareholders of the Company have approved the implementation of each of the current plans. Fully paid ordinary shares issued under these plans are held in trust on behalf of participants and generally rank equally with other existing fully paid ordinary shares, other than in respect of voting rights while the shares remain in trust. However, Performance Shares issued to the ANZ CEO on 31 December 2004, do not attract a dividend.

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

An offer to employees and directors cannot be made under any of the plans if an issue pursuant to that offer will result in the aggregate of shares issued and options granted over unissued shares held for employees under various employee share and option incentive schemes exceeding 7% of the issued capital (and unexercised options) of the Company. The closing market price of one ordinary share at 30 September 2005 was $24.00.

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(1) The ANZ Employee Share Acquisition Plan includes the $1,000 Share Plan, the Deferred Share Plan and the Employee Share Save Scheme

ANZ EMPLOYEE SHARE ACQUISITION PLAN

$1,000 Share Plan

Subject to Board approval this plan allows for the issue of up to $1,000 of shares to all eligible employees each financial year.

The shares are generally issued for no consideration, except in New Zealand where employees are required to pay NZD 1 cent per share at the time the shares are transferred to them. During the financial year, 1,151,157 shares with an average issue price of $20.03 were issued under the $1,000 Share Plan (2004: 1,244,654 shares with an average issue price of $18.04 were issued). These shares are issued from the Share Capital account, hence only an increase in the number of shares on issue results.

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

	The Company	
	2005	**2004**

Number of shares at beginning of the year	5,229,252	4,537,676
Number of shares issued to the trust	1,394,587	1,512,886
Number of shares distributed to employees	(946,224)	(787,873)
Number of shares forfeited	(71,997)	(33,437)
Number of shares at end of the year(1)	5,605,618	5,229,252

(1) Includes shares issued under the bonus option plan and the dividend reinvestment plan

	The Company	
	2005	**2004**
Number of shares acquired since commencement of the $1,000 Share Plan(1)	9,409,732	8,258,575

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

Deferred Share Plan

Selected employees may also be issued deferred shares, which vest in the employee up to three years from the date of issue. Ordinary shares issued under this plan may be held in trust for up to 10 years, and may be required to meet performance hurdles before being able to be traded after the restriction period has expired. The issue price is based on the volume weighted average price of the shares traded on the ASX in the 5 trading days leading up to and including the date of issue. Unvested shares are forfeited on resignation, dismissal, or termination on notice (LTI deferred shares only), or if a performance condition has not been met.

During the financial year, 655,261 (2004: 2,750,277) deferred shares were issued under this Plan.

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

	The Company	
	2005	**2004**
Number of shares at beginning of the year	8,715,896	8,020,848
Number of shares issued to the trust	732,032	2,851,886
Number of shares distributed to employees	(1,766,494)	(2,034,234)
Number of shares forfeited	(228,116)	(122,604)
Number of shares at end of the year(1)	7,453,318	8,715,896

(1) Includes shares issued under the bonus option plan and the dividend reinvestment plan

	The Company	
	2005	**2004**
Number of shares acquired since commencement of the Deferred Share Plan(1)	17,283,723	16,628,462

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

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ANZ EMPLOYEE SHARE SAVE SCHEME

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

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

	The Company	
	2005	**2004**
Number of shares at beginning of the year	452,130	394,405
Number of shares purchased	306,377	279,723
Number of shares issued to the trust	23,789	24,243
Number of shares distributed to employees	(268,184)	(246,241)
Number of shares at end of the year	514,112	452,130

	The Company	
	2005	**2004**
Number of shares acquired since commencement of the ANZ Employee Share Save Scheme	1,349,752	1,043,375

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

ANZ SHARE PURCHASE SCHEME

The ANZ Share Purchase Scheme is a closed scheme. Shares have been progressively paid up by eligible officers, with the last remaining shares held under the scheme fully paid up and redeemed during the 2004 financial year. No fully paid ordinary shares have been issued under this Scheme since 1996.

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

	The Company	
	2005	**2004**
Number of shares at beginning of the year		229,500
Number of shares redeemed by employees(1)		(229,500)
Number of shares at end of the year		

(1) Redeemed once paid out by employee

ANZ SHARE OPTION PLAN

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

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

Grant date	Exercise price $	Earliest exercise date	Expiry date	No. options at beginning of the year	Options granted	Options lapsed and surrendered	Options exercised	No. options outstanding at 30 September 2005 On issue	Vested	Hurdle
23/02/2000	9.39	23/02/2003	22/02/2007	147,000			25,000	122,000	Yes	B
23/05/2000	11.09	23/05/2003	23/05/2007	163,750			78,250	85,500	Yes	N
26/09/2000	12.03	26/09/2003	25/09/2007	30,000			7,500	22,500	Yes	N
21/11/2000	13.62	22/11/2003	21/11/2007	705,219			252,415	452,804	Yes	B
27/12/2000	13.91	25/10/2003	07/02/2008	994,722		9,000	306,972	678,750	Yes	N
27/01/2001	13.91	07/02/2004	07/02/2008	671,800		12,750	194,250	464,800	Yes	N
21/02/2001	14.20	21/02/2004	20/02/2008	2,971,568		21,000	978,476	1,972,092	Yes	N
27/02/2001	14.75	27/02/2004	26/02/2008	25,000			25,000		Yes	B
24/04/2001	12.98	25/04/2004	24/04/2008	531,300			361,600	169,700	Yes	B
24/04/2001	12.98	25/04/2004	24/04/2008	1,668,527		14,175	583,938	1,070,414	Yes	N
07/05/2001	12.98	07/05/2004	06/05/2008	104,100		1,100	62,200	40,800	Yes	N
01/06/2001	14.61	01/06/2004	31/05/2008	310,000		3,000	136,750	170,250	Yes	N
23/08/2001	15.77	21/08/2004	20/08/2008	76,000				76,000	Yes	B
27/08/2001	16.09	27/08/2004	26/08/2008	63,000		3,000	15,000	45,000	Yes	N
24/10/2001	16.33	24/10/2004	23/10/2008	50,000				50,000	Yes	B
24/10/2001	16.33	25/10/2004	24/10/2008	753,300		3,600	461,300	288,400	Yes	B
24/10/2001	16.33	25/10/2004	24/10/2008	2,811,600		50,650	1,007,780	1,753,170	Yes	N
31/12/2001	16.48	31/12/2004	31/12/2005	500,000			500,000		Yes	E
31/12/2001	16.80	31/12/2003	31/12/2007	500,000				500,000	Yes	F
28/02/2002	17.49	26/02/2005	25/02/2009	20,000			20,000		Yes	B
24/04/2002	18.03	24/04/2005	24/04/2009	380,000		1,112	33,888	345,000	Yes	C
24/04/2002	18.03	24/04/2005	24/04/2009	760,501		10,119	314,282	436,100	Yes	C
24/04/2002	18.03	24/04/2005	24/04/2009	2,880,641		128,856	589,907	2,161,878	Yes	N
31/05/2002	18.55	14/05/2005	13/05/2009	145,000			20,000	125,000	Yes	N
27/06/2002	18.55	28/06/2005	27/06/2009	261,810		15,947	51,028	194,835	Yes	N
21/07/2002	17.18	22/07/2005	21/07/2009	17,000				17,000	50%	C
23/10/2002	17.34	23/10/2005	22/10/2009	2,120,765		167,399	58,481	1,894,885	No	N
23/10/2002	17.34	23/10/2005	22/10/2009	2,288,527		141,111	144,194	2,003,222	No	D
20/11/2002	17.56	20/11/2005	19/11/2009	40,000				40,000	No	D
31/12/2002	16.69	31/12/2004	31/12/2007	1,000,000				1,000,000	50%	F
20/05/2003	17.60	20/05/2006	19/05/2010	2,027,696		145,398	37,659	1,844,639	No	N
20/05/2003	17.60	20/05/2006	19/05/2010	2,597,240		246,741	135,639	2,214,860	No	D
09/06/2003	18.12	09/06/2006	08/06/2010	10,000				10,000	No	N
05/11/2003	17.55	05/11/2006	04/11/2010	1,195,665		92,648	69,213	1,033,804	No	C
05/11/2003	17.55	05/11/2006	04/11/2010	2,658,242		190,959	42,097	2,425,186	No	N
31/12/2003	17.48	31/12/2005	31/12/2008	1,000,000				1,000,000	No	F
11/05/2004	18.22	11/05/2007	10/05/2011	1,630,235		97,318	62,762	1,470,155	No	C
11/05/2004	18.22	11/05/2007	10/05/2011	2,690,420		205,886	25,563	2,458,971	No	N
05/11/2004	20.68	05/11/2007	04/11/2011		1,486,617	78,788	1,348	1,406,481	No	G
05/11/2004	20.68	05/11/2007	04/11/2011	_	3,048,066	169,455	17,464	2,861,147	No	N
05/11/2004	0.00	05/11/2004	04/11/2006		11,699		11,699		Yes	N
08/12/2004	0.00	08/12/2007	08/12/2011		42,435			42,435	No	DSR

31/12/2004	20.49	31/12/2006	31/12/2008		500,000			500,000	No	F
13/05/2005	0.00	13/05/2005	12/05/2007		10,671		10,671		Yes	N
Totals				36,800,628	5,099,488	1,810,012	6,642,326	33,447,778		

The aggregate fair value of shares issued as a result of the exercise of options during the 2005 financial year was $141 million..

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

Details of performance hurdles applicable to options are as follows:

A The percentage change of the ANZ Total Shareholder Return (ANZ TSR) to exceed the percentage change of the S&P/ASX 200 Banks (Industry Group) Accumulation Index from date of issue to any time from the third anniversary date up to and including the proposed exercise date.

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

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

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

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

DSR No performance hurdles apply. Deferred Share Rights may only be exercised between the third and seventh anniversary of their issue.

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

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

G Exercise of options is subject to the satisfaction of time and performance based hurdles. Options may be exercised during the four year period commencing three years, and ending seven years, after the issue date of the Options subject to meeting the following performance hurdle. The performance hurdle will be measured during the exercise period by comparing ANZ s Total Shareholder Return (ANZ s TSR) against a comparator group of major financial services companies in the ASX Top 50, excluding the ANZ, as determined by the Board Compensation and Human Resources Committee. The options become exercisable depending on ANZ s ranking within the comparator group. ANZ must rank at the 50th percentile for 50% of the options to become exercisable. For each 1% increase above the 50th percentile an additional 2% of options will become exercisable, with 100% being exercisable where ANZ ranks at or above the 75th percentile. This will be calculated as at the last trading day of any month (once the exercise period has commenced).

N No performance hurdles apply. Once the exercise period has been reached, the options may be exercised. As their purpose is predominately retention and to share in any growth in the share price, additional hurdles are not applied.

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

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

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

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

Exercise price $	No. of shares issued	Proceeds received $	Exercise price $	No. of shares issued	Proceeds received $
0.00	10,671	0.00	18.03	33,888	611,001
0.00	11,699	0.00	18.03	314,282	5,666,504
9.39	25,000	234,750	18.03	589,907	10,636,023
11.09	78,250	867,793	18.22	25,563	465,758
12.03	7,500	90,225	18.22	62,762	1,143,524
12.98	62,200	807,356	18.55	20,000	371,000
12.98	361,600	4,693,568	18.55	51,028	946,569
12.98	583,938	7,579,515	18.94	6,183	117,106
13.62	252,415	3,437,892	19.30	8,458	163,239
13.91	194,250	2,702,018	20.05	597	11,970
13.91	306,972	4,269,981	20.20	8,044	162,489
14.20	978,476	13,894,359	20.43	827	16,896
14.61	136,750	1,997,918	20.58	6,909	142,187
14.75	25,000	368,750	20.68	1,348	27,877
16.09	15,000	241,350	20.68	17,464	361,156
16.33	461,300	7,533,029	21.21	26,583	563,825
16.33	1,007,780	16,457,047	21.21	4,232	89,761
16.48	500,000	8,240,000	21.61	42,000	907,620
17.34	58,481	1,014,061	23.57	90,000	2,121,300
17.49	20,000	349,800	24.01	86,000	2,064,860
17.55	42,097	738,802			
17.55	69,213	1,214,688			
17.60	37,659	662,798			

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

High	$	24.45
Low	$	19.02
As at 30 September 2005	$	24.00

As at the date of the Financial Report, unexercised options over ordinary shares are as per the table on page 73, adjusted for the exercise of the following options which were exercised by employees and former employees since the end of the financial year.

Exercise price $	No. of shares issued	Proceeds received $	Exercise price $	No. of shares issued	Proceeds received $
13.91	17,575	244,468	18.55	15,000	278,250
13.91	13,500	187,785	18.55	11,125	206,369
14.20	53,350	757,570	17.34	114,245	1,981,008
12.98	26,406	342,750	17.60	5,499	96,782
12.98	1,850	24,013	17.55	6,347	111,390
16.09	1,500	24,135	18.22	260	4,737
16.33	43,749	714,421	18.22	5,221	95,127
18.03	63,350	1,142,201	20.68	1,605	33,191
18.03	34,000	613,020			

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

	The Company	
	2005 **$m**	**2004** **$m**
Share capital	104	86
Liquid assets	104	86

ANZ DIRECTORS SHARE PLAN

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

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

	The Company	
	2005	**2004**
Number of shares at beginning of the year	662,122	464,467
Number of shares purchased	175,356	197,655
Number of shares sold	(6,563)	
Number of shares forfeited		
Number of shares at end of the year(1)	830,915	662,122

(1) Include shares issued under the dividend reinvestment plan

50: DIRECTORS AND SPECIFIED EXECUTIVES REMUNERATION DISCLOSURES

The remuneration details concerning the Directors of the Company (Table 1) and the Corporations Act 2001 and AASB 1046 Director and Executive Disclosures by Disclosing Entities Specified Executives of the Group and Company (Table 2) are detailed as follows.

SECTION A: REMUNERATION TABLES

TABLE 1: DIRECTOR REMUNERATION			**PRIMARY(1)**		
For the year ended 30 September 2005 details of the remuneration of the directors are set out below:		**Cash salary/fees $**	**Long service leave accrued during the year $**	**Value of shares acquired in lieu of cash salary/fees(2) $**	**Associated entity Board fees (cash) $**
NON-EXECUTIVE DIRECTORS					
CB Goode (Appointed director July 1991; appointed Chairman August 1995)	**2005**	**79,415**	**n/a**	**420,585**	
Independent Non Executive Director, Chairman	2004	91,000	n/a	338,000	
GJ Clark (Appointed February 2004)	**2005**	**130,000**	**n/a**		
Independent Non Executive Director	2004	86,667	n/a		
JC Dahlsen (Appointed May 1985; retired February 2005)	**2005**	**44,417**	**n/a**		
Independent Non Executive Director	2004	130,000	n/a		
RS Deane (Appointed September 1994)	**2005**	**130,000**	**n/a**		**122,384(9)**
Independent Non Executive Director	2004	130,000	n/a		**117,958(9)**
JK Ellis (Appointed October 1995)	**2005**	**103,000**	**n/a**	**27,000**	
Independent Non Executive Director	2004	103,000	n/a	27,000	
DM Gonski (Appointed February 2002)	**2005**	**88,970**	**n/a**	**41,030**	**22,150**
Independent Non Executive Director	2004	130,000	n/a		50,150
MA Jackson (Appointed March 1994)	**2005**	**130,000**	**n/a**		
Independent Non Executive Director	2004	130,000	n/a		
DE Meiklejohn (Appointed October 2004)	**2005**	**130,000**	**n/a**		
Independent Non Executive Director	2004		n/a		
JP Morschel(Appointed October 2004)	**2005**	**100,000**	**n/a**	**30,000**	
Independent Non Executive Director	2004		n/a		
BW Scott (Appointed August 1985; retired April 2005)	**2005**	**72,857**	**n/a**		**28,516**
Independent Non Executive Director	2004	130,000	n/a		24,389
TOTAL OF NON-EXECUTIVE DIRECTORS	**2005**	**1,008,659**	**n/a**	**518,615**	**173,050**
	2004(13)	930,667	n/a	365,000	192,497
Executive Director					
J McFarlane (Appointed October 1997)(8)	**2005**	**44**	**31,242**	**1,882,896**	
Chief Executive Officer	2004	43	78,211	1,882,831	
TOTAL OF ALL DIRECTORS	**2005**	**1,008,703**	**31,242**	**2,401,511**	**173,050**
	2004(13)	930,710	78,211	2,247,831	192,497

COMMENTARY ON CHANGES BETWEEN 2004 AND 2005

Non-Executive Directors (NEDs)

Primary Total Remuneration has increased by $212,114. This increase is as a result of:

i) Timing differences between the appointment of DE Meiklejohn and JP Morschel, and the retirement of BW Scott and JC Dahlsen.

ii) Increase in Chairman s fees of $71,000 in recognition of increased demands of the role, relativity to peers, and to maintain equitable relativity with other NEDs.

iii) The full year effect of the addition of GJ Clark to the Board.

The Post-Employment Retirement Benefit accrued during the year has increased by $511,120 from the previous period due to the following:

i) $95,286 resulting from fee increases over the last 3 years being taken into account for the purpose of the directors retirement benefits.

ii) $415,634 of this is due to amendments made during the year to the individual agreements with NEDs to make the formula for calculating the amount payable under them consistent for all NEDs. In some instances this has resulted in the amount accrued during the year being increased to take account of the impact of the change to the formula on previous years accrued benefits. In each case under the relevant agreement, the maximum amount that may be paid to a NED as a retirement benefit is subject to the limits in the Corporations Act.

Executive Director (Chief Executive Officer)

There was no change to J McFarlane s fixed remuneration which remained at $2,000,000, including superannuation contributions. His short-term incentive target for 2005 was increased to $2,000,000 (100% of his fixed remuneration) in accordance with his contract extension announced on 26 October 2004. His actual payment was $2,100,000 (compared to $1,850,000 in 2004) 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.

TABLE 1: DIRECTOR REMUNERATION For the year ended 30 September 2005 details of the remuneration of the directors are set out below:	Committee fees (cash) $	Value of shares acquired in lieu of cash incentive(2),(3) $	Primary total $	POST EMPLOYMENT Super contributions $	Retirement benefit accrued during the year(4) $	EQUITY(5) Total amortisation of LTI shares $	Total amortisation of LTI options $	OTHER $	Total(7) $
NON-EXECUTIVE DIRECTORS									
CB Goode (Appointed director July 1991; appointed Chairman August 1995)		**n/a**	**500,000**	**11,723**	**243,284**	**n/a**	**n/a**		**755,007**
Independent Non Executive Director, Chairman		n/a	429,000	11,297	99,586	n/a	n/a		539,883
GJ Clark (Appointed February 2004)	**25,440**	**n/a**	**155,440**	**11,723**	**50,189**	**n/a**	**n/a**		**217,352**
Independent Non Executive Director	10,834	n/a	97,501	7,597	33,008	n/a	n/a		138,106
JC Dahlsen (Appointed May 1985; retired February 2005)	**18,809**	**n/a**	**63,226**	**4,423**	**111,303**	**n/a**	**n/a**		**178,952**
Independent Non Executive Director	65,050	n/a	195,050	11,296	74,356	n/a	n/a		280,702
RS Deane (Appointed September 1994)	**17,618**	**n/a**	**270,002**	**11,723**	**49,169**	**n/a**	**n/a**		**330,894**
Independent Non Executive Director	19,500	n/a	267,458	10,321	70,998	n/a	n/a		348,777
JK Ellis (Appointed October 1995)	**42,250**	**n/a**	**172,250**	**11,723**	**110,981**	**n/a**	**n/a**		**294,954**
Independent Non Executive Director	52,250	n/a	182,250	11,297	65,780	n/a	n/a		259,327
DM Gonski (Appointed February 2002)	**22,512**	**n/a**	**174,662**	**11,723**	**104,001**	**n/a**	**n/a**		**290,386**
Independent Non Executive Director	16,050	n/a	196,200	11,297	67,227	n/a	n/a		274,724
MA Jackson (Appointed March 1994)	**42,250**	**n/a**	**172,250**	**11,723**	**122,008**	**n/a**	**n/a**		**305,981**
Independent Non Executive Director	42,250	n/a	172,250	10,899	56,352	n/a	n/a		239,501
DE Meiklejohn (Appointed October 2004)	**31,027**	**n/a**	**161,027**	**11,723**	**64,781**	**n/a**	**n/a**		**237,531**
Independent Non Executive Director		n/a				n/a	n/a		
JP Morschel (Appointed October 2004)	**19,500**	**n/a**	**149,500**	**11,723**	**60,459**	**n/a**	**n/a**		**221,682**
Independent Non Executive Director		n/a				n/a	n/a		
BW Scott(Appointed August 1985; retired April 2005)	**17,234**	**n/a**	**118,607**	**6,803**	**127,089**	**n/a**	**n/a**		**252,499**
Independent Non Executive Director	30,750	n/a	185,139	11,297	64,839	n/a	n/a		261,275
	236,640	**n/a**	**1,936,964**	**105,010**	**1,043,264**	**n/a**	**n/a**		**3,085,238**

TOTAL OF NON-EXECUTIVE DIRECTORS									
	236,684	n/a	1,724,848	85,301	532,146	n/a	n/a		2,342,295
Executive Director									
J McFarlane (Appointed October 1997)(8)		**2,100,004**	**4,014,186**	**417,000(10)**		**982,987**	**1,791,718(6)**	**4,031(12)**	**7,209,922**
Chief Executive Officer		1,850,006	3,811,091	**417,000(10)**			2,584,880	**90,619(11)**	6,903,590
TOTAL OF ALL DIRECTORS	**236,640**	**2,100,004**	**5,951,150**	**522,010**	**1,043,264**	**982,987**	**1,791,718**	**4,031**	**10,295,160**
	236,684	1,850,006	5,535,939	502,301	532,146		2,584,880	90,619	9,245,885

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(1) Non-monetary benefits for all directors are nil.

(2) Shares acquired through participation in Directors Share Plan (relates to CEO only in relation to cash incentive, as NEDs do not participate in Short-Term Incentive arrangements). Value reflects the price at which the shares were purchased on market(amortisation not applicable).

