AUSTRALIA & NEW ZEALAND BANKING GROUP LTD
Form 20-F
January 11, 2005

Securities and Exchange Commission

Washington, D.C. 20549

Form 20-F

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

ý Annual Report pursuant to Sections 13 or 15(d) of the Securities Exchange Act of 1934

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

For the fiscal year ended September 30, 2004

Commission file number 0-18262

Australia and New Zealand Banking Group Limited

(Exact name of registrant as specified in its charter)

Victoria, Australia

(Jurisdiction of incorporation or organization)

100 Queen Street, Melbourne, VICTORIA, 3000, AUSTRALIA

(Address of principal executive offices)

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

Title of each class	Name of each exchange on which registered
American Depositary Shares each representing five ordinary shares	The New York Stock Exchange, Inc.
American Depositary Receipts each representing four Preference shares	The New York Stock Exchange, Inc.

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

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the Annual Report.

USD1,000 Preference Shares	1,100,000	fully paid
Ordinary Shares	1,818,401,807	fully paid
$100 Preference Shares	10,000,000	fully paid

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

Yes ý No o

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

Item 17 o Item 18 ý

2004
US Form 20-F
Annual Report

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

Form 20-F Cross Reference Index

Forward-Looking Statements

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

For example, the economic and financial forecasts contained in this Annual Report will be affected by movements in exchange rates and interest rates, which may vary significantly from current levels, as well as by general economic conditions in each of ANZ s major markets. Such variations may materially impact ANZ s financial condition and results of operations. The implementation of control systems and programs will be dependent on such factors as ANZ s ability to acquire or develop necessary technology and its ability to attract and retain qualified personnel. The plans, strategies and objectives of management will be subject to, among other things, government regulation, which may change at any time and over which ANZ has no control. In addition, ANZ will continue to be affected by general economic conditions in capital markets, the competitive environment in each of its markets and political and regulatory policies. There can be no assurance that actual outcomes will not differ materially from the forward-looking statements contained in this Annual Report. See Summary of Material Risk Factors on page 9.

Item 1 - Identity of Directors, Senior Management and Advisors

Not applicable.

Item 2 - Offer Statistics and Expected Timetable

Not applicable.

Item 3: Key Information

Selected Financial Data

The summary consolidated balance sheet date as of September 30, 2004 and 2003 and income statement data for the fiscal years ended September 30, 2004, 2003 and 2002 have been derived from the Group s 2004 audited financial statements (the Financial Report). The Financial Report has been audited by our independent auditors. The balance sheet data as of September 30, 2002, 2001 and 2000 and income statement data for the fiscal years ended September 30, 2002, 2001 and 2000 have been derived from our audited consolidated financial statements for the fiscal years ended September 30, 2002, 2001 and 2000, which are not included in this document.

The financial statements referred to above have been prepared in accordance with Australian GAAP, which varies in certain significant respects from US GAAP. See Note 55 to the Financial Report for a discussion of the significant differences between Australian GAAP and US GAAP as they apply to us.

Prior to 2001, abnormal items were reported separately. Abnormal items were defined as items of revenue or expense which, although attributable to the ordinary operations of the business entity, were considered to be abnormal by reason of their size and/or effect on the results of the business entity for the period. Since 2000, however, under Australian GAAP, abnormal items are not allowed to be disclosed separately and we have presented prior periods accordingly. In 2000, the following abnormals were presented separately: abnormal income of $1,207 million, abnormal expenses of ($986 million) and abnormal tax expense of ($177 million). We have re-presented prior periods in the table below accordingly.

Amounts reported in US dollars have been translated at the September 30, 2004 Noon Buying Rate, which was USD0.7244 = $1.00.

