

AUSTRALIA & NEW ZEALAND BANKING GROUP LTD
Form 6-K
November 17, 2006

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER
PURSUANT TO RULE 13A-16 OR 15D-16 OF
THE SECURITIES EXCHANGE ACT OF 1934

14 November 2006

Australia and New Zealand Banking Group Limited

ACN 005 357 522

(Translation of registrant's name into English)

Level 6, 100 Queen Street Melbourne Victoria 3000 Australia

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F : Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No :

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):

This Form 6-K may contain certain forward-looking statements, including statements regarding (i) economic and financial forecasts, (ii) anticipated implementation of certain control systems and programs, (iii) the expected outcomes of legal proceedings and (iv) strategic priorities. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond our control and which may cause actual results to differ materially from those expressed in the forward-looking statement contained in these forward-looking statements. For example, these forward-looking statements may be affected by movements in exchange rates and interest rates, general economic conditions, our ability to acquire or develop necessary technology, our ability to attract and retain qualified personnel, government regulation, the competitive environment and political and regulatory policies.

There can be no assurance that actual outcomes will not differ materially from the forward-looking statements contained in the Form 6-K.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Australia and New Zealand
Banking Group Limited
(Registrant)

By:

/s/ John Priestley
Company Secretary
(Signature)*

Date 14 November 2006

* Print the name and title of the signing officer under his signature.

Charles Goode
Chairman
15 November
2006

On behalf of the Board of Directors, I have pleasure in enclosing notice of the thirty eighth Annual General Meeting of Australia and New Zealand Banking Group Limited.

The Meeting will be held at the Sydney Convention and Exhibition Centre, Bayside Auditorium B, Darling Drive, Darling Harbour, Sydney, New South Wales on Friday, 15 December 2006 at 10:00am (Sydney time).

Our choice of Sydney for this year's Meeting reflects a policy of rotating shareholder meetings among the major cities where our shareholders are located. This gives as many shareholders as possible the opportunity to directly participate in meetings of the Company. In recent years we have held shareholder meetings in Adelaide, Melbourne, Perth, and Brisbane.

If you are able to attend, would you please bring this letter with you to facilitate your admission into the Meeting.

ANZ staff will be available outside the meeting room should you wish to discuss banking services, investment products or shareholder matters.

If you are unable to attend the Meeting, I encourage you to vote using the attached Proxy Form. Alternatively, you can submit your proxy instructions electronically by visiting www.anz.com and clicking on the following links: shareholders (top of page) > Annual General Meeting (left hand side) > Electronic Proxy Form (body of text). In addition, you will be able to access our webcast on www.anz.com and listen live to the addresses made at the Meeting.

Also attached is a form to enable you to nominate questions in advance of the Annual General Meeting. We will attempt to ensure that as many as possible of the more frequently asked questions are addressed at the Meeting.

Yours faithfully

Chairman

Charles Goode
Chairman
15 November
2006

Dear StEPS Holder,

On behalf of the Board of Directors, I have pleasure in enclosing notice of the thirty eighth Annual General Meeting of Australia and New Zealand Banking Group Limited.

The Meeting will be held at the Sydney Convention and Exhibition Centre, Bayside Auditorium B, Darling Drive, Darling Harbour, Sydney, New South Wales on Friday, 15 December 2006 at 10:00am (Sydney time).

Our choice of Sydney for this year's Meeting reflects a policy of rotating shareholder meetings among the major cities where our shareholders are located. This gives as many shareholders as possible the opportunity to directly participate in meetings of the Company. In recent years we have held shareholder meetings in Adelaide, Melbourne, Perth, and Brisbane.

As a holder of ANZ StEPS, though you are not eligible to vote on the resolutions put to the Meeting, you are welcome to attend the Meeting. If you are able to attend, would you please bring this letter with you to facilitate your admission into the Meeting. If you have any questions with regard to the Meeting please call 1800 11 33 99.

ANZ staff will be available outside the meeting room should you wish to discuss banking services, investment products or shareholder matters.

If you are unable to attend the Meeting, please note you will be able to access our webcast on www.anz.com and listen live to the addresses made at the Meeting.

Yours faithfully

Chairman

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

notice of 2006 annual general meeting

Notice is given that the thirty eighth Annual General Meeting of Australia and New Zealand Banking Group Limited will be held at the Sydney Convention and Exhibition Centre, Bayside Auditorium B, Darling Drive, Darling Harbour, Sydney, New South Wales on Friday, 15 December 2006 at 10.00am (Sydney time).

Ordinary Business

1 ANNUAL REPORTS

To consider the Concise Annual Report, Financial Report and the Reports of the Directors and of the Auditors for the year ended 30 September 2006.

2 RE-ELECTION OF DIRECTORS

(a) To re-elect a director Mr J.K. Ellis

Mr Ellis retires in accordance with the Company's Constitution and, being eligible, offers himself for re-election.

(b) To re-elect a director Ms M.A. Jackson, AC

Ms Jackson retires in accordance with the Company's Constitution and, being eligible, offers herself for re-election.

3 ADOPTION OF THE REMUNERATION REPORT

To adopt the Remuneration Report for the year ended 30 September 2006.

The vote on this resolution is advisory only.

Entitlement to attend and vote

The Board has determined that, for the purposes of the Meeting (including voting at the Meeting), members are those persons who are the registered holders of shares at 7.00pm (Sydney time) on Wednesday, 13 December 2006.

Voting by Proxy

A member who is entitled to attend and cast a vote at the Meeting may appoint a proxy.

A proxy need not be a member. A person can appoint an individual or a body corporate as a proxy. If a body corporate is appointed as a proxy, it must ensure that it appoints a corporate representative in accordance with section 250D of the Corporations Act to exercise its powers as proxy at the Meeting.

A member who is entitled to cast 2 or more votes may appoint up to 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise.

The following addresses are specified for the purposes of receipt of proxy appointments and any authorities under which proxy appointments are signed (or certified copies of those authorities):

Australia

ANZ Share Registry
GPO Box 242
Melbourne

ANZ Share Registry
Yarra Falls
452 Johnston Street

Victoria 3001
Australia

Abbotsford
Victoria 3067
Australia

United Kingdom

ANZ Share Registry
PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH
United Kingdom

New Zealand

ANZ Share Registry
Private Bag 92119
Auckland 1020
New Zealand

Proxy appointments and any authorities under which they are signed (or certified copies of those authorities) may be sent by fax to facsimile number (61 3) 9473 2555.

Members may also submit their proxy instructions electronically to ANZ's Share Registry by visiting the Company's website www.anz.com and clicking on the following links: shareholders (top of page) > Annual General Meeting (left hand side) > Electronic Proxy Form (body of text).

To be effective, a proxy appointment and, if the proxy appointment is signed by the member's attorney, the authority under which the appointment is signed (or a certified copy of the authority) must be received by the Company at least 48 hours before the Meeting.

For more information concerning the appointment of proxies and the addresses to which proxy forms may be sent, please refer to the reverse side of the proxy form.

Voting by Attorney

A member may appoint an attorney to vote on his/her behalf. For an appointment to be effective for the Meeting, the instrument effecting the appointment (or a certified copy of it) must be received by the Company at its registered office or one of the addresses listed above for the receipt of proxy appointments at least 48 hours before the Meeting.

Corporate Representatives

A body corporate which is a member, or which has been appointed as a proxy, may appoint an individual to act as its representative at the Meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the Meeting evidence of his or her appointment, including any authority under which it is signed, unless it has previously been given to the Company.

By Order of the Board

Tim L. Estrange
Secretary
Melbourne
15 November 2006

Explanatory Notes

ITEM 2 RE-ELECTION OF DIRECTORS

Mr Ellis and Ms Jackson retire in accordance with the Company's Constitution. Both of these Directors offer themselves for re-election.

Candidates for re-election as Directors:

Mr Ellis

Mr J.K. Ellis

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

Company Director

Director since October 1995.

Mr Ellis is a member of the Risk Committee and the Audit Committee. He is Chairman of Pacifica Group Limited, Landcare Australia Limited, the Earth Resources Development Council, Future Directions International Pty Ltd and Golf Australia. He is also Chancellor of Monash University and a Consultant to the Monash Energy Advisory Board.

Mr Ellis is a former Chairman of Broken Hill Proprietary Company Limited, Black Range Minerals Limited, the Australia-Japan Foundation and the National Occupational Health & Safety Commission, and a former Director of GroPep Limited and the Australian Minerals & Energy Environment Foundation.

Lives in Melbourne. **Age:** 69.

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

Board Recommendation: The Board (excluding Mr Ellis because of his interest) endorses the re-election of Mr Ellis as a Director.

Ms Jackson, AC

Ms M.A. Jackson, AC

B Ec, MBA, HON LLD, FAICD, FCA

Company Director

Director since March 1994.

Ms Jackson is Chairman of the People Committee and a member of the Audit Committee. She is Chairman of Qantas Airways Limited and a Director of Billabong International Limited.

Ms Jackson is also Chairman of the Asia Pacific Business Coalition on HIV/AIDS, a Director of the Brain Research Institute, and a member of the Executive Committee Australia-Japan Business Co-operation and the Business Council of Australia Chairman s Panel.

Ms Jackson is a former Deputy Chairman of Southcorp Limited, former Co-Chairman of the Australia NZ Leadership Forum, former Director of John Fairfax Holdings Limited and the Howard Florey Institute of Experimental Physiology and Medicine, and former partner of KPMG Peat Marwick.

Lives in Melbourne. **Age 53.**

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

Board Recommendation: The Board (excluding Ms Jackson because of her interest) endorses the re-election of Ms Jackson as a Director.

ITEM 3 ADOPTION OF THE REMUNERATION REPORT

As required by the Corporations Act, the Board is presenting the Remuneration Report to the members for consideration and adoption by a non-binding vote. The Remuneration Report contains:

- information about Board policy for determining the nature and amount of remuneration of the Company s Directors and senior executives;
- a description of the relationship between the remuneration policy and the Company s performance;
- a detailed summary of relevant performance conditions, including a summary of why they were chosen and how performance is measured against them; and
- remuneration details for key management personnel (including the Directors of the Company, and the relevant executives who received the highest remuneration for the period ended 30 September 2006).

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The Remuneration Report, which is part of the 2006 Concise Annual Report, has been sent to members (except those who have made an election not to receive the Concise Annual Report). Copies of the Remuneration Report are available by contacting ANZ's Share Registry or by visiting the Company's website www.anz.com and clicking on the following links: shareholders (top of page) > Annual General Meeting (left hand side) > Concise Annual Report 2006 Part 2 of 2 Concise Report (body of text).

Board Recommendation: The Board considers that the remuneration policies adopted by the Company are appropriately structured to provide rewards that are commensurate with the performance of the Company and competitive with the external market. On this basis, the Board recommends that members vote in favour of Item 3.

Undirected Proxies

The Chairman of the Meeting intends to vote undirected proxies in favour of all items of business.

The explanatory notes which accompany this notice of meeting are contained on this page 2, and the description of the items of business to be voted on by members at the Meeting concludes here.

2

Statement regarding Global Outsourcing received from shareholders pursuant to section 249P of the Corporations Act 2001 (Cth)

ANZ has received a Statement (the Statement) from a number of shareholders pursuant to section 249P of the Corporations Act 2001, with the request that the Statement be considered at the 2006 Annual General Meeting. The Statement is contained within this notice of meeting, and concerns the issue of Global Outsourcing, sometimes known as Offshoring.

The Statement was provided to ANZ by the Finance Sector Union (FSU) on behalf of a number of shareholders and we welcome their input into this issue.

In order to advance discussion, the following outlines ANZ's perspective on offshoring and its response to the Statement provided by the FSU.

Already, many of our international financial services competitors operating in Australia have offshore operations support for their Australian businesses.

In order to compete against these larger global competitors, Australian companies need to be able to utilise the full range of competitive tools, including offshoring.

At the same time we understand the concern offshoring causes amongst some Australians. We believe offshoring can be balanced with the interests of our stakeholders including customers, staff and the community.

For example, in 2005 we issued a policy that no Australian customer facing roles would be moved offshore. At the same time, we are increasing employment in Australia, and since 2002 we have added around 3,000 full-time employees.

WHAT IS ANZ DOING IN INDIA?

ANZ has owned a technology business in Bangalore, India since 1989.

During the past 17 years, it has established a specialist capability in developing and managing software and technology for many of ANZ's systems. In recent years it has also developed a capability to support ANZ's operations functions.

Today, ANZ employs about 1,400 people in Bangalore most of whom are in information technology development roles (about 1,100 people).

This reflects Bangalore's development as a global technology centre with many of the world's largest companies including IBM and Microsoft, basing key parts of their technology and operations support functions there.

ANZ is approaching the development of our facility in Bangalore differently to some other Australian companies.

- **ANZ operated and controlled.** We operate the facility ourselves. Functions are undertaken by ANZ staff, in ANZ premises, operating under ANZ's rules and procedures.
- **Call centres to remain in Australia.** ANZ understands Australian customers want to be able to talk to staff in Australia about their banking and financial services needs. All customer contact roles including call centre roles will remain in Australia. Our Australian Customer Call Centre has been independently recognised as the best call centre in

Australia for three years in a row.

- **Customer records remain in Australia.** Central records for our Australian customers are located in Australia and will remain located in Australia. They are subject to Australian law and privacy standards and where there is a need to access data by ANZ staff in other countries, that access accords with ANZ's global information security and privacy policies.
- **High standards for privacy and security.** Staff in Bangalore operate under the same ANZ policies and controls that we have in place in Australia, including high standards of privacy and confidentiality. ANZ invests in comprehensive information security systems, staff training and compliance monitoring. We have a specific promise in our Customer Charter to keep customer information private and secure.
- **Increasing opportunities at ANZ.** Where we do transfer roles to Bangalore, our focus is on redeployment and internal mobility to ensure we retain as many people as possible in roles within ANZ in Australia.

For example, many of the 300 staff affected by last year's decision to base information technology roles in Bangalore have found other roles within ANZ.

- **Increasing Australian jobs.** Over the last four years we have added about 3,000 extra staff in Australia and in 2006 we have employed almost 700 additional Australian staff. We are investing in new branches, expanding our ATM network, and increasing the number of people in our branches.
- **Supporting our staff.** ANZ has made commitments to its staff to help those affected by change. This includes retraining staff who wish to continue their careers at ANZ and giving them priority for vacant roles within the Bank; and career counselling and support services to help others identify opportunities outside ANZ.

ENGAGING WITH THE FSU

- ANZ has engaged constructively with the FSU on issues affecting its members through regular briefings, information sharing and dialogue at all levels. ANZ has created a forum in which FSU representatives meet regularly with ANZ to deal with project implementation issues and broader initiatives.

OTHER CONCERNS RAISED IN THE STATEMENT

Australian Workforce Skills

ANZ recognises our people are our most important asset. The quality of our people is ANZ's main source of competitive advantage over our peers, and we will continue to invest in their development.

For example:

- ANZ strongly encourages staff to pursue further education and learning. In 2006 we invested more than \$50 million in the education of our people. In Australia, our investment in education grew 23% to \$41 million.
- More than 19,300 self-paced study courses, 22,800 facilitated courses and 245,000 e-learning courses were completed by our staff last year.
- ANZ is investing heavily in learning facilities. In 2007 we plan to launch the ANZ Learning and Innovation Centre in Melbourne. This facility will be a world-class centre for learning and innovation which will see more than 100 people receive learning programs each day.

We invite you to read the Statement on the next page.



Statement pursuant to Section 249P of the Corporations Act 2001 received from the Finance Sector Union

SHAREHOLDERS CONCERNED ABOUT RISKS TO REPUTATION ARISING OUT OF GLOBAL OUTSOURCING

We are concerned about the impact of Global Outsourcing strategies of companies in the Australian finance industry, that could result in Australian based jobs and customer databases being sent offshore.

As shareholders in ANZ, we are concerned that such strategies can affect a company's reputation particularly with respect to:

- employees losing their jobs;
- the future of employment and skills in the finance industry; and
- the security and privacy of consumers' sensitive financial data.

The potential nature and scale of global outsourcing is massive. In 2005 the OECD predicted that over 70% of all Australian finance sector jobs could be performed offshore(1) this would equate to over 200,000 jobs. This would greatly exceed the number of full time banking jobs lost during the 1990's as a consequence of restructuring and the closure over 2,200 retail branches.

We recognise that ANZ has worked extremely hard over recent years to improve its relationship with customers and has invested in the retail branch network to recover the deterioration associated with that period of branch closures and cost cutting.

It is critical that the Board of ANZ consider all the potential risks that could arise out of Global Outsourcing and avoid any potential future damage to its brand, reputation and relationships with staff, communities and consumers.

STAFF CONCERNS

ANZ staff, as key stakeholders in the company, are concerned about the impact of Global Outsourcing that results in jobs, skills and future opportunities going offshore. This could have serious impacts on the morale of staff.

CONSUMER CONCERNS

We are mindful of research recently conducted by McNair Ingenuity(2) that clearly demonstrates that Australian consumers are concerned about Global Outsourcing and that it could influence their decisions about their banking relationships. The results of that survey were as follows:

- 96% agree that Australian companies have a responsibility to invest in Australian jobs and skills;
- 82% agree that they would consider changing to a different bank, if they knew that their bank was sacking Australian workers and sending their jobs offshore;
- 85% support the call for the Federal Government to require banks to inform customers if they are storing personal information overseas;
- 91% agree that their personal information should not be stored offshore without written permission;
- 85% were concerned for the security of their personal data if it moves offshore.

There is an array of customer identity, privacy and data security issues that emerge when sensitive data is processed or stored offshore beyond the reach of domestic legislative protection.

INTO THE FUTURE

As shareholders, we appreciate that this is an extremely complex issue and requires careful strategic consideration by the Board of ANZ.

This requires thorough scrutiny by the Board of any future strategy that could result in a significant transfer of banking functions and the elimination of a number of Australian based jobs. Such an outcome may not be in the long term interests of the company and its shareholders.

Accordingly, in the interests of mitigating any risks to the reputation of the Bank, we encourage the Board to engage with key stakeholders, including staff and their representatives, consumers and other relevant members of the community on Global Outsourcing issues.

(1) OECD, 2005. *Potential Offshoring of ICT-Intensive using occupations*

(2) McNair Ingenuity, May 2006. *Attitudes to Offshore Labour*

AGM LOCATION Sydney Convention and Exhibition Centre, Bayside Auditorium B, Darling Drive, Darling Harbour, Sydney, New South Wales

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

If undeliverable please return to
ANZ Share Registry
GPO BOX 2848
Melbourne Victoria 3001

2006 proxy form

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

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

Charles Goode
Chairman
15 November 2006

On behalf of the Board of Directors, I have pleasure in enclosing notice of the thirty eighth Annual General Meeting of Australia and New Zealand Banking Group Limited.