(3) 100% of the CEO s cash incentive vested during the financial year.

(4) Accrual relates to Directors Retirement Scheme. The following benefits were paid under the Directors Retirement Scheme to the following former directors: JC Dahlsen (retired 3 February 2005) $513,668; BW Scott (retired 23 April 2005) $516,214. If each of the current NEDs had ceased to be a director as at 30 September 2005, the following benefits would have been payable under the Directors Retirement Scheme: CB Goode $1,312,539; GJ Clark $83,197; RS Deane $693,285; JK Ellis $523,039; DM Gonski $249,445; MA Jackson $487,022; DE Meiklejohn $64,781; JP Morschel $60,459. The Directors Retirement Scheme will be discontinued effective 30 September 2005. Refer to section B2 for more information pertaining to the Directors Retirement Scheme.

(5) In accordance with the requirements of AASB1046A, the amortisation value includes a proportion of the fair value (taking into account market-related vesting conditions) of all equity that had not yet fully vested as at the commencement of the financial year. It is assumed that 100% of the options will vest at the commencement of their exercise period (i.e. the shortest possible vesting period is assumed). The fair value is determined at grant date and is allocated on a straight-line basis over the expected vesting period. The fair value is determined using a binomial option-pricing model that is explained in Note 51 Equity Instruments Transactions section I. 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. For deferred shares, the fair value is the weighted average price of the Company s shares traded on the ASX on the day the shares were granted.

(6) Amortisation value of options as a percentage of his total remuneration (as shown in the Total column above) was 25% in 2005 (37% in 2004).

(7) Amounts disclosed for remuneration of directors exclude insurance premiums paid by the consolidated entity in respect of directors and officers liability insurance contracts which cover current and former directors and officers, including executive officers of the entity and directors, executive officers and secretaries of the controlled entities. The total premium, which cannot be disclosed because of confidentiality 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) J McFarlane elected to use almost all his cash salary and incentive to purchase on market deferred shares under the Directors Share Plan.

(9) Amounts paid in NZD are converted to AUD at an average rate for the year of 1.0847 (1.1254 in 2004).

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

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

(12) Relates to professional services rendered in respect of taxation matters.

(13) 2004 aggregate amounts relate to those directors reported in 2004.

TABLE 2: SPECIFIED EXECUTIVES REMUNERATION

For the year ended 30 September 2005 details of the remuneration of the top seven executives (Specified Executives), other than the Chief Executive Officer, are set out below and include the five most highly remunerated executives in the Company and the Group (as required under the Corporations Act 2001) and the top executives in the Group by authority (as required by AASB1046):

		PRIMARY				
		Cash salary/fees $	**Long service leave accrued during the year $**	**Non monetary benefits(1) $**	**Total cash short term Incentive(2),(3) $**	**Primary total $**
Specified Executives						
Sir J Anderson(8),(9)	**2005**	**838,110**			**460,960**	**1,299,070**
Chief Executive & Director, ANZ National Bank Ltd New Zealand	2004	672,792			449,618	1,122,410
Dr RJ Edgar	**2005**	**727,696**	**13,928**	**28,281**	**800,000**	**1,569,905**
Chief Operating Officer	2004	723,651	56,212	31,552	393,000	1,204,415
E Funke Kupper	**2005**	**654,550**	**10,860**	**7,277**	**770,000**	**1,442,687**
Group Managing Director Asia-Pacific	2004	654,550	10,846	7,277	385,500	1,058,173
BC Hartzer	**2005**	**694,435**	**19,469**	**61,542**	**1,080,000**	**1,855,446**
Group Managing Director Personal Banking	2004	543,062	15,694	57,091	424,000	1,039,847
GK Hodges	**2005**	**648,556**	**46,140**	**11,465**	**863,000**	**1,569,161**
Group Managing Director Corporate	2004	510,081	39,006	17,357	343,000	909,444
PR Marriott	**2005**	**748,700**	**12,422**	**7,277**	**920,000**	**1,688,399**
Chief Financial Officer	2004	728,451	29,098	7,277	482,000	1,246,826
S Targett(9)	**2005**	**748,700**	**12,497**	**7,277**	**880,000**	**1,648,474**
Group Managing Director Institutional	2004	305,407	5,101	2,934	267,000	580,442
TOTAL	**2005**	**5,060,747**	**115,316**	**123,119**	**5,773,960**	**11,073,142**
	2004	4,179,538	128,629	113,408	2,726,118	7,147,693

COMMENTARY ON CHANGES BETWEEN 2004 AND 2005

Specified Executives

The differences in Total Remuneration between 2004 and 2005 for Specified Executives are as a result of the following:

i) Total Employment Costs (TEC) or fixed remuneration increases between 2004 and 2005 are in line with ANZ s guiding principles (refer to sections C1 and C3), and to reflect role changes for BC Hartzer; increased responsibility for GK Hodges and market pressures.

ii) Increase in target short term incentive (STI) amounts (for all Specified Executives except for Sir J Anderson), from 67% of TEC to 100% of TEC in order to meet competitive pressures.

iii) With the exception of Sir J Anderson, change in STI delivery to 100% cash in 2005 versus 75% cash and 25% deferred shares (amortised over 3 years) for 2004.

iv) Sir J Anderson and S Targett commenced part way through 2004, being 1 December 2003 and 5 May 2004 respectively.

v) Two of S Targett s deferred share grants fell into the 2005 financial year (refer to footnote 6).

vi) 2004 aggregate amounts relate to those Specified Executives reported in 2004.

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	POST EMPLOYMENT			EQUITY(5)				
	Super contributions $	Retirement benefit accrued during year(4) $	Annual remuneration (Primary plus Post Employment) $	Total amortisation value of STI shares $	Total amortisation value of LTI shares $	Total amortisation value of LTI options $	Total amortisation of other equity allocations(6) $	Total(7),(10) $
Specified Executives								
Sir J Anderson(8),(9)	**83,811**	**33,367**	**1,416,248**				**477,452**	**1,893,700**
Chief Executive & Director, ANZ National Bank Ltd New Zealand	67,279	32,160	1,221,849				219,168	1,441,017
Dr RJ Edgar	**46,800**	**1,672**	**1,618,377**	**173,907**	**555,470**	**264,095**		**2,611,849**
Chief Operating Officer	46,752	7,163	1,258,330	197,681	342,662	256,110		2,054,783
E Funke Kupper	**40,950**		**1,483,637**	**184,924**	**221,068**	**239,523**		**2,129,152**
Group Managing Director Asia-Pacific	40,950		1,099,123	232,208	232,024	333,500		1,896,855
BC Hartzer	**46,800**		**1,902,246**	**149,259**	**237,943**	**282,929**		**2,572,377**
Group Managing Director Personal Banking	37,224		1,077,071	201,364	192,239	298,814		1,769,488
GK Hodges	**40,838**	**1,635**	**1,611,634**	**131,825**	**186,089**	**218,920**		**2,148,468**
Group Managing Director Corporate	32,600	2,919	944,963	147,516	127,584	195,847		1,415,910
PR Marriott	**46,800**		**1,735,199**	**208,525**	**295,175**	**317,175**		**2,556,074**
Chief Financial Officer	45,542		1,292,368	243,435	276,714	369,376		2,181,893
S Targett(9)	**46,800**		**1,695,274**		**40,544**	**39,059**	**789,238**	**2,564,115**
Group Managing Director Institutional	18,976		599,418				188,081	787,499
TOTAL	**352,799**	**36,674**	**11,462,615**	**848,440**	**1,536,289**	**1,361,701**	**1,266,690**	**16,475,735**
	300,598	42,270	7,490,561	1,089,594	1,250,614	1,551,766	407,249	11,789,784

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

(2) Total cash incentive relates to the full incentive amount for the financial year ended 30 September 2005. A portion of the STI was delivered as deferred shares in 2004.

(3) 100% of the Specified Executives cash incentive vested to the person in the financial year.

(4) Accrual relates to Retirement Allowance. As a result of being employed with ANZ prior to November 1992, RJ Edgar and GK Hodges are eligible to receive a Retirement Allowance on retirement, retrenchment, death, or resignation for illness, in capacity 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 AASB1046A, the amortisation value includes a proportion of the fair value (taking into account market-related vesting conditions) of all equity that had not yet fully vested as at the

commencement of the financial year. It is assumed that 100% of the options will vest at the commencement of their exercise period (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 model that is explained in Note 51 section I. 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. For deferred shares, the fair value is the 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 are 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 to be 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 Note 51 Equity Instruments Transactions section K 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) Amounts disclosed for remuneration of Specified Executives exclude insurance premiums paid by the consolidated entity in respect of directors and officers liability insurance contracts which cover current and former directors and officers, including executive officers of the entity and directors, executive officers and secretaries of the controlled entities. The total premium, which cannot be disclosed because of confidentiality 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) Amounts paid in NZD are converted to AUD at an average rate for the year of 1.0847 (1.1254 in 2004).

(9) Sir J Anderson was appointed 1 December 2003 (i.e. 2 months after the start of the 2004 financial year) and S Targett was appointed 5 May 2004 (i.e. 7 months after the start of the 2004 financial year)

(10) Amortisation value of options as a % of total remuneration for the 2005 financial year was as follows; Sir J Anderson - 25% (15% in 2004); Dr R J Edgar - 10% (12% in 2004); E Funke Kupper - 11% (18% in 2004); B C Hartzer - 11% (17% in 2004); G K Hodges- 10% (14% in 2004); P R Marriott - 12% (17% in 2004); S Targett - 11% (12% in 2004)

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. NEDs fees are within the maximum aggregate limit agreed to by shareholders at the Annual General Meeting held on 13 December 2002 ($2.5 million, excluding retirement allowances and superannuation), 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 of ANZ National Bank Limited, ING Australia Ltd or Metrobank Card Corporation. NEDs do not receive any performance/incentive payments and are not eligible to participate in any of the Group s incentive arrangements.

The Chairman Fee was increased to $500,000 effective 1 October 2004 in recognition of the demands of the role, market practice and in order to maintain desired relativity with other directors. No other adjustments were made to NED fees for the year ending 30 September 2005.

The fee structure is illustrated in Table 3 below:

TABLE 3

Role	**2004 Fee**	**2005 Fee**
Chairman	$ 429,000	$ 500,000
Non-Executive Director	$ 130,000	$ 130,000
Committee Chair(1)	$ 32,500	$ 32,500
Committee Member(1)	$ 9,750	$ 9,750

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

For details of remuneration paid to directors for the year ended 30 September 2005, refer to Table 1 in section A.

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 via the Director s Share Plan or other means, towards the purchase of ANZ shares in order to achieve/maintain the desired holding level. This is a new guideline which was approved by the Board in September 2005.

B2. NON-EXECUTIVE DIRECTORS RETIREMENT POLICY

All NEDs participated in the ANZ Directors Retirement Scheme up to the year ended 30 September 2005. Under this scheme, a lump-sum retirement benefit was payable to NEDs upon their ceasing to be a director. The lump-sum retirement benefit payable where the NED held office for 8 years or more was equal to the total remuneration (excluding retirement benefit accrual) of the NED in respect of the 3 years immediately preceding the NED ceasing to be a NED. For periods of less than 8 years, a proportionate part of such remuneration was payable. The NEDs are not entitled to the statutory entitlements of long service leave and annual leave.

Consistent with Principle 9.3 of the Australian Stock Exchange (ASX) Corporate Governance Rules, which states that NEDs should not be provided with retirement benefits other than statutory superannuation, the ANZ Directors Retirement Scheme was closed effective 30 September 2005.

Accrued entitlements were fixed at 30 September 2005 and will be carried forward to retirement, and collected by the NED when they retire. The entitlements may be carried forward as:

Cash Alternative: A cash payment, being the entitlement accrued to 30 September 2005, plus escalation based on the 30 day bank bill rate until retirement date; and/or

Shares Alternative: A number of ANZ shares purchased on market on 27 October 2005 to the value of the accrued entitlement, plus escalation based on the 30-day bank bill rate for the period 1 October 2005 to 26 October 2005 (subject to Shareholder approval at the 2005 Annual General Meeting). Shares will then be held in ANZ Employee Share Trust for the benefit of the Director until retirement.

NEDs have been asked to nominate the proportion of their accrued entitlement to be directed towards each alternative, subject to shareholder approval.

Fees for NEDs will be increased by 27.5% effective 1 October 2005 to compensate for the removal of this contractual benefit. This amount was determined based on an independent actuarial valuation of the scheme by Mercer Finance & 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 the Directors Retirement Scheme, where increases have typically ranged from 25% to 30%.

NED Fee Cap

There has been no increase in the NED fee pool since 2002. Shareholder approval will be sought at the 2005 Annual General Meeting for an increase to the NED Fee Cap by $500,000. This proposed increase would take the maximum aggregate amount from $2.5m to $3.0m an amount which is considered necessary in order to:

accommodate the fee adjustment to compensate for the removal of the Directors Retirement Scheme (27.5%) while the discontinued retirement benefits under the Constitution are outside the maximum aggregate limit, the compensating increase to fees will be within the limit;

allow for annual adjustments in line with market NED movements; and

allow for the addition of another NED in either 2006 or early 2007.

It is critical that the Company has the capacity to pay adequate fees to NEDs in order to attract and retain directors of the highest calibre.

B3. DIRECTORS SHARE PLAN

The Directors Share Plan is available to both non-executive and executive directors. Directors may elect to forgo remuneration to which they may have otherwise become entitled and receive shares to the value of the remuneration forgone. Participation in the plan is voluntary, except to the extent that the NED Shareholding Guidelines must be met and therefore the shares acquired are not subject to performance conditions.

Shares acquired under the plan are purchased on market and are held in trust for up to 10 years. 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 guides the Compensation & Human Resources Committee and management in shaping remuneration strategies and initiatives.

The following principles underpin ANZ s reward policy:

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

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

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

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

During 2005 a comprehensive review of reward structures has been conducted against the backdrop of these principles and against the Company s growth strategy and corporate governance principles. As a result, a number of changes have been made. These changes are detailed in section C4.

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 Total Employment Cost (TEC) 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 TEC 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

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

The executive remuneration program (which includes the remuneration of senior managers and the company secretaries) is designed to support the reward principles detailed in section C1, and to underpin the Company s growth strategy. This program 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 remuneration component (TEC): 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).

The relative weighting of fixed and variable components, for target performance, is set according to the size of the role and competitive market in which the role operates, with the proportion of remuneration at risk increasing for the most senior or complex roles, or for those roles where there is strong market pressure to provide greater levels of remuneration. Figure 1 below shows the relative mix of Fixed, STI and LTI at target payment levels.

Fixed remuneration is set around the median of the market. STI and LTI payments for on target performance are also set at market median, however 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 remuneration consists of what is referred to as Total Employment Cost (TEC). TEC 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 (see note 49 of the 2005 Financial Report for details of the Employee Share Save Scheme).

To ensure fixed remuneration remains competitive, the TEC component of executive remuneration is reviewed annually based on individual performance and market data. ANZ operates with a midpoint targeted to the market median being paid in the finance industry in the relevant global markets in which ANZ operates, and a range around this midpoint. International remuneration levels are considered in assessing market competitiveness where an executive s primary place of residence is outside of Australia or New Zealand, in which case the local market is considered.

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1 Specified Executives reward mix pertains to Dr R J Edgar, E Funke Kupper, B C Hartzer, G K Hodges, P R Marriott and S Targett. Refer to E2 for composition of Sir J Anderson s remuneration

2 The reward mix for larger senior executive roles and smaller senior executive roles based on average data

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 (over 3 years or more).

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

Most executives participate in the short-term incentive (STI) plan detailed in section C4.1 and the long-term incentive (LTI) plan detailed in section C4.2, subject to individual performance thresholds. In some instances, customised STI plans will exist for executives to ensure closer alignment of their rewards with business objectives and market practice. For example, staff in ANZ s Institutional Division participate in a customised incentive plan more closely aligned with that market. No executive, however, may participate in more than one STI plan.

Equity allocated under ANZ incentive schemes remain at risk until fully vested (in the case of Deferred Shares) or are 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.

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 Compensation & Human Resources Committee.

Determination of Award Levels

The size of the overall pool available each year is determined based on ANZ Group performance against a balanced scorecard of financial and qualitative measures. This pool is then distributed amongst divisions and then individuals based on relative performance.

Each executive has a target STI which is determined according to seniority 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.

Performance objectives are set 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 business plan, and are the most appropriate indicators of performance. Division and Individual objectives are a subset of the Group objectives, which ensures there is alignment of objectives through 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 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.

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.

The target STI award level for Specified Executives is 100% of TEC in 2005 (increasing from 67% of TEC), with a maximum STI award of 150% of TEC. For larger senior executive roles in the general 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.

A comprehensive review of ANZ s Long-Term Incentive Program was conducted in 2005 which resulted in a number of changes. The annual LTI allocation to be made in November 2005 will now be delivered as 100% Performance Rights. It was previously delivered as Hurdled Options (50% of grant LTI value) and Deferred Shares (50% of grant LTI value). It was decided that the entire LTI allocation should be linked to a single long-term performance measure.

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 10% to 24% 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 an audited 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 audited by KPMG. The Board then approves use of the highest value. The LTI dollar value is then divided by the approved value of the Performance Right to determine the number of rights to be allocated.

EXAMPLE

Executive granted LTI value of $60,000

Approved Performance Right Valuation is $10.85 per Performance Right

$60,000 / $10.85 = 5,530 Performance Rights allocated to executive

LTI allocations are made annually in or around November.

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Performance Rights

(To be granted from October 2005)

A Performance Right is a right to acquire a share at nil cost, subject to satisfactorily meeting time and performance hurdles. Upon exercise, each Performance Right entitles the holder to one ordinary share. Performance Rights are ANZ s preferred LTI delivery vehicle as they provide a clearer, more tangible value to the executive, subject to satisfactorily performing relative to the performance hurdle for vesting. 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 TSR vesting scale is designed to ensure that executive rewards are directly linked to the Company s TSR and are therefore aligned to the outcomes experienced by other shareholders. The proportion of Performance Rights that become exercisable will depend upon the TSR achieved by ANZ relative to the companies in the comparator group (shown below) over a three-year period. There will not be any retesting feature.

Performance equal to the 50th percentile of the comparator group will result in half the Performance Rights becoming exercisable. Performance above the 50th percentile will result in further Performance Rights becoming exercisable, increasing on a straight-line basis until all of the Performance Rights become exercisable where ANZ s TSR is at or above the 75th percentile when compared with the comparator group. TSR is measured on a pro-rata basis; where ANZ s performance falls between two of the comparators, the actual relative level of TSR, rather than simple ranking, will determine the level of vesting.

An averaging calculation will be used for TSR over a 90 day period for start and end values in order to reduce share price volatility.

It should also be noted that 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.

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

Each Performance Right has the following features

The performance hurdle is tested at the end of three years;

No dividends will be payable on the Performance Rights until they vest;

A two-year exercise period that commences three years after the grant date subject to the performance hurdle being cleared;

Upon exercise, each Performance Right entitles the holder to one ordinary share;

In case of dismissal for 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, Performance Rights will be performance tested at the date of termination, and where performance hurdles have been met, Performance Rights will be pro-rated and a grace period provided in which to exercise;

In case of death or total and permanent disablement, a grace period is provided in which to exercise all Performance Rights. The hurdles would be waived; and

Performance hurdle, which is explained above.

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

This comparator group was chosen because it represents ANZ s key competitors in the financial services industry, are an appropriate reference group for investors and are of sufficient size by market capitalisation and weight in ASX Top 50.

Refer to Equity Instruments Transactions Section K in Note 51 for details pertaining to legacy LTI equity vehicles (which are yet to vest).

C5. PERFORMANCE OF ANZ

Table 4 shows ANZ s annual performance over the five-year period spanning 1 October 2000 to 30 September 2005. The table illustrates the impact of ANZ s performance on shareholder wealth, taking into account dividend payments, share price changes and returns on capital during the financial year.

TABLE 4

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Basic Earnings Per Share (EPS)	112.7	141.4	142.4	153.1	160.9
NPAT ($m)	1,870	2,322	2,348	2,815	3,018
Total Dividend (cps)	73	85	95	101	110
Share price at 30 September ($)	15.28	16.88	17.17	19.02	24.00
Total Shareholder Return (%)	26.2	15.3	6.7	17.0	32.6

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 2001 and 2005. Figure 2 however, 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 2000 to 2005 measurement period. The difference between S&P/ASX 200 Banks Accumulation Index and the median of ANZ s comparator group over the 2004 and 2005 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.

Explanation of Responses:

SECTION D. CHIEF EXECUTIVE OFFICER S REMUNERATION

D1. CEO REMUNERATION OVERVIEW

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

Fixed Remuneration: Consists of salary, benefits and superannuation contributions. Since October 2003, J McFarlane has elected to receive almost all of his Fixed Remuneration 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. 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. The performance conditions pertaining to the options issued during the year are indicated in Equity Instruments Transactions Section K1 Hurdled A options of Note 51.

The remuneration of J McFarlane for the year ended 30 September 2005 is set out in Table 1 in Section A. The mix of remuneration for J McFarlane under his current contract is made up as follows:

Fixed Remuneration of $2,000,000 per annum;

Target variable Short-Term Incentive of $2,000,000 per annum;

Long-Term Incentive of $2,600,000 one allocation only (based on valuation of 175,000 performance shares at issue).

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 and adherence to this guideline will be regularly monitored.

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

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

J McFarlane can terminate his employment agreement by providing 12 months notice. ANZ may terminate the employment agreement by providing notice equal to the unexpired term of the employment agreement (which ends on 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 or fees) applies in all events of separation.

In the event of resignation not approved by the Board or dismissal for serious misconduct, all unexercised options 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.

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, for options granted during the year, are indicated in Equity Instruments Transactions Section K1 (Hurdled A) of Note 51, and for Performance Shares in Equity Instruments Transactions Section K3 of Note 51. For options granted to the CEO, the life and exercise period may differ, as disclosed in Equity Instruments Transactions Section C of Note 51.