FINANCIAL REVIEW

Years ended September 30 (1)	2004 USD M	2004 $M	2003 $M	2002 $M	2001 $M	2000 $M
Summary of Consolidated Statement of Income						
Australian GAAP						
Interest income	10,226	14,117	10,215	9,037	10,251	10,241
Interest expense	(6,420)	(8,863)	(5,904)	(5,019)	(6,418)	(6,440)
Net interest income	3,806	5,254	4,311	4,018	3,833	3,801
Profit from disposal of investments				174		
Other operating income	2,456	3,391	2,808	2,796	2,573	3,790
Operating income	6,262	8,645	7,119	6,988	6,406	7,591
Operating expenses	(2,916)	(4,026)	(3,228)	(2,905)	(3,092)	(4,300)
Profit before allowance for loan losses and income tax	3,346	4,619	3,891	4,083	3,314	3,291
Allowance for loan loss charge (2)	(458)	(632)	(614)	(860)	(531)	(502)
Profit before income tax	**2,888**	**3,987**	**3,277**	**3,223**	**2,783**	**2,789**
Income tax expense	(846)	(1,168)	(926)	(898)	(911)	(1,040)
Profit after income tax	2,042	2,819	2,351	2,325	1,872	1,749
Net profit attributable to outside equity interests	(3)	(4)	(3)	(3)	(2)	(2)
Net profit attributable to shareholders of the Company (1)	**2,039**	**2,815**	**2,348**	**2,322**	**1,870**	**1,747**
Total adjustments attributable to shareholders of the company recognized directly into equity	169	233	(356)	(98)	197	201
Total changes in equity other than those resulting from transactions with shareholders as owners	2,208	3,048	1,992	2,224	2,067	1,948
Non-interest income as a % of operating income(3)	39.2%	39.2%	39.4%	42.5%	40.2%	49.9%
Dividends paid / provided (4)	1,158	1,598	641	1,252	1,062	941
Per fully paid ordinary share:						
Operating profit after income tax (cents) (5)	111	153	142	141	113	103
Diluted net income per share (cents)	109	150	142	140	112	102
Dividends	$ 0.73	$ 1.01	$ 0.95	$ 0.85	$ 0.73	$ 0.64
Dividends		USD0.73	USD0.65	USD0.46	USD0.36	USD0.35
Dividends per ADR		USD3.66	USD3.23	USD2.31	USD1.81	USD1.73
Adjusted in accordance with US GAAP:						
Net interest income	3,695	5,101	4,263	4,001	4,128	3,801
Allowance for loan losses	(458)	(632)	(614)	(860)	(531)	(502)
Operating profit before taxes	2,837	3,916	3,294	2,993	2,700	3,092
Operating profit after income tax	2,020	2,788	2,380	2,097	1,796	1,940
Operating profit after income tax (cents) (5)	112	155	144	127	108	115
Continuing Operations (Australian GAAP): (6)						
Total income from operations	12,682	17,508	13,023	12,007	12,824	14,031

Less: Impact of discontinuing operations					31	(2,148)
Total income from continuing operations	12,682	17,508	13,023	12,007	12,855	11,883
Total operating profit after income tax	2,039	2,815	2,348	2,322	1,870	1,747
Less: Impact of discontinuing operations					12	(153)
Operating profit after income tax from continuing operations	2,039	2,815	2,348	2,322	1,882	1,594
Operating profit after income tax (cents) (5)	111	153	142	141	113	93

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

(2) The allowance for loan loss charge represents the economic loss provision charge (refer page 49).

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

(4) Excludes preference share dividends and dividends taken under the bonus option plan. The final dividend for 2004 of $983 million (2003: $777 million) has not been provided for at September 30, due to a change in Australian Accounting Standards on recognition of dividends effective from 2003.

(5) Amounts are based on weighted average number of ordinary shares outstanding, 2004: 1,774.1 million, 2003: 1,577.8 million, 2002: 1,559.8 million, 2001: 1,554.8 million, and 2000: 1,604.9 million. Weighted average number of ordinary shares outstanding has been adjusted for rights issue. Operating profit after income tax excludes preference share dividends of 2004: $98 million, 2003: $102 million, 2002: $117 million, 2001: $119 million, 2000: $102 million.

(6) Operations that will continue to contribute to the results of the ANZ group in future periods. Operations exclude, 2004, 2003, 2002: Nil, 2001: sale of residual assets from Grindlays, 2000: Sale of Grindlays.