The Meeting will be held at the Sydney Convention and Exhibition Centre, Bayside Auditorium B, Darling Drive, Darling Harbour, Sydney, New South Wales on Friday, 15 December 2006 at 10:00am (Sydney time).

Our choice of Sydney for this year's Meeting reflects a policy of rotating shareholder meetings among the major cities where our shareholders are located. This gives as many shareholders as possible the opportunity to directly participate in meetings of the Company. In recent years we have held shareholder meetings in Adelaide, Melbourne, Perth, and Brisbane.

If you are able to attend, would you please bring this letter with you to facilitate your admission into the Meeting.

ANZ staff will be available outside the meeting room should you wish to discuss banking services, investment products or shareholder matters.

If you are unable to attend the Meeting, I encourage you to vote using the attached Proxy Form. Alternatively, you can submit your proxy instructions electronically by visiting www.anz.com and clicking on the following links: shareholders (top of page) > Annual General Meeting (left hand side) > Electronic Proxy Form (body of text). In addition, you will be able to access our webcast on www.anz.com and listen live to the addresses made at the Meeting.

Also attached is a form to enable you to nominate questions in advance of the Annual General Meeting. We will attempt to ensure that as many as possible of the more frequently asked questions are addressed at the Meeting.

Yours faithfully

Chairman

Proxy Form

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

ANZ SHARE REGISTRY
GPO Box 242
Melbourne Victoria 3001
Australia

Mark this box with an X if you have made any
changes to your address details (see reverse)

X

Australia: 1800 11 33 99
New Zealand: 0800 174 007
United Kingdom: (0870) 702 0000
Outside Australia: (61 3) 9415 4010
Facsimile: (61 3) 9473 25

www.anz.com

Appointment of Proxy

I/We being a member/s of Australia and New Zealand Banking Group Limited (ANZ) and entitled to attend and vote at the 2006 Annual General Meeting of ANZ hereby appoint

X The Chairman
of the Meeting
(mark with an X) **OR**

If you are not appointing the Chairman of the Meeting as
your proxy please write here the full name of the individual
or body corporate you are appointing as your proxy

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the 2006 Annual General Meeting of ANZ to be held at the Sydney Convention and Exhibition Centre, Bayside Auditorium B, Darling Drive, Darling Harbour, Sydney, New South Wales on Friday, 15 December 2006 at 10.00am (Sydney time) and at any adjournment of that Meeting.

Voting directions to your proxy please mark **X** to indicate your directions **For** **Against** **Abstain***

- | | |
|---|--|
| 2 | Re-election of Directors

a) To re-elect a director: Mr J.K. Ellis

b) To re-elect a director: Ms M.A. Jackson, AC |
| 3 | Adoption of the Remuneration Report
(this resolution is advisory only) |

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

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* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Authorised Signature/s

PLEASE SIGN HERE This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1

Securityholder 2

Securityholder 3

Sole Director and
Sole Company Secretary

Director

Director/ Company Secretary

Contact Name

Contact Daytime Telephone

Date / /2006

ANZ

2PR

how to complete the proxy form

1 YOUR ADDRESS

This is your address as it appears on ANZ's share register. If this information is incorrect, please mark the box and make the correction on the form. Members sponsored by a broker or other Controlling Participant (in which case, if your holding is on ANZ's Australian register, your reference number overleaf will commence with an X) should advise their broker or other Controlling Participant of any changes. **Please note, you cannot change ownership of your shares using this form.**

2. APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the individual or body corporate you wish to appoint as your proxy is someone other than the Chairman of the Meeting, please write the name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a securityholder of ANZ. **Do not** write the name of ANZ or the registered security holder in the space.

3 VOTES ON ITEMS OF BUSINESS

You may direct your proxy how to vote all your shares, or abstain from voting all your shares, on an item of business by placing a mark in the appropriate box opposite the item. Alternatively, you may direct your proxy to vote a number or percentage of your shares in a particular way, and the remaining number or percentage in another way. This can be done by inserting the number or percentage in the appropriate box or boxes next to the item. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item, or the number or percentage of shares specified in the FOR, AGAINST and ABSTAIN boxes for an item exceeds your total shareholding, your vote on that item will be invalid.

4 APPOINTMENT OF A SECOND PROXY

A member who is entitled to cast two or more votes may appoint up to two persons (including bodies corporate) as proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning ANZ's Share Registry or you may copy this form.

To appoint a second proxy you must:

- a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- b) return both forms together in the same envelope.

5 SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the member must sign.

Joint Holding: where the holding is in more than one name, all of the members should sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged the Power with the Share Registry for notation. If you have not previously done so, please attach a certified copy of the Power of Attorney to this form

when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, that person must sign this form. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of a corporate securityholder or a corporate proxy is to attend the Meeting, the appropriate Corporate Representative Form should be produced prior to admission. This form may be obtained from ANZ's Share Registry.

LODGEMENT OF A PROXY

This Proxy Form (and any authority under which it is signed or a certified copy of that authority) must be received by ANZ not later than 48 hours before the commencement of the Meeting at 10.00am (Sydney time) on Friday, 15 December 2006. Any Proxy Form, authority or certified copy of an authority received after that time will not be valid for the scheduled Meeting. The following addresses are specified for the purposes of receipt of Proxy Forms and any authorities under which Proxy Forms are signed or certified copies of those authorities:

ANZ Share Registry

GPO Box 242

Melbourne Victoria 3001

Australia

ANZ Share Registry

Yarra Falls

452 Johnston Street

Abbotsford Victoria 3067

Australia

ANZ Share Registry

PO Box 82, The Pavilions

Bridgwater Road

Bristol BS99 7NH

United Kingdom

ANZ Share Registry

Private Bag 92119

Auckland 1020

New Zealand

Members may record their proxy voting instructions electronically on ANZ's website at www.anz.com. You will need your Holder Identification Number (HIN) or Securityholder Reference Number (SRN). Your HIN or SRN is shown on the top right hand corner of the Proxy Form.

Proxy Forms (and any authorities under which they are signed (or certified copies of those authorities)) may be sent by fax to facsimile number (61 3) 9473 2555.

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

corporate representative form

2006 ANNUAL GENERAL MEETING

ANZ Share regiStry

GPO Box 242
Melbourne
Victoria 3001
Australia

Yarra Falls
452 Johnston Street
Abbotsford
Victoria 3067
Australia

PO Box 82
The Pavilions
Bridgwater Road
Bristol BS99 7NH
United Kingdom

Private Bag 92119
Auckland 1020
New Zealand

Australia 1800 11 33 99

New Zealand 0800 174 007

UK (0870) 702 0000

Outside Australia (61 3) 9415 4010

Facsimile (61 3) 9473 2555

Internet www.anz.com

This Corporate Representative Form should be used by:

- corporate shareholders; or
- a body corporate appointed as a proxy for a shareholder,

to appoint a representative to attend the 2006 Annual General Meeting of Australia and New Zealand Banking Group Limited.

The form (including any authority under which it is signed) may be sent to ANZ's Share Registry in advance of the Meeting or submitted at the time of registration before the Meeting.

Do not use this form to appoint the Chairman of the Meeting as your proxy.

APPOINTMENT OF A CORPORATE REPRESENTATIVE

Certificate pursuant to section 250D of the Corporations Act 2001

Limited

Insert full name of the corporate shareholder or body corporate which has been appointed as a proxy

hereby certifies that

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Insert name of appointed representative

is appointed as its corporate representative to act at the 2006 Annual General Meeting to be held on Friday, 15 December 2006 and at any adjournment.

Executed in accordance with the Company's Constitution

Sole Director and Sole Company Secretary

Company Seal (if applicable)

Director

Authorised Representative

Date

Director/Secretary

Attorney

questions from securityholders

2006 ANNUAL GENERAL MEETING

Your questions regarding any matter relating to ANZ that may be relevant to the 2006 Annual General Meeting are important to us.

We invite you to use this form to submit any questions. Please return it in the reply paid envelope provided or fax it to (61 3) 9273 4899 or e-mail investor.relations@anz.com

We will attempt to respond to as many of the more frequently asked questions as possible in the Chairman's and Chief Executive Officer's addresses at the 2006 Annual General Meeting. Due to the large number of questions we receive, we will not be replying on an individual basis.

You will also be able to listen to the addresses made at the 2006 Annual General Meeting live by webcast on www.anz.com

Securityholder's Name

Securityholder's Reference No. (SRN) or Holder Identification No. (HIN)

Address

Question(s)

Concise Annual Report 2006 - Part 1 of 2 - Annual Review

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

A copy of the full Financial Report for the year ended 30 September 2006 for the Group, including the independent Auditor's Report, is available to all members, and will be sent to a member without charge upon request. The Financial Report can be requested by telephone (Australia 1800 11 33 99 Overseas +613 9415 4010), by email at investor.relations@anz.com or viewed directly on the Internet at www.anz.com

[2006 Investor Snapshot](#)
[Chairman and CEO Reports](#)
[CFO Report](#)
[Our Business Performance](#)
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[Corporate Responsibility Performance](#)
[The Board of Directors](#)
[10 Year Financial Summary](#)
[Information for Shareholders](#)

Becoming a very
different bank
demands a different
perspective.



our results

2006 INVESTOR SNAPSHOT

Customers

- Continued to lead the other three major banks in customer satisfaction
- Number 1 lead bank for Institutional clients in Australia and New Zealand
- Awarded the Best Call Centre in Australia for the third year in a row
- In 2006, for the first time, we opened over a million new accounts in Australia

Community

- Received the Prime Minister's Award for Excellence in Community Business Partnership for Impact on a Community
- We offer staff members eight hours of volunteer leave each year. This year 24% of Australian and New Zealand staff logged 50,735 hours of volunteering activity as part of our ANZ Volunteers program
- ANZ Community Giving program matches staff contributions up to \$1000. 10.6% of employees donated money as part of our Community Giving program. This year their contributions were matched dollar-for-dollar by ANZ, with total contributions of \$833,000

Staff

- Most engaged staff amongst major Australian companies 60%
- Lost-time injury frequency rate down to 3.8 injuries per million hours worked, a 10% reduction since 2005
- Named the Leading Organisation for the Advancement of Women in Australia among organisations with more than 500 employees
- Our My Difference Survey provided our first-ever demographic snapshot of our people

Shareholders

- Our net profit attributable to shareholders of the company was \$3,688m, and our Cash Earnings Per Share was up 13.2%
- The total dividend for 2006 was 125 cents, up 13.6%
- Total return for shareholders over the past 12 months, which includes growth in the share price and dividends received, was 17.1%
- The market value of ANZ reached \$50 billion for the first time, before finishing the year at \$49 billion

our future

CHAIRMAN AND CEO REPORT

It has been another year of achievement for ANZ in 2006. Our shareholders have benefited, as have our customers, our people and the community.

Over the past decade we have become a very different bank by dramatically changing our financial performance; improving our productivity and returns; and regaining the respect of our shareholders. With these basics in place, we increased our focus on our customers, our people and our communities. We recognised that if we were to fully satisfy our customers then we needed our people to have the right mindset, capabilities and attitude.

Today we are in a very good space, but we need to accelerate the differences by:

- Expanding our market position in Australia, New Zealand, Asia and the Pacific. We have gone against the trend and added 5,000 people over the last four years. This gives us the foundation to create higher revenue growth going forward.
- Increasing the top end of our revenue growth target from 9% to 10%. We will continue to aim for cost growth lower than our revenue growth, as we head towards a 40% cost to income ratio.
- Ensuring that each of our businesses can clearly answer the question why should someone bank with us, and not one of our competitors? . This is one of the most important questions we face.
- We believe ANZ is at a flexing point; we re on the verge of something great. We are satisfying our shareholders and customers. The communities in which we operate hold us in increasing regard. Our people regard us as the best organisation to work for in financial services.

That s why now our major objective is to build on the strong foundation we have created and be a very different bank. The major Australian bank that truly differentiates itself in the eyes of shareholders, customers, employees, and its various communities will have a major competitive advantage. We are confident ANZ is poised to be that bank.

These results are the work of an outstanding group of people: our staff. On behalf of my fellow directors and all shareholders, I thank them for their effort and contribution.

Charles Goode - Chairman

chairman's report A MESSAGE FROM CHARLES GOODE

Our performance

Our profit after tax for the year ended 30 September 2006 was \$3,688 million, up by 16%; our cash profit (adjusted for AIFRS 2005 adjustments and non-core items) was \$3,587 million, up 14%; and our profit before provisions was up 10%.

The dividend for the year is 125 cents per share fully franked.

Revenue growth of 8% was the highest for many years. While costs increased by 6%, our cost to income ratio fell by 1.0% to 45.6%. The overall credit environment was very favourable with provisions for credit impairment at cyclical lows.

Expansion and Growth

The Personal Division achieved exceptional results, with revenue growth of 13% and earnings up 22%. Personal is reaping the benefits of a clear customer proposition – simpler and more convenient banking – along with an expanded branch network, more ATMs and longer opening hours.

In Institutional, good revenue growth of 8% and low credit losses led to growth in earnings of 11%.

In New Zealand, our integration program was successfully completed. The customer base has been maintained and is now growing. We have strong businesses with options for growth.

Turning to East Asia, we celebrated 20 years in China and expanded our presence with a 20% investment in Tianjin City Commercial Bank. In Vietnam, ANZ and Sacombank committed to a joint venture, and we launched banking services in Cambodia through ANZ Royal Bank, a joint venture with Royal Group.

The Board

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During the year, Dr Roderick Deane retired as an ANZ director, and as Chairman and Director of ANZ National Bank Limited. Dr Deane joined the Board in 1994 and made a very substantial contribution. We thank Dr Deane and wish him well in retirement.

Outlook

We expect the environment for banking will be supportive in the year ahead. While growth in the Australian economy is unlikely to exceed current levels, conditions should still be conducive to reasonable earnings growth. New Zealand's economy may well be softer over the next two years, but nevertheless we remain confident of the long term future for our New Zealand business. Our position in Asia will continue to grow in importance.

Charles Goode - Chairman

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chief executive officer's report A MESSAGE FROM JOHN McFARLANE

ANZ has once again performed well in 2006 for shareholders and we have invested and strengthened our foundation for sustainable growth in future years.

This performance is simply a milestone on a longer journey from the major banks being perceived as the same, to making ANZ a very different bank.

It concerns me that many believe all banks are the same. It would not be so prevalent a view if it was not true. Changing this required us to create tangible reasons:

- Why a customer should deal with us?

- Why the community should place its trust in us?

- Why people should invest their working lives in us?

- Why shareholders should invest in us?

So against the trend of cost-cutting, we decided to invest to make a very different bank a reality. This required a major change in emphasis where:

- People, customers and the community would become the main focus rather than costs and short-term return.

- We would build a culture and talent base that could not easily be replicated.

- We could all sleep at night with the level of risk.

In particular we recognised that the bank that comes up with ways to serve our customers better would win over the long run. Our progress demonstrates our commitment to more convenient banking:

- In 2006 in Australia, we opened a new branch every fortnight and in 2007 we will open a new branch almost every week.
- In the last four years we added 10,000 new people, including the acquisition of The National Bank of New Zealand.
- We had a very different acquisition in New Zealand, maintaining separate businesses and brands.
- With the sizeable opportunity presented by Asia's economic growth and the interdependence between Australia, New Zealand and Asia, we have begun a major push into the region, including expanding our business in Tianjin and Shanghai in China.
- We leveraged the technology and operational capability in Bangalore built over 17 years while maintaining a policy of having customer contact at home in Australia and New Zealand.
- We received special recognition through the Prime Minister's Award for Impact on a Community.
- I am genuinely pleased with our progress, but realise it is only the beginning. Therefore we are raising the bar on revenue growth and accelerating our efforts to become a very different bank. Our achievements in 2006 demonstrate we are well positioned to do so.
- All in all it has been a good year for shareholders and I want to thank you all for your continued confidence in us.

John McFarlane - Chief Executive Officer

This year ANZ reported a record of \$3,688 million, up 16% on 2005.

This report explains how we get from our profit of \$3,688 million to our dividend of 125c, and then on the following pages, we delve into our profit result in more detail.

chief financial officer s report A MESSAGE FROM PETER MARRIOTT

Adjustments	2005	2006
+/- Non Core Items	\$ 38 m	\$ (67 m)
- Fair Value Hedge	\$ (31 m)	\$ (34 m)
- AIFRS Adjustments	\$ (31 m)	0
Cash Profit	3,151	3,587
- Hybrid Dividend	\$ (18 m)	\$ (27 m)

We make a series of adjustments to remove items like dividends on hybrid instruments which reduce the returns available to ordinary shareholders, and non-core items. These noncore items included incremental costs associated with merging our two banks in New Zealand of \$26m (\$52m in 2005) and non-recurring gains of \$93m (\$14m in 2005). By making these adjustments, we end up with what is commonly known as our cash profit.

We then divide this cash profit by the average number of ordinary shares on issue over the year. The small increase in shares during the year is mainly due to shares being issued under the Dividend Re-investment Plan and various option plans. This resulted in cash Earnings Per Share growth of 13.2% in 2006.

Our policy has been to grow our dividend per share broadly in line with growth in cash Earnings Per Share.

This resulted in a dividend of 125 cents, up 13.6%, and a payout ratio of approximately 64%, which also allows us to fully frank the dividend for the foreseeable future.

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Cash profit - (\$m)

Profit and Loss Summary

Welcome to the new International Accounting Standards!

This year, ANZ reported under the new accounting standards for the first time. The formal name for the new standards is actually Australian Equivalents to International Financial Reporting Standards, but we'll shorten that mouthful to AIFRS.

The transition to AIFRS was particularly difficult for banks, due to one of the new standards AASB 139 having a very significant impact on financial institutions. To help manage the transition, we have had a special project in place for over 3 years, at a cost of \$20 million. Unfortunately not all standards came into effect at the same time, which can make comparisons against previous years misleading, a bit like comparing apples and oranges.

To help shareholders make more sensible comparisons, we have produced a version of our 2005 accounts that assumes all standards were in place at that time, and the following table, commentary in the remainder of my CFO report, and Divisional and geographic reports will be based on those numbers.

Profit and Loss Summary	2005	2006	Movt	
	\$m	\$m	%	
Net interest income	6,371	6,943	9	%
Other operating income	2,935	3,146	7	%
Operating income	9,306	10,089	8	%
Operating expenses	(4,340)	(4,605)	6	%
Profit before Credit Impairment and Income Tax	4,966	5,484	10	%
Provision for Credit Impairment	(565)	(407)	(28)	%
Profit before income tax	4,401	5,077	15	%
Income tax expense	(1,247)	(1,486)	19	%
Minority interest	(3)	(4)	33	%
Cash Profit	3,151	3,587	14	%

Balance Sheet

One of the key drivers of our performance has been strong overall balance sheet growth during the past 12 months. Balance sheet growth largely comprises:

a) **Asset Growth**

The continued strong growth of recent periods continued in 2006, with total assets up 12% to \$335,771 million.