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 Equity Instruments Transactions Section K3 of Note 51. As these Performance Shares were granted as part of J McFarlane s contract extension, as opposed to a new contract, the conditions of grant were aligned with those of the original contract apart from the application of a TSR performance hurdle.

Directors Share Plan

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

Please refer to Equity Instruments Transactions in Note 51 for details of grants and holdings.

SECTION E. SPECIFIED EXECUTIVES CONTRACT TERMS

Contractual terms for most executives are similar, but do, on occasion, vary to suit different needs. Section E1 details the contractual terms for those Specified Executives who are on open-ended contracts. Section E2 details the contractual terms for Sir J Anderson, who is on a fixed term contract.

E1. OPEN-ENDED CONTRACTS (Dr RJ EDGAR, E FUNKE KUPPER, BC HARTZER, GK HODGES, PR MARRIOTT, 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. Target opportunity of 100% of Total Employment Cost (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 Total Employment Cost (TEC).
	On termination on notice by ANZ any options or LTI deferred shares that have vested, or will vest during the notice period will be released, in accordance with the ANZ Share Option Plan Rules. LTI shares that have not yet vested will generally be forfeited, although for some executives (E Funke Kupper, BC Hartzer and PR Marriott) these shares will be released in full. Deferred shares granted under STI arrangements will vest in full for all executives.
	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 TEC.
	All STI deferred shares are released. All options granted since 24 April 2002 are released on a pro-rata basis all prior grants may be exercised. All LTI deferred shares granted since 23 October 2002 are released on a pro-rata basis all prior grants will vest.

	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 released; pro-rata incentive.
Termination for serious misconduct	ANZ may immediately terminate the executive s employment at any time without notice in the case of serious misconduct, and the employee will only be entitled to payment of TEC up to the date of termination.
	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 a 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.

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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.
Fixed Remuneration	The Total Employment Cost (TEC) package is NZD 1,000,000 per annum and is inclusive of employer contributions to the superannuation fund.
Short-Term Incentive	STI payments are subject to both business and individual performance. The target payment is 50% of TEC.
Equity Participation	A Zero priced option (ZPO) is a right to acquire a share at nil cost. ZPOs are granted as part of Sir J Anderson s contract under the ANZ Share Option Plan. 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 are fixed at NZD500,000 worth of ZPOs annually, granted in two tranches per annum and with a nil exercise price. The ZPOs have no time based vesting criteria, and so can be exercised at any time during employment and within 6 months of the termination of employment.
Resignation	Sir J Anderson may terminate his employment by giving 12 months written notice. On resignation any ZPOs which have not been exercised as at the termination date will 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 will be made to Sir J Anderson on his retirement that is equal to the number of full years service divided by 35 and multiplied by 85% of finishing salary (where finishing salary is fixed remuneration less any superannuation contribution). This value is then grossed up for tax (i.e. divided by 0.61) and from this value the total accrual value of long service leave taken is deducted.
Termination on Notice by ANZ	ANZ National Bank Limited may terminate Sir J Anderson s employment by providing notice or payment in lieu of notice equal to the unexpired term of the employment agreement (which ends on 15 April 2006). On termination on notice, any options may 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	ANZ National Bank Limited may terminate Sir J Anderson s employment at any time without notice for serious misconduct, and Sir J Anderson will only be entitled to payment up to the date of termination. On termination for serious misconduct any ZPOs which have not been exercised as at the termination date will 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 Specified Executives, details of all grants made during the year and legacy LTI programs are listed in Equity Instruments Transactions Section K, of Note 51. 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.

The directors and specified executives shares and options disclosures are detailed in Note 51: Directors and Specified Executives Related Party Transactions.

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NOTES TO THE FINANCIAL STATEMENTS

51: DIRECTORS AND SPECIFIED EXECUTIVES - RELATED PARTY TRANSACTIONS

This note covers the related party transactions (excluding remuneration information as detailed in Note 50) of the directors of the Company and the specified executives as required by AASB1046 Director and Executive Disclosures by Disclosing Entities and the Corporations Act 2001.

Directors

Non Executive

CB Goode

GJ Clark

JC Dahlsen (retired 3 February 2005)

RS Deane

JK Ellis

DM Gonski

MA Jackson

DE Meiklejohn

JP Morschel

BWScott (retired 23 April 2005)

Executive

J McFarlane

Specified Executives

Sir J Anderson

Dr RJ Edgar

E Funke Kupper

BC Hartzer

GK Hodges

PR Marriott

S Targett

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

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

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

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

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

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

LOAN TRANSACTIONS

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

	Balance 1 October 2004 $	Balance 30 September 2005 $	Interest paid and payable in the reporting period $	Highest balance in the reporting period $
Directors				
Non-executive Directors				
J P Morschel	310,000	716,880	51,127	779,933
J C Dahlsen(1)	17,695,111	14,736,607	1,024,458	17,695,111
D M Gonski	18,342,000	18,342,000	1,097,742	18,342,000
Executive Directors				
J McFarlane(2)	10,349,429	6,264,681	495,517	16,249,944
Specified executives				
R J Edgar	181,814	918,284	17,001	1,130,316
E Funke Kupper	680,000	680,000	4,797(3)	680,000
B C Hartzer	2,645,581	2,703,626	163,028(3)	2,771,944
G K Hodges	1,172,688	1,019,242	61,658	2,869,921

(1) J C Dahlsen ceased to be a director in February 2005

(2) The loan balances as at 30 September 2005 largely relate to loans for the purchase of ANZ shares, including the exercise of options

(3) Interest payments were reduced as a result of a linked offset account

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

	Balance 1 October 2004 $	Balance 30 September 2005 $	Interest paid and payable in the reporting period $	Number in group at 30 September
Directors				
2005	46,696,540	40,060,168	2,668,844	4(3)
Specified executives				

2005	4,680,083	5,321,152	246,483	4(3)

(3) Number in the Group includes directors and specified executive with loan balances greater than zero

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

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

OTHER TRANSACTIONS OF DIRECTORS AND SPECIFIED EXECUTIVES

Other transactions (other than shares and share options)

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

on arm s length terms and conditions no more favourable than those entered into by other employees or unrelated customers;

information about them does not have the potential to affect adversely decisions about the allocations of scarce resources made by users of the financial report, or the discharge of accountability by the director or specified executive; and

are deemed trivial or domestic in nature.

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

EQUITY INSTRUMENTS TRANSACTIONS

The Company equity instruments and transactions relating to the Directors of the Company and the Corporations Act 2001 and AASB 1046 specified executives of the Group and Company are detailed as follows:

A. SHAREHOLDINGS OF NON-EXECUTIVE DIRECTORS (INCLUDING MOVEMENTS DURING THE YEAR)

Name	Balance of shares as at 1 October 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),(4)	Balance of shares held as at Financial Report sign-off date(1)
CB Goode	502,464	20,781	12,392	535,637	559,451
GJ Clark	2,000			2,000	3,766
JC Dahlsen (retired 3 February 2005)	121,915		(8,441)	113,474	113,474
RS Deane	75,364			75,364	75,364
JK Ellis	84,476	1,703	5,017	91,196	92,658
DM Gonski	52,612	2,055	237	54,904	57,217
MA Jackson	93,297			93,297	93,297
DE Meiklejohn	4,185		2,141	6,326	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, 30 September 2005 and 2 November 2005 (Financial Report sign-off date), includes directly held shares, nominally held shares and shares held by personally related entities.

(2) All shares acquired in lieu of salary were done so under the Directors Share Plan (refer to Section B3 of Note 50, 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 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.

B. SHAREHOLDINGS OF CHIEF EXECUTIVE OFFICER (CEO) (INCLUDING MOVEMENTS DURING THE YEAR)

Balance of shares as at 1 Oct 2004(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 Sep 2005(1),(8)	Balance of shares held as at Financial Report sign-off date(1)

			$				
1,690,507	89,995	175,000	2,628,500	500,000	(635,787)	1,819,715	1,820,056

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(1) Balance of shares held at 1 October 2004, 30 September 2005 and 2 November 2005 (Financial Report sign-off date) includes directly held shares, nominally held shares and shares held by personally related entities.

(2) All shares acquired in lieu of salary were done so under the Directors Share Plan (refer to Section B3 of Note 50) 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 K3 for further details.

(4) Nil performance shares forfeited or vested. The maximum amortisation balance (i.e. 1 October 2005 to vesting date) is $1,645,513 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 year 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 year includes the net result of any shares purchased, sold, or acquired under the Dividend Reinvestment Plan. It also includes those shares received on 28 October 2004 in regards to the 2004 incentive (for the period ending 30 September 2004).

(8) 1,270,176 shares were held nominally as at 30 September 2005.

C. OPTIONS GRANTED TO CEO(1)

Type of Options	**Grant date**	**First date exercisable**	**Date of expiry(4)**	**Exercise price(5) $**	**Number granted (6),(7)**	**Number vested during the year**	**Percentage that vested during the year %**	**Vested and exercisable as at 30 Sep 2005**	**Vested and unexercisable as at 30 Sep 2005**
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
Hurdled A	31-Dec-03	31-Dec-05	31-Dec-08	17.48	1,000,000				
Hurdled A(3)	31-Dec-04	31-Dec-06	31-Dec-08	20.49	500,000				
Total					3,500,000	1,500,000		1,000,000	500,000

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(1) All options held/exercised by 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 K1 for Hurdled A details.

(3) The fair value per option at the 31 December 2004 grant date is $1.98. Refer to Section I for details of the valuation methodology and inputs.

(4) Treatment of options on termination of employment is explained in Section D3 of Note 50.

(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 Renounceable Rights issue in November 2003, have been reduced by 72 cents because of the dilution of share capital associated with the Renounceable Rights issue.

(6) Nil options forfeited or expired during the period.

(7) The maximum amortisation balance (i.e. 1 October 2005 to vesting date) is $885,321 for subsequent financial years, however the value will be nil if the minimum performance hurdles are not achieved.

D. OPTION HOLDINGS OF CEO (INCLUDING MOVEMENTS DURING THE YEAR) (1)

Balance as at 1 Oct 2004	Granted during the year as remuneration	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 of options $	Amount paid per share $	Balance as at 30 Sep 2005	Totalvalue of options granted and exercised during the year $
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 held/exercised by the CEO have been approved by shareholders (December 1999 and December 2001).

(2) The value of options granted during the year is based on the fair value of the option ($1.98) multiplied by the number granted. Refer to section I, 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.

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E. DEFERRED SHARES GRANTED TO SPECIFIED EXECUTIVES

LTI Deferred Shares(1)

Name	Grant date	Vesting date	Number granted(2),(3)	Value of deferred shares granted during the year(4) $	Number that vested during the year	Percentage that vested during the year %
Dr RJ Edgar	24-Oct-01	24-Oct-04	2,700	n/a	2,700	100
	24-Apr-02	24-Apr-05	3,200	n/a	3,200	100
	23-Oct-02	23-Oct-05	7,600	n/a		
	20-May-03	20-May-06	8,500	n/a		
	05-Nov-03	05-Nov-06	8,889	n/a		
	05-Nov-03	05-Nov-06	25,000	n/a		
	11-May-04	11-May-07	8,452	n/a		
	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	5,900	6
E Funke Kupper	24-Oct-01	24-Oct-04	6,000	n/a	6,000	100
	24-Apr-02	24-Apr-05	4,500	n/a	4,500	100
	23-Oct-02	23-Oct-05	8,000	n/a		
	20-May-03	20-May-06	6,800	n/a		
	05-Nov-03	05-Nov-06	6,838	n/a		
	11-May-04	11-May-07	6,256	n/a		
	05-Nov-04	05-Nov-07	6,018	124,570		
Total			44,412	124,570	10,500	24
BC Hartzer	24-Oct-01	24-Oct-04	2,800	n/a	2,800	100
	24-Apr-02	24-Apr-05	4,600	n/a	4,600	100
	23-Oct-02	23-Oct-05	6,600	n/a		
	20-May-03	20-May-06	6,500	n/a		
	05-Nov-03	05-Nov-06	7,408	n/a		
	11-May-04	11-May-07	7,135	n/a		
	05-Nov-04	05-Nov-07	9,127	188,925		
Total			44,170	188,925	7,400	17
GK Hodges	24-Oct-01	24-Oct-04	1,000	n/a	1,000	100
	24-Apr-02	24-Apr-05	1,400	n/a	1,400	100
	23-Oct-02	23-Oct-05	3,800	n/a		
	20-May-03	20-May-06	6,500	n/a		
	05-Nov-03	05-Nov-06	5,699	n/a		
	11-May-04	11-May-07	6,586	n/a		
	05-Nov-04	05-Nov-07	7,522	155,702		
Total			32,507	155,702	2,400	7
PR Marriott	24-Oct-01	24-Oct-04	5,700	n/a	5,700	100
	24-Apr-02	24-Apr-05	5,500	n/a	5,500	100
	23-Oct-02	23-Oct-05	9,300	n/a		
	20-May-03	20-May-06	9,100	n/a		
	05-Nov-03	05-Nov-06	9,573	n/a		
	11-May-04	11-May-07	9,275	n/a		
	05-Nov-04	05-Nov-07	8,475	175,429		
Total			56,923	175,429	11,200	20
S Targett	05-Nov-04	05-Nov-07	6,519	134,941		

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(1) Deferred shares issued as LTI shares were granted under the ANZ Long-Term Incentive Program and relate to those deferred shares granted or vested during the year, and those yet to vest. The shares are restricted for 3 years and maybe held in trust for up to ten years. Refer to Section K2 for more details

(2) Nil shares forfeited during the year

(3) The maximum amortisation balance (i.e. 1 October 2005 to vesting date) for each Specified Executive for subsequent financial years is as follows: Dr RJ Edgar $801,535; E Funke Kupper $220,014; BC Hartzer $275,486; GKHodges $235,101; PR Marriott $311,436; STargett $94,397

(4) The value of deferred shares granted during the 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)**	**Number that vested during the year**	**Percentage that vested during the 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		
	20-May-03	20-May-06	5,622		
	05-Nov-03	05-Nov-06	6,781		
	11-May-04	11-May-07	7,683		
Total			34,702	8,193	24
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		
	20-May-03	20-May-06	4,148		
	05-Nov-03	05-Nov-06	7,636		
	11-May-04	11-May-07	7,052		
Total			39,624	12,234	31
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		
	20-May-03	20-May-06	1,992		
	05-Nov-03	05-Nov-06	7,322		
	11-May-04	11-May-07	7,244		
Total			34,437	13,422	39
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		
	20-May-03	20-May-06	4,503		
	05-Nov-03	05-Nov-06	5,129		
	11-May-04	11-May-07	5,653		
Total			26,498	6,452	24
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		
	20-May-03	20-May-06	5,403		
	05-Nov-03	05-Nov-06	7,978		
	11-May-04	11-May-07	9,604		
Total			42,950	11,438	27

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(1) Deferred shares issued as STI shares were granted under a historical ANZ Short-Term Incentive Program and relate to those deferred shares vested during the year and those yet to vest (STI is now delivered generally as 100% cash, therefore no STI deferred shares were granted to Specified Executives during the year. Refer Section C4.1 of Note 50). The shares are restricted for 3 years and may be held in trust for up to ten years

(2) Nil shares forfeited during the year

(3) The maximum amortisation balance (i.e. 1 October 2005 to vesting date) for each Specified Executive for subsequent financial years is as follows: Dr RJ Edgar $141,285; E Funke Kupper $135,693; BC Hartzer $125,786; GKHodges $106,248;
PR Marriott $167,451

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Other Deferred Shares(1)

Name	Grant date	Vesting date	Number granted(2),(3)	Value of deferred shares granted during the year(4) $	Number that vested during the year	Percentage that vested during the year %
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		
Total			105,604	1,433,998		

(1) Other deferred shares issued to S Targett relate to the issue of deferred shares (four tranches to the value of $700,000 each to be 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

(2) Nil shares forfeited during the year

(3) The maximum amortisation balance (i.e. 1 October 2005 to vesting date) is $1,498,908 for subsequent financial years

(4) The value of deferred shares granted during the 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

F. SHAREHOLDINGS OF SPECIFIED EXECUTIVES (INCLUDING MOVEMENTS DURING THE 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 Sep 2005(1),(3)
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(4)	185,008	6,018	134,000	(135,134)	189,892
BC Hartzer	79,046	9,127		465	88,638
GK Hodges	139,397	7,522	55,000	(55,000)	146,919
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 and 30 September 2005, include directly held shares, nominally held shares and shares held by personally related entities

(2) 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

(3) 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

(4) Amounts shown do not include ANZ Stapled Exchangeable Preferred Securities (ANZ StEPS).E Funke Kupper held 500 ANZ StEPS as at 1 October 2004; this holding remained unchanged up to and including 30 September 2005. No other Specified Executives held ANZ StEPS

G. OPTIONS GRANTED TO SPECIFIED EXECUTIVES

Name	Type of options(2)	Grant date	First date exercisable	Date of expiry(3)	Exercise price(4) $	Number granted(5),(6)	Value per option at grant date for options granted during the year(7)	Number vested during the year	Percentage that vested during the year %	Vested and exercisable as at 30 Sep 2005
Sir J Anderson	Zero-Priced	05-Nov-04	05-Nov-04	04-Nov-06		11,699	20.70	11,699	100	
	Zero-Priced	13-May-05	13-May-05	12-May-07		10,671	22.05	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	n/a	34,000	100	
	Hurdled A	24-Apr-02	24-Apr-05	24-Apr-09	18.03	41,000	n/a	41,000	100	
	Index Linked	23-Oct-02	23-Oct-05	22-Oct-09	17.34	125,000	n/a			
	Index Linked	20-May-03	20-May-06	19-May-10	17.60	147,000	n/a			
	Hurdled A	05-Nov-03	05-Nov-06	04-Nov-10	17.55	66,666	n/a			
	Hurdled A	11-May-04	11-May-07	10-May-11	18.22	63,115	n/a			
	Hurdled B	05-Nov-04	05-Nov-07	04-Nov-11	20.68	52,000	2.50			
Total						528,781		75,000	14	
E Funke Kupper	Hurdled A	24-Oct-01	25-Oct-04	24-Oct-08	16.33	77,000	n/a	77,000	100	
	Hurdled A	24-Apr-02	24-Apr-05	24-Apr-09	18.03	57,000	n/a	57,000	100	
	Index Linked	23-Oct-02	23-Oct-05	22-Oct-09	17.34	131,000	n/a			
	Index Linked	20-May-03	20-May-06	19-May-10	17.60	119,000	n/a			
	Hurdled A	05-Nov-03	05-Nov-06	04-Nov-10	17.55	51,282	n/a			
	Hurdled A	11-May-04	11-May-07	10-May-11	18.22	46,722	n/a			
	Hurdled B	05-Nov-04	05-Nov-07	04-Nov-11	20.68	48,000	2.50			
Total						530,004		134,000	25	
BC Hartzer	Hurdled A	24-Apr-01	25-Apr-04	24-Apr-08	12.98	42,000	n/a			42,000
	Hurdled A	24-Oct-01	25-Oct-04	24-Oct-08	16.33	36,000	n/a	36,000	100	36,000
	Hurdled A	24-Apr-02	24-Apr-05	24-Apr-09	18.03	59,000	n/a	59,000	100	59,000
	Hurdled A	24-Apr-02	24-Apr-05	24-Apr-09	18.03	50,000	n/a	50,000	100	50,000
	Index Linked	23-Oct-02	23-Oct-05	22-Oct-09	17.34	109,000	n/a			
	Index Linked	20-May-03	20-May-06	19-May-10	17.60	113,000	n/a			
	Hurdled A	05-Nov-03	05-Nov-06	04-Nov-10	17.55	55,555	n/a			
	Hurdled A	11-May-04	11-May-07	10-May-11	18.22	53,279	n/a			
	Hurdled B	05-Nov-04	05-Nov-07	04-Nov-11	20.68	72,800	2.50			
Total						590,634		145,000	25	187,000

H. OPTION HOLDINGS OF SPECIFIED EXECUTIVES (INCLUDING MOVEMENTS DURING THE 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(1)		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 I for details of the valuation methodology and inputs

(2) 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

Name	Type of options(2)	Grant date	First date exercisable	Date of expiry(3)	Exercise price(4) $	Number granted(5,(6)	Value per option at grant date for options granted during the year(7)	Number vested during the year	Percentage that vested during the year %	Vested and exercisable as at 30 Sep 2005
GK Hodges	Hurdled A	21-Nov-00	22-Nov-03	21-Nov-07	13.62	26,000	n/a			
	Hurdled A	24-Apr-01	25-Apr-04	24-Apr-08	12.98	16,000	n/a			
	Hurdled A	24-Oct-01	25-Oct-04	24-Oct-08	16.33	13,000	n/a	13,000	100	
	Hurdled A	24-Apr-02	24-Apr-05	24-Apr-09	18.03	17,400	n/a	17,400	100	17,400
	Hurdled A	24-Apr-02	24-Apr-05	24-Apr-09	18.03	50,000	n/a	50,000	100	50,000
	Index Linked	23-Oct-02	23-Oct-05	22-Oct-09	17.34	63,000	n/a			
	Index Linked	20-May-03	20-May-06	19-May-10	17.60	113,000	n/a			
	Hurdled A	05-Nov-03	05-Nov-06	04-Nov-10	17.55	42,735	n/a			
	Hurdled A	11-May-04	11-May-07	10-May-11	18.22	49,181	n/a			
	Hurdled B	05-Nov-04	05-Nov-07	04-Nov-11	20.68	60,000	2.50			
Total						450,316		80,400	18	67,400
PR Marriott	Hurdled A	23-Feb-00	23-Feb-03	22-Feb-07	9.39	25,000	n/a			25,000
	Hurdled A	21-Nov-00	22-Nov-03	21-Nov-07	13.62	170,000	n/a			170,000
	Hurdled A	24-Apr-01	25-Apr-04	24-Apr-08	12.98	80,000	n/a			
	Hurdled A	24-Oct-01	25-Oct-04	24-Oct-08	16.33	73,000	n/a	73,000	100	73,000
	Hurdled A	24-Apr-02	24-Apr-05	24-Apr-09	18.03	70,000	n/a	70,000	100	70,000
	Index Linked	23-Oct-02	23-Oct-05	22-Oct-09	17.34	153,000	n/a			
	Index Linked	20-May-03	20-May-06	19-May-10	17.60	158,000	n/a			
	Hurdled A	05-Nov-03	05-Nov-06	04-Nov-10	17.55	71,794	n/a			
	Hurdled A	11-May-04	11-May-07	10-May-11	18.22	69,263	n/a			
	Hurdled B	05-Nov-04	05-Nov-07	04-Nov-11	20.68	67,600	2.50			
Total						937,657		143,000	15	338,000
S Targett	Hurdled A	11-May-04	11-May-07	10-May-11	18.22	307,377(8)	n/a			
	Hurdled B	05-Nov-04	05-Nov-07	04-Nov-11	20.68	52,000	2.50			
Total						359,377				