Years ended September 30	2004 USD M	2004 $M	2003 $M	2002 $M	2001 $M	2000 $M
Summary of Consolidated Balance Sheets						
Australian GAAP						
Shareholders equity (1)	12,972	17,907	13,770	11,448	10,538	9,795
Subordinated debt	6,139	8,475	5,630	3,445	3,831	3,687
Bonds and notes	19,995	27,602	16,572	14,708	15,340	9,519
Deposits and other borrowings	122,103	168,557	124,494	113,297	104,874	100,602
Gross loans, advances and acceptances (net of unearned income) (2)	159,226	219,804	164,661	147,937	139,867	133,879
Specific allowance for loan losses	(278)	(384)	(484)	(585)	(500)	(709)
General allowance for loan losses	(1,443)	(1,992)	(1,534)	(1,496)	(1,386)	(1,373)
Net loans, advances and acceptances	157,505	217,428	162,643	145,856	137,981	131,797
Total assets	187,870	259,345	195,591	183,105	185,493	172,467
Net assets	12,985	17,925	13,787	11,465	10,551	9,807
Risk weighted assets	142,463	196,664	152,164	141,390	139,129	129,688
Adjusted in accordance with US GAAP						
Shareholders equity (1)	12,255	16,917	12,820	12,139	11,207	10,517
Total assets	189,810	262,024	195,230	183,035	185,573	171,858
Summary of Consolidated Ratios Australian GAAP						
Operating profit after income tax (3) as a percentage of:						
Average total assets		1.2%	1.2%	1.3%	1.1%	1.1%
Average shareholders equity (1)		18.1%	20.6%	23.2%	20.2%	19.3%
Dividends (4) to ordinary shareholders as a percentage of operating profit after income tax		67.5%	64.2%	57.8%	62.0%	59.1%
Average shareholders equity as a percentage of average total assets (5)		6.2%	5.7%	5.3%	5.0%	5.3%
Capital Adequacy ratios:						
Tier 1		6.9%	7.7%	7.9%	7.5%	7.4%
Tier 2		4.0%	4.0%	2.8%	3.2%	3.4%
Deductions (6)		(0.5)%	(0.6)%	(1.2)%	(0.4)%	(0.6)%
Total		10.4%	11.1%	9.5%	10.3%	10.2%
Number of shares on issue (million)		1,818	1,522	1,504	1,488	1,506
Adjusted in accordance with US GAAP						
Operating profit after income tax as a percentage of:						
Average total assets		1.1%	1.2%	1.2%	1.0%	1.2%
Operating profit (1) after income tax as a percentage of:						
Average shareholders equity (1)		17.9%	20.8%	20.9%	18.2%	20.6%
Dividends (7) to ordinary shareholders as a percentage of operating profit after income tax (6)		65.5%	62.2%	63.2%	63.3%	51.2%
Average shareholders equity (1, 6) as a percentage of average total assets		6.2%	5.6%	5.3%	6.0%	5.4%

(1) Excludes outside equity interest and preference shares.

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

(3) Includes significant items.

(4) Includes proposed final dividend of $983 million in 2004 not provided at September 30, 2004 following a change in Accounting Standards on recognition of dividends.

(5) Excludes preference shares.

(6) Deductions represent our investment in life insurance, funds management, securitization activities and other banks of $1,019 million (2003: $920 million, 2002: $1,703 million, 2001: $604 million, 2000: $787 million). In 2003 the intangible components of investments is deducted from Tier 1 capital rather than from total capital.

(7) Excludes dividends taken under the bonus option plan. Includes proposed final dividend of $983 million in 2004 not provided at September 30, 2004 following a change in Accounting Standards on recognition of dividends.

Years ended September 30	2004 USD M	2004 $M	2003 $M	2002 $M	2001 $M	2000 $M
Summary of credit quality data						
Gross non-accrual loans (1)						
Subject to specific allowance for loan losses	517	714	913	1,072	940	1,046
Without specific allowance for loan losses	83	115	94	131	320	345
Total non-accrual loans	**600**	**829**	**1,007**	**1,203**	**1,260**	**1,391**
Allowance for loan losses						
Specific allowance (loans)	274	378	482	575	490	692
Specific allowance (off-balance sheet commitments)	4	6	2	10	10	17
General allowance	1,443	1,992	1,534	1,496	1,386	1,373
Total allowance	**1,721**	**2,376**	**2,018**	**2,081**	**1,886**	**2,082**
Gross loans, advances and acceptances (2)						
Gross loans and advances (2)(3)	150,196	207,338	151,483	134,141	125,543	118,397
Acceptances	9,030	12,466	13,178	13,796	14,324	15,482
Total gross loans, advances and acceptances	**159,226**	**219,804**	**164,661**	**147,937**	**139,867**	**133,879**
Gross non-accrual loans as a percentage of gross loans and advances		0.4%	0.7%	0.9%	1.0%	1.2%
Gross non-accrual loans as a percentage of gross loans, advances and acceptances		0.4%	0.6%	0.8%	0.9%	1.0%
Specific allowance for loan losses as a percentage of gross non-accrual loans (1):						
Subject to allowance		52.9%	52.8%	53.6%	52.1%	66.2%
Total non-accrual loans		45.6%	47.9%	47.8%	38.9%	49.7%
Total allowance for loan losses as a percentage of:						
Gross loans and advances (2)		1.1%	1.3%	1.6%	1.5%	1.8%
Gross loans, advances and acceptances (2)		1.1%	1.2%	1.4%	1.3%	1.6%
Risk weighted assets		1.2%	1.3%	1.5%	1.4%	1.6%