A large component of ANZ's assets represent lending to individuals, businesses, large corporations and other entities. This includes mortgage lending, unsecured personal and credit card lending and loans for various business related activities.

Despite a softening in the rate of growth from recent years, mortgages continued to grow solidly in both Australia (12%) and New Zealand (13%). At the top end of our Institutional business in our Debt Product Group, lending growth slowed significantly to 2%, while in our Corporate and Business Banking businesses growth was 10% and 17% respectively.

b) **Liability Growth**

Consumer and Business deposits and other borrowings are the biggest items on the liability side of our balance sheet at \$204,794 million. In both consumer and business deposits, ANZ performed well in 2006. Retail deposits was a highly competitive segment in the Australian market over the past twelve months due to the introduction of a number of high interest rate online products. ANZ recorded the highest growth of the major banks to gain market share during the year with 13% growth.

In New Zealand, we achieved strong customer deposit growth in 2006 following the introduction of high rate online savings accounts to the New Zealand market.

We also experienced good deposit growth across our Corporate and Institutional segments over the year.

Net Interest Income

Net Interest Income (NII) is the difference between interest received from customer lending and interest paid by ANZ to those providing our funding.

NII increased 9% in 2006 to \$6,943 million, reflecting strong average interest earning asset growth of 13% partly offset by a decline in our Net Interest Margin.

Over the year, our net interest margin declined 9 basis points to 2.31% at September 2006, with the key drivers being:

- a) **Funding Mix (-5.1 basis points)** when asset growth outstrips deposit growth additional funds are sought from the higher cost wholesale markets, negatively impacting net interest margin.
- b) **Asset Mix (-2.8 basis points)** this decline occurs when we have stronger growth in lower margin products i.e. liquid assets and trading securities, relative to growth in higher margin products, reducing our average margin.
- c) **Wholesale Rate (3.1 basis points)** this impact generally arises from changes in the interest rate environment, including when wholesale rates and the official cash rate change by different amounts.
- d) **Competition (-7.7 basis points)** the Australian and New Zealand banking markets remain highly competitive. During the year competition resulted in a 7.7 basis point reduction in our net interest margin. The key areas of competition included Australian mortgages, New Zealand deposits, and Corporate and Institutional lending.
- e) **Other (3.5 basis points)** other included gains from revenue hedging.

Other Operating Income

Other Operating Income predominately comprises fee income from across our businesses, foreign exchange and trading income generated by our Institutional markets business, and other items such as our share of earnings from the ING Australia Joint Venture. Other Operating Income increased 7% to \$3,146 million in 2006.

Lending fee income increased 6% to \$430 million in 2006, driven largely by the 10% increase in our lending volumes. Both Personal and New Zealand recorded good growth in lending fees, with lower growth in the Institutional business.

Non-lending fees increased 9% to \$1,715 million during the year, driven largely by our Personal Division, where the strength of our customer proposition is driving good growth in customer numbers, and good deal flow in Institutional. Non-lending fee growth in New Zealand was relatively soft at 2% largely as a result of recent changes to our fee structures to align with the market.

Other contributors to the improved Other Operating Income performance include:

- a) Higher earnings on Trading Securities, up 58% to \$209 million, partly offset by slightly lower foreign exchange earnings, which were down 2% to \$447 million.
- b) Earnings in our ING Australia Joint Venture, before the impact from transitional tax relief and capital investment earnings, were up 36% to \$186 million, helped by buoyant equity markets. After taking into account the end of transitional tax relief and lower earnings on capital, net profit after tax was \$243 million, of which ANZ's share was 49%.

Expenses

In 2006 we increased expenses 6% to \$4,605 million, continuing our commitment to invest in long-term earnings sustainability, and create above peer revenue growth.

Over the past year, our personnel costs have risen 9%. The key driver of this increase was the addition of 1,280 employees over the past 12 months.

Our premises expenses were up 6% over the year, due to growth in our ATM and branch network, market rent increases, and higher security service costs.

Despite this level of investment, we managed to reduce our Cost to Income ratio by a further 1% to 45.6%.

From a divisional perspective, some highlights include:

- a) **Personal** expenses up 9% to \$2,069 million reflecting significant investment in frontline personnel with 714 staff added in 2006 and continued investment in our branch network, with 25 new branches opened. We also installed 330 new ATMs during the year.
- b) **Institutional** expenses up 11% to \$1,283 million driven largely by increased personnel costs, with staff numbers up 357, and cost per FTE increasing due to a very competitive global market for staff.
- c) **New Zealand** expenses up 6% to NZD1,254 million as we continued to invest in both brands, adding 60 new staff. This business also incurred costs associated with the Commerce Commission settlement of NZD10 million, and an additional NZD10 million to operate domestic systems in New Zealand rather than Australia.
- d) **Partnerships and Private Banking** expenses up 24% to \$62 million reflecting ongoing investment in our Asian partnerships, including the first full year of our joint venture operations in Cambodia.

Provision for Credit Impairment

The Provision for Credit Impairment decreased by 28% from \$565 million in 2005 to \$407 million in 2006, reflecting the good health of the portfolio from a credit quality perspective.

As part of the transition to AIFRS, the old Bad and Doubtful Debts charge was renamed Provision for Credit Impairment.

Under the revised methodology, there are two components:

- **A charge for Individual Provisions** these were previously known as Specific Provisions, and in simple terms are the actual losses during the period.
- **A charge for Collective Provisions** this charge represents the change in the Collective Provision balance between 2006 and 2005. The Collective Provision is a function of the change in portfolio size, portfolio mix, risk, and cycle outlook.

As you can see in the chart above, Individual Provisions as a percentage of lending assets were remarkably low during 2006. We believe losses are likely to increase from these levels and we look at this in a bit more detail on the following pages.

capital adequacy

Banks are required to maintain capital levels that comply with both regulatory and operational requirements. Capital adequacy is measured as capital as a percentage of risk weighted assets.

Australian Prudential Regulation Authority (APRA) sets regulatory capital requirements. The key requirement is known as Tier 1, representing high quality capital, including ordinary shares, retained earnings and general reserves. ANZ 's current Tier 1 ratio is 6.8%.

In setting ANZ 's credit rating Ratings Agencies focus on Adjusted Common Equity (ACE), reflecting Tier 1 capital less preference shares and a number of deductions. ANZ has an ACE target range of 4.00% to 4.75%, at September 2006 the Group 's ACE ratio was 4.7%.

As evidenced by the capital ratios banks are highly leveraged organisations necessitating strong risk management frameworks and capabilities.

ANZ recognises the importance of effective risk management to its business success. Management is committed to achieving strong risk control, resulting in no surprises and a distinctive risk management capability.

risk management 2006

1. Robust Risk Management Framework

ANZ 's risk management framework combines Board policy setting and review with regular senior management oversight and independent business unit monitoring

ANZ Board

- Risk Committee Oversees principles, policies, strategies, processes and control frameworks for the management of Risk and approves credit transactions beyond the approval discretion of executive management
- Audit committee reviews financial control frameworks and compliance with policies and regulatory requirements.

Senior Management

- Credit and Trading Risk Committee oversees credit policy, major lending decisions, asset writing strategies and traded and non-traded market risk

- Group Asset & Liability Committee oversees regulatory capital, balance sheet structure, liquidity and funding
- Operational Risk Executive committee oversees operational risk and compliance strategies & activities

Business Unit Level

- Business Unit Risk Management Discharge responsibilities for business, market, credit, operational, liquidity and reputational risk and compliance with internal and external obligations

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2. Major Inherent Risks

The major inherent risks faced by ANZ can be grouped under the following categories:

- a) **Credit Risk** is the risk that a customer will fail to meet their obligations in accordance with the agreed terms and is the major risk faced by ANZ. Credit risk policies and management are executed through dedicated Risk channels that report to the Chief Risk Officer. All major credit decisions require approval by independent Risk personnel. The Individual Provision Charge fell 5% in 2006 to \$338 million. As a percentage of average net lending assets, the Individual Provision Charge has fallen from 0.51% to 0.13% over the last five years.
- b) **Market Risk** is the risk of losses from changes in interest rates, foreign exchange rates or the prices of equity shares and indices, commodities, debt securities and other financial contracts including derivatives. An independent market risk team ensures traded and non-traded risks and liquidity profiles are within Board and Senior Management authorised limits. Value at Risk (VaR) is a statistical estimate of the likely daily loss. The average traded VaR exposure for 2006 was \$2.12 million.
- c) **Operational Risk** is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems, or from external events. The operational risk framework is set at Group level. Divisions and Business Units are responsible for Operational Risk on a day-to-day basis.
- d) **Compliance Risk** is the risk of failure to comply with all applicable legal and regulatory requirements, industry standards and internal Policies and procedures, and the corresponding impact on ANZ 's business, reputation and financial control.

3. Key Risk Developments

ANZ continues to improve its risk profile and capability in a number of areas including:

a) **Improving Risk frameworks and capabilities**

During the year there has been significant focus on further developing a number of risk frameworks and policy enhancements including risk appetite, asset writing strategies, provisioning analysis and stress testing capabilities. As a result ANZ is in a better position to anticipate and manage risk in a forward looking manner.

b) **Reduction in Non-Performing Loans**

Non-performing loans are those facilities where ANZ expects to lose a portion of the interest and / or principal. As a percentage of net advances, it is a useful measure of credit quality. Over the last five years, this has fallen from 0.82% to just 0.25% in 2006.

c) **Industry and Single Name Exposure Limits**

Integral to the risk management framework are concentration limits for countries, industries and individual customers. ANZ continually monitors and manages limits and exposures to minimise the risk that ANZ is exposed to large unexpected credit losses.

d) **Operational & Technology Risk and Group Compliance processes**

Operational and Technology Risk have been progressing a number of initiatives which aim to improve the quality and standard of our risk management capabilities across ANZ, including the development of a standard risk register to capture operational risks, compliance obligations and information security risks. Further, a number of initiatives have also been progressed to improve internet banking security, identity management and access control processes.

A detailed explanation of risk management at ANZ is available on our web site at www.anz.com/australia/aboutanz/corporateinformation/corpgovpolicy

our focus**A UNIQUE GEOGRAPHICAL PRESENCE**

Our home markets of Australia and New Zealand represent 90% of the Group's profit. We have grown our Australian business significantly in recent years, and we are the largest bank in New Zealand.

We are the only Australian bank with a significant presence in Asia, and our representation is among the largest in the region. We have a number of retail partnerships in the region, and during the year we entered into a new partnership with Tianjin City Commercial Bank in China. We continue to be in discussions with Shanghai Rural Commercial Bank, and hope to conclude these discussions soon. We remain the number one bank in the Pacific, holding either number one or two position in each market in which we operate. We also have a substantial presence in the key financial centres of London and New York.

Australia

Operating Income	\$	6,806	m
Cost to Income		45.3	%
NPAT	\$	2,488	m
External Assets	\$	230,898	m
Number of Employees		18,723	
Points of representation		873	

Pacific

Operating Income	\$	286	m
Cost to Income		44.8	%
NPAT	\$	113	m
External Assets	\$	2,648	m
Number of Employees		1,662	
Points of representation		52	

New Zealand (NZD)

Operating Income	\$	2,752m	
Cost to Income		46.8	%

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NPAT	\$	951m	
External Assets	\$	95,153m	
Number of Employees		9,392	
Points of representation		312	

Other

Operating Income	\$	268	m
Cost to Income		44.4	%
NPAT	\$	132	m
External Assets	\$	9,596	m
Number of Employees		1,567	
Points of representation		6	

Asia

Operating Income	\$	323m	
Cost to Income		46.8	%
NPAT	\$	125m	
External Assets	\$	9,562m	
Number of Employees		913	
Points of representation		22	

*New Zealand Banking includes New Zealand Businesses and New Zealand Institutional

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personal report

A MESSAGE FROM BRIAN HARTZER

Brian Hartzer on very different front line staff

We've built great staff engagement in our branches, and we have a fantastic team of people who serve our customers every day. They're passionate and empowered. The reaction of our staff in Innisfail in the aftermath of Cyclone Larry was magnificent. They truly went the extra mile.

The branch staff met and decided to open the branch, even though one of them had lost her own home and the branch had no electricity. Their dedication meant that ANZ was the first bank to reopen on the morning after the cyclone hit, and the first ATM up and running using a customer's generator for power. Innisfail branch provided a critical service to their local community, by working with the federal and state governments to provide cash grants to locals, regardless of whether or not they were existing ANZ customers.

Staff from all around the region pitched in to help and give their colleagues some relief. One staff member even bought an entire rack of bread from the Atherton bakery and drove it down to Innisfail so that it could be distributed to customers and their families.

ANZ staff across Australia held fundraisers to help their colleagues in Innisfail, to the point where the branch ended up having several thousand dollars in surplus funds to donate back to the community.

I don't think we would have had that reaction from our people if they didn't feel really good about where they work and were recognised for the important role they play in their community. It's the best example I've seen of staff engagement in action, and I'm proud to work with them.

We've built an engaged and highly motivated workforce, with the skills and know-how to provide outstanding customer service.

Our financial performance

(\$m)	2005	2006	%	
Income	3,715	4,200	13	%
Operating Expenses	(1,890)	(2,069)	9	%
Profit before Provisions	1,825	2,131	17	%
Provision(1)	(351)	(341)	(3))%
Tax & OEI	(441)	(534)	21	%
Profit after Tax	1,033	1,256	22	%
Cost to Income (CTI)	50.9	% 49.3	%	
Staff (FTE)	12,081	12,795	6	%

(1) Provision for Credit Impairment

Personal has had an outstanding year, with revenue growth of 13% driving earnings growth of 22%. Balance sheet growth was strong, with lending up 12% and deposits up 11%. Giving customers a good reason to bank with us other than simply price has helped us maintain stable margins over the year.

All Personal businesses recorded double-digit earnings growth, with the highlights being Pacific (up 67%), Investments and Insurance (up 48%), Consumer Finance (up 25%), and Mortgages (up 21%).

Expenses were up 9%, as we continued our investment in future growth, with the addition of 714 full-time equivalent staff, 25 new branches, and 330 ATMs over the year.

Credit costs were relatively flat during the year.

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Under the theme of *More Convenient Banking* we have invested in simpler and more convenient banking services that customers value, establishing a compelling answer to the question, why should customers choose us?

Pictured left to right - Joanna Koulianos, Katrina Southwood and Mark Buyck.

Earnings by business

\$ 296m	Banking Products
\$ 363m	Mortgages
\$ 256m	Consumer Finance
\$ 167m	Regional, Rural & Small Business Banking
\$ 37m	Investments & Insurance Products
\$ 97m	Esanda
\$ 65m	Pacific

what we do

Personal is responsible for serving consumer and small business customers across Australia, through our network of 781 branches, our Australian-based call centre, and our network of specialist sales staff. Seven specialist business units comprise the Personal Division:

Mortgages is the largest business unit within Personal and is responsible for our residential mortgage products.

Consumer Finance provides credit cards and personal loans to retail customers as well as managing our ATM and Merchant Payments businesses.

Banking Products is responsible for transaction banking (such as passbook and overdraft accounts) and savings products (including Progress Saver, Term Deposits, V2+ and Cash Management accounts).

Investment and Insurance Products (I&I) comprises several related businesses including ANZ Financial Planning, Margin Lending, our E*TRADE partnership, ANZ Trustees, Insurance Products, and our relationship with INGA.

Regional, Rural, and Small Business Banking looks after the needs of ANZ customers in rural and regional Australia and provides services for around 190,000 small business customers through a network of specialists based in our branch network and on the phone.

Esanda is one of Australia's largest asset-based finance companies and the leading provider of vehicle and equipment finance solutions.

Pacific provides a full range of banking services to consumer and corporate customers across eleven countries.

our achievements

The Personal Division is one of the leading examples of ANZ's initiative to become a very different bank. Under the theme of 'More Convenient Banking' we have invested in simpler and more convenient banking services that customers value, establishing a compelling answer to the question, why should customers choose us?

We began by opening branches when our main competitors were shutting their doors. We extended our call centres operating hours to 24/7. Branch queue times have been reduced and our ATM network has continued to grow.

In the past year we opened 25 new branches, employed more than 300 new full time staff in our branches, and installed 330 new ATMs – well over the 200 ATMs we targeted as part of our Customer Charter. In addition to new branches and minor works, we have spent approximately \$80 million on upgrading the remainder of our branches.

In August we made a public commitment to extend hours at our branches in 80 major shopping centres across Australia. Participating branches will be open for late night shopping on a Thursday or Friday until 7pm, and/or open on Saturday mornings. In addition, branches with high customer traffic will open for extended hours during especially busy periods, such as the days leading up to Christmas and Easter.

As part of our commitment to delivering More Convenient Banking, our processes and range of products have been made simpler. We introduced new technology to streamline our account opening process, making it easier than ever to switch to ANZ. And we simplified the exception fees on a range of accounts, to make them easier to understand and give people more reasons to switch.

One of the most important ways that our branch network has become very different is less tangible, but it's just as important: we've built an engaged and highly motivated workforce, with the skills and know-how to provide outstanding customer service. Our people who work in Personal have amongst the highest level of engagement of all ANZ divisions. We're proud of this, and see its impact in high rates of customer satisfaction. ANZ tracks customer

satisfaction trends through Roy Morgan Research, which measures satisfaction levels of customers (Very or Fairly Satisfied) in relation to their main financial institution. With a main financial institution customer satisfaction rating of 75.5% for 6 months to September 06, we continue to lead the other three major banks. In addition, we were voted Reader's Choice Award for Best Bank by the readers of Personal Investor Magazine.

Our specialist businesses have continued to lead the industry in the design of innovative products and services that anticipate the evolving needs of our customers. The introduction of our ANZ Everyday Visa Debit Card is one example. As a result, we have continued to lead the major banks in most key product categories.

Goals for 2007

Our goal for 2007 is to continue to differentiate ourselves by delivering More Convenient Banking. We will continue to invest in the things that give new customers reasons to switch to ANZ, and existing customers more reasons to build their relationship with us. To achieve this, we will continue to invest in our people, expand our branch and ATM network, and simplify our products and processes so that it's easier than ever to deal with us.

institutional report

A MESSAGE FROM STEVE TARGETT

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As the seventh largest network bank in Asia, we offer our clients the vision and scope of Australia's leading bank in Asia, with a local knowledge that no Australian competitor can match.

Steve Targett on creating a different Institutional bank

Every bank talks about understanding its clients. What we are trying to do differently in Institutional is to become active partners with our clients, understanding and catering to their business in ways they might not normally expect of their bank. In taking this approach, we believe we can also create a whole new dimension of job satisfaction and personal challenge for our staff.

There are three main differentiators for us: our Asian network, the CEO Agenda, and our strategic partnership with the World Wildlife Fund.

Through the CEO Agenda, we strive to be active partners to our clients in their strategic thinking, offering innovative approaches to their issues, and committing our multi skilled team to join forces with their senior team.