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(1) Options granted to Specified Executives pertains to these options granted, vested or exercised during the year, options yet to vest and any unexercised options

(2) Refer to Section K1 for more details pertaining to hurdled A, hurdled B and index linked options. Refer to Section E2 of Note 50, 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 Note 50

(4) The exercise price is equal to the weighted average share price over the 5 trading days up to and including the grant date. Note, the original exercise price of options issued prior to the Renounceable Rights issue in November 2003, have been reduced by 72 cents because of the dilution of share capital associated with the Renounce able Rights issue. Given index-linked options have a dynamic exercise price, the original exercise price is shown in G (refer to Section K1 for more details)

(5) No additional options were granted in the period up to and including 2 November 2005, and nil options forfeited or expired

(6) The maximum amortization balance (i.e. 1 October 2005 to vesting date) for each Specified Executive for subsequent financial years is as follows: Dr RJ Edgar $266,582; E Funke Kupper $218,793; BC Hartzer $272,560; GK Hodges $232,767; PR Marriott $309,425; S Targett $493,628. The value will be nil however, if the minimum

performance hurdles are not achieved

(7) Refer to section I for details of the valuation methodology and inputs

(8) S Targett was granted Hurdled Options to compensate for the loss of equity from S Targett s previous employer

Date of exercise of options	Number of ordinary shares issued on exercise of options	Value of options exercised during the year(2) $	Share price on date of exercise of options $	Amount paid per share $	Balance as at 30 Sep 2004	Total value of options granted and exercised during the year(3) $
10-Nov-04	11,699	233,515	19.96			940,500
17-May-05	10,671	229,533	21.51			
20-May-05	34,000	187,982	21.86	16.33	181,781	474,966
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	599,069
06-May-05	57,000	214,666	21.80	18.03		
					250,000	
					368,634	182,000
					222,000	
20-May-05	26,000	214,211	21.86	13.62	219,316	578,148
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	862,116
					311,000	
					11,442	
					359,377	130,000

(3) Nil options lapped during the year

(4) Other refers to share options granted to a personally related entity. 11,000 of these options were vested and exercisable as at 30 September 2005

I. 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	2.50	20.68	20.70	18.50	7	3	3	5.30	5.24
Hurdled (CEO)	31-Dec-04	1.98	20.49	20.56	16.50	4	2	2	5.50	5.10
Zero-priced	05-Nov-04	20.70		n/a	n/a	2		n/a	n/a	n/a
Zero-priced	13-May-05	22.05		n/a	n/a	2		n/a	n/a	n/a

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

J. 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	20.56	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 1046 and 1046A, 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 K) 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

K. LEGACY LONG TERM INCENTIVE (LTI) PROGRAMS

K1 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 and 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 Total Shareholder Return (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 during the year:

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.

K2 Deferred Shares

(Granted from February 2000)

Deferred Shares granted under the Long Term Incentive (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 for up to 10 years;

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

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

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

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

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.

K3 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

52: DIRECTORS OF CONTROLLED ENTITIES OF THE COMPANY - RELATED PARTY TRANSACTIONS(1)

LOAN TRANSACTIONS

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

OTHER TRANSACTIONS OF DIRECTORS AND PERSONALLY RELATED ENTITIES

i) Financial instrument transactions

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

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

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

ii) Transactions other than financial instrument transactions of banks

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

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

(1) Relates to all other related party disclosures not concerning directors of Australia and New Zealand Banking Group Limited as disclosed in note 51

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

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

	Consolidated		The Company	
	2005	**2004**	**2005**	**2004**
	$ 000	**$ 000**	**$ 000**	**$ 000**
Aggregate				
Amounts receivable from associates and joint venture entities	340,916	101,835	305,493	27,553
Interest revenue	15,920	4,078	14,464	2,422
Dividend revenue	107,298	38,353	6,647	365
Commissions received from ING Australia joint venture	122,153	87,026	114,509	80,127
Costs recovered from ING Australia joint venture	9,430	9,776	9,430	9,761

54: 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:

	2005		2004		2003	
	Closing	Average	Closing	Average	Closing	Average
Euro	0.6325	0.6024	0.5814	0.5968	0.5847	0.5649
Great British pound	0.4325	0.4142	0.3983	0.4054	0.4070	0.3822
New Zealand dollar	1.0998	1.0847	1.0700	1.1254	1.1431	1.1139
United States dollar	0.7623	0.7657	0.7165	0.7263	0.6795	0.6124

55: IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (AIFRS)

Management of the Group s transition to AIFRS

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

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

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

Impact of transition to AIFRS

The key impacts identified below are based on accounting policy decisions current at the date of this financial report. Further developments in AIFRS attributable to:

- new or revised accounting standards or interpretations issued by the Australian Accounting Standards Board;
- additional guidance on the application of AIFRS to the financial industry; or

changes to the Group s operations

if any, may result in changes to accounting policy decisions made to date and, consequently, the likely impacts outlined below. Any such changes will be reflected within the Group s first AIFRS compliant statement for the half year ending 31 March 2006, or a later financial report as appropriate.

The key impacts identified below are separated between those applicable for the comparative financial year (ie from 1 October 2004), and those applicable from 1 October 2005.

All amounts are stated on an after tax basis, unless otherwise stated.

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Issues with effective impact from 1 October 2004

i) Goodwill

No initial impact on retained earnings Potential volatility in future earnings	The adoption of AIFRS does not impact the carrying amount of goodwill on transition as the Group has elected not to restate past business combinations. Under AIFRS, the past practice of systematically amortising goodwill over the expected period of benefit ceases and is replaced by impairment testing annually or more frequently if events or circumstances indicate that goodwill might be impaired. As a result, the Group amortisation expense for the AIFRS comparative financial year ended 30 September 2005 will decrease by $224 million (including notional INGA goodwill of $43 million).

ii) Defined benefits superannuation plan

Initial reduction in retained earnings Actuarial movements through retained earnings	On adoption of AASB 119: Employee Benefits , surpluses (assets) and/or deficits (liabilities) that arise within defined benefit superannuation schemes will be recognised in the statement of financial position. Under AGAAP, the Group accounts for the defined benefit superannuation schemes on a cash basis and does not currently recognise an asset or liability for the net position of the defined benefit superannuation schemes. The Group has elected to apply the option available under AASB 119 to recognise actuarial gains and losses in the statement of financial position (i.e. the direct to retained earnings approach). The non-cash expense reflecting the notional cost of the benefits accruing to members of the defined benefit schemes in respect of service provided over the reporting period is charged to the statement of financial performance. All transitional adjustments and ongoing movements reported for each scheme will be actuarially determined in accordance with AASB 119. At 1 October 2004, the Group will recognise a net liability position of $142 million (Company: $143 million) after recognising a net deferred tax asset of $56 million (Company: $57 million) which will be applied against retained earnings. For the AIFRS comparative year ended 30 September 2005, a $35 million adjustment will be made to retained earnings to recognise a decrease in the Group s pension liability, representing largely a net actuarial gain (Company: $32 million). The impact on the statement of financial performance of moving from a contributions basis to a service cost basis is not expected to be material for either the Group and Company.

iii) Share based payments

Initial reduction in shareholders equity Higher ongoing expenses	The Group currently recognises immediately an expense equal to the full fair value of all deferred shares issued as part of the short term and long term incentive arrangements. The deferred shares vest over one to three years and may be forfeited under certain conditions. The Group does not currently recognise an expense for options issued to staff or for shares issued under the $1,000 employee share plan.

On adoption of AASB 2: Share-based Payment , the Group will recognise an expense for all share based remuneration, including deferred shares and options, and will recognise this expense over the relevant vesting period.

The Group has elected to retrospectively apply AASB 2 to share based payments granted prior to 7 November 2002.

On 1 October 2004, this change in accounting policy will result in:

the establishment of a share options reserve of $43 million (Company: $43 million) to reflect the fair value of options granted to employees;

a reduction in paid up capital of $49 million (Company: $49 million), in order to reflect the fair value of vested shares;

recognition of a deferred tax liability of $18 million (Company: $16 million); and

a net decrease to retained earnings of $12 million (Company: $13 million).

For the AIFRS comparative year ended 30 September 2005, the impact of the change is expected to be:

- an increase in the share options reserve of $23 million (Company: $23 million);
- an increase in paid up capital of $41 million (Company: $41 million); and
- a decrease in profit after tax of $64 million (Company: $57 million).

iv) Fee Revenue

financial service fees recognised over the period of service

Initial reduction in retained earnings

Under AASB 118: Revenue , certain service type fees (such as administration fees) will be deferred and amortised over the period of service. On 1 October 2004, $3 million (Company: $2 million) of fees that have previously been recognised in the statement of financial performance will be recognised as a liability in the statement of financial position, with a corresponding reduction to retained earnings. For the AIFRS comparative year ended 30 September 2005, the impact of this change on the statement of financial performance for the Group and the Company are expected to be immaterial.

v) Securitisation

Additional assets/liabilities recognised

AIFRS has introduced new requirements for the recognition of financial assets, including those transferred to a special purpose entity for securitisation. The accounting treatment of existing securitisations has been reassessed. Consequently, some vehicles, which were previously not consolidated, are being consolidated by the Group. This will result in an increase in assets and liabilities recorded within the statement of financial position of $4,900 million as at 1 October 2004 for the Group.

Vehicles set up for assisting customers securitise their own assets will continue to not be consolidated under AIFRS.

For the comparative AIFRS year ended 30 September 2005, the Group will recognise a decrease of $400 million in both assets and liabilities, reflecting the net impact of repayment and securitisation of new assets during the year.

Within the Group statement of financial performance, income and expenses will be increased to recognise the income and expense items recorded within these vehicles. The overall impact on net profit is expected to be immaterial.

vi) Foreign currency translation reserve

Initial increase in retained earnings no change to shareholders equity

The Group has elected to apply the option under AASB 121: The Effects of Changes in Foreign Exchange Rates , to reset amounts recorded within the Foreign currency translation reserve to zero. On 1 October 2004, adopting this election will result in an increase in retained earnings of $218 million and $233 million for the Group and the Company respectively.

vii) Asset revaluation reserve balance relating to land and buildings

Initial increase in retained earnings no change to shareholders equity

The Group has elected to apply the option under AASB 1: First time Adoption of Australian Equivalents to International Financial Reporting Standards , to recognise the value of Land and Buildings at deemed cost. As a result, the Group and the Company Asset revaluation reserve of $31 million relating to Land and Buildings will be reset to zero as at 1 October 2004 and adjusted against retained earnings.

viii) Taxation

Change in methodology

Immaterial impacts

Under AASB 112: Income taxes , a balance sheet method of tax effect accounting will be adopted, replacing the statement of financial performance approach currently used by the Group.

Income tax expense comprises current and deferred taxes, with income tax expense recognised in the statement of financial performance, or recognised in equity to the extent that it relates to items recognised directly in equity.

Deferred tax is calculated using the balance sheet method by determining temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the tax base of those assets and liabilities as used for taxation purposes.

At 1 October 2004, an additional net deferred tax asset of $14 million (Company: $11 million) will be recognised with a corresponding increase to retained earnings.

ix) Intangible assets software

No impact on earnings

Reclassification only

Capitalised software assets will be reclassified from Premises and Equipment to a separately identifiable intangible asset on transition to AIFRS. For the Group, this will result in a reclassification of $430 million (Company: $375 million) as at 1 October 2004. There will be no impact on the statement of financial performance.

x) Business Combinations

No impact

At 1 October 2004, the Group has elected under AASB 1: First time Adoption of Australian Equivalents for International Financial Reporting Standards , to not restate the classification and accounting treatment of business combinations that occurred prior to 1 October 2004.

Issues with effective impact from 1 October 2005

xi) Credit loss provisioning

Initial increase on retained earnings

Volatility in future earnings

AASB 139: Financial Instruments: Recognition and Measurement adopts an incurred loss approach for credit loss provisioning and provides guidance on the measurement of incurred losses. Provisions are raised for losses that have already been incurred for exposures that are known to be impaired. The estimated losses on these impaired exposures are then discounted to their present value. As this discount unwinds during the period between recognition of impairment and recovery of the written down amount, it is recognised in the statement of financial performance as interest income.

The current General Provision in the statement of financial position will be replaced on adoption of AIFRS by a Collective Provision.

Exposures not individually known to be impaired are placed into pools of similar assets with similar risk characteristics to be collectively assessed for losses that have been incurred, but not identified yet. The required provision is estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data.

The Collective Provision under AIFRS shares the same underlying measurement objectives as the current General Provision. However, as a result of the application of a new estimation methodology, certain judgemental risk measures have changed.

The Group believes that the resulting Collective Provision, while lower than the current General Provision, comfortably falls within the probable range of losses that have been incurred but not identified in our portfolio.

On adoption of AIFRS, the current Economic Loss Provisioning (ELP) charge to profit will be replaced by a charge for individual provisions on impaired exposures together with a charge for movements in the Collective Provision.

As a result of these changes:

at 1 October 2005, there will be a reduction of $6 million to retained earnings for the Group (Company: $3 million) relating to individual provisions on impaired exposures as a result of discounting estimated future cash flows;

at 1 October 2005, the Collective Provision for the Group will be $307 million less than the AGAAP General Provision (Company: $151 million). After tax, this will result in an increase to retained earnings of $197 million at 1 October 2005 (Company: $102 million). Due to current uncertainty around AIFRS accounting interpretations and the development of Australian industry practice in this area, this Collective Provision on impaired exposures may be subject to further refinement;

individual provisions and movements in the Collective Provision will be charged direct to the statement of financial performance, driving increased earnings volatility; and

movements in the Collective Provision will be driven by changes in portfolio size, portfolio mix, credit risk and economic cycles.

xii) Fee Revenue financial service fees recognised as an adjustment to yield

Initial reduction in retained earnings

Under AASB 139: Financial Instruments: Recognition and Measurement , fee income (such as loan approval fees) integral to the yield of an originated financial instrument (such as loans and advances measured at amortised cost), net of any direct incremental costs, will be capitalised and deferred over the expected life of the financial instrument.

On 1 October 2005, certain fees that have previously been recognised in the statement of financial performance, will be deferred and recognised against net loans and advances in the statement of financial position with a corresponding reduction to retained earnings. The impact will be $266 million and $195 million for the Group and the Company respectively. The annual impact on net profit from this change is not expected to be material. However, there will be an increase in interest income (offset by a reduction in fee income) and a reclassification to interest earning assets of customer s liabilities for acceptances of $13,449 million.

xiii) Derivative financial instruments including hedging

Initial reduction in retained earnings

Volatility in future earnings

New assets and liabilities recognised

Under AIFRS, all derivative financial instruments, including those used as hedging instruments, will be measured at fair value and recognised in the statement of financial position. This will require an adjustment to reflect the market value of counterparty risk in the fair value of derivatives. This will result in a decrease in retained earnings of $24 million and $22 million at 1 October 2005 for the Group and Company respectively. (Under AGAAP, counterparty risk is notionally allowed for as part of the General Provision.)

At 1 October 2005, recognition of the fair value of derivatives relating to securitisation vehicles and structured finance transactions will reduce retained earnings by $64 million for the Group (Company: $50 million). The Group continues to evaluate hedging relationships and effectiveness for certain structured finance transactions, which may introduce volatility within the statement of financial performance. Accordingly, the likely AIFRS impact cannot be reliably estimated at present.

AIFRS permits hedge accounting (if certain criteria are met) for fair value hedges, cash flow hedges and hedges of investments in foreign operations. Fair value and cash flow hedge accounting can only be considered where prospective and retrospective effectiveness tests are met and the hedge relationship has been adequately documented. Ineffectiveness precludes the use of hedge accounting. The Group uses cash flow and fair value hedging in respect of its interest rate risk exposures.

As at 1 October 2005, the Group has designated certain fair value and cash flow hedges and financial liabilities as fair value through profit and loss, resulting in an increase in net assets of $97 million (Company: decrease in net assets of $53 million), represented by a decrease in retained earnings of $65 million (Company: $64 million), and an increase in reserves of $162 million (Company: $11 million). Any volatility through the statement of financial performance due to hedge ineffectiveness is not expected to be material.

xiv) Financial instruments classification and measurement

Certain assets reclassified and measured at fair value

Initial decrease in retained earnings

Under AIFRS, certain financial assets of the Group currently carried at amortised cost will be either:

reclassified as available for sale, resulting in measurement at fair value with movements being taken to an Available for Sale equity reserve; or

reclassified as financial assets held at fair value through the profit and loss, with movements in fair value being taken to the statement of financial performance.

On 1 October 2005, the reclassification of financial assets as either available for sale financial assets or financial assets designated at fair value, will not result in a material adjustment for the Group and the Company.

Under AIFRS, most financial liabilities will continue to be recognised at amortised cost and, as a result, there will be no material adjustment to the statements of financial position and performance.

Financial instruments will be measured under AIFRS at bid or offer prices rather than the current use of mid prices. On 1 October 2005, this change in measurement will result in a decrease to retained earnings of $5 million for the Group and $4 million for the Company.

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xv) Classification of hybrid financial instruments	
Reclassification of ANZ StEPS from equity to debt	Under AASB 132: Financial Instruments: Disclosure and Presentation , ANZ StEPS, a hybrid Tier 1 instrument currently treated as equity, will be reclassified as debt. Prepaid issue costs, currently offset against the preference share capital balance, will be capitalised and amortised to interest over a 5 year period from the date of issue. At 1 October 2005, an amount of $987 million will be transferred from Preference Share Capital to Loan Capital, and capitalised prepaid issue costs of $5 million will have been amortised. Ongoing distributions to the holders of ANZ StEPS will be treated as an interest expense in the statement of financial performance rather than as dividends.
xvi) Accounting for INGA	
Initial reduction in retained earnings	Under AASB 131: Interests in Joint Ventures , and in line with current policy, the Group is required to equity account for its interest in INGA. The adoption of AIFRS by INGA will result in the following significant measurement and recognition differences to AGAAP: increased policy liabilities resulting from a change in the discount rates applied in the actuarial calculation of policy liabilities and the separate presentation and change in basis of deferred acquisition costs (largely commissions) previously included within net policy liabilities; write-off of the excess of the market value over net assets (EMVONA) for INGA s life insurance controlled entities, which under AIFRS will no longer be recognised, together with a reassessment of other non-allowable intangibles; and initial entry fee income previously taken upfront will be deferred and amortised to income over time. The Group s 49% share of INGA s net AIFRS adjustment is $181 million, thus reducing the Group s retained earnings and the carrying value of its interest in INGA as at 1 October 2005. Following the adoption of AIFRS, the Group s investment in INGA will also be impacted by INGA s adoption of classifying and measuring its shareholder investments as available for sale assets. This change in measurement is likely to result in a reduction in investment return volatility experienced by INGA, as only realised gains and losses will be reported in its net profit.
xvii) Accounting for ING New Zealand	
Immaterial impacts	On 30 September 2005, ANZ announced its funds management and life insurance joint venture with ING had been extended through the creation of a New Zealand joint venture. The adoption of AIFRS by ING New Zealand is not expected to have a material impact on the Group s financial statements.

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Summary of Financial Impacts

A summary of the material after-tax financial impacts of conversion to AIFRS is set out in the following tables:

Table 1 represents the impact of the transition to AIFRS on Shareholders Equity as at 1 October 2004, for those standards with an effective date of 1 October 2004.

Table 2 sets out the additional impacts on Shareholders Equity as at 1 October 2005 including those standards with an effective date of 1 October 2005.

Table 3 sets out the expected comparative adjustment to the result for the year ended 30 September 2005.

References are provided within the tables to the detailed narrative disclosure in the section above.