(1) Excludes off-balance sheet commitments that have been classified as unproductive of $23 million (2003: $37 million, 2002: $44 million, 2001: $31 million, 2000: $56 million) net of an allowance of $6 million (2003: $2 million, 2002: $10 million, 2001: $10 million, 2000: $17 million) and restructured loans $32 million (2003: $nil, 2002: $1 million, 2001: $1 million, 2000: $1 million).

(2) Net of unearned income.

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

Summary of Material Risk Factors

Changes in general business and economic conditions may adversely impact our results

As we conduct the majority of our business in Australia and New Zealand, our performance is influenced by the level and cyclical nature of business activity in Australia and New Zealand, which, in turn is affected by both domestic and international economic and political events.

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

Changes in fiscal and monetary policies may adversely impact our results

The Reserve Bank of Australia (RBA) and the Reserve Bank of New Zealand (RBNZ) regulate the supply of money and credit in Australia and New Zealand (respectively). Their policies determine the cost of funds to us for lending and investing and the return we will earn on those loans and investments. Both of these impact our net interest margin, and can materially affect the value of financial instruments we hold, such as debt securities. The policies of the RBA and the RBNZ also can affect our borrowers, potentially increasing the risk that they may fail to repay their loans. Changes in RBA and RBNZ policies are hard to predict or anticipate.

Regulatory changes may adversely impact our results

As we consist of regulated entities which are deposit-taking institutions, we are regulated in Australia, New Zealand and in the other countries in which we have operations. This regulation varies from country to country but generally is designed to protect depositors and the banking system as a whole, not holders of our securities.

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

In addition, these regulatory agencies frequently review banking laws, regulations and policies for possible changes. Changes to laws, regulations or policies, including changes in interpretation or implementation of laws, regulations or policies, could affect us in substantial and unpredictable ways. These may include changing required levels of bank liquidity and capital adequacy, limiting the types of financial services and products we may offer and/or increasing the ability of non-banks to offer competing financial services and products, as well as changes to accounting standards, taxation laws and prudential regulatory requirements.

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

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

The effect of the competitive market conditions in which we operate may have a material adverse effect on our financial performance and position, especially in Australia and New Zealand, where we operate in highly competitive markets.

Application of and changes to accounting policies may adversely impact our results

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

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

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after January 1, 2005. As a result, from January 1, 2005, the accounting standards that apply to Australian reporting companies under the Corporations Act, such as us, will be based upon IFRS issued by the International Accounting Standards Board (IASB). We will adopt IFRS from October 1, 2005. Comparatives will be required to be restated on initial adoption of IFRS for most standards (other than for IAS39/AASB 139 (Financial Instruments - Recognition and Measurement), IAS32/AASB 132 (Financial Instruments - Disclosure and Presentation) and IAS4/AASB 4 (Insurance Contracts).

APRA has also announced that it intends to revise its capital adequacy requirements to take account of the impact of IFRS, in particular the treatment of innovative capital instruments for capital adequacy purposes and the treatment of superannuation fund surpluses/deficits.

Based on IFRS and related exposure drafts issued to date, adoption of IFRS may result in material changes to accounting for hedges, doubtful debt provisioning, securitization, recognition of fee income, accounting for goodwill, post employment benefits and share based payments and classification of hybrid equity instruments.

The final version of IFRS that will be applicable to us may still change. In particular, the AASB has yet to finalise the Australian equivalent of IAS 39, the standard on recognition and measurement of financial instruments.

All our financial information disclosed in this Annual Report has been prepared in accordance with current Australian GAAP. As explained above, the differences between current Australian GAAP and IFRS, will potentially have a significant effect on our financial position and performance. The differences identified above should not be taken as an exhaustive list of all the differences between Australian GAAP and IFRS. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

We have not quantified the effects of the differences expected under IFRS. Accordingly, there can be no assurance that our consolidated financial performance or financial position (or both) would not be significantly different if determined in accordance with IFRS.