Supporting this approach is our CEO Journal, produced in partnership with the Australian Graduate School of Management, covering the big issues facing top executives today.

Our staff enjoy the difference that ANZ is now making with Institutional clients. Our clients responded by voting us Number 1 Lead Bank in the Peter Lee survey, with ANZ winning an unprecedented 16 of 22 categories.

We also bring to our clients the fruits of our collaboration with World Wildlife Foundation, our partner in building sustainable finance. The policies and initiatives we are developing with WWF will inform corporate decisions about how to achieve optimal business performance while understanding the impact on our fragile planet.

Our financial performance

(\$m)	2005	2006	%	
Income	3,077	3,329	8	%
Operating Expenses	(1,154)	(1,283)	11	%
Profit before Provisions	1,923	2,046	6	%
Provision(1)	(136)	(58)	(57))%
Tax & OEI	(529)	(592)	12	%
Profit after Tax	1,258	1,396	11	%
Cost to Income (CTI)	37.5	% 38.5	%	
Staff (FTE)	5,318	5,675	7	%

(1) Provision for Credit Impairment

Institutional delivered a good result this year, with earnings up 11%. Each of our businesses delivered growth above 10%, with the exception of our Debt Product Group, which has been impacted by highly competitive lending margins.

Revenue growth of 8% was within the Group's target range. Driving this growth was a 14% increase in average lending assets and a 15% increase in average deposits.

We have continued to invest in our business, particularly in our people and product capability, which resulted in expenses increasing 11%. During the year we added more than 350 staff, and the competitive market for quality staff resulted in a significant increase in staff costs.

Credit quality remains very good, and as a result the provision for credit impairment fell from \$136 million to \$58 million.

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What we do

Institutional provides corporate clients, from small to medium enterprises (SMEs) to major multinationals, with tailored and strategic financial solutions.

- **Institutional and Corporate Relationships** Manages client relationships and develops financial services solutions and strategies for Business Banking clients with funds under management (FUM) in excess of A\$50,000, for Corporate clients with FUM in excess of A\$10 million and for Institutional clients with FUM in excess of A\$150 million in Australia and New Zealand. It also works with globalcorporate clients with whom ANZ Australia has an existing client relationship, in Europe, the United States of America and Asia.
- **Debt and Transaction Services** Combines managing Institutional and Corporate s balance sheet (with a particular focus on credit quality, diversification and maximising risk adjusted returns) with the provision of cash management, transaction banking, trade finance, international payments, clearing and custodian services, principally to institutional and corporate customers.
- **Markets** Provides foreign exchange, interest rate, and commodity services to clients globally. In addition, the business provides origination, underwriting, structuring andrisk management services, advice and sale of credit and derivative products globally.
- **Corporate and Structured Financing** Provides complex financing and advisory services, structured financial products, leasing, private equity finance, project finance, leveraged finance and infrastructure investment products.

Earnings by business

\$ 614m	Debt & Transaction Services
\$ 292m	Markets
\$ 204m	Corporate & Structured Financing
\$ 205m	Business Banking
\$ 179m	Corporate Banking

Two years of substantial change and refocus in the business, in a competitive environment characterised by declining margins, have transformed Institutional.

Pictured left to right - Lloyd Fleming, Graheme Lawrie, Kate Lyons-Crew, Dion Smith and Rashmi Somu.

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Achievements

Two years of substantial change and refocus in a competitive environment characterised by declining margins, have transformed Institutional into a more rigorous business, strongly focused on opportunities to provide total client solutions. There is still work to be done, as we fine tune our newly expanded relationship management team and realise the opportunities of our growing Asian network, but our results show that we are making real progress.

During the year Institutional:

- Was voted number one lead bank in the 2006 Peter Lee and Associates survey of large corporates and institutions in Australia and New Zealand. We were also recognised as Australia's leading business bank, winning Best Business Bank at the 2006 Banking and Finance Awards for the second year running.
- Took a stronger advisory role and became more innovative in providing products, services and strategies which support our clients. This CEO Agenda initiative, which included a new customer relationship management platform and a thought leadership journal for clients, gives our clients new insights and better solutions. One successful solution is our Wall St to Main St offering, which provides growth capital and succession planning for midmarket clients, including 15 new private equity investments during the year.
- Built on our traditional strength as the banker of preference for SMEs, achieving good earnings growth while continuing to expand our regional and industry specialisation approach.

Five new Business Banking Centres opened during the year, contributing to significant growth in client numbers.

- Experienced improved performance across its key product and transactional businesses. Highlights were strong Markets trading results off quality client flow, increased capability and activity in capital solutions and structured debt, and a number of foreign exchange successes, from the new retail branch at Sydney Airport to recognition as the best domestic provider of corporate Foreign Exchange services (Asia money poll).
- Continued to achieve growth milestones in Asia. ANZ celebrated 20 years in China with the opening of a new Guangzhou office, and our Vietnam operation was voted most favourite bank for the fourth year running, achieving a sharp increase in the number of structured finance and capital market mandates.
- Successfully launched a \$2.2 billion synthetic balance sheet collateralised loan obligation (CLO). The CLO is a sophisticated balance sheet management tool which partly transfers credit risk to investors in the CLO. This was the largest bond deal ever launched in Australia.

Goals for 2007

Institutional will deliver on its newly refined client coverage model and equip its relationship teams with the tools and knowledge they require to improve solution driven cross-sell and extract more strategic opportunities from client conversations. We aim to capitalise on the clear differences between us and our competition.

We will also build on the significant advantage we have in Asia as the dominant Australian bank, a well recognised niche commodity trade bank and a regional leader in project finance. In Australia, New Zealand, Europe and the Americas, our objective is to increasingly deliver to our clients the considerable opportunities of our strength in Asia.

new zealand report

A MESSAGE FROM GRAHAM HODGES

Graham Hodges on a very different business model

Nearly three years ago ANZ acquired The National Bank in New Zealand, to become ANZ National. At the time, we said it would be a very different acquisition, and it has been. The biggest point of difference was our decision to keep both the ANZ and The National brands, which surprised a lot of people.

Three years on, that has proven to be absolutely the right strategy, as more customers bank with ANZ National than before the merger, and revenue attrition was much lower than we anticipated. We have also managed to retain a stable and experienced management team. With the integration period now over, our focus has shifted from defending our customer base to growing the business.

Just as we had a very different approach to the acquisition and integration, we are taking a very different approach to our new focus on growth. We have retained our specialised business model which drives a focus on customer needs and solutions. Our portfolio of nine brands, of which ANZ, The National, and UDC are the largest, enhance our customer reach and open up new growth options.

When we combine our brands together, we are by far the biggest player in the market. Our scale provides us with the ability to invest more than our peers in areas such as customer analytics and product innovation, and to provide support to customers looking to grow. Our size also means we have a wider range of challenging roles. This helps us to attract the best talent in the market. In a people industry like banking, that is essential.

With our ongoing investment in the business, the commitment of our people, and the results we have already achieved together, I am confident that we have a strong future in New Zealand.

Just as we had a very different approach to the acquisition and integration, we are taking a very different approach to our new focus on growth.

Our financial performance

(NZ\$m)	2005	2006	%	
Income	2,571	2,756	7	%
Operating Expenses	(1,181)	(1,254)	6	%
Profit before Provision	1,390	1,502	8	%
Provision(1)	(157)	(20)	(87))%
Tax & OEI	(394)	(476)	21	%
Profit after Tax	839	1,006	20	%
Cost to Income (CTI)	45.9	% 45.5	%	
Staff (FTE)	9,333	9,392	1	%

(1) Provision for Credit Impairment

This year we had a much improved financial performance from our New Zealand business, with earnings up 20% in New Zealand dollar (NZD) terms. Revenue growth of 7% was driven by 13% growth in lending assets, and 5% growth in deposits. The New Zealand market continues to be competitive, with net interest margin down 21 basis points over the year, although margins stabilised in the second half.

We have continued to invest in our business, with expense growth of 6%, however our Cost to Income ratio still improved from 45.9% to 45.5%.

The credit quality environment in New Zealand remains healthy, and as a result the provision for credit impairment fell 87% to just NZ\$20 million.

While profit was up 20% in NZD terms, a weakening in the NZD actually resulted in the Australian dollar profit being up 14%.

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The integration of The National Bank and ANZ was successfully concluded this year. Sir John Anderson was pivotal to the success of the integration, which he saw to its conclusion before retiring as CEO at the age of 60.

Pictured left to right - Casey Hunt, Robin Dodd, Kieran Williams and Tracey Matthews.

Earnings by business (NZDm)

\$205m	ANZ Retail
\$266m	The National Bank Retail
\$ 92m	Rural Banking
\$172m	Corporate & Commercial Banking
\$ 27m	UDC
\$226m	NZ Institutional

What we do

ANZ National Bank Limited is New Zealand's largest full service bank. It was formed in June 2004 by the amalgamation of ANZ Banking Group (New Zealand) Limited and The National Bank of New Zealand. Our New Zealand Banking business had total assets of NZ\$91,385 million at 30 September 2006, along with 9,392 staff, 310 branches and 705 ATMs.

The New Zealand Banking division includes the following businesses:

- ANZ Retail, operating under the ANZ brand in New Zealand, provides a full range of banking services to personal and small business banking customers.
- National Bank Retail, operating under The National Bank of New Zealand brand, provides a full range of banking services to personal and small business banking customers.
- Corporate and Commercial Banking in New Zealand incorporates ANZ and The National Bank brands and provides financial solutions through a relationship management model for medium-sized businesses with a turnover up to NZ\$100 million.
- Institutional Banking has a dual reporting line to both New Zealand Banking and ANZ's global Institutional business.
- Rural Banking in New Zealand provides a full range of banking services to rural and agribusiness customers.
- UDC provides motor vehicle and equipment finance, operating leases and management services and investment products.
- Central support includes Operations, Technology, Treasury, ING New Zealand, Risk Management, People Capital, Financial Management and Property.

Our Achievements

- The integration of The National Bank and ANZ was successfully concluded this year. Sir John Anderson was pivotal to the success of the integration, which he saw to its conclusion before retiring as CEO at the age of 60.
- A particularly telling result from the integration process is that the management team has virtually stayed intact, with minimal change arising from the acquisition.
- Our level of customer acquisition across both brands is now the highest it has been for several years.
- In a nation of small businesses, The National Bank is the number one bank for businesses with turnover of less than \$5 million (ACNielsen Consumer Finance Monitor).
- Customer satisfaction at The National remains at the top end of our peer group, and The National was the only major bank to grow market share in Auckland, New Zealand's fastest growing market. Satisfaction with ANZ has grown through 2006 to be at its highest level in many years, but is still below the best of its peers.
- We hired 200 new frontline staff and opened 6 new branches.
- In ANZ Retail Banking, we invested in our brand and community profile and simplified our fee structure. We launched a number of products, including a \$5 all you can eat account, and a Low Rate MasterCard. We established the WoW! Customer experience program.

- ANZ funded New Zealand's first research into adult financial literacy, and will repeat the research in four years to provide an ongoing measure of financial knowledge.
- Five cent coins were withdrawn from circulation in New Zealand in October 2006. ANZ's 5s for under fives appeal encouraged customers to donate them to Plunket, New Zealand's leading provider of child and family health services. More than NZ\$580,000 was raised.
- As well, The National Bank raised more than NZD860,000 for the Cancer Society of New Zealand through its traditional Daffodil Day Appeal.

Goals for 2007

- Grow revenue by 7% to 9%, while keeping cost growth at the bottom end of a 5% to 7% range. This should deliver financial performance above the average of our major peers.
- Continue to improve customer satisfaction across Retail and Business banking.
- Expand our position in the high growth Auckland market.
- Integrate into our business what we've learned from our financial literacy research through better communication and simpler products and investing in programs to help New Zealanders increase their financial knowledge.

our partnerships**PARTNERSHIPS AND PRIVATE BANK**

Partnerships and Private Bank is responsible for ANZ's joint venture with ING in ING Australia, our international partnerships with other institutions in Asia, and our Private Bank business.

- **ING Australia**

ANZ has a 49% stake in ING Australia, a joint venture with ING. Further details are on the opposite page.

- **International Partnerships**

ANZ has formed a number of partnerships in Asia, which are outlined on the opposite page.

We target markets which have higher economic growth rates than Australia and New Zealand, are underbanked and less developed, and have connectivity with Australia and New Zealand, via trade, immigration or investment.

We target partners with strong footprints in their market, and where ANZ can contribute significant value.

- **Private Bank**

ANZ Private Bank specialises in assisting high income and high net worth individuals and families to manage, grow and preserve their family assets. It is one of the highest growth businesses within ANZ.

Profit and Loss Summary	2005	2006	Movt	
	\$m	\$m	%	
Income	240	263	10	%
Operating expenses	(50)	(62)	24	%
Profit before Provisions and Tax	190	201	6	%
Provision for credit impairment	(17)	(25)	47	%
Tax & OEI	3	(7)	(333))%
Profit after tax	176	169	(4))
Staff (FTE)	494	635	29	%

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We target markets which have higher economic growth rates than Australia and New Zealand, are underbanked and less developed

1. ING Australia is one of Australia's leading fund managers, life insurers and superannuation providers

ING Australia Ltd has almost \$40 billion in assets under management, including over \$14 billion in its flagship OneAnswer product. ING Australia provides a broad range of financial products and services through an extensive network of 1,145 professional financial advisers, including 374 ANZ financial planners, which grew by 14% in 2006.

Retail FUM	\$38,849m
Life Risk Premiums in Force	\$596m

2. ANZ Royal Bank is one of the largest banks in Cambodia

On the 15th of September 2005, ANZ Royal officially opened its doors in Phnom Penh. ANZ Royal is a joint venture with the Royal Group of Companies (RGC), and is owned 55% by ANZ and 45% by RGC. In 2006, ANZ Royal collected in excess of AU\$221 million in Deposits, and provided over USD60m in lending limits. In September 2006, ANZ Royal celebrated its 20,000th customer of which we estimate one third have never previously been banked.

3. Metrobank Cards Corporation is one of the biggest card issuers in the Philippines

In October 2003, ANZ entered into a joint venture with Metropolitan Bank and Trust Company (MBTC) for the cards business of Metrobank Card Corporation, the credit card subsidiary of MBTC. ANZ acquired a 40% stake. Metrobank Cards now has 635,000 cards on issue, which is over two and a half times the 240,000 cards in circulation when the joint venture began. It is one of the country's biggest credit card issuers, moving from ninth in 2003 to fourth in 2006.

4. Panin Bank is one of the top ten banks in Indonesia

ANZ owns a 29% share in PT Panin Bank, a leading commercial bank in Indonesia, and one of the few Indonesian banks that survived the 1997/1998 economic crisis without the need for recapitalisation. It is one of Indonesia's top 10 banks, and now has approximately A\$5 billion in assets. It serves over 300,000 customers via 227 branches and 240 ATMs and 9500 linked ATMs. In addition to full commercial banking products and services, Panin Bank also offers Mobile, Internet, and Phone Banking.

5. Sacombank is the largest joint stock bank in Vietnam.

In August 2005, ANZ entered into a partnership with Sacombank by securing a 10% equity share. Sacombank is the largest commercial joint stock bank in Vietnam in terms of chartered capital and branch network. At present Sacombank has a nationwide branch network comprising 128 branches and transaction points, 56 ATM s and 1,004 POS outlets. Currently there are approximately 3,215 staff and 300,000 customers. Sacombank has been named the best FX services provider in Vietnam by AsiaMoney Magazine

6. Tianjin City Commercial Bank is one of China s leading City Commercial Banks

In July 2006, ANZ acquired a 20% share in Tianjin City Commercial Bank (TCCB). ANZ s A\$150 million investment makes ANZ the first foreign bank to own a full 20% shareholding in a Chinese Bank. TCCB is one of China s leading City Commercial Banks in terms of competitiveness and is situated in one of China s fastest growing regions. It has a network of 250 branches, subbranches and savings offices serving more than 5 million accounts.

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our commitment

PEOPLE, COMMUNITY AND THE ENVIRONMENT

We're proud that we have the most engaged workforce of any large Australian company, but we need to keep building on that.

ANZ's people have already taken us a long way to becoming a very different bank. In 1999 we faced an employee satisfaction level of 49%. Since then, we've steadily worked to improve the connection our people feel to their jobs and their workplace, as well as the connections we make with our communities.

We increased our staff satisfaction to 85% before moving to a tougher measure called engagement. Today our level of employee engagement remains steady at 60%. We're proud that we have the most engaged workforce of any large Australian company, and want to keep building the engagement momentum we've built.

Breakout, the cultural transformation program that we introduced six years ago, continues to provide the building blocks of engagement by teaching our people tools for greater self-awareness, and more effective interaction with others. In 2006 we brought together our annual values and engagement assessments and created the Engagement and Culture Survey. This tells us that we are creating a cohesive and productive workplace that more accurately reflects what our people aspire to.

We have continued to provide policies that maximise flexibility in the workplace, regardless of age or gender. The My Difference Survey gave us our first ever snapshot of the demographics of ANZ's worldwide workforce.

Our people have continued to enthusiastically participate in volunteering and Community Giving, and we have extended Community Giving to our customers and shareholders. We entrenched our commitment to the financial literacy and inclusion programs that are the hallmark of ANZ's community involvement, through MoneyMinded, Saver Plus, MoneyBusiness and Progress Loans. We have also built on local efforts to build practical links with Indigenous Australians.

Lost Time Injury Frequency Rate (Australia)

(No. of work related lost time injuries per million hours worked)

Staff Engagement

Destructive Zone

Serious Zone

Indifferent Zone

High performance/best employer zone

In the 2006 Engagement & Culture Survey our level of staff engagement was 60%, as it was when we conducted the previous bank-wide survey in 2004.*

*In 2005 we participated in the Hewitt Best Employers Study, where our engagement score was 63%. This is a benchmarking study of around 140 organisations in Australia and New Zealand based on sample groups of employees at each organisation. We participated in the Hewitt Best Employers Study again in 2006 and will report the results when they are available.

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our people and culture

A VERY DIFFERENT APPROACH TO PEOPLE

ANZ has long taken a very different approach to people. The people who work for us invest a large part of their lives in ANZ. In return, we aim to provide a workplace where values are real and respected, and where staff engagement is at a world-class level. Our goal is a vibrant, energetic and high performing culture and we're well on the way to achieving it.

Breakout to a very different culture

In the late 1990s we acknowledged the failings of our culture and took action to change it for the better. We had poor levels of staff satisfaction and low levels of customer satisfaction. In 2000 we introduced a culture change process called Breakout, which focuses on shifting behaviours and mindsets to create a very different bank.

Six years later, over 26,000 staff have participated in Breakout workshops, including nearly 7,000 front line staff. In 2005 we launched Breakout Recharge, which enhances team work and collaboration. The essence of the change that Breakout brought, and continues to bring, is to create very different experiences for all stakeholders: our people, our customers, the community and shareholders.