Table 1: Shareholders Equity Reconciliation as at 1 October 2004

	Reference	Group $m	The Company $m
Shareholders Equity Reconciliation			
Total Shareholders Equity under AGAAP as at 1 October 2004		17,925	16,647
AIFRS 1 October 2004 After Tax Adjustments to Shareholders Equity			
Retained Earnings Impacts:			
Initial recognition of defined benefit superannuation plans net obligation	ii)	(142)	(143)
Net adjustment for share based payments	iii)	(12)	(13)
Transfer from Foreign Currency Translation Reserve	vi)	218	233
Transfer from Asset Revaluation Reserve	vii)	31	31
Initial recognition of balance sheet tax effect accounting	viii)	14	11
Other		(5)	(4)
Foreign Currency Translation Reserve			
Transfer to Retained Earnings	vi)	(218)	(233)
Asset Revaluation Reserve			
Transfer to Retained Earnings	vii)	(31)	(31)
Other Reserves and Share Capital Impacts			
Initial recognition of Share Options Reserve	iii)	43	43
Decrease in paid up capital in respect of share based payments	iii)	(49)	(49)
Other		2	2
AIFRS restated Shareholders Equity as at 1 October 2004		17,776	16,494

Table 2: Shareholders Equity Reconciliation as at 1 October 2005

	Reference	Group $m	The Company $m
AIFRS restated Shareholders Equity as at 1 October 2004	Table 1	17,776	16,494
Other current AGAAP shareholders equity movements for the year ended 30 September 2005(1)		(1,455)	(1,150)
AIFRS net profit after tax for the year ended 30 September 2005	Table 3	3,182	2,178
AIFRS 1 October 2005 after tax adjustments to shareholders equity Retained Earnings Impacts:			
Actuarial movements within defined benefit superannuation plans	ii)	35	32
Adjustment to credit loss provision	xi)	191	99
Deferral of financial services fees recognised as an adjustment to yield	xii)	(266)	(195)
Adjustment to reflect counterparty risk in the fair value of derivatives	xiii)	(24)	(22)
Recognition of fair value of derivatives(2)	xiii)	(129)	(114)
49% share of INGA joint venture opening AIFRS adjustments	xvi)	(181)	
Other		(12)	(11)
Other Reserves and Share Capital impacts:			
Movements in share options reserve	iii)	23	23
Movement in paid up capital in respect of share based payments	iii)	41	41
Hedge accounting adjustment to establish cash flow hedging reserve	xiii)	162	11
Reclassification of ANZ StEPS hybrid financial instrument from preference share capital to liabilities	xv)	(987)	(987)
Other		2	2
AIFRS Restated Shareholder s Equity as at 1 October 2005		18,358	16,401

(1) Represents movements in Shareholders Equity other than profit for the year:		
Change in Share Capital	940	940
Change in Reserves	(443)	(213)
Change in Outside Equity Interests	9	
Dividends paid	(1,961)	(1,877)
Net adjustment	(1,455)	(1,150)

(2) Represents the fair value of derivatives

that no longer meet hedge accounting criteria of $65 million for the Group and $64 million for the Company; and

relating to securitisation and structured finance transactions of $64 million for the Group and $50 million for the Company including the impact of designating certain financial liabilities as fair value through profit and loss

Table 3: Restatement of AGAAP after tax profit and loss for the year ended 30 September 2005 to an AIFRS comparative basis

	Reference	Group $m	The Company $m
AGAAP Net Profit After Tax for the year ended 30 September 2005		3,018	2,227
Writeback of goodwill amortisation	i)	224	
Recognition of share based payments expense	iii)	(64)	(57)
Other(1)		4	8
Total AIFRS after tax adjustments to Net Profit After Tax for the year ended 30 September 2005		164	(49)
AIFRS Net Profit after tax for the year ended 30 September 2005: comparative basis		3,182	2,178

(1) Comprises after tax profit impact for

financial services fees recognised over the period of service

income and expense items recorded within securitisation vehicles, and

recognition of non-cash pensions expense for defined benefit superannuation plans, net of AGAAP contributions expense

56: EVENTS SINCE THE END OF THE FINANCIAL YEAR

There were no significant events from 30 September 2005 to the date of this report.

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57: US GAAP RECONCILIATION

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

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

	Note	2005 $m	2004 $m	2003 $m
Net profit reported under Australian GAAP		3,018	2,815	2,348
Items having the effect of increasing (decreasing) net income according to US GAAP (total tax impact of adjustments shown separately):				
Amortisation of goodwill	(ii)	224	189	62
Pension expense adjustment and deficit amortisation	(v)	(17)	(16)	2
Provisioning for loan impairment change in methodology	(ix)	264		
Mark to market and non compliant derivative hedges(under SFAS133)	(xiv)	(95)	(89)	(47)
Loan origination	(xvi)	(10)		
Adjustment on entering into joint venture	(xvii)	(19)	(14)	
Guarantee fee obligation	(xviii)	(5)	(23)	
Employee share issue and options	(xix)	(42)	(43)	(21)
Interest on reclassified preference shares and amortisation of costs	(xx)	(68)	(64)	(1)
Deconsolidation of trust preferred structure (under FIN46R)	(xxi)	66		
Acquisition cost of NBNZ adjustment	(xxvi)		(37)	
Amortisation of core deposit intangible	(xxvi)	(125)		
Other adjustments		4	30	25
Total tax impact of the above adjustments (refer below)		(22)	40	12
Net income according to US GAAP		3,173	2,788	2,380
Earnings per share (cents) according to US GAAP*				
Basic		174	155	144
Diluted		168	149	144
Adjustments to determine other comprehensive income for US GAAP				
Net income according to US GAAP		3,173	2,788	2,380
Pension plan deficit net of tax:				
(Tax is; Sep 2005: $-5m; Sep 2004: $-6m; Sep 2003: $-42m)	(v)	(12)	(14)	(99)
Realised gain on sale of available for sale securities net of tax				
(Tax is; Sep 2005: $-3m; Sep 2004: $Nil; Sep 2003: $Nil)	(viii)	(7)		
Unrealised profit (loss) on available for sale securities net of tax:				
(Tax is; Sep 2005: $1; Sep 2004: $3m; Sep 2003: $-1m)	(viii)	2	7	(2)
Currency translation adjustments, net of hedges after tax:				
(Tax is; Sep 2005: $13m; Sep 2004: $9m; Sep 2003: $54m)	(xii)	(443)	233	(356)
Mark to market of cash flow hedges net of tax:				

(Tax is; Sep 2005: $9m; Sep 2004: $-40m; Sep 2003: $33m)	(xiv)	20	(94)	76
Total comprehensive income according to US GAAP		2,733	2,920	1,999
Total tax (expense)/benefit of the above adjustments comprises				
Pension expense adjustment and deficit amortisation		4	6	(1)
Loan origination		3		
Provisioning for loan impairment		(97)		
Amortisation of core deposit intangible		41		
Marked to market of non-compliant derivative hedges		30	27	14
Guarantee revenue		2	7	
Deconsolidation of trust preferred structure		(25)		
Other adjustments		20		(1)
Total tax impact		(22)	40	12

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

	Note	2005 $m	2004 $m	2003 $m
Shareholders equity reported under Australian GAAP(1)		19,461	17,907	13,770
Adjustment to accumulated depreciation on buildings revalued	(i)	54	52	50
Elimination of gross asset revaluation reserves	(i)	(213)	(224)	(247)
Accumulated amortisation of goodwill	(ii)	(39)	(263)	(452)
Restoration of previously deducted goodwill	(ii)	695	695	695
Deferred profit on sale and leaseback transactions	(iii)	(19)	(20)	(17)
Pension expense adjustment	(v)	(81)	(48)	(14)
Unrealised profit (loss) on available for sale securities	(viii)	2	8	1
Provision for loan impairment - change in methodology	(ix)	264		
Derivatives and hedging activities	(xiv)	11	69	309
Loan origination	(xvi)	(10)		
Adjustment on entering into joint venture	(xvii)	(236)	(217)	(203)
Guarantee fee obligation	(xviii)	(20)	(16)	
Reclassification of preference shares	(xx)	(992)	(990)	(988)
Deconsolidation of trust preferred structure (under FIN46R)	(xxi)	(787)		
Accumulated amortisation of core deposit intangible	(xxvi)	(125)		
Acquisition cost of NBNZ purchase adjustment	(xxvi)	(37)	(37)	
Other adjustments		(11)		
Total tax impact of the above adjustments (refer below)		(37)	1	(84)
Shareholders equity according to US GAAP		17,880	16,917	12,820
Total assets reported under Australian GAAP		293,185	259,345	195,591
Adjustment to accumulated depreciation on buildings revalued	(i)	54	52	50
Elimination of gross incremental revaluations	(i)	(191)	(191)	(203)
Accumulated amortisation of goodwill	(ii)	(39)	(263)	(452)
Restoration of previously deducted goodwill	(ii)	695	695	695
Reclassification of deferred tax assets against deferred tax liabilities	(iv)	(635)	(672)	(726)
Deferred tax assets	(iv)	16		
Prepaid pension adjustment	(v)	49	58	66
Unrealised profit (loss) on available for sale securities	(viii)	3	12	2
Provision for impairment- change in methodology	(ix)	264		
Consolidation of variable interest entities	(xi)	3,236	3,036	
Revaluation of hedges	(xiv)	57	192	397
Loan origination	(xvi)	(10)		
Adjustment on entering into joint venture	(xvii)	(236)	(217)	(203)
Guarantee receivable	(xviii)	4	4	
Issue Costs	(xxi)	12	10	13
Accumulated amortisation of core deposit intangible	(xxvi)	(125)		

Adjustment to goodwill on recognition of deferred tax liability	(xxvi)	104		
NBNZ goodwill due to acquisition cost adjustment	(xxvi)	(37)	(37)	
Other adjustments		(4)		
Total assets according to US GAAP		296,402	262,024	195,230

(1) Excluding outside equity

Total tax (expense)/benefit of the above adjustments comprises			
Deferred profit on sale and leaseback transactions	6	6	5
Pension expense adjustment	24	14	4
Loan origination	3		
Provisioning for loan impairment	(97)		
Accumulated amortisation of core deposit intangible	41		
Derivative and hedging activities	(9)	(19)	(93)
Deconsolidation of trust preferred structure	(25)		
Other adjustments	20		
Total tax impact	(37)	1	(84)

We have outlined in the following notes the significant differences between *Australian GAAP* and *US GAAP*. A more detailed discussion of the Australian GAAP policies is contained in Note 1.

During the year ANZ undertook a review of its US GAAP reporting. This review identified several interpretational differences in ANZ s application of US GAAP. These differences impact the current and prior years. In accordance with APB 20 Accounting Changes and SEC Staff Accounting Bulletin No. 99 Materiality , these have been adjusted for in the US GAAP reconciliation in the current year, 2005, asthey are not material. These adjustmentsaggregated to a $12m increase in netincome in 2005 and principally relate tostock compensation plans, use of hedgeaccounting, derivative financial instruments, loan origination and taxation.

As a result of the review, ANZ has commenced a project to enhance its US GAAP reporting resources and processes. Further detail is contained in notes (xiv), (xvi) and (xix).

i) Premises and equipment

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

Decrements in excess of any previous revaluation increments were charged to the statement of financial performance. The ARR is not available for future property write downs while properties are measured at deemed cost.

Under *US GAAP*, revaluation of properties is not permitted except for decrements. Any such decrements are recorded in the statement of financial performance. Subsequent recoveries to the Statement of Financial Performance are not allowed.

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

ii) Goodwill

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

Historically, under *US GAAP*, goodwill has been capitalised and amortised over the period of time during which the benefits are expected to arise, such period not exceeding 20 years. Until 1 October 2002, adjustments were made in the US GAAP reconciliation statement to restore goodwill written-off in full under *Australian GAAP* and to amortise such goodwill over the period of the expected benefits. As at 1October 2002, ANZ adopted SFAS 142 Goodwill and Other Intangible Assets .Under SFAS 142 for goodwill acquiredduring the year ended 30 September 2002and for all goodwill balances after30 September 2002 a review forimpairment test applies rather thansystematic goodwill amortisation asrequired under the current Australian GAAP. This review is undertaken in accordance with SFAS 142 Goodwill and Other Intangible Assets. Goodwill acquired is allocated to reporting segments that are expected to benefit from the acquisition. These units have been evaluated using a combination of discounted cashflows and multiples of earnings methodologies. Any impairment would be recognised in earnings in the year in which it is identified. The 2005 review did not indicate any impairment.

iii) Sale-leaseback transactions

All sale and leaseback transactions relate to property and premises.

Under *Australian GAAP* for operating leases, gains on disposal under sale-leaseback transactions can be recognised in the period of sale.

Under *US GAAP*, the gain is amortised over the remaining lease term (typically this is between 5 and 10 years). This difference in treatment has been adjusted in the US GAAP reconciliation.

iv) Income taxes

The Group has many products, transactions and operating expenditures where the timing of assessibility or deductibility for taxation purposes, dictated by statutorydirectives differs from the timing ofrecognition under AGAAP. This difference in timing is accounted for and generates deferred tax balances. The balances relating to lease finance and treasury instruments reflect the ever-changing profile of the underlying product books driven by the ebbs and flows of customer demand and external factors such as exchange rates.

Under *Australian GAAP*, tax benefits relating to carry forward tax losses of a revenue nature must be virtually certain of being realised before being booked. Realisations of benefits relating to other timing differences mustbe beyond reasonable doubt before theymay be booked. These tests are morestringent than those applied under *US GAAP*. However, no material adjustment to future tax benefits for *US GAAP* is required.

Deferred tax assets that are currently not booked relating to revenue tax losses amount to $23 million. As disclosed in note 19 theonly potential future benefit arising from unbooked tax losses amount to $66m relating to capital losses. Since capital losses can only be recovered against capital gains, and not against revenue generally, and the prospect of generating the necessary future capital gain is not probable, the potential future benefit cannot be booked. Both the capital losses and revenue losses can be carried forward indefinitely.

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

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

The Group implemented tax consolidation during 2004. The amounts due to and receivable, from Group entities are as follows:

	2005 $ 000	**2004 $ 000**
Amounts due from group entities	188	323
Amounts due to group entities	274	474

The total income tax expense as determined under *Australian GAAP* detailed in Note 6, comprises:

	2005 $ 000
Deferred	244
Current	990
Total income tax expense	1,234

An adjustment of $16 million has been made to net income in 2005 to reflect the cumulative impact of deferred tax assets not previously booked.

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v) Pension commitments

Under *Australian GAAP*, contributions in respect of defined benefit schemes are recorded in the income statement and aremade at levels necessary to ensure thatthese schemes are maintained withsufficient assets to meet their actuarially assessed liabilities. Any net deficiency arising from the aggregation of assets and liabilities of the Group s defined benefit schemes, where there is a legal or constructive obligation, is provided for in the Group s financial statements (refer note 48).

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

In the year ended 30 September 2003, as required under *US GAAP* an additional liability was recognised for the Group s UKPension plan of $142 million ($99 million after tax). As at 30 September 2005, based on 30 June 2005 actuarial information, this liability has been increased to $163 million ($114 million after tax) due to a deterioration in the position of the plan. This liability is booked to the Statement of Financial performance over a period of 15 years.

In 2004, a liability was recognised under US GAAP for the Group s NBNZ pension plan of $35 million ($25 million after tax). This position is unchanged at 30 June 2005.

These liabilities are required to be recognised under US GAAP where the accumulated benefit obligation exceeds the fair value of plan assets and an asset has been recognised as prepaid pension cost, or the liability already recognised as unfundedaccrued as a pension cost, is less than the unfunded accumulated benefit obligation.

vi) Post retirement and post employment benefits

US GAAP requires that any liability arising from a deficit in post retirement and postemployment benefits other than pensionschemes, be recognised as a liability.

vii) Trading securities

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

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

viii) Investment securities

US GAAP requires that investments not classified as trading securities or as heldto maturity securities shall be classified as available for sale securities and be recorded at market value in accordance with SFAS 115 Accounting for Certain Investments in Debt and Equity Securities . An adjustment ismade in the *US GAAP* reconciliation to reclassify investment securities under *Australian GAAP* to reflect available for sale securities which are carried at market value with unrealised profits and losses in respect of market value adjustments beingreported as other comprehensive incomein shareholders equity. The cost of anysecurities sold or transferred out of other comprehensive income is based on the original cost of the security.

During the first half of 2005, the Group sold $420 million of its holdings in NZD denominated treasury bills, a portfolio designated as held to maturity. Inadvertently classified within this portfolio were securities that had been purchased by the Group with the intention of making these available for sale to third parties.

The realised gain on sale of these securities was less than $0.5 million and was taken to profit and loss at that time.

As a result, all held to maturity securities of the Group have been reclassified as available for sale securities for the purposes of US GAAP accounting and disclosure.

The carrying value of the securities in the held to maturity category was $6.74 billion and the estimated fair value was $6.76 billion at the time of transfer to the available for sale portfolio.

ix) Accounting for the impairment of loans

For loan impairment, *Australian GAAP* will change with effect from 1 October 2005,through the application of a new AIFRSaccounting standard (AASB 139 FinancialInstruments: Recognition and Measurement) to the Group.

We have quantified a difference on transition to AASB 139 on 1 October 2005 of $307 million before tax ($197 million after tax). We have treated this adjustment as a change ofestimate in preparing our *US GAAP* reconciliation for the year ended 30 September 2005, taking the impact to net income.

AASB 139 is more prescriptive in its guidance on impairment provisioning than either existing *Australian GAAP* or *US GAAP*.

For impairment provisioning, AASB 139 requires that there be objective evidence of impairment, resulting from an identified loss event, which has an impact on the present value of estimated future cash flows of a financial asset or a group of financial assets. It is an incurred loss approach, focussed on thebalance sheet and requiring consideration of individual provisions (for specific impairments) and a collective provision (where a loss event has occurred but where the Group is unable to specifically identify the individual loans impacted).

This has led the Group to refine its present method for determining impairment expense, referred to as Economic Loss Provisioning (ELP) through discounting cash flows andchanging certain judgemental risk measures.

ELP determined an expense, based on the average one year loss expected to be incurred if the same loan portfolio was held over an economic cycle. Specific provisions were not charged directly to earnings butwere treated as transfers from the general provision.

Under *Australian GAAP* there is no requirement to discount future cash flows attributable to impaired loans. The impact of discounting on individual provisions is $9 million before tax ($6 million after tax).

An adjustment of $34 million before tax ($24 million after tax) has been made to reflect the market value of counterparty risk in the fair value of derivatives. This was previously allowed for as part of the General Provision.

To assess the collective provisions, exposures are placed into pools having similar risk characteristics. The required provision is estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data.

The collective provision shares the same underlying measurement objectives as the *Australian GAAP* general provision it will replace. The Group believes the resulting collective provision, whilst $264 million lower than the current *Australian GAAP* general provision comfortably falls within the probable range of losses that have been incurred but not identified in our portfolio at 30 September 2005 and the requirements of *US GAAP*.

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

SFAS 144 Accounting for the Impairment or Disposal of Long-Lived Assets , requires that where an event or a change in circumstance indicates that the carrying value of an asset that is expected to be held and used may notbe recoverable, an impairment loss should be recognised. The standard also requires that where there is a committed plan to dispose of an asset, the asset should be reported at the lower of the carrying value or fair value less selling costs.

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

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

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

The Group retains servicing and (for some loans) custodian responsibilities for sold loans. The fair value of these servicing rights is estimated to be approximately $10 million as at 30 September 2005(2004: $13 million). These interests have been included in the Group s US GAAP reconciliation.

Following a securitisation, the Group may also receive any excess income derived by the SPE after interest has been paid to investors and net credit losses and expenses absorbed. Due to the significant uncertainties inherent in estimating the underlying loan repayment rates and interest margins with respect to these loan securitisation programs, future cash flowscannot be reliably measured and no assetin relation to any entitlement to residual income has been recognised.

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

An entity is a Variable Interest Entity (VIE) if the entity s equity at risk is not sufficient to finance its activities without additional subordinated financial support from otherparties. An entity is also a VIE if, as a group the holders of the equity investment at risk lack any one of the following characteristics:

Direct or indirect ability to make decisionsabout the entity s activities through voting rights

Obligation to absorb the expected lossesof the entity if they occur

The right to receive the residual returns ofthe entity if there are any

The Group is required to consolidate those VIEs for which the Group is the primary beneficiary.

Those entities that have been identified as requiring consolidation as a result of the application of FIN46R have been detailed in note 57 xxiv. These entities are not consolidated or equity accounted under *Australian GAAP*.

Details of the treatment of securitisations under *Australian GAAP* are detailed in note 39.

xii) Comprehensive income

SFAS 130 Reporting Comprehensive Income establishes standards for reporting and display of comprehensive income and its components.

Comprehensive income is defined as all changes in shareholders equity during a period excluding those resulting from investments by shareholders and distributions to shareholders.

Accordingly, the Group has shown currency translation adjustments, unrealised profit on available for sale securities, additional pension liability and certain SFAS 133 adjustments as components of other comprehensive income with net income according to *US GAAP* forming the remaining component of comprehensive income.

Amounts transferred in and out of comprehensive income relating to unrealised profits on available for sale securities are specific to individual assets. The fair value of investments recorded as available for sale subject to adjustment in the *US GAAP* reconciliation was $6,957 million as at 30 September 2005 (2004: $14 million), with a book value of $6,953 million (2004: $2 million).

The net movement in the unrealised gain relating to these securities during the year is equal to $2 million after tax, realised gain before tax on these securities during the year is equal to $7 million after tax (2004: $5 million).

The currency translation adjustment through comprehensive income includes a net gain on net investment hedges after tax of $31 million (before tax $44 million) (2004: net gain after tax $21 million; before tax $30 million).

xiii) Earnings per share (EPS)

Under *US GAAP*, EPS is computed in accordance with SFAS 128 Earnings Per Share . This Standard is similar to *Australian GAAP*. In calculating EPS in accordance with SFAS 128, instruments that have the characteristics of both debt and equity havebeen considered. Such instruments havebeen treated as follows in the calculation of dilutive EPS for *US GAAP* purposes:

Trust Securities Issues (ANZ TrUEPrS): Have been excluded from the dilutive EPS calculation, as whilst they are classified as equity for *US GAAP* purposes, they do notconvert into ordinary shares. The TrustSecurities were mandatorily exchangeablefor the preference shares issued by theCompany, and carried an entitlement to anon-cumulative trust distribution of 8.00% or 8.08% per annum payable quarterly in arrears. The securities were bought back in December 2003 for $1,045 million.

ANZ Stapled Exchangeable Preferred Securities (ANZ StEPS): Have been excluded from the dilutive EPS calculation as it is classified as debt for *US GAAP* purposes. On exchange, a holder will receive (at the Company s discretion) either $100 cash for each ANZ StEPS exchanged or a number of ordinary shares calculated in accordance with a conversion ratio based on $100 divided by the market price of ordinary shares at the date of conversion less 2.5%.

Based on the experience of similar issues in Australia it is considered more likely that the securities will be repaid in cash rather than in ordinary shares.

US Trust Securities: Have been included in the dilutive EPS as if the securities are not redeemed or bought back prior to 15 December 2053 they will convert into preference shares, which in turn manditorily convert into a number of ordinary shares.

Euro Trust Securities: Have been excluded from the dilutive EPS as if the securities are not redeemed or bought back prior to 15 December 2053, they will convert intopreference shares. These preference shares do not convert into ordinary share capital.

xiv) Accounting for derivative instruments and hedging activities

The Group has adopted SFAS 133 Accounting for Derivative Instruments and Hedging Activities as amended by SFAS 138 Accounting for Certain Derivative Instruments and Certain Hedging Activities and SFAS 149 Amendment of Statement 133 on Derivative Instruments and Hedging Activities in its *US GAAP* reconciliation from 1 October 2000.

SFAS 133 requires all derivatives to be recognised on balance sheet at fair value. Movements in the fair value of derivatives are taken to the statement of financial performance, unless the derivatives meet the criteria prescribed in SFAS 133 for fair value, cash flow, or foreign currency hedges. If certain criteria are met derivatives can be designated as hedges.Under SFAS 133 normal banking hedgingpractices may not qualify for hedgeaccounting, notwithstanding their ability to hedge existing balance sheet positions from an economic perspective.

As a result future fair value movements recognised in the *US GAAP* reconciliationmay not be indicative of the Group s risk profile. The Group uses instruments and hedging techniques that are effective in managing interest rate risk and foreign exchange risk.

Further information on the results of the Group s hedging activities, and the effectiveness of the risk management policies, can be assessed better by considering the information provided on interest rate risk in note 35, and the information on hedging derivatives provided in note 38: Derivative Financial Instruments. The accounting policy for derivatives under Australian GAAP is outlined in note 1 (xiii).

Under SFAS 133, movements in the value of derivatives designated as fair value hedges are taken to the statement of financial performance, along with the movement in the fair value of the underlying exposure that is being hedged to the extent the hedge is effective. These amounts largely offset each other with any ineffectiveness recognised in the *US GAAP* statement of financial performance.

Movements in the effective portion of the fair value of derivatives designated as cash flow hedges are taken to other comprehensive income. Any ineffectiveness is recognised in the *US GAAP* statement of financial performance immediately. Amounts are subsequently reclassified out of other comprehensive income into earnings as the hedged transaction impacts earningsor the hedge is de-designated andtransactions become probable.

Changes in market conditions and the Group s hedging policies may result in volatility in these *US GAAP* adjustmentsgoing forward. The net gain/(loss) after tax in the net income according to *US GAAP* recognised, due to fair value and cashflowhedge ineffectiveness (in respect ofqualifying hedges) or non compliance is:

	2005 $m	**2004 $m**
Fair value	(57)	(28)
Cash flow	(8)	(34)
Total	(65)	(62)

A cumulative adjustment of $(8) million after tax has been made to net income in 2005 due to incomplete application of hedge accounting requirements of SFAS133.

In prior years certain revenue hedges were designated as cash flow hedges and the revaluation of these was taken through other comprehensive income. During the Group s review of its US GAAP reporting, an interpretational difference was identified which had the effect of requiring hedge accounting for these relationships to be discontinued prospectively and retrospectively. As a result, an adjustment of $(15) million has been made to othercomprehensive income.

xv) Provisions

Since 2001 significant amendments have been made to *Australian GAAP* in relationto recognition and measurement ofrestructuring provisions that bring theminto line with those required for *US GAAP* reporting.

The recognition requirements for restructuring provisions under *Australian GAAP* and *US GAAP* are now similar and as such no adjustment has been made in the reconciliation.

Whilst the wording of AASB 1044 Provisions, Contingent Liabilities & Assets and SFAS 146 Accounting for Costs Associated with Exit or Disposal Activities may differ, the intention of both standards with regards to the recording of restructuring provisions is the same. Both standards require there to be a detailed plan, that there be a present obligation and that the entity has no realistic alternative but to proceed with the plan. As such, the liability/provision is deemed incurred. SFAS146 has additional disclosure requirements, which are addressed below.

During 2005 approximately 47% of the total restructuring and surplus leased space expense for the year related to one time termination and other staff benefits, and for surplus premises space (2004: 37%) and the remainder for other associated costs including technology costs. The personnel costs relate to ongoing business initiatives in response to changing market conditions that demanded streamlining of our front offices across the business units. These restructuring initiatives are expected to be substantially implemented over thenext year.

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

	2005 $m	2004 $m
One time termination and staff benefits	68	73
Excess premises	6	10
Other contract termination and associated costs	3	23
Total	77	106

All restructuring costs are expensed and recorded as operating expenses in the most appropriate category; for example, termination benefits are recorded in personnel and, surplus premises are recorded in premises, with the remainder recorded in other.

Note 27 to the financial statements provides additional details on the movements in the provision for restructuring costs.

xvi) Loan origination

Under *Australian GAAP*, certain loan origination fees are recognised when received. Under *US GAAP*, certain direct costs and non-refundable loan fees are deferred and recognised over the period of the related loan or facility. This differenceis a reconciling item in the US GAAPreconciliation.

An adjustment of $(7) million after tax has been made to net income to reflect the cumulative impact of this difference which, in prior years, was not adjusted for on the basis of its immateriality.

xvii) Gain and non-capitalisable costs recognised on entering joint ventures

In accordance with *Australian GAAP* the Group recognised profits (net of transactioncosts) based on the difference between fair value and carrying value of the share of businesses transferred to an external party on entering into a joint venture.

Under *US GAAP* the gains may not be recognised as they occurred as a result of anon-monetary transaction, which involvedtransferring ownership of controlledentities in exchange for a non-controlling ownership interest in the joint venture. This has been adjusted for in the US GAAP reconciliation.

xviii) Guarantees

The Group accounts for guarantee arrangements in which it is the guarantor by applying the guidance in FIN 45 Guarantors Accounting and Disclosure Requirements for Guarantors, including Indirect Guarantees of Indebtedness of Others (FIN 45). FIN 45 applies to all guarantees issued or modified after 15 December 2002 and requires that a guarantor recognise a liability equal to the fair value of the obligation undertaken at inception of the arrangement. The fair value of the obligation in issuing the guarantee at inception is typically equal to the net present value of the future amount of the premium receivable under the contract.

ANZ provides a variety of guarantees and indemnifications to our customers to enhance their credit standing or allow them to complete various business transactions. The Group considers the following off balance sheet non derivative arrangements to be guarantees under FIN 45: Standby letters of credit, Guarantees, Bill endorsements, Documentary letters of credit, Performance related contingencies. The fair value of the estimated liabilityrelated to guarantees for the forementioned instruments at 30 September 2005 has been adjusted in the US GAAPreconciliation.

Standby letters of credit generally include guarantees of payments for loans, credit facilities, promissory notes and trade acceptances and are generally issued in connection with agreements made by customers with counterparties. Documentary letters of credit are an undertaking by the bank to guarantee payment to a beneficiary provided documents are presented in strictcompliance with the terms and conditions of the documentary credit. Performance guarantees are issued to guarantee completion of projects in accordance with contract terms. They can be issued to support a customer s obligation to supply specified products, commodities or maintenance orwarranty services to a third party. ANZ as guarantor becomes obligated to perform under the guarantee when a counterparty does not fulfil its obligations under an associated contract. The majority of these contracts are short term.

Sold credit derivatives also meet the definition of guarantees under this statement but are recorded in the statement of financial position at their fair value.

Details of the maximum potential amount of future payments can be found at note 47. The amounts detailed in note 47 represent the notional amounts that could be lost under the guarantees and indemnifications if there was a total default by the guaranteed parties, without consideration of possible recoveries.

xix) Accounting for stock compensation plans

Under *Australian GAAP* an expense is not required to be recognised for share optionsissued to employees or for shares issued at a discount. However, ANZ expenses the deferred share plan under Australian GAAP.

SFAS 123 Accounting for Stock-Based Compensation requires shares and options issued as part of a compensation plan to employees to be recognised using either the fair value method or the intrinsic value method as prescribed by APB No. 25 and its related interpretations.

For *US GAAP*, APB No.25 share-based employee compensation cost for variableshare option plans (those with performance hurdles) is measured using the intrinsic value method. US GAAP compensation cost is determined at date of issue and is expensed if the strike price is less than the market price at the time and it is probable that performance hurdles are met.

To the extent that the intrinsic value increases in subsequent periods an additional expense is recorded.

Variable share option plans include all plans with performance conditions. The Group s policy is to generally grant share options at the average market price of the underlying shares at the date of grant.

Share issues to employees under the $1,000 Share Plan are expensed in the year issued under *US GAAP*. Under *Australian GAAP* they are issued from Share Capital Account and are not expensed. An adjustment is made in the US GAAP reconciliation for $17 million (2004: $22 million).

The following amounts were booked as a compensation expense during the year in relation to stock based compensation:

	2005 $m	2004 $m
Gross(1)	58	90
After tax(2)	41	63

(1) This includes the Deferred Share Plan which is also expensed under Australian GAAP but is amortised over the 3 year vesting period for US GAAP.

(2) The tax deduction for the deferred share and the $1,000 share plan occurs at the time that shares are issued. The tax effect is recognised under Australian GAAP and therefore no adjustment is made in the US GAAP reconciliation.

An adjustment of $27 million after tax has been made to net income in 2005 to reflect the cumulative impact of vesting of deferred shares.

xix) Accounting for stock compensation plans (continued)

If the fair value basis of accounting had been applied to account for compensation costs as stipulated in SFAS 123, the following profit after income tax and earnings per share would have appeared.

The fair value of the options has been calculated using a modified Black-Scholes option pricing model. The fair value is calculated as at the grant date and the value amortised on a straight-line basis over the vesting period. Note 4 details the assumptions taken into account in the fair value calculation. An adjustment is made for APB 25 purposes in the US GAAP reconciliation for $63 million (2004: $21 million).

	2005 $m	**2004 $m**	**2003 $m**
Net income according to US GAAP	3,173	2,788	2,380
Intrinsic method adjustment(APB 25)	42	43	21
Fair value adjustment(SFAS123)	(10)	(53)	(50)
Adjusted Pro Forma net income according to US GAAP	3,205	2,778	2,351

	2005 As Reported	**2005 Pro Forma**	**2004 As Reported**	**2004 Pro Forma**	**2003 As Reported**	**2003 Pro Forma**
Basic earnings per share (cents)*	174	176	155	155	144	143
Diluted earnings per share (cents)*	168	169	149	149	144	142

* Rounded to nearest whole cent and restated for rights issue

Details of the share-based compensation plans are included in note 49.

xx) Classification of financial instruments with characteristics of both liability and equity

Under *Australian GAAP*, ANZ Stapled Exchangeable Preferred Securities issued on 23 September 2003 (known as ANZ StEPS) are classified as equity instruments as they are not considered to be mandatorily converting to ordinary shares and do not meet the classification requirementsof a financial liability upon issue.

Under US GAAP, StEPS is considered to be a hybrid security which has predominant characteristics of the stapled note liability. Accordingly, it is accounted for as a liability until such time as the note and the preference shares are unbundled and the investor holds preference shares.

xxi) Deconsolidation of trust preferred structure (under FIN46R)

We have applied the principles of FIN46R to our trust preferred structure. The impact of application has been to deconsolidate the following trust:

Instrument	**Trust**
Euro Trust Securities	ANZ Capital Trust III

The consequence of not consolidating the above trust is that the trust securities are considered to be debt for US GAAP purposes. This has resulted in the following impact on the US GAAP reconciliation:

Distributions are now classified as interest

Issue costs are amortised over a five year period

Euro trust securities have been classified as debt and have been revalued to Australian dollars at the year-end spot rate

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xxii) Investment Securities - other than temporary impairment

The following investment securities, that have unrealised losses at 30 September 2005, are not considered to be other-than-temporarily impaired under US GAAP:

	Less than 12 months		12 months or more		Total	
	Fair Value $m	Unrealised losses $m	Fair Value $m	Unrealised losses $m	Fair Value $m	Unrealised losses $m
Listed Australia						
Other securities and equity investments						
Listed Overseas						
Other government securities	63				63	
Other securities and equity investments	512	(2)	56		568	(2)
Unlisted Overseas						
New Zealand government securities	844				844	
Other government securities	102				102	
Other securities and equity investments				(1)		(1)
Total	1,521	(2)	56	(1)	1,577	(3)

Under US GAAP, 75 debt security investments had unrealised losses at 30 September 2005.

The Group reviews its investment security portfolio on a regular basis for evidence of other-than-temporary impairment. Under US GAAP, ANZ recognises an other-than-temporary impairment in the Statement of Financial Performance for any investment security whose market value has been significantly below its carrying value for a period exceeding six months. The only exception to this policy is in respect of debt securities where their decline in market value is due solely to an increase in underlying rates of interest and where ANZ has the ability to hold these securities until maturity. None of the securities disclosed in the table above are considered other-than-temporarily impaired at 30 September 2005 or 30 September 2004.

The following investment securities, that have unrealised losses at 30 September 2004, are not considered other-than-temporary impaired under US GAAP:

	Less than 12 months		12 months or more		Total	
	Fair Value $m	Unrealised losses $m	Fair Value $m	Unrealised losses $m	Fair Value $m	Unrealised losses $m
Listed Australia						
Other securities and equity investments						
Listed Overseas						
Other government securities	60				60	
Other securities and equity investments	657	(2)	196		853	(2)
Unlisted Overseas						
New Zealand government securities	703	(1)			703	(1)
Other government securities						

Other securities and equity investments	52		139	191	
Total	1,472	(3)	335	1,807	(3)

Under US GAAP, 65 debt security investments had unrealised losses at 30 September 2004.

None of the securities disclosed in the table above are considered other-than-temporarily impaired at 30 September 2004 or 30 September 2003.

xxiii) Details of Pension Schemes and Pension Expense

Reconciliations of the funded status of major defined benefit schemes as at 30 June 2005 are summarised below.

Details of the funding of the schemes are set out in note 48.

Australian Scheme

	2005 $m	2004 $m	2003 $m
Change in benefit obligation			
Balance at start of year	44	50	51
Interest costs	2	2	3
Benefits paid	(6)	(5)	(6)
Actuarial (gains) losses	6	(3)	2
Benefit obligation, 30 June	46	44	50
Change in plan assets			
Fair value at start of year	34	35	43
Actual return on plan assets	6	4	(2)
Employer contribution			
Benefits paid	(6)	(5)	(6)
Total fair value of plan assets, 30 June	34	34	35
Funded status	(12)	(10)	(15)
Unrecognised net transition loss			1
Unrecognised net loss	12	10	16
Adjustment required to recognise minimum unfunded projected benefit obligation	(12)	(10)	(17)
Net amount recognised	(12)	(10)	(15)
Amounts recognised in the consolidated statement of financial position consist of:			
Prepaid benefits costs			
Accrued benefit liabilities	(12)	(10)	(15)
The assumptions used in the actuarial calculations are as follows:			
Discount rate used in determining present values			
- pensioners	5.00%**	6.00%	5.00%
Annual increase in future compensation levels			
- pensions	2.50%	2.50%	2.50%
Expected long-term rate of return on assets	7.50%	7.50%	7.50%
Weighted average assets allocations			
- Equity securities	61%	61%	n/a*
- Debt securities	23%	23%	n/a*
- Real estate	9%	9%	n/a*
- Other	7%	7%	n/a*
	100%	100%	n/a*

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* Information is not available

** The discount rate has been determined with reference to the rates on high quality bonds with a term to maturity consistent with the duration of the liabilities. The reference rate as at 30 June 2005 is 5.11% p.a., the 10 year

Commonwealth bond rate.

The investment objectives of the Pension Scheme are to maximise returns over the long term whilst accepting a moderate degree of performance variability; and to exceed inflation (CPI increases), on average, by at least 3% over rolling five and seven year periods. The Plan s investment strategy is to combine 72% growth assets (shares and property) and 28% defensive assets (diversified fixed income and cash). This combination reduces the expected variability compared to a portfolio invested only in shares.

Cash Flows

Contributions

It is anticipated that Nil will be contributed to this scheme in 2006.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Year	2005 $m Pension Benefits	2005 $m Other Benefits
2006	5	
2007	5	
2008	5	
2009	4	
2010	4	
2011-15	18	
	41	

UK Pension Scheme

	2005 $m	2004 $m	2003 $m
Change in benefit obligation			
Balance at start of year	975	952	1,034
Service cost	11	12	13
Interest cost	53	49	53
Benefits paid	(46)	(46)	(49)
Actuarial (gains) losses	97	(11)	56
Foreign currency exchange rate fluctuations	(82)	19	(155)
Benefit obligation, 30 June	1,008	975	952
Change in plan assets			
Fair value at start of year	839	790	982
Actual return on plan assets	110	71	(4)
Employer contribution	11	8	(1)
Benefits paid	(46)	(46)	(49)
Foreign currency exchange rate fluctuations	(69)	16	(138)
Total fair value of plan assets, 30 June	845	839	790
Funded status	(163)	(136)	(162)
Unrecognised net transition gain		(3)	(10)
Unrecognised loss	185	165	194
Unrecognised prior service cost	26	32	44
Adjustment required to recognise minimum benefit obligation	(156)	(128)	(142)
Net amount recognised	(108)	(70)	(76)
Amounts recognised in the consolidated statement of financial position consist of:			
Prepaid benefits costs	48	58	66
Accrued benefit liabilities	(156)	(128)	(142)
The assumptions used in the actuarial calculations are as follows:			
Discount rate used in determining present values			

active members	5.00%*	5.75%	5.25%
pensioners	5.00%*	5.75%	5.25%
Annual increase in future compensation levels			
salary	4.50%	4.50%	4.25%
pensions	2.75%	2.75%	2.25%
Expected long-term rate of return on assets	6.50%	7.00%	6.25%

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* The discount rate has been determined with reference to the rates on high quality bonds with a term to maturity consistent with the duration of the liabilities. The reference rate as at 30 June 2005 is 4.9% to 5.0% p.a., the AA corporate bond rate.

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The Trustee of the ANZ UK Staff Pension Scheme determines their investment strategy after consulting with the Bank with regard to the liability profile of the plan and in accordance with the Statement of Investment Principles. Following an asset liability modelling exercise, the Trustee has determined the following benchmarks which they believe provide an adequate balance between maximising the return on the assets and minimising the risk of failing to meet the liabilities over the long term:

	2005	2004	2003
Weighted average assets allocations			
- Equity securities	49%	50%	45%
- Debt securities	33%	34%	36%
- Real estate	15%	15%	15%
- Other	3%	1%	4%
	100%	100%	100%

Cash Flows

Contributions

It is anticipated that $9 million will be contributed to this scheme in 2006.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Year	2005 $m Pension Benefits	2005 $m Other Benefits
2006	46	
2007	49	
2008	51	
2009	53	
2010	55	
2011-15	305	
	559	

NZ Scheme

	2005 $m	2004 $m	2003 $m
Change in benefit obligation			
Balance at start of year	204		
Increase due to NBNZ acquisition		183	
Service cost	4	4	
Interest cost	11	7	
Benefits paid	(15)		
Actuarial (gains) losses	(26)		
Foreign currency exchange rate fluctuations	(5)	10	
Benefit obligation, 30 June	173	204	
Change in plan assets			
Fair value at start of year	169		
Increase due to NBNZ acquisition		151	
Actual return on plan assets	9	7	
Employer contribution	3	3	
Employee contribution	1		
Benefits paid	(15)		
Foreign currency exchange rate fluctuations	(2)	8	
Total fair value of plan assets, 30 June	165	169	
Funded status	(8)	(35)	
Unrecognised net transition gain			
Unrecognised loss (gain)	(27)		
Unrecognised prior service cost			
Adjustment required to recognise minimum benefit obligation			
Net amount recognised	(35)	(35)	
Amounts recognised in the consolidated statement of financial position consist of:			
Prepaid benefits costs			
Accrued benefit liabilities	(35)	(35)	
The assumptions used in the actuarial calculations are as follows:			
Discount rate used in determining present values			
- active members	5.70*%	6.40%	
- pensioners	5.70*%	6.40%	
Annual increase in future compensation levels			
- salary	3.00%	3.00%	
- pensions	2.00%	2.00%	
Expected long-term rate of return on assets	8.00%	8.00%	
Weighted average assets allocations			
- Equity securities	41%	53%	
- Debt securities	32%	26%	
- Real estate			
- Other	27%	21%	
	100%	100%	

* The discount rate has been determined with reference to the rates on high quality bonds with a term to maturity consistent with the duration of the liabilities. The reference rate as at 30 June 2005 is 5.71% p.a., the 10 year Government bond rate.

The Trustee of the National Bank Staff Superannuation Fund has established an investment strategy which sets a benchmark asset allocation and allows restricted tactical variations from this benchmark. The investment objective is to outperform the relevant market index by a prescribed percentage over rolling three year periods. The benchmark asset allocation is to combine 50% equities and 50% fixed interest and cash. Tactical variations from this benchmark are restricted to 10%.

Cash Flows

Contributions

It is anticipated that approximately $5 million of salaries (gross of tax) will be contributed to this scheme in 2006.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Year	2005 $m Pension Benefits	2005 $m Other Benefits
2006	11	
2007	14	
2008	15	
2009	14	
2010	14	
2011-15	51	
	119	

The elements of the net periodic pension cost of the above schemes are as follows:

	2005 $m	2004 $m	2003 $m
Service cost	15	16	14
Interest cost	66	58	57
Expected return on schemes assets	(66)	(60)	(70)
Amortisation net transition asset	(3)	(6)	(6)
Recognised gains/losses	6	4	
Recognised prior service cost	4	4	4
Net periodic pension cost	22	16	(1)
Amortisation of prepaid pension expense			
Employer contributions	(15)	(11)	(1)
Net pension expense	7	5	(2)
Pension plan deficit amortisation	10	11	
Pension expense adjustment and deficit amortisation	17	16	(2)

The Group also sponsors defined contribution schemes. The Group s contributions to major defined contribution schemes amounted to $147 million for the year (2004: $127 million; 2003: $102 million).

xxiv) Variable Interest Entities

The following entities have been identified as requiring consolidation as a result of the application of FIN46R on the basis that the Group is the Primary Beneficiary. It is considered that the Group s variable interest absorbs the majority of expected losses or receives the majority of expected returns if they occur. These entities are not consolidated or equity accounted under Australian GAAP as the Group does not have the capacity to control these entities. In relation to the vehicles consolidated under the provisions of FIN46R and disclosed below, the other creditors and beneficial owners of the VIEs do not have recourse to the Group.