Assessing engagement and culture together

In 2006 we combined our annual surveys of engagement and values into one instrument, the Engagement and Culture Survey. It tells us how employees connect with their work and ANZ. Measuring culture and values together provides a clearer picture of our progress in building a high performing, values driven culture. Today we see a stronger match between values desired by our staff, and actual values experienced. Benchmarking the Engagement and Culture Survey against industry research has again revealed ANZ has the most engaged workforce of all major companies in Australia.

My Difference Survey

In December 2005 the My Difference Survey gave our first demographic snapshot of ANZ's employees and their attitudes to diversity issues at work. More than 11,000 employees responded and told us:

- We employ staff from at least 133 countries
- Religious difference is accommodated informally
- Significant progress has been made with mature age diversity, but more can be done
- Work/life balance is important to our staff, of whom more than 50% have caring responsibilities

- We're accepting of differences in sexual preferences
- Employees are not always open about disability, and employees and customers with disability need greater support
- ANZ has great diversity policies but staff cannot always access them

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ANZ has the most engaged workforce of all major Australian companies.

Pictured left to right - Amanda Wood, Erica Threthaway, Stephen Wong and Erik Zimmerman.

Goals for 2007

- Reduce our Lost Time Injury Frequency Rate by a further 20% in Australia and New Zealand.
- Launch a new learning facility for ANZ employees.
- Improve our performance on the ANZ Engagement and Culture Survey.
- Achieve our 2007 targets for women in management roles including 24% female executives.
- Employ 50 Indigenous Australians.

Health, safety and wellbeing

Our ongoing focus on the causes of work related injuries and health, safety and wellness, further reduced injuries. Our Australian Lost Time Injury Frequency Rate (LTIFR) for 2006 was 3.8 lost time injuries per million hours worked - a reduction of 10% over the last 12 months. Strategic Health and Safety plans have been introduced to each division during 2006 and annual Operational Health and Safety plans are being rolled out across all businesses. All managers have Health and Safety accountabilities and undertake training. Health and Safety committees operate in worksites, each state and territory in Australia and in New Zealand.

My Health is a free physical check-up for staff, during working hours, available every 18 months to two years. Since it was launched, almost 6,000 staff have had healthchecks and over 7,000 staff access My Health Online, which provides comprehensive health information.

We have also focused on demystifying mental health through information seminars and a staff booklet on creating a supportive environment.

Leadership Development

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We renewed the Leadership Pathway, our development programs for managers, senior managers and executives, and introduced the Management Essentials program. It includes an intranet portal, online training and a facilitator led workshop, and is available to all first time people managers. We also piloted our foundation leadership program, Leadership Essentials, and we are piloting a customised individual approach for ANZ's most senior leaders. We have reviewed and are in the process of implementing a refreshed Business Leadership Program for Senior Managers and Executives.

Gender Targets

We introduced targets for the representation of women in management and executive roles, and are tracking well to achieve them.

Women in Management positions

Employee Group	Actual		Target		Sep 2007		Sep 2008			
	2005*	2006*	Dec 2006							
Executives	19	%	21	%	22	%	24	%	27	%
Senior Managers	24	%	28	%	30	%	34	%	39	%
Managers	36	%	39	%	40	%	44	%	49	%

*Figures are at 30 Sept for each year and include Australia and New Zealand only

our community and the environment

Our community investment strategy focuses on addressing the major social issues that affect the financial services industry, in particular financial literacy and inclusion. We also provide opportunities for our people to support causes that matter to them.

financial literacy

Improving financial knowledge, skills and confidence in our community is a core social responsibility for ANZ, and essential to the long term success of our business. Developments in the financial service industry over the past 20 years have given greater choice and flexibility most consumers, but not everyone in our community has benefited. Poor financial literacy and the inability to access mainstream financial services can lead to low levels of savings and unsustainable personal debt. The impact of this on individuals can be profound.

ANZ has committed to work with researchers, community groups and government bodies to find long-term solutions to the problems of financial literacy, financial exclusion and financial difficulty. Insights that we have gained have led to innovative programs to help people, and often the most vulnerable in our communities, improve their financial capability.

We pioneered **MoneyMinded**, Australia's most comprehensive financial education program, to help people, particularly those low-incomes, build their financial skills, knowledge and confidence. We set and achieved a target to provide MoneyMinded facilitator training to 500 financial counsellors and community educators to reach 15,000 people in 2006.

Saver Plus is a financial literacy and matched savings program developed in 2002 with The Brotherhood of St Laurence (BSL) to help families on low incomes set and achieve a savings goal, and establish a long-term savings habit. This is achieved through providing financial education; offering personal coaching support; and matching every dollar saved with an additional dollar (up to \$1000 of matched funds). There is strong evidence the program is achieving its core objective of helping participants to establish a savings habit. An evaluation by RMIT university revealed that 12 months after completing Saver Plus 71% of participants in the original program are still saving.

Case study:

Saver Plus - Real change

Donna Jackson joined the Saver Plus program conducted by The Benevolent Society in Sydney. She had separated from her husband, and with two boys to raise she was constantly worried about making ends meet.

The Saver Plus workshops turned the lights on for Donna. She gave up smoking to save money, found new ways to pay off debt and earn a regular income. By the end of the program, Donna had her own cleaning business and even does her own record-keeping.

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For the first time in years I didn't feel overwhelmed by financial stress. We set a savings goal to get a computer for my son. With the matched funds from ANZ it was no time before Owen was working on his own computer," she said.

Like Donna, many participants say the boost in confidence and self-esteem that came with getting control of their finances and achieving their savings goals was the most rewarding aspect of the program.

Saver Plus now runs in 18 communities around Australia in partnership with BSL, Berry Street Victoria, The Smith Family, The Benevolent Society and the Victorian Government.

MoneyBusiness aims to build the money management skills and confidence of Indigenous Australians and their families, and establish a strong savings culture in Indigenous communities. It is a partnership with the Federal Government's Department of Families, Community Services and Indigenous Affairs (FaCSIA). We are piloting MoneyBusiness in remote communities in Western Australia and the Northern Territory. Eighteen local Indigenous people have so far been employed and trained as Money Business workers who deliver the program.

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ANZ's people are enthusiastic volunteers. We offer full time Australian and New Zealand staff one day of volunteer leave per year to make a difference in their communities. This year we have contributed more than 50,000 volunteer hours to a wide range of community programs and causes in Australia and New Zealand.

supporting our communities

ANZ Community Giving

ANZ's Community Giving program enables staff to make contributions to any of our 18 community partners and the ANZ Staff Foundation through regular payroll deductions. ANZ matches staff contributions dollar-for-dollar up to \$1,000 per staff member and up to a total of \$1 million per year. We have also opened up the Community Giving program to our customers - via internet banking. This year ANZ, its staff and customers contributed \$833,000 to our community partners.

The **Shareholder Dividend Charity Donation Program** enables shareholders to elect to donate some or all of their dividend entitlements to their nominated charity, from a list of 28 registered charities. The first donations will be made with ANZ's final dividend in December 2006. ANZ has committed up to \$250,000 in the first 12 months of the program to match shareholder donations.

ANZ's Community Giving Partners

Staff Payroll Giving

- Alzheimers Australia
- ANZ Staff Foundation
- Benevolent Society
- Berry Street Victoria
- beyond blue
- Brotherhood of St Laurence
- Cancer Council of Australia
- CanTeen
- Diabetes Research
- Foodbank
- Greening Australia
- Habitat for Humanity
- Kids Help Line
- National Heart Foundation
- Reconciliation Australia

- RSPCA
- Starlight Foundation
- The Smith Family
- World Vision

Customer Giving

- Amnesty International
- Australian Conservation Foundation
- Foundation
- Comic Relief Australia
- Intensive Care Appeal
- Life Line
- McGuinness McDermott Foundation
- National Breast Cancer Foundation
- Oxfam Australia
- Reach
- Royal Flying Doctors Service
- Howard Florey Institute

our environment

We have an obligation to operate in a way that seeks to minimise the social and environmental impacts associated with our business, while at the same time enabling opportunities for positive social and economic development. As a result of our own assessments and discussions with stakeholders, we focus on:

- Lending: assessing the environmental and social risks and opportunities in our lending activities
- Services: developing new products and services that help our customers improve their environmental performance
- Environment footprint: reducing the impact on the environment from our own operations and those of our supply chain, including energy, waste, paper, emissions, water and transport.

Achievements:

- We continued to work to reduce ANZ's environmental footprint by a minimum of 5% per Full Time Equivalent employee over the period 2005-07. We used specific initiatives to support this goal, including the Great Paper Chase, which saw paper usage reduce by 21%
- We engaged with community organisations, selected clients and government departments this year through one-to-one meetings and as part of our formal stakeholder engagement program. An Environmental Roundtable was held in June to seek feedback on our approach and priorities.
- We developed a Social and Environmental Issues Policy to ensure we understand and manage our exposures to these issues associated with wholesale credit activities. This policy goes beyond our standard requirements that all projects and transactions are legal and have the necessary permits and approvals, including seeking independent assessments for contentious projects where appropriate.
- A new Social and Environmental screening tool has been established to assist in the credit approval process. 86% of all new clients, new material transactions and annual reviews of existing clients in Australia underwent this screening in 2006.

2007 Goals

- Enable 1,500 people to participate in Saver Plus and reach 20,000 people through MoneyMinded.
- Achieve 60,000 hours of staff volunteering and 15% participation in workplace giving.
- Achieve our target to reduce our environmental footprint by a minimum of 5% by 2007.
- Continue to improve supply chain reporting and expand the reach of our Sustainable Procurement Policy.

our performance on corporate responsibility

ANZ releases a Corporate Responsibility report detailing our economic, social and environmental programs and outcomes. Below is a summary of how we performed on our goals for our people, customers, communities and the environment in 2006. The full report will be available at www.anz.com/cr. from 29th of November.

Putting our customers first

Our aim is to offer our customers clear and tangible reasons why they should deal with us. This means making banking as convenient and simple as possible; providing leading, trusted and responsible financial advice, solutions and services; and investing in the development of our people so that we become known for our customer service and showing the human face of banking.

We are also focused on understanding the social and environmental issues that impact our customers and society and integrating these into our products and services and business practices and decisions.

This year our retail customers were the most satisfied of all major banks in Australia and we regained our position as the Number 1 Lead Bank for Institutional and Corporate customers in Australia and New Zealand.

*Source: Roy Morgan Research Main Financial Institution % Satisfied (very or fairly satisfied), 6 monthly moving average

2006 Goal	Commentary	Performance
Continue to improve our customer satisfaction and match the performance of community and regional banks.	ANZ's retail customer satisfaction continues to be well ahead of its major bank peers in Australia at 75.5% (September 2006). Overall, our customer satisfaction decreased by 1.1 percent this year consistent with a decline across the industry according to the Roy Morgan Finance Monitor. Our performance is 4.4 percentage points higher than the sector average and we have also matched or exceeded the customer satisfaction levels of some of the community and regional banks. During 2006, ANZ also regained its position as the Number 1 Lead Bank for Institutions and Corporate clients according to research by Peter Lee Associates (August 2006).	partially achieved
Meet or exceed the performance standards set out in our 2006 Customer Charter.	This is the fifth year ANZ has been managing and measuring performance on each of the promises in our Customer Charter. We revised the Charter in November last year to include a Responsible Lending Code - a first for banks in Australia. This year we met or exceeded the majority of performance indicators in the new Charter. Our Mortgages business continues to face challenges in meeting our commitment for fast account opening due to unexpectedly high business volume.	partially achieved
Continue to expand our branch and ATM network particularly in high growth areas.	We opened 26 new branches and added 343 new ATMs across Australia.	achieved

Increase environmental and social impact screening of all new transactions and annual client reviews in our Institutional lending business to 100%.	86% of all new Institutional transactions and annual client reviews underwent an social and environmental impact screening this year. This screening now forms part of the credit approval process for all of Institutional s Australian client relationships, with more work required to fully integrate this process into performance management reporting.	partially achieved
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2007 Customer Goals

- Continue to improve our customer satisfaction and match the performance of community and regional banks.
- Meet or exceed the performance standards set out in our Customer Charter.
- Maintain our position as No. 1 Lead Bank for Institutional and Corporate customers.
- Implement our environment and social issues screening process including 100% coverage (product and geography), for all new transactions and annual reviews globally.

Leading and inspiring our people

We aim to attract and retain the very best people at ANZ by creating a vibrant, energetic and high-performing culture. We listen to the feedback of our people and provide programs and opportunities to ensure they feel a sense of purpose and personal connection to their work and career with us.

In 2006 we continued to have the highest employee engagement of all major corporations in Australia and New Zealand. Employee engagement measures the extent to which our people speak positively about ANZ and are motivated to contribute their best to our business. It also directly impacts the bottom line with research by Hewitt Associates showing that employee engagement is linked to higher shareholder returns and customer satisfaction.

ANZ Employee Engagement

2006 Goal	Commentary	Performance
Implement a zero harm approach to health, safety and security.	Strategic Health and Safety plans have been introduced to each Division to support our zero harm approach to health, safety and security. Annual Operational Health, Safety and Environment plans are also being rolled out across all business units. Our Lost Time Injury Frequency Rate reduced from 4.2 to 3.8 in Australia.	achieved
Continue our focus on achieving 20% female representation at executive level.	The percentage of females in executive positions increased from 19% in 2005 to 22% in 2006 in Australia. We also achieved an equal split of gender in our graduate recruitment for 2007 with 52% female graduates in Australia and 47% female graduates in New Zealand.	exceeded
Further improve our best employer standing in the globally recognised Hewitt Employee Engagement study.	Employee engagement remains steady at 60% according to research conducted by Hewitt Associates. Our engagement score remains the highest of all major corporations in Australia and New Zealand and nine percentage points ahead of the banking and financial services sector benchmark.	partially achieved
Enable 6,000 front line employees to complete our Breakout program.	This year 5,985 Personal Division employees completed Breakout. We exceeded the target of 6,000 employees when the program completed on 12 October 2006. Overall, 6,905 people in Personal Division have completed the program since it commenced in July 2005.	achieved
Introduce accelerated development programs for the top 20% of manager level employees.	Our My Potential program identifies the top 20% of manager level employees and ensures that they have access to accelerated development programs including the Accelerated Learning Laboratory - a joint initiative of the Australian Graduate School of Management, ANZ and other leading	achieved

business organisations.

Introduce an annual 360 degree feedback mechanism for all senior leaders.

Our 360 degree feedback tool is now made available to all staff through our company intranet. It is also used to inform the development of our top 100 executives.

exceeded

2007 Employee Goals

- Reduce our Lost Time Injury Frequency Rate by a further 20% in Australia and New Zealand.
- Launch a new learning facility for ANZ employees.
- Improve our performance on the ANZ Engagement and Culture Survey.
- Achieve our 2007 targets for women in management roles including 24% female executives.
- Employ 50 Indigenous Australians.

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ANZ received the Special Award for Impact on the Community in the 2006 Prime Minister's Awards for Excellence in Community Business Partnerships.

Earning community trust

Our community investment strategy aims to enhance the social and economic wellbeing of the communities where we live and work. The heart of our approach involves developing innovative programs and partnerships with clear aims and meaningful outcomes.

We are leaders in addressing the major social issues that involve the financial services industry in particular financial literacy and inclusion. We also provide our people with opportunities to support the causes that are important to them.

ANZ's Community Investment

Types of Contributions

Cash	\$7,324,110
Time (volunteering)	\$2,556,880
In-kind	\$2,075,038
Management costs	\$1,893,897
Total contributions*	\$13,849,925

* An approximate 60% increase on 2005 due to improved reporting and new community initiatives in Australia and New Zealand. Calculated using the London Benchmarking Group model for corporate community investment.

2006 Goal	Commentary	Performance
Enable a further 1,000 families to participate in our Saver Plus matched savings and financial literacy program.	Over 700 participants were involved in Saver Plus this year. New agreements with our community partners will see the program expanded nationally so that up to 5,400 people can participate in Saver Plus over the next three years.	partially achieved
Fund the delivery of our MoneyMinded financial education program to reach 15,000 Australians.	This year, 15,279 people participated in MoneyMinded workshops and one-to-one sessions. ANZ funded MoneyMinded facilitator training for more than 530 community educators and financial counsellors who deliver the program. We also provided financial support for eight community partners to offer the program at a grass-roots level throughout Australia.	exceeded
Implement a national rollout of the MoneyBusiness financial literacy program for use with community organisations who work with Indigenous Australians.	MoneyBusiness is being piloted in six remote sites in the Northern Territory and Western Australia. The evaluation will be used to inform next steps to be undertaken by ANZ with the Australian Government. MoneyBusiness education materials are already being used by a range of training, community and government organisations nationally.	partially achieved
Achieve 20% staff participation in our ANZ Volunteers program including 40,000 hours of volunteer time.	24% of Australian and 12% of New Zealand staff lodged a total of 50,735 hours of volunteering activity this year.	exceeded
Achieve 10% employee participation in Community Giving, ANZ's workplace giving program.	10.6% of Australian employees donated money as part of our Community Giving program. Their contributions were matched dollar-for-dollar by ANZ totalling \$537,499.	exceeded

2007 Customer Goals

- Enable 1,500 people to participate in Saver Plus and reach 20,000 people through MoneyMinded.
- Achieve 60,000 hours of staff volunteering and 15% participation in workplace giving.
- Evaluate the Progress Loans Victorian pilot and extend the program to three additional states, writing at least 200 new loans.
- Work with Indigenous organisations and other stakeholders to develop and implement our Reconciliation Action Plan.

ANZ has set itself apart among the FT500 by enacting a commendable response to global climate change.

Paul Dickinson, Carbon Disclosure Project Co-ordinator

Managing environment impact and supply chain

ANZ's Environment Charter outlines our commitment to operating in a way that advances sustainability and reduces our environmental impact.

We have in place an Environment Management System to help us monitor and improve our performance.

We are also working with our suppliers to minimise the social and environmental consequences of our business operations.

ANZ was honoured as 'Best in Class' for its approach to climate change in a report released by the Carbon Disclosure Project (CDP). ANZ was one of 50 FT500 companies included on the CDP Climate Leadership Index.