Entity	**Nature**	**Purpose & Activities**	**2005 Total Assets* $m**	**2004 Total Assets* $m**
Arc Funding Pty Ltd	Repackaging Vehicle	SPE issues commercial paper to finance the acquisition or holding of financial assets.	173	174
Aurora Securitisation Pty Ltd	Conduit	SPE issues commercial paper and on-lends the funds to special purpose trusts that acquire or hold financial assets.	2,596	2,147
Coast Asset Corporation	Conduit	SPE issues commercial paper in the United States and on-lends the funds to special purpose companies that acquire or hold financial assets.	206	370
Coral(3)	ANZ Client deal Capital Markets funded	SPE issues commercial paper to finance the acquisition or holding of financial assets.	199	221
Eos(2)	Repackaging Vehicle	SPE issues commercial paper to finance the acquisition or holdings of financial assets.	117	178
Echo Funding Pty Ltd	Repackaging Vehicle	SPE issues medium term notes on a segregated series basis and uses the funds to acquire bonds or exposures through credit derivatives.	109	77
Kingfisher Securitisation Pty Ltd	Conduit	SPE raises funds by issuing debt instruments and uses the funds so raised to acquire assets / investments.	218	291
Omeros Trust(1)	Repackaging Vehicle	SPE raises funds by issuing notes to Aurora Securitisation. The proceeds of notes are used to finance the acquisition or holding of financial assets.	234	279
Omeros II Trust (1)	Repackaging Vehicle	SPE raises funds by issuing notes to Aurora Securitisation. The proceeds of notes are used to finance the acquisition or holding of financial assets	60	68
Orion	Repackaging Vehicle	SPE issues commercial paper to finance the acquisition or holding of financial assets.		37
Solera Trust	Repackaging Vehicle	SPE issues commercial paper and on-lends the funds to special purpose trusts that acquire or hold financial assets.	117	178
Stellar Funding Pty Ltd	Repackaging Vehicle	SPE issues commercial paper to finance the acquisition or holding of financial assets.	106	152
Surf Capital	Repackaging Vehicle	SPE raises funds by issuing notes to Coast Asset Corporation. The proceeds of notes are used to finance the acquisition or holding of financial assets.	8	157

Total	4,143	4,329
Less consolidation eliminations and other adjustments	(907)	(1,293)
Consolidation of variable interest entities	3,236	3,036

(1) Consolidates into Aurora Securitisation Pty Ltd

(2) Consolidates into Solera Trust

(3) Consolidates into Coast Asset Corporation

* Total assets are shown gross of any consolidation eliminations

These entities are identified as VIEs rather than Qualifying SPEs on the basis that these SPEs are not likely to satisfy all of the requirements of clause 35 of the definition of a Qualifying SPE set out in SFAS 140.

ANZ does not consolidate, for US GAAP purposes, those SPEs where it is not expected to absorb the majority of the entity s losses as these losses are either (i) insured by suitably rated counter parties; or (ii) held by external investors.

The Group also holds a significant variable interest in the following Variable Interest Entities; however, it is not the Primary Beneficiary:

Entity	Nature	Purpose & Activities	Total Assets $m	Maximum exposure to loss* $m
Kingfisher Trust 2001-1G	ANZ client deal. Capital markets funded Mortgage Securatisation Vehicle.	Trust raises funds by issuing notes to the market. Proceeds of notes are used to fund the acquisition of mortgages.	446	88
Kingfisher Trust 2004-1G	ANZ client deal. Capital markets funded Mortgage Securatisation Vehicle.	Trust raises funds by issuing notes to the market. Proceeds of notes are used to fund the acquisition of mortgages.	975	80

* Maximum exposure to loss is considered to be the notional amounts of the liquidity and redraw facilities

xxv) Maturity analysis of the Group s Bonds and Notes and Loan Capital

At 30 September	2005 $m	2004 $m	2003 $m
Less than 1 year	8,938	4,657	4,289
Between 1 year and 2 years	5,759	9,568	3,360
Between 2 years and 3 years	8,674	5,128	5,481
Between 3 years and 4 years	7,192	3,537	1,994
Between 4 years and 5 years	8,162	5,483	2,552
After 5 years	9,091	7,285	4,084
Perpetual	394	419	442
Total	48,210	36,077	22,202

xxvi) Material business combination in the year of acquisition

On 1 December 2003, the Company acquired 100% of the issued share capital of NBNZ Holdings Ltd and its controlled entities. The number of shares acquired was 159 million. The results of NBNZ s operations have been included in the consolidated financial statements since that date. NBNZ is a leading bank in New Zealand.

The aggregate purchase price under US GAAP was $4,805 billion (converted as at the date of acquisition). The following table summarises the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition, at the exchange rate which prevailed at the date of acquisition.

	Fair Value of NBNZ s Net Assets Acquired $M
Liquid assets	799

Due from other financial institutions	2,597
Trading securities	1,653
Investment securities	213
Net loans and advances	30,564
Other assets	1,722
Premises and equipment	160
Total assets acquired	37,708
Due to other financial institutions	1,092
Deposits and borrowings	30,694
Provisions	109
Creditors and other liabilities	2,455
Unsubordinated debt	1,119
Loan capital	488
Total liabilities assumed	35,957
Net assets acquired	1,751
Core deposit intangible	316
Goodwill	2,738

The amount of goodwill under US GAAP is not the same as that recognised under Australian GAAP, as the cost of the hedges of the acquisition price are not considered part of the acquisition price under US GAAP.

In this recent acquisition ANZ acquired what would be termed long term customer relationship intangible assets. An asset is required to be booked at fair value on acquisition for long term customer relationship intangible assets which meet the criteria identified in SFAS 141.

The acquisition of NBNZ by ANZ has resulted in consideration being given to booking an asset in respect of these relationships. Appendix A to SFAS 141 provides guidance on how to apply the recognition criteria to such assets. SFAS 141 allows for a period not exceeding one year to allocate fair values to identifiable assets and liabilities acquired in an acquisition. Applying this allocation period, during the financial year ANZ recognised a core deposit intangible separately from goodwill in relation to this acquisition for US GAAP purposes. This asset is not recognised for Australian GAAP purposes. This intangible asset is equal to $316 million before tax ($212 million after tax) and is to be amortised on a non-linear basis over a period of approximately 4 years.

	2005 $m	2004 $m	2003 $m
Core deposit intangible at cost	316		
Accumulated amortisation	(125)		
Total core deposit intangible	191		

A deferred tax liability of $104 million in relation to the core deposit intangible has been recognised. This is in accordance with SFAS 109 Accounting for Income Tax . The impact of the recognition of this liability has been to increase goodwill on acquisition by $104 million.

Operating result of ANZ had the acquisition of NBNZ occurred on 1 October 2002 for the 2004 and 2003 financial years

The following table illustrates the impact to the Group results, had NBNZ been acquired at the commencement of the 2003 financial year.

	Year ended 30 September 2004 $m	Year ended 30 September 2003 $m
Operating income	17,622	14,274
Income before extraordinary items and the cumulative effect of accounting changes		
Net income	2,719	2,687
EPS*	153	145

* Rounded to nearest whole cent

The pro-forma net income reported above includes $550 million in 2004 and $409 million in relation to NBNZ in 2003.

The balances have been adjusted to reflect the difference in depreciation and amortisation expense caused by any variation between the fair value acquired, and the carrying value of these assets in the accounts of ANZ. No adjustment has been made for any change to accounting policies.

Net income in 2003 has not been adjusted for SFAS133 Accounting for Derivative Instruments and Hedging Activities as NBNZ did not prepare US GAAP accounts prior to acquisition.

Disposal of controlled entities

There were no material controlled entities disposed of during the year to 30 September 2005.

Acquisition of controlled entities

There were no material controlled entities acquired during the year to September 2005.

xxvii) Recently issued Australian accounting standards

We will be required to adopt the Australian equivalents of International Financial Reporting Standards (AIFRS) as issued by the AASB, for the half-year ending 31 March 2006 and year ending 30 September 2006. A summary of the significant areas of impact of adopting AIFRS appears in note 55. A summary of the standards that currently apply appear in note 1.

Some of these standards, once adopted, will result in certain adjustments in the reconciliations of net income to US GAAP and shareholders equity to US GAAP no longer being required.

xxviii) Recently issued United States accounting standards

In December 2004, the Financial Accounting Standards Board (FASB) issued Statement No. 123 (revised 2004) Share-Based Payment . This Statement requires measurement of the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exceptions). That cost is recognised over the period during which an employee is required to provide service in exchange for the award the requisite service period (usually the vesting period). This Statement eliminates the alternative to use the intrinsic value method of accounting that is currently applied by ANZ. ANZ will be required to adopt this Statement in 2006 fiscal year.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF AUSTRALIA AND

NEW ZEALAND BANKING GROUP LIMITED

SCOPE

We have audited the financial report of Australia and New Zealand Banking Group Limited for the financial year ended September 30, 2005, consisting of the statements of financial position as of September 30, 2005 and 2004, statements of financial performance, statements of changes in shareholders equity and statements of cash flows for the three years ended September 30, 2005, accompanying notes 1 to 57 as set out on pages 2 to 126. The financial report includes the consolidated financial statements of the consolidated entity, comprising the Company and the entities it controlled at the end of the year or from time to time during the financial year. The Company s directors are responsible for the financial report.

We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company. Our audit has been conducted in accordance with Auditing Standards of Australia and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the Company s and the consolidated entity s financial position, and performance as represented by the results of their operations and their cash flows.

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

AUDIT OPINION

In our opinion, the financial report of Australia and New Zealand Banking Limited is in accordance with:

a) the Corporations Act 2001, including:

i. giving a true and fair view of the Company s and the consolidated entity s financial position as at September 30, 2005 and 2004, of the Company s performance for the financial years ended September 30, 2005 and 2004, and of the consolidated entity s financial performance, changes in shareholders equity and cash flows for the financial years ended September 30, 2005, 2004 and 2003; and

ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

b) other mandatory professional reporting requirements in Australia.

Accounting principles generally accepted in Australia vary in certain respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in note 57 to the financial statements.

/s/ KPMG	/s/ Mitch Craig
KPMG	Mitch Craig
	Partner

Melbourne, Australia
November 2, 2005, except for Note 57 which is dated December 19, 2005

CRITICAL ACCOUNTING POLICIES

The Group prepares its consolidated financial statements in accordance with Australian Accounting Standards and other authoritative accounting pronouncements. However, notwithstanding the existence of relevant accounting standards, there are a number of critical accounting treatments, which include complex or subjective decisions or assessments. All material changes to accounting policy are approved by the Audit Committee of the Board.

HISTORICAL CHANGES

There have been no material changes to the Group s critical accounting policies or their related methodologies over the last 3 years.

A brief discussion of critical accounting policies, and their impact on the Group, follows:

a) Economic Loss Provisioning

Description and Significance

The Group recognises an expense for credit losses provision for doubtful debts based on the average one year loss expected to be incurred if the same loan portfolio was held over an economic cycle. The provision for doubtful debts is booked to the General Provision which is maintained to cover the losses inherent in the Group s existing loan portfolio. The method used by the Group for determining the expense charge is referred to as Economic Loss Provisioning (ELP). The Group uses ELP models to calculate the expected loss by considering:

- the size, composition and risk profile of the current loan portfolio; and
- the history of credit losses for each loan portfolio.

Ongoing reviews

The Group regularly reviews the assumptions used in the ELP models. These reviews are conducted in recognition of the subjective nature of the ELP methodology. Methodologies are updated as improved analysis becomes available. In addition, the robustness of outcomes is reviewed considering the Group s actual loss experience, and losses sustained by other banks operating in similar markets.

To the extent that credit losses are not consistent with previous loss patterns used to develop the assumptions within the ELP methodology, the existing General Provision may be determined to be either in excess of or insufficient to cover credit losses not yet specifically identified.

As a result of the reassessments, ELP charge levels may be periodically increased or decreased with a direct impact on profitability.

As part of its review of the ELP model outputs, the Group also regularly evaluates the overall level of the General Provision. The Group is required, by APRA prudential standards, to have policies which cover the level of General Provisions that are needed to absorb estimated losses inherent in the credit portfolio. In some limited circumstances, the assessment of the inherent losses in the portfolio may require an additional charge to profits to ensure the adequacy of the General Provision. The Group considers it appropriate to maintain its General Provision in excess of the APRA guidelines.

Quantification of Sensitivity

The average charge to profit for ELP was 0.25% of average net lending assets or $580 million (Sep 2004: 0.31% or $632 million; Sep 2003: 0.39% or $614 million).

As at September 2005, the balance of the General Provision of $2,167 million (Sep 2004: $1,992 million) represents 0.99% (Sep 2004: 1.01%) of risk weighted assets).

b) Specific Provisioning

Description and Significance

The Group maintains a specific provision for doubtful debts arising from its exposure to organisations and credit counterparties.

When a specific debt loss is identified as being probable, its value is transferred from the general provision to the specific provision. Specific provisioning is applied when the full recovery of one of the Group s exposures is identified as being doubtful resulting in the creation of a specific provision equal to the full amount of the expected loss plus any enforcement/recovery expenses.

Recoveries resulting from proceeds received from accounts which were written off in prior years are transferred back to the General Provision.

Quantification of Sensitivity

The recognition of losses has an impact on the size of the General Provision rather than directly impacting profit. However, to the extent that the General Provision is drawn down beyond a prudent amount it will be restored through a transfer from the current year s earnings. The amount of net transfer from the General Provision to the Specific Provision, net of recoveries, during the year was $357 million (Sept 2004: $443 million; Sep 2003: $527 million).

c) Deferred acquisition costs, software assets and deferred income

Description and Significance

The Group recognises assets and liabilities that represent:

Deferred acquisition costs direct costs from the acquisition of interest earning assets;

Software assets direct costs incurred in developing software systems; and

Deferred income liabilities representing income received in advance of services performed.

Deferred acquisition costs Initially, expenses related to the acquisition of interest earning assets are recognised as part of the cost of acquiring the asset and written-off as an adjustment to its yield over its expected life. For assets subject to prepayment, expected life is determined on the basis of the historical behaviour of the asset portfolio, taking into account prepayments. Commissions paid to third party mortgage brokers are an example of expenditure that is deferred and amortised over the expected average life of a mortgage of 4 years.

Software assets Costs incurred in acquiring and building software and computer systems are capitalised as fixed assets and expensed as depreciation over periods of between 3 and 5 years except for the branch front end applications where 7 years is used. The carrying value of these assets is subject to a recoverable amount test to determine their value to the Group. If it is determined that the value of the asset is less than its book value, the asset is written down to the recoverable amount. Costs incurred in planning or evaluating software proposals, or in maintaining systems after implementation, are not capitalised.

Deferred income Income received in advance of the Group s performance of services or in advance of having been earned, is initially recorded as a liability. Once the recognition criteria are met, it is then recognised as income.

Quantification of Sensitivity

Deferred acquisition costs At 30 September, the Group s assets included $524 million (Sep 2004: $465 million) in relation to costs incurred in acquiring interest earning assets. During the year, amortisation of $258 million (Sep 2004: $218 million) was recognised as an adjustment to the yield earned on interest earning assets.

Software assets At 30 September, the Group s fixed assets included $381 million (Sep 2004: $430 million) in relation to costs incurred in acquiring and developing software. During the year, depreciation expense of $121 million (Sep 2004: $129 million) was recognised. Following prior periods of above average project activity which replaced significant parts of the Group s core infrastructure, the software depreciation expense is expected to stabilise going forward. Consistent with US accounting rules on software capitalisation, only costs incurred during configuration, coding and installation stages are capitalised. Administrative, preliminary project and post implementation costs including determining performance requirements, vendor selection and training costs are expensed as incurred.

Deferred income At 30 September, the Group s liabilities included $79 million (Sep 2004: $156 million) in relation to income received in advance. This income is largely comprised of two components: (1) fees received for services not yet completed; and (2) profit made on interest rate swaps from a shortening of the investment term of capital. Under Australian Accounting Standards, this profit is deferred and recognised when the hedged transaction occurs, or immediately if the hedged transaction is no longer expected to occur.

The balances of deferred assets and liabilities at 30 September were:

	Deferred Acquisition Costs		**Software Assets**		**Deferred Income**	
	2005 $m	**2004 $m**	**2005 $m**	**2004 $m**	**2005 $m**	**2004 $m**
Personal	153	145	241	296	27	36
Esanda	284	250	5	8		
New Zealand Business	61	38	15	30	15	41
Institutional	6	10	47	43	19	11
Other(1)	20	22	73	53	18	68
Total	524	465	381	430	79	156

Deferred acquisition costs analysis

	2005			**2004**		
	Brokerage amortised $m	**Brokerage capitalised(2) $m**	**Balance(3) $m**	**Brokerage amortised $m**	**Brokerage capitalised(2) $m**	**Balance(3) $m**
Personal	63	71	153	64	66	145
Esanda	165	199	284	147	170	250
New Zealand Business	20	43	61	7	30	38
Institutional	4		6			10
Other(1)	6	4	20		24	22
Total	258	317	524	218	290	465

(1) Includes Group Centre, Corporate Australia and Asia Pacific

(2) Costs capitalised during the year exclude trailer commissions paid, relating to the acquisition of mortgage assets of $83 million (2004: $87 million)

(3) Includes capitalised debt raising expenses

d) Derivatives and Hedging

Description and Significance

The Group buys and sells derivatives as part of its trading operations and to hedge its interest rate risk, foreign exchange risk and equity risks (in ING Australia). The derivative instruments used to hedge the Group s exposures include:

- swaps;
- foreign exchange contacts
- forward rate agreements;
- futures;
- options; and
- combinations of the above instruments.

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

Income and loss relating to trading derivatives is reported in the statement of financial performance as trading income. The fair value of trading derivatives is recorded on a gross basis as other assets or other liabilities as appropriate unless there is a legal right of set off. The fair value of a derivative financial instrument is the net present value of future expected cash flows arising from that instrument.

In order to be classified as a hedging derivative the hedging relationship must be expected to be effective. Hedging derivatives are accounted for in the same manner as the underlying asset or liability they are hedging. For example, if the hedged instrument is accounted for using the accrual method, the hedging instrument will also be accounted for using the accrual method.

Accounting treatment Derivative instruments entered into for the purpose of hedging are accounted for on the same basis as the underlying exposures or risks.

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Derivative instruments entered into to hedge exposures that are not recorded at fair value, do not have their fair values recorded in the Group s Statement of Financial Position.

Exposures hedged by derivatives not recorded at their fair value include risks related to:

- revenues from and capital invested into foreign operations;
- structured lending transactions;
- lending assets; and
- funding liabilities.

Hedge accounting is only applied when the hedging relationship is identified at the time the Group enters into the hedging derivative transaction. If a hedge ceases to be effective, the hedging derivative transaction will be recognised at fair value. Gains and losses on derivative instruments not carried at their fair value amounts are recognised at the same time as the gain or loss on the hedged exposure is booked.

Movements in the value of foreign exchange contracts that are hedging overseas operations are not recognised as income or expenses. Instead these movements are recognised in the Foreign Currency Translation Reserve together with the net difference arising from the translation of the overseas operation.

Fair value determination Derivatives entered into as part of the Group s trading operations are carried at their fair values with any change in fair value being immediately recognised as part of trading income. Where liquid markets exist, fair value is based on quoted market prices. For certain complex or illiquid derivative instruments, it may be necessary to use projections, estimates and models to determine fair value.

e) Special purpose and off balance sheet vehicles

The Group may invest in or establish special purpose entities (SPEs), to enable it to undertake specific types of transactions.

Where the Group has established SPEs which are controlled by the Group to facilitate transactions undertaken for Group purposes, these are consolidated into the Group s financial statements.

The table below summarises the main types of SPEs that are not consolidated into the Group, the reason for their establishment, and the key risks associated with them.

Type of Special Purpose Entity (SPE)	Reason for establishment	Key Risks	SPE Assets 2005 $m	SPE Assets 2004 $m
Securitisation vehicles	Assets are transferred to an SPE which funds the purchase by issuing securities. Enables ANZ or customers to increase diversity of funding sources. The amount disclosed here is the total assets of SPEs managed or arranged by ANZ. It includes SPEs that purchase assets from sellers other than ANZ.	ANZ may manage securitisation vehicles, service assets in a vehicle or provide liquidity or other support and retains the risks associated with the provision of these services. Credit and market risks associated with the underlying assets are not retained or assumed by ANZ except to the limited extent that ANZ provides arm s length services and facilities.	15,181	13,013
Structured finance entities	These entities are setup to assist with the structuring of client financing.	ANZ may retain liquidity risk, if it provides liquidity support to the vehicle. ANZ may also manage these vehicles.	1,243	1,993
Managed funds	These funds invest in specified investments on behalf of clients.	INGA, INGNZ and certain subsidiaries of ANZ National Bank Limited, as managers of the funds, expose ANZ to operational and reputational risk.	44,779	39,544

f) Valuation of investment in ING Australia Limited (INGA)

Description and significance

The Group adopts the equity method of accounting for its 49% interest in INGA. As at 30 September 2005, the Group s carrying value was $1,479 million (September 2004: $1,697 million).

The carrying value is subject to a recoverable amount test to ensure that this does not exceed its recoverable amount at the reporting date.

Any excess of carrying value above recoverable amount is written off to the statement of financial performance.

Quantification of sensitivity

During the year the Group engaged Ernst & Young ABC Limited (EY ABC) to provide an independent valuation of INGA for 31 March 2005 assessment purposes. The valuation was a stand alone market based assessment of economic value, and excluded the Group s specific synergies and hedging arrangements. The independent valuation was based on a discounted cash flow approach, with allowance for the cost of capital. EY ABC presented an independent valuation range of $3,458 million to $3,727 million, reflecting a range of sales and cost base assumptions. Based on this review, ANZ believed that no change was required to the carrying value of the investment as at 31 March 2005.