Progress towards our two-year goals

Electricity	
Paper	
Water	
Waste and recycling	
Greenhouse Gas Emissions	
Key:	Favourable
	Minimal Change
	Unfavourable

2006 Goal	Commentary	Performance
Integrate our new Sustainable Procurement Policy into tender requirements, new supplier contracts and existing contracts with key strategic suppliers.	Our Sustainable Procurement Policy and the Sustainability Self-Assessment Tool, have been integrated into our sourcing processes. Our tools have enabled us to begin assessing existing and potential suppliers. More than 100 of our suppliers have received the tool for completion.	achieved
Reduce ANZ's environmental footprint (electricity, paper, waste, water, greenhouse gases) by a minimum of 5% per full-time equivalent staff member over a two-year period (October 2005 September 2007)	Our energy consumption per full-time equivalent staff member reduced in 2006. Due to changes in government measurement standards, our greenhouse gas emissions increased slightly. We are continuing to implement new environmental policies and initiatives to help us achieve our two-year goal.	partially achieved

2007 Environment Goals

- Achieve our target to reduce our environmental footprint by a minimum of 5% by 2007.
- Continue to improve supply chain reporting and expand the reach of our Sustainable Procurement Policy.
- Engage with internal and external stakeholders to establish ANZ's environmental performance targets for 2008-2010.

our board

BOARD OF DIRECTORS 2006

The Board is responsible to shareholders for the governance of ANZ, and oversees its operations and financial performance. It sets the strategic direction and financial objectives, determines the appropriate risk appetite for the organisation, and monitors operational performance. It also monitors compliance in terms of ethical standards and regulatory requirements. The Board appoints the Chief Executive Officer and regularly reviews his performance.

The Board strives to achieve a balance of skills, knowledge, experience and perspective among its directors. This is particularly important for the banking sector, as banks have deep relationships with customers across every sector of the economy, and need to understand what is happening across the broader economy. Banking can also be cyclical, so it is important that in achieving a balance of experience, the Board includes a number of longer serving directors.

Mr C B Goode, AC

B COM (HONS), MBA, HON LLD (MELB), HON LLD (MONASH)

Chairman

Independent Non-Executive Director

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

Experience and expertise

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

Age 68, Residence Melbourne.

Mr J McFarlane, OBE

MA, MBA, SFFIN, FSI, FHKIB, FRSA

Chief Executive Officer

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

Experience and expertise

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

Age 59, Residence Melbourne.

Dr G J Clark

PHD, BSC (HONS), FAP, FTSE

Independent Non-Executive Director

Chairman of the Technology Committee

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

Experience and expertise

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

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

Mr J K Ellis

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

Independent Non-Executive Director

Non-executive director since October 1995. Mr Ellis is a member of the Audit Committee. Mr Ellis term as Chairman of the Risk Committee ended on 30 September 2006 at which time he assumed the role of a Risk Committee member.

Experience and expertise

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

Age 69, Residence Melbourne.

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Directors Meetings

The number of Board meetings and meetings of Committees during the year the Director was eligible to attend, and the number of meetings attended by each Director were:

	Board		Risk		Audit Committee		People Committee		Governance Committee		Technology Committee		Executive Committee		Shares Committee		Committee of the Board	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Dr G J Clark	9	9							4	4	2	2	1	1				
Dr R S Deane*	6	6					2	2			1	1						
Mr J K Ellis	9	9	6	6	8	8							1	1			2	2
Mr D M Gonski	9	8	6	6					4	4			1	1			1	1
Mr C B Goode	9	9	6	6	8	8	5	5	4	4	2	2	2	2	3	3	4	4
Ms M A Jackson	9	8			8	7	5	5					3	3	3	3	1	1
Mr J McFarlane	9	9											3	3	3	3	4	4
Mr D E Meiklejohn	9	9	5	5	8	8			4	4			1	1	3	3	4	4
Mr J P Morschel	9	9	6	6			5	5					1	1	3	3		

Column A - Indicates the number of meetings the Director was eligible to attend.

Column B - Indicates the number of meetings attended. The Chairman is an ex-officio member of the Risk, Audit, People, Governance and Technology Committees.

*Retired during the year. Dr R S Deane - 30 June 2006.

Mr D M Gonski, AO

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

Independent Non-Executive Director

Chairman of the Governance Committee

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

Experience and expertise

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

Age 53, Residence Sydney.

Ms M A Jackson, AC

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

Independent Non-Executive Director

Chairman of the People Committee

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

Experience and expertise

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

Age 53, Residence Melbourne.

Mr D E Meiklejohn

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

Independent Non-Executive Director

Chairman of the Audit Committee

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

Experience and expertise

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

Age 64, Residence Melbourne.

Mr J P Morschel

DIPS, FAIM

Independent Non-Executive Director

Chairman of the Risk Committee

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

Experience and expertise

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

Age 63, Residence Sydney.

For further details on the Directors see pages 56-58 of Part 2 of this Concise Report or visit our website www.anz.com> about anz>corporate governance

ten year summary

	2006	2005	Previous AGAAP	
	\$m	\$m	2004	2003
			\$m	\$m
Financial Performance(1)				
Net interest income	6,943	6,371	5,252	4,311
Other operating income	3,146	2,935	3,267	2,808
Operating expenses	(4,605)	(4,340)	(4,005)	(3,228)
Profit before income tax, credit impairment and non-core items(1)	5,484	4,966	4,514	3,891
Provision for credit impairment	(407)	(565)	(632)	(614)
Income tax expense	(1,486)	(1,247)	(1,147)	(926)
Minority interest	(4)	(3)	(4)	(3)
Cash profit(1)	3,587	3,151	2,731	2,348
Non-core items(1)	101	24	84	
Net profit after tax	3,688	3,175	2,815	2,348
Financial Position				
Assets(2)	335,771	300,885	259,345	195,591
Net Assets	19,906	19,538	17,925	13,787
Tier 1 capital ratio(3)	6.8	% 6.9	% 6.9	% 7.7
Return on average ordinary equity(4),(5)	20.1	% 19.0	% 17.8	% 20.6
Return on average assets(4)	1.1	% 1.1	% 1.1	% 1.2
Cost to income ratio(6)	45.6	% 46.6	% 45.3	% 45.1
Shareholder value ordinary shares				
Total return to shareholders (share price movement plus dividends)	17.1	% 32.6	% 17.0	% 6.7
Market capitalisation	49,331	43,834	34,586	27,314
Dividend	125	c 110	c 101	c 95
Franked portion	interim	% 100	% 100	% 100
	final	% 100	% 100	% 100
Share price(7)	high	\$ 28.66	\$ 24.45	\$ 19.44
	low	\$ 22.70	\$ 19.02	\$ 15.94
	30 Sep	\$ 26.86	\$ 24.00	\$ 19.02
Share information (per fully paid ordinary share)				
Earnings per share(7)	basic	200.0	c 169.5	c 153.1
Dividend payout ratio(8)		62.6	% 65.0	% 67.5
Net tangible assets(9)		\$ 8.53	\$ 7.77	\$ 7.51
No. of fully paid ordinary shares issued (millions)		1,836.6	1,826.4	1,818.4
DRP issue price(10)	interim	\$ 26.50	\$ 21.85	\$ 17.84
	final		\$ 23.85	\$ 19.95
				\$ 16.61
Other information				
Points of representation(11)		1,265	1,223	1,190
No. of employees (full time equivalents)		32,256	30,976	28,755
No. of shareholders(12)		291,262	263,467	252,072

(1) ANZ excludes from cash profit significant items, abnormals, ANZ National Bank integration costs and volatility associated with fair value movements relating to economic hedges. ANZ excludes these items to provide a better

indication of the core business performance. In addition, the 2005 result has been calculated on an AIFRS basis that is comparable with 2006 with the net effect of these adjustments included in non-core items, allowing readers to see the impact on 2005 results of accounting standards that have only been applied from 1 October 2005.

- (2) From 1998 to 2001, consolidated assets include the statutory funds of ANZ Life as required by an accounting standard. For the year 2004, consolidated assets include the statutory funds of NBNZ Life Insurance Limited. ANZ Life was sold in May 2002 and NBNZ Life Insurance Limited was sold on 30 September 2005.
- (3) Calculated in accordance with Australian Prudential Regulation Authority requirements effective at the relevant date.
- (4) Excludes non-core items and minority interest. The 2005 ratio has been calculated on an AIFRS basis that is comparable with that of 2006.
- (5) For the periods 1997 to 2002 the return on average ordinary equity calculation accrues the dividend over the year. From 2003, dividends may no longer be accrued and are not included in the calculation of return on average ordinary equity.

	Previous AGAAP							
	2002	2001	2000	1999	1998	1997		
	\$m	\$m	\$m	\$m	\$m	\$m		
Financial Performance(1)								
Net interest income	4,018	3,833	3,801	3,655	3,547	3,437		
Other operating income	2,796	2,573	2,583	2,377	2,142	2,110		
Operating expenses	(3,153)	(3,092)	(3,314)	(3,300)	(3,442)	(3,502)		
Profit before income tax, credit impairment and non-core items(1)	3,661	3,314	3,070	2,732	2,247	2,045		
Provision for credit impairment	(610)	(531)	(502)	(510)	(487)	(400)		
Income tax expense	(880)	(911)	(863)	(736)	(576)	(466)		
Minority interest	(3)	(2)	(2)	(6)	(9)	(8)		
Cash profit(1)	2,168	1,870	1,703	1,480	1,175	1,171		
Non-core items(1)	154		44		(69)	(147)		
Net profit after tax	2,322	1,870	1,747	1,480	1,106	1,024		
Financial Position								
Assets(2)	183,105	185,493	172,467	152,801	153,215	138,241		
Net Assets	11,465	10,551	9,807	9,429	8,391	6,993		
Tier 1 capital ratio(3)	7.9	% 7.5	% 7.4	% 7.9	% 7.2	% 6.6		%
Return on average ordinary equity(4),(5)	21.6	% 20.2	% 19.3	% 17.6	% 15.9	% 17.2		%
Return on average assets(4)	1.3	% 1.1	% 1.1	% 1.0	% 0.7	% 0.7		%
Cost to income ratio(6)	46.0	% 48.0	% 51.7	% 54.5	% 60.9	% 63.1		%
Shareholder value ordinary shares								
Total return to shareholders								
(share price movement plus dividends)	15.3	% 26.2	% 36.3	% 19.6	% -15.6	% 62.4		%
Market capitalisation	26,544	23,783	20,002	16,045	13,885	17,017		
Dividend	85	c 73	c 64	c 56	c 52	c 48		c
Franked portion		% 100	% 100	% 75	% 60	% 100		%
		% 100	% 100	% 80	% 60	% 100		%
Share price(7)								
high	\$ 19.70	\$ 16.71	\$ 12.87	\$ 12.11	\$ 11.52	\$ 11.08		
low	\$ 15.23	\$ 12.63	\$ 9.18	\$ 8.12	\$ 7.65	\$ 6.79		
30 Sep	\$ 16.88	\$ 15.28	\$ 12.70	\$ 9.80	\$ 8.62	\$ 10.79		
Share information								
(per fully paid ordinary share)								
Earnings per share(7) basic	141.4	c 112.7	c 102.5	c 86.9	c 69.7	c 65.8		
Dividend payout ratio(8)	57.8	% 62.0	% 59.1	% 62.1	% 67.8	% 61.6		%
Net tangible assets(9)	\$ 6.58	\$ 5.96	\$ 5.49	\$ 5.21	\$ 4.98	\$ 4.59		
No. of fully paid ordinary shares issued (millions)	1,503.9	1,488.3	1,506.2	1,565.4	1,539.4	1,508.6		
DRP issue price(10)								
interim	\$ 19.24	\$ 15.05	\$ 11.62	\$ 10.95	\$ 10.64	\$ 9.77		
final	\$ 18.32	\$ 18.33	\$ 14.45	\$ 11.50	\$ 10.78	\$ 9.92		
Other information								
Points of representation(11)	1,018	1,056	1,087	1,147	1,205	1,473		
No. of employees (full time equivalents)	22,482	22,501	23,134	30,171	32,072	36,830		
No. of shareholders(12)	198,716	181,667	179,829	179,945	151,564	132,450		

(6) Excludes non-core items. Periods prior to 2005 also exclude goodwill amortisation. The 2005 ratio has been calculated on an AIFRS basis that is comparable with that of 2006.

- (7) Periods prior to 2004 adjusted for the bonus elements of the November 2003 Rights Issue.
- (8) From 2003 the dividend payout ratio includes the final dividend proposed but not provided for in terms of AASB 1044 Provisions, Contingent Liabilities and Contingent Assets which was effective from the September 2003 financial year.
- (9) Equals shareholders equity less preference share capital, goodwill, software and other intangible assets. For periods prior to 2005, this equals shareholders equity less preference share capital and unamortised goodwill.
- (10) DRP represents Dividend Reinvestment Plan.
- (11) Includes branches, offices, representative offices and agencies.
- (12) From 2000 onwards the number of shareholders does not include the number of employees whose only shares are held by ANZEST Pty Ltd as the trustee for shares issued under the terms of any ANZ employee incentive plan.

our performance over ten years

information for shareholders

Important Dates For Shareholders*

Date	Event
15 December 2006	Annual General Meeting-Sydney
15 December 2006	Final Dividend Payment Date
26 April 2007	Interim Results Announcement
14 May 2007	Interim Dividend Ex-Date
18 May 2007	Interim Dividend Record Date
2 July 2007	Interim Dividend Payment Date
25 October 2007	Annual Results Announcement
8 November 2007	Final Dividend Ex-Date
14 November 2007	Final Dividend Record Date
18 December 2007	Final Dividend Payment Date
18 December 2007	Annual General Meeting-Perth

*If there are any changes to these dates, the Australian Stock Exchange will be notified accordingly.

Dividends

The final dividend of 69 cents per share, fully franked, will be paid on 15 December 2006.

A Dividend Reinvestment Plan (DRP) and Bonus Option Plan (BOP) are available to shareholders, and ANZ also operates a Dividend Charity Donation Program for shareholders who are Australian resident taxpayers. Copies of the terms and conditions of the Plans, and details of the Donation Program, are available from the ANZ's Share Registry at the addresses shown below.

In order to reduce costs, minimise the potential for fraud and enhance convenience for shareholders, ANZ has implemented a direct credit payment policy regarding dividend payments to shareholders in Australia, New Zealand and Great Britain (including the Isle of Man and the Channel Islands) (other than to those who have elected to participate fully in either the DRP, BOP or Dividend Charity Donation Program).

Removal From Mailing List

Shareholders who do not wish to receive a copy of the Concise Annual Report must advise the Share Registry in writing or you can register your email address via www.anz.com and elect to access your shareholder information electronically instead of receiving it by mail.

Change Of Address

Shareholders who have changed their address will need to advise the Share Registry in writing, quoting their shareholder number, name and company as applicable.

If you have purchased your shares through a broker you will need to inform your broker of the change.

ANZ is proud to be a foundation member of eTree, a Computershare initiative with Landcare Australia.

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Register to receive all your shareholder communications electronically through eTree and in return ANZ will make a donation of up to \$2 to Landcare Australia to support reforestation projects across Australia and New Zealand.

ANZ has set a target to donate the equivalent of up to 250,000 trees and we encourage more shareholders to register and help give back to our environment.

www.eTree.com.au/anz

Credit Ratings

Short Term	
Moody's Investors Service	P-1
Standard & Poor's Rating Group	A1+
Long Term	
Moody's Investors Service (outlook stable)	Aa3
Standard & Poor's Rating Group (outlook stable)	AA-

Handy Contacts

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

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

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guide to the concise report

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

CONCISE ANNUAL REPORT CONTENTS

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

DIRECTORS REPORT

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

CONSOLIDATED INCOME STATEMENT

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

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

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

CONSOLIDATED BALANCE SHEET

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

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

STATEMENT OF RECOGNISED INCOME AND EXPENSE

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

CONSOLIDATED STATEMENT OF CASH FLOW

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

NOTES TO THE CONCISE FINANCIAL STATEMENTS

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

DIRECTORS DECLARATION

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

AUDITOR'S REPORT

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

SHAREHOLDER INFORMATION AND StEPS

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

GLOSSARY OF FINANCIAL TERMS

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

corporate governance

A SOLID FOUNDATION AT ANZ

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

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

Corporate governance is an important focus for the Board. Good corporate governance meets ethical and stewardship responsibilities, and gives ANZ a strong commercial advantage.

It receives close scrutiny, particularly since the establishment of the Board's Governance Committee in 2002.

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

In general, the Board seeks:

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

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

DIRECTORS

Mr C B Goode, AC

Chairman, Independent Non-Executive Director

B COM (HONS), MBA, HON LLD (MELB), HON LLD (MONASH)

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

Skills, experience and expertise

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

Current directorships

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

Former Directorships include

Former Director: Singapore Airlines Limited (from 1999 - 2006).

Age 68. Residence Melbourne.

Mr J McFarlane OBE

Chief Executive Officer

MA, MBA, SFFIN, FSI, FHKIB, FRSA

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

Skills, experience and expertise

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

Current Directorships

Director: Financial Markets Foundation for Children (from 1999) and Australian Business Arts Foundation (from 2000).

Member: Foreign Affairs Council (from 2005), Business Regulation Advisory Group (from 2002), Financial Literacy Foundation Advisory Board (from 2005), the Council of the Australian Bankers Association (from 1997, including term as Chairman) and the Asia Business Council (from 2004).

Former Directorships include

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

Age 59. Residence Melbourne.

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Dr G J Clark

Independent Non-Executive Director, Chairman of the Technology Committee

PHD, BSC (HONS), FAP, FTSE

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

Skills, experience and expertise

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

Current Directorships

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

Former Directorships include

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

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

Mr J K Ellis

Independent Non-Executive Director

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

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

Skills, experience and expertise

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

Current Directorships

Chairman: Pacifica Group Limited (Director from 1999), Future Directions International Pty Ltd (from 2003), Landcare Australia Limited (from 2004), Golf Australia (from 2005), and the Earth Resources Development Council (from 2006). Chancellor: Monash University (from 1999). Consultant: Monash Energy Advisory Board (from 2006).

Former Directorships include

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

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

Age 69. Residence Melbourne.

Mr D M Gonski, AO

Independent Non-Executive Director, Chairman of the Governance Committee

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

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

Skills, experience and expertise

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

Current Directorships

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

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

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

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

Former Directorships include

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

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

Age 53. Residence Sydney.

Ms M A Jackson, AC

Independent Non-Executive Director, Chairman of the People Committee

BEC, MBA, HON LLD (MONASH), FAICD, FCA

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

Skills, experience and expertise

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

Current Directorships

Chairman: Qantas Airways Limited (Director from 1992) and Asia Pacific Business Coalition on HIV/AIDS (from 2006). Director: Billabong International Limited (from 2000) and Brain Research Institute (from 2006).

Member: Executive Committee Australia-Japan Business Co-operation (from 2002) and Business Council of Australia Chairman's Panel (from 2002).

Former Directorships include

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Former Deputy Chairman: Southcorp Limited (2004 - 2005).

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

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

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

Age 53. Residence Melbourne.

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Mr D E Meiklejohn

Independent Non-Executive Director, Chairman of the Audit Committee

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

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

Skills, experience and expertise

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

Current Directorships

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

Former Directorships include

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

Age 64. Residence Melbourne.

Mr J P Morschel

Independent Non-Executive Director, Chairman of the Risk Committee

DIPQS, FAIM

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

Skills, experience and expertise

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

Current Directorships

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

Former Directorships include

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

Age 63. Residence Sydney.

BOARD RESPONSIBILITY AND DELEGATION OF AUTHORITY

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

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

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

ROLE OF THE CHAIRMAN

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

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

BOARD COMPOSITION, SELECTION AND APPOINTMENT

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

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

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

- **Receipt of appointment-related documents**

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

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

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

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

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

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

FIT AND PROPER

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

INDEPENDENCE AND MATERIALITY

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

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

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

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

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

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

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

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

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

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

CONFLICT OF INTEREST

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

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

TENURE AND RETIREMENT

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

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

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

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

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

PERFORMANCE EVALUATIONS

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

BOARD AND INDIVIDUAL DIRECTORS

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

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

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

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

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

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

BOARD COMMITTEES

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

ADDITIONAL EVALUATION

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

INDEPENDENT ADVICE

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

BOARD COMMITTEES

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

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

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

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

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

The **Audit Committee** is responsible for oversight and monitoring of:

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

The **Audit Committee** is also responsible for:

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

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

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

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

Some key 2006 financial year activities included:

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

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

Some key 2006 financial year activities included:

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

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

Some key 2006 financial year activities included:

- **Annual review of remuneration for non-executive directors, the Chief Executive Officer and direct reports to Chief Executive Officer and review of the reward structure for the senior executive population.**

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

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

Some key 2006 financial year activities included:

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

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

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

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

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

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

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

Some key 2006 financial year activities included:

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

ADDITIONAL COMMITTEES

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

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

DIRECTORS MEETINGS

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

CONTINUING EDUCATION

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

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

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

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

ROLE OF COMPANY SECRETARY

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

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

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

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

RISK MANAGEMENT AND COMPLIANCE

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

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

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

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

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

FINANCIAL CONTROLS

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

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

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

AUDIT

INTERNAL AUDIT

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

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

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

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

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

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

EXTERNAL AUDIT

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

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

The policy also stipulates that the Audit Committee:

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

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

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

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

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

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

ETHICAL AND RESPONSIBLE DECISION-MAKING

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

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

CODES OF CONDUCT AND POLICIES

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

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

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

COMMITMENT TO SHAREHOLDER COMMUNICATION

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

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

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

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

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

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ACCESS TO DIRECTORS

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

UPHOLDING SHAREHOLDER RIGHTS

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

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

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

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

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

CONTINUOUS DISCLOSURE

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

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

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

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

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

ALIGNMENT WITH AUSTRALIAN AND OVERSEAS CORPORATE GOVERNANCE ISSUES

INTERNATIONAL

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

AUSTRALIA

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

NEW ZEALAND

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

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

OTHER JURISDICTIONS

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

POLITICAL DONATIONS

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

ANZ's compliance with the ASX Corporate Governance Principles

FOCUS & PRINCIPLE	ANZ'S COMPLIANCE
1	
Lay solid foundation for management and oversight	
1.1	Formalise the functions reserved to the Board and those delegated to management Pg 58
2	
Structure the board to add value	
2.1	The majority of the Board should be independent directors Pg 58
2.2	The chairperson should be an independent director Pg 58
2.3	The roles of the Chairperson and Chief Executive Officer should not be exercised by the same person Pg 58
2.4	The Board should establish a nomination committee Pg 61
2.5	Provide related disclosures See above
3	
Promote ethical and responsible decision-making	
3.1	Establish a code of conduct to guide the directors, the Chief Executive Officer, the Chief Financial Officer and any other key executives as to: 3.1.1 the practices necessary to maintain confidence in the company's integrity Pg 63 3.1.2 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices Pg 63, 64
3.2	Disclose the policy concerning trading in company securities by directors, officers and employees Pg 64
3.3	Provide related disclosures See above
4	
Safeguard integrity of financial reporting	
4.1	Require the Chief Executive Officer and the Chief Financial Officer to state in writing to the Board that the company's financial reports present a true and fair view, in material respects, of the company's condition and operational results and are in accordance with accounting standards Pg 69
4.2	The board should establish an audit committee Pg 60
4.3	Structure the audit committee so that it consists of Pg 60 <ul style="list-style-type: none"> • only non-executive directors • a majority of independent directors • an independent chairperson, who is not chairperson of the Board • at least three members
4.4	The audit committee should have a formal charter Pg 60
4.5	Provide related disclosures See above
5	
Making timely and balanced disclosure	
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance Pg 63, 65
5.2	Provide related disclosures See above
6	
Respect the rights of shareholders	
6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation Pg 64
6.2	Request the external auditor to attend the AGM and be available to answer shareholder questions about the conduct of the audit Pg 65

		and the preparation and content of the auditor's report	
7	Recognise & manage risk		
	7.1	The Board or appropriate committees should establish policies on risk oversight and management	Pg 62
	7.2	The Chief Executive Officer and the Chief Financial Officer should state to the Board in writing that 7.2.1 the statement given in accordance with best practice recommendation 4.1 is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board 7.2.2 the company's risk management and internal compliance and control system is operating effectively and efficiently in all material respects	Pg 69
	7.3	Provide related disclosures	See above
8	Encourage enhanced performance		
	8.1	Disclose the process for performance evaluation of the Board, its committees, individual directors and key executives	Pg 59, 60
9	Remunerate fairly and responsibly		
	9.1	Provide disclosure in relation to the company's remuneration policies to enable investors to understand the costs and benefits of the policies, and the link between remuneration paid to the directors and key executives and corporate performance	Pg 70 to 91
	9.2	The Board should establish a remuneration committee	Pg 61
	9.3	Clearly distinguish the structure of non-executive directors remuneration from that of executives	Pg 70 to 91
	9.4	Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders	Pg 70 to 91
	9.5	Provide related disclosures	See above
10	Recognise the legitimate interests of stakeholders		
	10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders	Pg 63

director s report

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

discussion and analysis

PRINCIPAL ACTIVITIES

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

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

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

RESULT

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

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

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

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

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

STATE OF AFFAIRS

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

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

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

DIVIDENDS

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

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

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

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

REVIEW OF OPERATIONS

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

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

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

EVENTS SINCE THE END OF THE FINANCIAL YEAR

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

FUTURE DEVELOPMENTS

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

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

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

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

ENVIRONMENTAL REGULATION

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

We acknowledge that we have an impact on the environment:

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

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

The operations of the Group are not subject to any particular and significant environmental regulation under a law of the Commonwealth or of a State or Territory. However, the operations of the Group may become subject to environmental regulation when enforcing securities over land. ANZ has developed policies to manage such environmental risks. Having made due enquiry, to the best of our knowledge no member of the Group has incurred any environmental liability during the year.

DIRECTORS – QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES

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

At the date of this report, the Board comprises 7 non-executive directors who have a diversity of business and community experience and one executive director, the Chief Executive Officer, who has extensive banking experience. The names of directors and details of their skills, qualifications and experience are contained on pages 56 to 58 of this Concise Annual Report and on anz.com.

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

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

COMPANY SECRETARIES – QUALIFICATIONS AND EXPERIENCE

Currently there are three people appointed as Company Secretary of the Company. Details of their roles are contained on page 62. Their qualifications are as follows:

- Tim L. Estrange, LLB, BCom, ANZ Group General Counsel and Company Secretary

Mr L. Estrange has a long-standing legal career spanning 27 years. He has significant experience in corporate law. Mr L. Estrange joined ANZ in 2003. Prior to ANZ, he worked closely with boards and senior management of major corporations, banks and financial institutions. Mr L. Estrange was the National Executive Partner, Litigation and Dispute Resolution of Allens Arthur Robinson and a member of the Board of Management of that firm. He was also Managing Partner of Allen Allen & Hemsley. Mr L. Estrange is also a member of Chartered Secretaries Australia.

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

Mr Marriott has been involved in the finance industry for more than 25 years. Mr Marriott joined ANZ in 1993. Prior to his career at ANZ, Mr Marriott was a Partner in the Melbourne office of the then KPMG Peat Marwick. He is a Fellow of a number of professional organisations including the Institute of Chartered Accountants in Australia and the Australian Institute of Banking and Finance. He is also a Member of the Australian Institute of Company Directors.

- John Priestley, BEc, LLB, FCIS, ANZ Company Secretary.

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

NON-AUDIT SERVICES

The Company's Relationship with External Auditor Policy (which incorporates requirements of the Corporations Act 2001 and applicable requirements for companies listed in the United States) states that the external auditor may not provide services that are perceived to be in conflict with the role of the auditor. These include consulting advice and sub-contracting of operational activities normally undertaken by management, and engagements where the auditor may ultimately be required to express an opinion on its own work.

Specifically the policy:

- limits the non-audit services that may be provided;
- requires that audit and permitted non-audit services must be pre-approved by the Audit Committee, or pre-approved by the Chairman of the Audit Committee and notified to the Audit Committee; and
- requires the external auditor to not commence an audit engagement (or permitted non-audit service) for the Group, until the Group has confirmed that the engagement has been pre-approved.

The Audit Committee has reviewed a summary of non-audit services provided by the external auditor for 2006, and has confirmed that the provision of non-audit services for 2006 is consistent with the Company's Relationship with External Auditor Policy and compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. This has been formally advised to the Board of Directors.

The external auditor has confirmed to the Audit Committee that they have complied with the Company's Relationship with External Auditor Policy on the provision of non-audit services by the external auditor for 2006.

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

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

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

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

AUDITOR S INDEPENDENCE STATEMENT

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

DIRECTORS AND OFFICERS WHO WERE PREVIOUSLY PARTNERS OF THE AUDITOR

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

- Ms Margaret Jackson, Non-executive director (left KPMG in June 1992); and
- Mr Peter Marriott, Chief Financial Officer (left KPMG in January 1993).

CHIEF EXECUTIVE OFFICER/CHIEF FINANCIAL OFFICER DECLARATION

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

DIRECTORS AND OFFICERS INDEMNITY

The Company s Constitution (Rule 11.1) permits the Company to indemnify each officer or employee of the Company against liabilities (so far as may be permitted under applicable law) incurred in the execution and discharge of the officer s or employee s duties. It is the Company s policy that its employees should not incur any liability for acting in the course of their employment legally, within the policies of the Company and provided they act in good faith.

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

The indemnity is subject to applicable law and will not apply in respect of any liability arising from:

- a claim by the Company;
- a claim by a related body corporate;
- a lack of good faith;
- illegal or dishonest conduct; or
- non-compliance with the Company s policies or discretions.

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

The Company has indemnified the trustees and former trustees of certain of the Company s superannuation funds and directors, former directors, officers and former officers of trustees of various Company sponsored superannuation schemes in Australia. Under the relevant Deeds of Indemnity, the Company must indemnify each indemnified person if the assets of the relevant fund are insufficient to cover any loss, damage, liability or cost incurred by the indemnified person in connection with the fund, being loss, damage, liability or costs for which the indemnified

person would have been entitled to be indemnified out of the assets of the fund in accordance with the trust deed and the Superannuation Industry (Supervision) Act 1993. This indemnity survives the termination of the fund. Some of the indemnified persons are or were directors or executive officers of the Company.

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

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

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

ROUNDING OF AMOUNTS

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

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

EXECUTIVE OFFICERS AND EMPLOYEE SHARE OPTIONS

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

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

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

remuneration report

Introduction

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

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

KMP were selected according to the following criteria:

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

Section A: Remuneration Tables

TABLE 1: DIRECTOR REMUNERATION

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

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Chief Executive Officer	2005	44	1,882,896			2,100,004
Total of all Directors	2006	1,135,747	2,882,783	122,141	340,474	2,420,005
	2005	1,020,426	2,401,511	173,050	236,640	2,100,004

For the year ended 30 September 2006, remuneration details of the KMP identified as directors of the Company, are set out below:			POST- EMPLOYMENT	LONG TERM EMPLOYEE BENEFITS		SHARE-BASED PAYMENTS(5)		Total Remu \$
	Other \$	Total \$	Super contributions(3) \$	Retirement benefit accrued during year(4) \$	Long service leave accrued during the year \$	Total amortisation value of LTI shares \$	Total amortisation value of LTI options \$	
Current Non-Executive Directors								
C Goode (Appointed director July 1991; appointed Chairman August 1995)								
Independent Non Executive Director, Chairman		699,842	12,276		n/a	n/a	n/a	712,118
G Clark (Appointed February 2004)		217,796	12,276		n/a	n/a	n/a	230,072
Independent Non Executive Director		155,440	11,723	50,189				217,352
J Ellis (Appointed October 1995)		248,477	12,276		n/a	n/a	n/a	260,753
Independent Non Executive Director		172,250	11,723	110,981	n/a	n/a	n/a	294,954
D Gonski (Appointed February 2002)		229,742	12,276		n/a	n/a	n/a	242,018
Independent Non Executive Director		174,662	11,723	104,001	n/a	n/a	n/a	290,386
M Jackson (Appointed March 1994)		248,500	12,276		n/a	n/a	n/a	260,776
Independent Non Executive Director		172,250	11,723	122,008	n/a	n/a	n/a	305,981
D Meiklejohn (Appointed October 2004)		249,866	12,276		n/a	n/a	n/a	262,142
Independent Non Executive Director		161,027	11,723	64,781	n/a	n/a	n/a	237,531
J Morschel (Appointed October 2004)		235,264			n/a	n/a	n/a	235,264
Independent Non Executive Director		161,223		60,459	n/a	n/a	n/a	221,682
Former Non-Executive Directors								
R Deane (Appointed September 1994; retired 30 June 2006)								
Independent Non Executive Director	1,600 (8)	282,016	9,104		n/a	n/a	n/a	291,120
Independent Non Executive Director		270,002	11,723	49,169	n/a	n/a	n/a	330,894
J Dahlsen (Appointed May 1985; retired 3 February 2005)								
Independent Non Executive Director		63,226	4,423	111,303	n/a	n/a	n/a	178,952
B Scott (Appointed August 1985; retired 23 April 2005)								
Independent Non Executive Director		118,607	6,803	127,089	n/a	n/a	n/a	252,509
Total of all Non-Executive Directors	1,600	2,411,503	82,760	1,043,264	n/a	n/a	n/a	2,494,527
Executive Director								
J McFarlane (Appointed October 1997)(9),(10)								
Chief Executive Officer	219,370 (11),(12)	4,710,617	428,700		59,376	1,310,649	756,311	7,265,033
Chief Executive Officer	4,031 (12)	3,986,975	417,000		31,242	982,987	1,791,718	7,209,935
Total of all Directors	220,970	7,122,120	511,460		59,376	1,310,649	756,311	9,759,168
	4,031	5,935,662	510,287	1,043,264	31,242	982,987	1,791,718	10,299,102

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- (1) Shares acquired through participation in Directors' Share Plan (relates to CEO only in relation to his cash incentive, as Non-executive Directors (NEDs) do not participate in short-term incentive arrangements). Value reflects the price at which the shares were purchased on market (amortisation not applicable). Share purchases for NEDs were made on 28 October 2004 and 4 May 2005 for the 2005 year and on 31 October 2005 and 1 May 2006 for the 2006 year.
- (2) 100% of the CEO's cash incentive vested during the financial year that performance relates to.
- (3) Includes \$300,000 additional employer contribution, agreed as part of the CEO's contract extension announced 26 October 2004 (refer to section D2). For J Morschel, superannuation guarantee contributions paid in respect of each other NED, are paid to him as cash in lieu.
- (4) The accrual for the ANZ Directors' Retirement Scheme relates only to the 2005 financial year, due to its closure as at 30 September 2005. The following benefits were paid under the ANZ Directors' Retirement Scheme to the following former directors: R Deane (retired 30 June 2006) \$723,107; J Dahlsen (retired 3 February 2005) \$513,668; B Scott (retired 23 April 2005) \$516,214. The accrued entitlements fixed under the ANZ Directors' Retirement Scheme as at 30 September 2005 are as follows: C Goode \$1,312,539; G Clark \$83,197; J Ellis \$523,039; D Gonski \$249,445; M Jackson \$487,022; D Meiklejohn \$64,781; J Morschel \$60,459.
- (5) In accordance with the requirements of AASB 2 Share-based Payment, the amortisation value includes a proportion of the fair value (taking into account market-related vesting conditions) of all equity that had not yet fully vested as at the commencement of the financial year. It is assumed that the options will vest at the commencement of their exercise period (i.e. the shortest possible vesting period is assumed) and that the LTI performance shares will vest after 3 years. The fair value is determined at grant date and is allocated on a straight-line basis over the expected vesting period. The fair value for options and performance shares was determined using a binomial pricing model that is explained in section F9 for options, and F10 for performance shares. The amount included as remuneration is not related to nor indicative of the benefit (if any) that may ultimately be realised should the options become exercisable or the performance shares vest.
- (6) Amounts disclosed for remuneration of directors exclude insurance premiums paid by the consolidated entity in respect of directors and officers' liability insurance contracts which cover current and former directors and officers, including senior managers of the entity and directors, senior managers and secretaries of the controlled entities. The total premium, which cannot be disclosed because of confidentiality requirements, has not been allocated to the individuals covered by the insurance policy as, based on all available information, the directors believe that no reasonable basis for such allocation exists.
- (7) Amounts paid in NZD are converted to AUD at an average rate for the year of 1.1433 (1.0847 in 2005).
- (8) Other for R Deane relates to a non-monetary benefit received on retirement as a gift from the Board.
- (9) Amortisation value of options as a percentage of total remuneration (as shown in the Total column above) was 10% in 2006 (25% in 2005).
- (10) J McFarlane elected to use almost all of his cash salary and incentive to purchase on market deferred shares under the Directors' Share Plan. The purchase dates were 28 October 2004, 1 February 2005, 2 May 2005 and 8 August 2005 for the 2005 year and 31 October 2005, 30 January 2006, 1 May 2006 and 7 August 2006 for the 2006 year.
- (11) Relates to reimbursement to J McFarlane of \$202,837 for the additional tax liability on his UK Pension Plan holdings, arising as a result of Australian Foreign Investment Fund rules, and J McFarlane's continuing Australian residency (in accordance with the contractual arrangements detailed in section D2).
- (12) Relates to professional services rendered in respect of taxation matters (\$16,533 in 2006).