A review for 30 September 2005 reporting purposes revealed there were no indicators of impairment and a further independent review was not required.

g) Valuation of good will in ANZ National Bank Ltd

Goodwill arising from the acquisition of National Bank of New Zealand (NBNZ) is systematically amortised over the period of time during which the benefits of the acquisition are expected to arise, such period of benefit not exceeding 20 years.

The carrying value of goodwill is reviewed at each balance date and is written down, to the extent that it is no longer supported by probable future benefits.

The Group obtained an independent valuation of ANZ National Bank Limited as at 31 March 2005. This valuation, based on a capitalisation of earnings methodology, calculated the value of ANZ National Bank Limited at a New Zealand geographic and New Zealand business unit reporting level. Based on the results of this valuation, no write-down in the carrying value of goodwill was required.

At 30 September 2005, a management review was conducted to determine whether there were any indicators of impairment in the carrying value of NBNZ goodwill. The assessment did not indicate the existence of impairment indicators and accordingly no write-down was required.

RISK MANAGEMENT

ANZ recognises the importance of effective risk management to its business success. Management is committed to achieving strong control and a distinctive risk management capability that enables ANZ business units to meet their performance objectives.

ANZ approaches risk through managing the various elements of the system as a whole rather than viewing them as independent and unrelated parts. The Risk function is independent of the business with clear delegations from the Board and operates within a comprehensive framework comprising:

The Board, providing leadership, setting risk appetite/strategy and monitoring progress.

A strong framework for development and maintenance of Group-wide risk management policies, procedures and systems, overseen by an independent team of risk professionals.

The use of sophisticated risk tools, applications and processes to execute the global risk management strategy across the Group.

Business Unit level accountability, as the first line of defence , and for the management of risks in alignment with the Group s strategy.

Independent oversight to ensure Business Unit compliance with policies, regulations and laws, and to provide regular risk evaluation and reporting.

The various risks inherent in the operations of the Group may be broadly grouped together under the following major categories:

Credit Risk

The Group has an overall lending objective of sound growth for appropriate returns. The credit risk management framework exists to provide a structured and disciplined process to support this objective.

This framework is top down, being defined firstly by the Group s Vision and Values and secondly, by Credit Principles and Policies. The effectiveness of the credit risk management framework is validated through compliance and monitoring processes. These, together with portfolio selection, define and guide the credit process, organisation and staff.

Risk Management s responsibilities for credit risk policy and management are executed through dedicated departments, which support the Group s business units. All major Business Unit credit decisions require approval by both business writers and independent risk personnel.

Market Risk

ANZ has a detailed market risk management and control framework, to support trading activities, which incorporates an independent risk measurement approach to quantify the magnitude of market risk within the trading books. This approach, along with related analysis, identifies the range of possible outcomes that can be expected over a given period of time, and establishes the relative likelihood of those outcomes.

Market risk also includes the risk that the Group will incur increased interest expense arising from funding requirements during periods of poor market liquidity (balance sheet or non-traded market risk). ANZ has a separate risk management and control framework for such risks, which is built around a Board-approved policy and limit framework.

Within overall strategies and policies, control of market risk exposures at Group level is the responsibility of Market Risk, who work closely with the Markets, and Treasury business units.

Operational Risk

Risk Management is responsible for establishing the Group s operational risk framework and associated Group-level policies. Business Units are responsible for the identification, analysis, assessment and treatment of operational risks on a day-to-day basis.

A Risk Drivers and Controls (or Scorecards) Approach to operational risk measurement is used to measure the operational risk profile of individual business units, and to allocate operational risk economic capital. This approach gives business managers a strong and clear incentive to reduce operational risk.

Compliance

ANZ conducts its business in accordance with all relevant compliance requirements in each point of representation.

In order to assist the Group identify, manage, monitor and measure its compliance obligations, the Group has a comprehensive regulatory compliance framework in place, which is consistent with the Australian Standard on Compliance Programs (AS 3806) and which addresses both external (regulatory) and internal compliance.

In addition, Group Compliance, a discrete function within Risk Management, is responsible for working in conjunction with Business Unit Compliance teams and other risk management areas to provide a compliance infrastructure and framework to facilitate planning, reporting and management of new and changing business obligations and processes.

Assocations with Related Entities

ANZ has a policy and compliance plan to provide a framework for managing the risks resulting from associations between the Company, as an Authorised Deposit-taking Institution (ADI), and its related entities . Under this policy, all dealings between the Company and its related entities are conducted on an arm s-length basis, unless approved by the ANZ Board.

FINANCIAL INFORMATION

1: CROSS BORDER OUTSTANDINGS

Cross border outstandings of the Group to countries which individually represented in excess of 0.75% of the Group s total assets are shown below.

There were no cross border outstandings to any other country exceeding 0.75% of total assets.

Cross border foreign outstandings are based on the country of domicile of the borrower or guarantor of the ultimate risk and comprise loans (including accrued interest), placements with banks, acceptances and other monetary assets denominated in currencies other than the borrower s local currency.

For certain countries, local currency obligations are also included. Cross border foreign outstandings are before specific and general provisions.

	Governments and other official institutions $m	Banks and other financial institutions $m	Other commercial and industrial $m	Total $m	% of Group assets
At 30 September 2005					
USA	158	3,671	878	4,707	1.6
United Kingdom	94	2,192	2,320	4,606	1.6
China	4	2,393	159	2,556	0.9
At 30 September 2004					
United Kingdom	217	2,400	2,652	5,269	2.0
USA	177	3,157	1,184	4,518	1.7

2: CERTIFICATES OF DEPOSIT AND TERM DEPOSIT MATURITIES

The following table shows the maturity profile of the Group s certificates of deposit and term deposits in excess of $100,000 issued at 30 September 2005.

	Less than 3 months $m	Between 3 months and 6 months $m	Between 6 months and 12 months $m	After 1 year $m	Total $m
Australia					
Certificates of deposit	9,129	1,453	200	6,730	17,512

Term deposits	17,127	2,090	1,350	210	20,777
	26,256	3,543	1,550	6,940	38,289
Overseas					
Certificates of deposit	3,733	721	487	142	5,083
Term deposits	18,017	2,887	2,044	1,004	23,952
	21,750	3,608	2,531	1,146	29,035
Total	48,006	7,151	4,081	8,086	67,324

3: VOLUME AND RATE ANALYSIS

The following table allocates changes in interest income and interest expense between changes in volume and changes in rate for the past two years. Volume and rate variances have been calculated on the movement in average balances and the change in the interest rates on average interest earning assets and average interest bearing liabilities. The variance caused by the change of both volume and rate has been allocated in proportion to the relationship of the absolute dollar amounts of each change to the total.

		2005 over 2004 Change due to			2004 over 2003 Change due to	
	Volume $m	Rate $m	Total $m	Volume $m	Rate $m	Total $m
Interest earning assets						
Due from other financial institutions						
Australia	12	1	13	7	1	8
New Zealand	(2)	13	11	84	8	92
Overseas markets	7	40	47	6	(11)	(5)
Investments in public securities						
Australia	53	2	55	42	46	88
New Zealand	(45)	28	(17)	68	9	77
Overseas markets	(17)	10	(7)	43	(26)	17
Loans, advances and bills discounted						
Australia	1,492	158	1,650	1,320	310	1,630
New Zealand	1,041	390	1,431	2,146	(82)	2,064
Overseas markets	(34)	74	40	(102)	20	(82)
Other assets						
Australia	40	(66)	(26)	(6)	28	22
New Zealand	20	23	43	25	(13)	12
Overseas markets	81	(17)	64	(75)	62	(13)
Intragroup assets						
Overseas markets	(28)	133	105	17	8	25
Change in interest income	2,620	789	3,409	3,575	360	3,935
Intragroup elimination	28	(133)	(105)	(17)	(8)	(25)
	2,648	656	3,304	3,558	352	3,910
Interest bearing liabilities						
Time deposits						
Australia	458	79	537	282	142	424
New Zealand	277	182	459	557	11	568
Overseas markets	(43)	130	87	(45)	5	(40)
Savings deposits						
Australia	25	36	61	26	47	73
New Zealand	26	53	79	97	36	133
Overseas markets						
Other demand deposits						
Australia	175	75	250	115	104	219
New Zealand	71	85	156	174	(16)	158
Overseas markets	2	2	4			
Due to other financial institutions						
Australia		1	1	28	8	36
New Zealand	4	13	17	44	9	53
Overseas markets	22	67	89	(53)	19	(34)
Commercial paper						
Australia	(26)	12	(14)	31	30	61

New Zealand	58	80	138	383		383
Overseas markets	(7)	93	86	20	(4)	16
Borrowing corporations debt						
Australia	13	19	32	24	10	34
New Zealand	2	13	15	6	(4)	2
Loan capital, bonds and notes						
Australia	482	87	569	522	42	564
New Zealand	190	24	214	90	(6)	84
Overseas markets		1	1	(1)		(1)
Other liabilities						
Australia	43	(138)	(95)	186	60	246
New Zealand	106	(26)	80	(78)	64	(14)
Overseas markets	2	(2)		18	(24)	(6)
Intragroup liabilities						
Australia	7	(1)	6	(30)	(123)	(153)
New Zealand	42	57	99	141	37	178
Change in interest expense	1,929	942	2,871	2,537	447	2,984
Intragroup elimination	28	(133)	(105)	(17)	(8)	(25)
	1,957	809	2,766	2,520	439	2,959
Change in net interest income	691	(153)	538	1,038	(87)	951

4: CONCENTRATIONS OF CREDIT RISK

Concentrations of credit risk exist if a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Off balance sheet transactions of the Group are substantially with other banks.

	2005		2004		2003	
	Loans and advances(1) $m	**Specific provision $m**	**Loans and advances(1) $m**	**Specific provision $m**	**Loans and advances(1) $m**	**Specific provision $m**
Australia						
Agriculture, forestry, fishing and mining	5,303	22	4,592	26	3,829	71
Business service	3,912	13	3,346	4	2,632	4
Entertainment, leisure and tourism	3,638	3	3,660	7	2,632	23
Financial, investment and insurance	4,640	4	3,548	5	4,966	5
Government and official institutions	61		126		51	
Lease finance	2,855	2	2,667	1	2,613	2
Manufacturing	5,736	35	4,734	26	5,366	5
Personal(2)	23,253	26	19,491	24	15,648	23
Real estate construction	3,082	3	2,368	3	1,767	4
Real estate mortgage(3)	93,275	9	81,770	8	69,660	11
Retail and wholesale trade	8,551	18	7,626	21	6,821	54
Other	7,445	29	6,552	84	5,335	65
	161,751	164	140,480	209	121,320	267
Overseas						
Agriculture, forestry, fishing and mining	11,277	1	10,551	43	2,756	12
Business service	703	2	931	4	323	1
Entertainment, leisure and tourism	1,036	7	968	3	534	5
Financial, investment and insurance	2,376	14	3,288	9	1,516	5
Government and official institutions	423		461		274	
Lease finance	856		604	3	609	
Manufacturing	4,497	28	4,682	21	3,654	17
Personal(2)	3,022	17	2,497	4	1,771	19
Real estate construction	804	1	721	9	472	1
Real estate mortgage(3)	39,634	8	35,400	6	12,759	4
Retail and wholesale trade	2,533	14	2,233	9	1,741	9
Other	6,054	17	5,998	64	5,058	144
	73,215	109	68,334	175	31,467	217
Total portfolio	234,966	273	208,814	384	152,787	484

(1) Loans and advances exclude acceptances

(2) Personal includes non-business loans to individuals through overdrafts, personal loans, credit cards and fully drawn advances

(3) Real estate mortgage includes residential and commercial property exposure. Loans within this category are for the purchase of such properties and must be secured by property

	2002		2001	
	Loans and advances(1) $m	Specific provision $m	Loans and advances(1) $m	Specific provision $m
Australia				
Agriculture, forestry, fishing and mining	3,436	16	3,500	104
Business service	2,120	5	2,044	7
Entertainment, leisure and tourism	2,465	28	2,293	27
Financial, investment and insurance	4,603	13	4,311	3
Government and official institutions	67		122	
Lease finance	2,503	2	2,524	5
Manufacturing	4,303	7	4,034	11
Personal(2)	14,893	27	13,435	36
Real estate construction	1,152	5	1,198	11
Real estate mortgage(3)	57,049	32	49,127	13
Retail and wholesale trade	5,957	15	6,017	16
Other	3,990	61	3,850	70
	102,538	211	92,455	303
Overseas				
Agriculture, forestry, fishing and mining	2,526	3	2,686	8
Business service	435	1	214	1
Entertainment, leisure and tourism	586	4	361	1
Financial, investment and insurance	1,561	21	2,276	26
Government and official institutions	212		372	27
Lease finance	844	1	936	4
Manufacturing	4,701	34	5,153	30
Personal(2)	1,848	7	1,804	18
Real estate construction	551	1	921	9
Real estate mortgage(3)	11,956	5	11,638	12
Retail and wholesale trade	1,648	15	2,021	18
Other	5,943	282	5,853	43
	32,811	374	34,235	197
Total portfolio	135,349	585	126,690	500

(1) Loans and advances exclude acceptances

(2) Personal includes non-business loans to individuals through overdrafts, personal loans, credit cards and fully drawn advances

(3) Real estate mortgage includes residential and commercial property exposure. Loans within this category are for the purchase of such properties and must be secured by property

5: DOUBTFUL DEBTS INDUSTRY ANALYSIS

	2005 $m	2004 $m	2003 $m	2002 $m	2001 $m
Balance at start of year	2,376	2,018	2,081	1,886	2,082
Adjustment for exchange rate fluctuations	(46)	51	(98)	(28)	32
Acquisition (disposal) of provisions	(13)	273			
Bad debts written off (refer (i) below)	(571)	(680)	(640)	(697)	(834)
Charge to statement of financial performance	580	632	614	860	531
Recoveries (refer (ii) below)	114	82	61	60	75
Total provisions for doubtful debts	2,440	2,376	2,018	2,081	1,886
i) Total write offs by industry					
Australia					
Agriculture, forestry, fishing and mining	(20)	(86)	(4)	(72)	(14)
Business service	(20)	(4)	(11)	(8)	(6)
Entertainment, leisure and tourism		(5)	(3)	(4)	(5)
Financial, investment and insurance	(1)		(9)	(8)	(7)
Lease finance	(14)	(2)	(22)	(7)	(11)
Manufacturing	(16)	(15)	(10)	(17)	(22)
Personal(1)	(209)	(203)	(177)	(237)	(292)
Real estate construction	(2)	(2)	(10)	(12)	(13)
Real estate mortgage(2)	(4)	(8)	(11)	(19)	(13)
Retail and wholesale trade	(29)	(38)	(42)	(47)	(97)
Other	(45)	(105)	(15)	(37)	(28)
Overseas					
Other	(211)	(212)	(326)	(229)	(326)
Total write-offs	(571)	(680)	(640)	(697)	(834)
ii) Total recoveries by industry					
Australia					
Agriculture, forestry, fishing and mining			2	3	5
Business service		1	1	1	1
Entertainment, leisure and tourism			1	2	1
Financial, investment and insurance		1	1		2
Lease finance	1	2	2	2	1
Manufacturing			6	3	2
Personal(1)	50	46	24	27	30
Real estate construction	1	3	3	2	1
Real estate mortgage(2)		1	1	4	3
Retail and wholesale trade	1	2	3	3	2
Other	3	2		1	1
Overseas					
Other	58	24	17	12	26
Total recoveries	114	82	61	60	75
Net write-offs	(457)	(598)	(579)	(637)	(759)
Ratio of net write offs to average loans and acceptances	0.2%	0.3%	0.4%	0.4%	0.5%

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(1) Personal includes non-business loans to individuals through overdrafts, personal loans, credit cards and fully drawn advances

(2) Real estate mortgage includes residential and commercial property exposure. Loans within this category are for the purchase of such properties and must be secured by property

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6: SHORT TERM BORROWINGS

The Group s short-term borrowings comprise commercial paper, as well as unsecured notes issued by subsidiary borrowing corporations with an original term to maturity of less than one year. The Group has commercial paper programs in the United States, where it issues paper through ANZ (Delaware) Inc., and in Europe and Asia, where the Group issues paper direct.

	2005 $m	2004 $m	2003 $m
Balance at end of year			
Commercial paper ANZ (Delaware) Inc.	6,373	7,068	6,981
Commercial paper other	14,634	11,712	5,458
Unsecured notes			
Weighted average interest rate at end of year			
Commercial paper ANZ (Delaware) Inc.	3.66%	1.68%	1.07%
Commercial paper other	6.40%	5.41%	4.76%
Unsecured notes			
Maximum amount outstanding at any month end during year			
Commercial paper ANZ (Delaware) Inc.	6,822	7,068	6,988
Commercial paper other	14,925	18,387	7,407
Unsecured notes			7
Average amount outstanding during year			
Commercial paper ANZ (Delaware) Inc.	5,915	6,485	4,740
Commercial paper other	13,072	12,588	5,216
Unsecured notes			7
Weighted average interest rate during year			
Commercial paper ANZ (Delaware) Inc.	2.71%	1.14%	1.22%
Commercial paper other	6.26%	5.53%	4.83%
Unsecured notes			5.85%

GLOSSARY

Asia Pacific provides primarily retail and corporate banking services in the Pacific Region and Asia, including ANZ s share of PT Panin Bank in Indonesia; this division excludes Institutional businesses in the Asia Pacific region that are included in the Institutional result.

Corporate consists of Corporate Banking, Business Banking and Small Business Banking in Australia.

Small Business Banking - provides business banking services to metropolitan-based small businesses, with business banking funds under management of up to $50,000.

Business Banking - provides a full range of banking services to metropolitan-based small to medium businesses, with turnover up to $10 million and business banking funds under management of more than $50,000.

Corporate Banking - manages customer relationships and develops financial solutions for medium-sized businesses, with a turnover of $10 million to $150 million.

Economic loss provisioning (ELP) charge is determined based on the expected average annual loss of principal over the economic cycle for the current risk profile of the lending portfolio.

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

Esanda and UDC comprises Esanda Finance Corporation Limited and UDC Finance Corporation Limited. They provide vehicle and equipment finance, rental services and fixed and at call investments. Operating in Australia as Esanda and Esanda FleetPartners, and in New Zealand as UDC and Esanda FleetPartners.

Group Centre provides support to the other segments in the areas of People Capital, Risk Management, Finance, Operations, Technology, Strategy and Treasury.

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

ING Australia (INGA), the joint venture between the Group and ING Group.

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

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

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

Markets - provides origination, underwriting, structuring, risk management, advice and sale of credit and derivative products, foreign exchange and commodity trading and sales-related services, globally.

Corporate and Structured Financing -provides complex financing and advisory services, structured financial products, leasing, private equity, project and leveraged finance and infrastructure investment to ANZ s corporate, institutional, and small business customers.

Net advances include gross loans and advances and acceptances less income yet to mature and provisions (for both as at and average volumes).

Net interest average margin is net interest income as a percentage of average interest earning assets. Non-assessable interest income is grossed up to the equivalent before tax amount for the purpose of these calculations.

Net interest spread is the average interest rate received on interest earning assets less the average interest rate paid on interest bearing liabilities. Non-assessable interest income is grossed up to the equivalent before tax amount for the purpose of these calculations.

Net non-interest bearing items, which are referred to in the analysis of interest spread and net interest average margin, includes shareholders equity, provisions for doubtful debts, and deposits not bearing interest and other liabilities not bearing interest, offset by premises and equipment and other non-interest earning assets. Non-accrual loans are included within interest bearing loans, advances and bills discounted.

Net specific provision is the transfer from the general provision to the specific provision (representing new and increased specific provisions less specific provision releases on impaired assets) less recoveries.

New Zealand Business comprises

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

NBNZ Retail - operating under the National Bank brand in New Zealand, provides a full range of banking services to personal customers from youth through to private banking, and business banking customers with turnover up to NZD5 million.

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

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

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

Operating expenses exclude the charge for doubtful debts.

Operations, Technology and Shared Services comprises the Group s core support units responsible for operating the Group s global technology platforms, development and maintenance of business applications, information security, the Group s payments back-office processing, and the provision of other essential shared services to the Group, including property, human resources operations, procurement and outsourcing.

Overseas includes the results of all operations outside Australia, except if New Zealand is separately shown.

Overseas markets includes all operations outside of Australia and New Zealand. The Group s geographic segments are Australia, New Zealand and Overseas markets.

Personal comprises the following business in Australia:

Banking Products - manufactures deposit, transaction account and margin lending products.

Consumer Finance - provides consumer and commercial credit cards, ePayment products, personal loans, and merchant payment and ATM facilities.

Mortgages - provides mortgage finance secured by residential real estate in Australia.

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

Wealth Management - comprises the equity accounted earnings from INGA s core business operations (excludes investment earnings) and the Financial Planning distribution business.

Other - includes the branch network, whose costs are full recovered from product business units, Private Banking and marketing and support costs.

Service transfer pricing is used to allocate services that are provided by central areas to each of its business units. The objective of service transfer pricing is to remove cross-subsidies between business units, and ensure each business accounts for the cost of the services it uses.

Service transfer pricing charges are reported in the profit and loss statement of each business unit as:

Net inter business unit fees - includes intra-group receipts or payments for sales commissions and branch service fees. A product business will pay a distribution channel for product sales. Both the payment and receipt are shown as net inter business unit fees.

Net inter business unit expenses -consists of the charges made to business units for the provision of support services. Both payments by business units and receipts by service providers are shown as net inter business unit expenses.

Total advances include gross loans and advances and acceptances less income yet to mature (for both as at and average volumes).

Treasury is the banker to all ANZ businesses charged with providing cashflow support, ensuring liquidity, managing interest rate risk and providing capital to the businesses.

Unproductive facilities comprise certain facilities (such as standby letters of credit, bill endorsements, documentary letters of credit and guarantees to third parties, undrawn facilities to which the Group is irrevocably committed and market related exposures) where the customer status is defined as non-accrual.

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