COMMENTARY ON CHANGES BETWEEN 2005 & 2006

Non-Executive Directors

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

Executive Director (Chief Executive Officer)

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

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

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

TABLE 2: EXECUTIVE KEY MANAGEMENT PERSONNEL REMUNERATION AND TOP 5 REMUNERATED

For the year ended 30 September 2006, remuneration details of the KMP identified as executives of the Group, (as required under AASB 124), and the five most highly remunerated executives in the Company and the Group (as required under the Corporations Act 2001), other than the Chief Executive Officer, are set out below:

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

For the year ended 30 September 2006, remuneration details of the KMP identified as executives of the Group, (as required under AASB 124), and the five most highly remunerated executives in the Company and the Group (as required under the Corporations Act 2001), other than the Chief Executive Officer, are set out below:

	Financial Year	LONG-TERM EMPLOYEE BENEFITS		SHARE-BASED PAYMENTS(5)		
		Retirement benefit accrued during year (4) \$	Long service leave accrued during the year \$	Total amortisation value of STI shares \$	Total amortisation value of LTI shares \$	Total amortisation value of LTI options \$
Current Executives						
R Edgar(8)			37,607	108,692	503,179	181,819
Senior Managing Director	1,672		13,928	173,907	555,470	264,095
B Hartzler			40,575	94,597	175,183	174,542
Group Managing Director, Personal Division			19,469	149,259	237,943	282,929
G Hodges(9)			48,447	82,179	150,066	149,602
Chief Executive, ANZ National Bank Limited (New Zealand)	1,635		46,140	131,825	186,089	218,920
P Marriott			34,830	127,015	206,816	206,831
Chief Financial Officer			12,422	208,525	295,175	317,175
S Targett			20,020		44,857	43,215
Group Managing Director Institutional			12,497		40,544	39,059
P Hodgson(10)			11,716	130,541	113,241	30,377
Chief Risk Officer						
Former Executives						
Sir J Anderson						
(retired effective 31 December 2005)(11),(12)						

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Chief Executive & Director, ANZ National Bank Limited (New Zealand)	33,367				
E Funke Kupper (resigned effective 1 February 2006)(13)		104,930	146,895	147,119	15
Group Managing Director, Asia Pacific	10,860	184,924	221,068	239,523	
Total of all Executive KMPs		181,479	517,413	1,226,996	1,2
	36,674	115,316	848,440	1,536,289	
Total of all Disclosed Executives		193,195	647,954	1,340,237	1,3
	36,674	115,316	848,440	1,536,289	

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- (1) Non-monetary benefits consist of salary packaged items such as car parking, novated lease motor vehicles and G Hodges non-monetary benefits include housing and airfares.
- (2) Total cash incentive relates to the full incentive amount for the financial year that the performance relates to.
- (3) 100% of the cash incentive awarded in both 2005 and 2006 vested to the person in the applicable financial year.
- (4) Accrual relates to Retirement Allowance. As a result of being employed with ANZ prior to November 1992, R Edgar and G Hodges are eligible to receive a Retirement Allowance on retirement, retrenchment, death, or resignation for illness, incapacity or domestic reasons. The Retirement Allowance is calculated as follows: 3 months of notional salary (which is 65% of fixed remuneration) plus an additional 3% of notional salary for each year of full-time service above 10 years, less the total accrual value of long service leave (including taken and untaken).
- (5) In accordance with the requirements of AASB 2, the amortisation value includes a proportion of the fair value (taking into account market-related vesting conditions) of all equity that had not yet fully vested as at the commencement of the financial year. It is assumed that the options / performance rights will vest at the commencement of their exercise period (i.e. the shortest possible vesting period is assumed) and that deferred shares will vest after 3 years. The fair value is determined at grant date and is allocated on a straight-line basis over the 3-year vesting period. For options, the fair value is determined using a Binomial Option Pricing (BOP) model. For performance rights a modified Black-Scholes and a BOP model were used. The valuation models are explained in section F9. The amount included as remuneration is not related to nor indicative of the benefit (if any) that may ultimately be realised should the options / performance rights become exercisable. For deferred shares, the fair value is the volume weighted average price of the Company's shares traded on the ASX on the day the shares were granted.
- (6) Amortisation of other equity allocations for Sir J Anderson relates to the granting of zero priced options (ZPO). ZPOs were granted as part of his employment contract. Refer to section E2 for further details. Amortisation of other equity allocations for S Targett relates to the grant of deferred shares beginning on 11 May 2004 (four tranches to the value of \$700,000 each issued at 6 month intervals in May and November in 2004 and 2005, subject to Board approval and continued employment) and hurdled A options (refer to section F11.1 for performance hurdle details) to compensate S Targett for the loss of access to equity as a result of his resignation from his previous employer.
- (7) Remuneration amounts disclosed exclude insurance premiums paid by the consolidated entity in respect of directors and officers liability insurance contracts which cover current and former directors and officers, including senior managers of the entity and directors, senior managers and secretaries of the controlled entities. The total premium, which cannot be disclosed because of confidentiality requirements, has not been allocated to the individuals covered by the insurance policy as, based on all available information, the directors believe that no reasonable basis for such allocation exists.
- (8) B Edgar was the Chief Operating Officer prior to October 2005.
- (9) Prior to November 2005, G Hodges was the Group Managing Director Corporate. Between 1 November 2005 and 31 December 2005, he was the Chief Executive Designate (New Zealand), with his position changing to Chief Executive, ANZ National Bank Limited, New Zealand effective 1 January 2006.
- (10) P Hodgson is disclosed as one of the five most highly remunerated executives in the Company for 2006 only (as required under the Corporations Act 2001). Therefore 2005 comparative information has not been provided, and he has not been included in the Executive KMP totals.
- (11) Amounts paid to Sir J Anderson in NZD in 2005 were converted to AUD at an average rate for the 2005 year of 1.0847.
- (12) Sir J Anderson ceased employment during the year, effective 31 December 2005, and received his fixed pay during the period 1 October 2005 to 31 December 2005 of NZ\$250,250, a retirement gratuity payment of NZ\$1,193,150 as part of his employment contract, a payment in lieu of notice plus annual leave entitlements totalling NZ\$437,109, a payment in lieu of his equity participation for 2006 of NZ\$250,000 and a payment in relation to his 2006 STI bonus of NZ\$250,000. Total payment NZ\$2,380,509.
- (13) E Funke Kupper received a final payment on resignation of \$165,554 relating to his accrued annual leave and long service leave. With the inclusion of the final payment his total remuneration for 2006 would be \$968,376.

(14) Amortisation value of options and rights as a percentage of total remuneration was: R Edgar 14% (2005: 10%); B Hartzler 13% (2005: 11%); G Hodges 14% (2005: 10%); P Marriott 15% (2005: 12%); S Targett 15% (2005: 11%); P Hodgson 10%.

COMMENTARY ON CHANGES BETWEEN 2005 & 2006

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

Other year on year variations include:

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

Section B. Non-executive Directors Remuneration**B1. NON-EXECUTIVE DIRECTORS REMUNERATION POLICY**

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

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

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

The fee structure is illustrated in Table 3 below:

TABLE 3

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

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

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

NED SHAREHOLDING GUIDELINES

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

B2. NON-EXECUTIVE DIRECTORS RETIREMENT POLICY

The NED retirement scheme was closed effective 30 September 2005.

Accrued entitlements relating to the ANZ Directors Retirement Scheme were fixed at 30 September 2005 and will be carried forward to retirement, and collected by the NED when they retire (refer to footnote 4 in Table 1 for the fixed entitlement for each NED). Based on shareholder approval at the 2005 AGM, NEDs nominated the proportion of their accrued entitlement to be held until retirement as either cash or

shares. Those electing the cash alternative receive an additional amount relating to the interest accrued at the 30 day bank bill rate from 1 October 2005 to the date of retirement. Those electing shares will be entitled to receive dividends on the shares purchased. Refer to the 2005 notice of AGM for further details.

B3. DIRECTORS SHARE PLAN

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

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

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Section C. Executive Remuneration Structure

C1. REMUNERATION GUIDING PRINCIPLES

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

The following principles underpin ANZ's reward policy:

1. Focus on creating and enhancing value for all ANZ stakeholders;
2. Differentiation of individual rewards commensurate with contribution to overall results and according to individual accountability, performance and potential;
3. Significant emphasis on at risk components of total rewards; and
4. The provision of a competitive reward proposition to successfully attract, motivate and retain the highest quality individuals required to deliver ANZ's business and growth strategies.

SHAREHOLDING GUIDELINES

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

C2. REMUNERATION STRUCTURE OVERVIEW

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

The program comprises the following components:

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

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

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

C3. FIXED REMUNERATION

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

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

C4. VARIABLE REMUNERATION

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

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

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

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

Figure 1: Target reward mix

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

C4.1 Short-Term Incentives

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

Determination of STI Levels

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

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

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

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

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

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

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

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

C4.2 Long-Term Incentives

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

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

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

Each Performance Right has the following features

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

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

TSR Vesting Scale

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

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

Comparator Group

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

AMP Limited

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

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

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

Size of LTI Grants

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

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

Example

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

C5. PERFORMANCE OF ANZ

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

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

(1) Figures are based on AIFRS results

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

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

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

Section D. Chief Executive Officer's remuneration

D1. CHIEF EXECUTIVE OFFICER (CEO) REMUNERATION OVERVIEW

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

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

Short-Term Incentive: The Board sets J McFarlane's balanced scorecard at the beginning of the financial year. The Board then assesses performance against these objectives at the end of the year to determine the appropriate incentive (relative to target). These objectives are aligned with the achievement of ANZ's business plan, and are the most appropriate indicators of performance. These objectives include a number of quantitative and qualitative measures, which include (but are not limited to) financial, customer, people, environment and community measures. J McFarlane's STI may be paid in cash or in shares purchased under the Directors' Share Plan. J McFarlane has typically elected to receive shares.

Long-Term Incentive: J McFarlane's Long-Term Incentive is made up of Hurdled Options and Performance Shares as approved by shareholders at the 2001 and 2004 Annual General Meetings respectively. No equity was issued to J McFarlane in the 2006 financial year. The performance conditions pertaining to the Options and Performance Shares issued during the 2005 year are indicated in F11.1 Hurdled A options and F11.3 respectively. They are linked to Company performance and increasing shareholder value. There are no further LTI allocations under his existing employment contract.

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

- Fixed Remuneration of \$2,200,000 per annum;

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

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

Figure 4: Target reward mix – Chief Executive Officer

Shareholding Guideline

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

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D2. CEO'S CONTRACT TERMS

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

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

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

D3. CEO'S RETIREMENT AND TERMINATION BENEFITS

J McFarlane can terminate his employment agreement by providing 12 months' notice. ANZ may terminate the employment agreement by providing notice equal to the unexpired term of the employment agreement (which ends on 30 September 2007). If ANZ terminates the employment agreement without notice and thus breaches its obligation to provide the required notice, ANZ has agreed with J McFarlane that the damages payable by ANZ for breach of contract would be equal to the Total Employment Cost (TEC) that would otherwise be received over the remainder of the contract (TEC comprises salary or fees, non-monetary benefits and mandatory superannuation contributions).

In circumstances of serious misconduct, J McFarlane is only entitled to payment of TEC up to the date of termination. Payment of accumulated superannuation benefits plus statutory entitlements of long service leave and annual leave (calculated on the basis of salary) applies in all events of separation.

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

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

D4. CEO'S PARTICIPATION IN EQUITY PROGRAMS

Hurdled Options:

At the 2001 Annual General Meeting, four tranches of options were approved for granting by the Board: 500,000 in 2001; 1,000,000 in 2002; 1,000,000 in 2003 and 500,000 in 2004. For options granted to the CEO, the exercise price is equal to the weighted average share price on the ASX during the 5 trading days immediately before or after the Company's Annual General Meeting that immediately precedes the allocation. The exercise of these options is subject to performance hurdles being satisfied. J McFarlane's specific performance hurdles are indicated in section F11.1 (Hurdled A), and for Performance Shares in section F11.3. For options granted to the CEO, the life and exercise period may differ, as disclosed in F3.

Performance Shares:

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

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

Directors Share Plan

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

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

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Section E. Disclosed executives contract terms

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

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

Length of Contract	Open-ended.
Fixed Remuneration	Remuneration consists of salary, mandatory employer superannuation contributions and benefits.
Short-Term Incentive	Eligible to participate. Refer to section C4.1 for details of short-term incentive arrangements.
Long-Term Incentive	Eligible to participate at the Board's discretion refer to section C4.2 for long-term incentive arrangements.
Resignation	Employment may be terminated by giving 6 months written notice. On resignation any options and unvested deferred shares will be forfeited.
Retirement	On retirement, shares and options are released in full.
Termination on Notice by ANZ	ANZ may terminate the executive's employment by providing 12 months written notice or payment in lieu of the notice period based on Fixed Pay. On termination on notice by ANZ any options or LTI deferred shares that have vested, or will vest during the notice period will be released, in accordance with the ANZ Share Option Plan Rules. LTI shares that have not yet vested will generally be forfeited, although for some executives (E Funke Kupper, BC Hartzer and PR Marriott) these shares will be released in full. Deferred shares granted under STI arrangements will vest in full for all executives. There is discretion to pay incentives on a pro-rata basis (depending on termination date and subject to business performance).
Redundancy	If ANZ terminates employment for reasons of bona fide redundancy, a severance payment will be made that is equal to 12 months Fixed Pay. All STI deferred shares are released. All options granted since 24 April 2002 are released on a pro-rata basis. All LTI deferred shares are released on a pro-rata basis. There is discretion to pay incentives on a pro-rata basis (depending on termination date and subject to business performance).
Death or Total and Permanent Disablement	All options and shares are released; pro-rata short-term incentive.
Termination for serious misconduct	ANZ may immediately terminate the executive's employment at any time in the case of serious misconduct, and the employee will only be entitled to payment of Fixed Pay up to the date of termination. Payment of statutory entitlements of long service leave (only if minimum 15 years of service) and annual leave applies in all events of separation. On termination for serious misconduct any options and any deferred shares still held in trust will be forfeited.
Other Aspects	S Targett: Subject to continued employment and the approval of the Board, four tranches to the value of \$700,000 each of deferred shares to be granted at six month intervals in May and November in 2004 and 2005, and Hurdled Options with the value of \$750,000 granted within 3 months of commencement of employment, to compensate for the loss of equity from S Targett's previous employer. On Termination on Notice, sign-on options can be exercised as a pro-rata proportion to the period of employment. Sign-on deferred shares will vest in full, including any scheduled to be granted during the notice period.

E2. FIXED TERM CONTRACT (SIR J ANDERSON)

Length of Contract	Contract was effective from 1 December 2003 to 30 September 2005, and extended to 15 April 2006. Retired effective 31 December 2005.
Fixed Remuneration	The Fixed Pay package was NZD1,000,000 per annum and was inclusive of employer contributions to the superannuation fund.
Short-Term Incentive	STI payments were subject to both business and individual performance. The target payment was 50% of Fixed Pay.
Equity Participation	Zero Priced Options (ZPOs) were granted as part of Sir J Anderson's contract under the ANZ Share Option Plan. A ZPO is a right to acquire a share at nil cost. They were designed to deliver equity to the CEO of the National Bank of New Zealand (NBNZ) and to meet the particular needs and circumstances at the time of the acquisition of NBNZ. Grants were fixed at NZD500,000 worth of ZPOs annually, granted in two tranches per annum and with a nil exercise price. The ZPOs had no time based vesting criteria, and so were able to be exercised at any time during employment and within 6 months of the termination of employment.
Resignation	Sir J Anderson was able to terminate his employment by giving 12 months' written notice. On resignation any ZPOs not exercised as at the termination date would lapse.
Retirement	A policy for payment of retirement gratuities was in place with NBNZ employees prior to the acquisition by the Company of NBNZ. This policy has been continued for eligible staff who were ANZ National Bank Limited employees as at 1 December 2003, including Sir J Anderson. Under this policy, a payment was made to Sir J Anderson on his retirement equal to the number of full years' service divided by 35 and multiplied by 85% of finishing salary (where finishing salary is fixed remuneration less any superannuation contribution).
Termination on Notice by ANZ	The employment contract provided ANZ National Bank Limited with a right to terminate Sir J Anderson's employment by providing notice or payment in lieu of notice equal to the unexpired term of the employment agreement (which had an end date of 15 April 2006). On termination on notice, any options could be exercised in accordance with the ANZ Share Option Plan Rules.
Death or Total and Permanent Disablement	Exercise any ZPOs; pro rata incentive.
Termination for serious misconduct	The employment contract provided ANZ National Bank Limited with a right to terminate Sir J Anderson's employment at any time without notice for serious misconduct, on the basis that Sir J Anderson would have been entitled to payment up to the date of termination. On termination for serious misconduct any ZPOs which had not been exercised as at the termination date would lapse.

E3. PARTICIPATION IN EQUITY PROGRAMS

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

Section F. Equity instruments relating to disclosed directors and executives

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

2006 Financial Year

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

2005 Financial Year

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

(1) Balance of shares held at 1 October 2004/2005, 30 September 2005/2006, 2 November 2005 and 1 November 2006, includes directly held shares, nominally held shares and shares held by related parties.

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

(3) Other shares resulting from any other changes during the year include the net result of any shares purchased/sold or acquired under the Dividend Reinvestment Plan.

(4) The following shares were nominally held as at 30 September 2006: CB Goode 408,553; G Clark 1,920; RS Deane 73,000; JK Ellis 47,898; DM Gonski 66,076; MA Jackson 10,632; DE Meiklejohn 4,654; JP Morschel 3,422.

(5) The following shares were nominally held as at 30 September 2005: CB Goode 141,860; RS Deane 73,000; JK Ellis 23,900; DM Gonski 52,159; MA Jackson 10,632; DE Meiklejohn 2,656; JP Morschel 1,502.

- (6) Shareholding for G Clark includes 3,000 shares held by G Clark's related party previously omitted.
- (7) Balance of shares held as at report sign-off date (2005) includes shares purchased on 27 October 2005 under the Directors' Retirement Benefit scheme previously omitted for JK Ellis and DM Gonski.
- (8) Shareholding excludes shares held through JB Were and RBC investment products previously disclosed.

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

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

(1) Balance of shares held at 1 October 2004/2005, 30 September 2005/2006, 2 November 2005 and 1 November 2006 includes directly held shares, nominally held shares and shares held by related parties.

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

(3) The grant of performance shares on 31 December 2004 was approved by shareholders at the 2004 AGM, with the earliest vesting date being 31 December 2006. Refer to section F11.3 for further information.

(4) Nil performance shares forfeited or vested. The maximum amortisation balance is \$331,263 for subsequent financial years, however the value will be nil if the minimum performance hurdle is not achieved.

(5) The fair value of performance shares granted during the 2005 financial year (and approved at the 2004 AGM) is based on the fair value of the shares as at 31 December 2004 (\$15.02) multiplied by the number granted.

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

(7) Other shares resulting from any other changes during the 2005 / 2006 years include the net result of any shares purchased, sold, or acquired under the Dividend Reinvestment Plan. For 2005, it also includes those shares received on 28 October 2004 in regards to the 2004 incentive (for the period ending 30 September 2004), and for 2006 it includes those shares received on 31 October 2005 in regards to the 2005 incentive (for the period ending 30 September 2005).

(8) 1,270,176 shares were held nominally as at 30 September 2005 and 1,486,294 shares as at 30 September 2006.

F3. optIons GRAnteD to Ceo(1)

Financial Year 2005 2006

Type of options	Grant date	First date exercisable	Date of expiry(4)	Exercise price(5) \$	Number granted(6),(7)	Number vested during the 2005/2006 FY	Percentage that vested during the 2005/2006 FY %	Vested and exercisable as at 30 Sept 2005/2006	Vested and unexercisable as at 30 Sept 2005/2006	(8)
Hurdled2	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	1,000,000				