The potential impacts on our financial performance and financial position of the adoption of IFRS, including system upgrades and other implementation costs which may be incurred, have not been quantified, as the actual impact will depend on the final standards and the particular circumstances prevailing at the time of adoption.

We are subject to credit risk, which may adversely impact our results

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

As a result of the potential for loss arising from the failure of customers or counterparties to meet their contractual obligations, we hold provisions to cover loan losses. The amount of these provisions is determined by assessing, based on current information, the extent of credit risk within the current lending portfolio. However, if the information upon which the assessment of risk proves to be inaccurate, the provisions made for loan loss may be insufficient, which could have a material adverse effect on our results and operations.

We are subject to operational risk, which may adversely impact our results

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

We are subject to market risk (including foreign exchange risk) and liquidity risk, which may adversely impact our results

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

Litigation and contingent liabilities may adversely impact our results

ANZ may from time to time be subject to material litigation and other contingent liabilities, which, if they crystallize, may adversely impact our results. Details regarding ANZ s contingent liabilities are contained in note 48 of the 2004 Financial Report. For example (these are illustrative examples, please refer to the 2004 Financial Report for the full disclosures):

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

ANZ in New Zealand is being audited by local revenue authorities as part of normal revenue authority procedures, with a particular focus on certain kinds of structured finance transactions. On September 30, 2004, ANZ in New Zealand received Notices of Proposed Adjustment (the Notice) in respect of one of these structured finance transactions undertaken in the 2000 financial year. The Notice is formal advice that the New Zealand Inland Revenue Department (IRD) is proposing to amend tax assessments. The Notice is not a tax assessment and does not establish a tax liability, but it is the first step in a formal dispute process. Should the same position be adopted by the IRD on the remaining transactions of that kind, the maximum potential tax liability would be approximately NZD348 million (including interest tax effected) for the period to September 30, 2004. Of that maximum potential liability, approximately NZD116 million is subject to tax indemnities provided by Lloyds TSB Bank PLC under the agreement by which ANZ acquired NBNZ and which relate to transactions undertaken by NBNZ before December 2003. Based on external advice, the ANZ group has assessed the likely progress of this issue, and believes that it holds appropriate provisions.

Other than disclosed in the 2004 Financial Report, there are no legal or arbitration proceedings (including any such proceedings which are pending or threatened of which we are aware) against ANZ that may have or have had in the previous 12 months a significant effect on ANZ s financial position.

Acquisition risk may adversely impact our results

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

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

Integration risk resulting from the ongoing integration of NBNZ may adversely affect our results

We acquired NBNZ in December 2003. The integration of businesses that have previously operated independently has been progressed significantly, involving, among other things, the completion of legal amalgamation and non-systems business integration and continuing work on integration of technology platforms and processes. Key risks associated with the integration include loss of revenue and customers, loss of key personnel, additional costs and losses arising from systems or technology failure. The scope of the integration process has recently been changed, primarily to exclude integration of the retail banking systems. This is expected to reduce the program s risk and complexity, and to enable management to focus on customer retention, growth and financial performance.

The success of integration has a number of dependencies including the approval of regulators, agreement on integration plans, the ability of management to execute the approved integration plans and the response of customers to the acquisition and integration.

Currency of Presentation, Exchange Rates and Certain Definitions

Currency of Presentation

The Company, together with its subsidiaries, publishes consolidated financial statements in Australian dollars. In this Annual Report, unless otherwise stated or the context otherwise requires, references to US$, USD and US dollars are to United States dollars and references to $, AU and A$ are to Australian dollars. For the convenience of the reader, this Annual Report contains translations of certain Australian dollar amounts into US dollars at specified rates. These translations should not be construed as representations that the Australian dollar amounts actually represent such US dollar amounts or could be converted into US dollars at the rate indicated. Unless otherwise stated, the translations of Australian dollars into US dollars have been made at the rate of USD0.7244 = $1.00, the Noon Buying Rate in New York City for cable transfers in Australian dollars as certified for customs purposes by the Federal Reserve Bank of New York(the Noon Buying Rate) on September 30, 2004.

Exchange Rates

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

		USD per $1.00			
Year ended		**High**	**Low**	**Average**	**Close**
2000	September	0.6687	0.5372	0.6032	0.5415
2001	September	0.5712	0.4828	0.5182	0.4946
2002	September	0.5748	0.4923	0.5329	0.5429
2003	September	0.6823	0.5422	0.6131	0.6797
2004	September	0.7979	0.6814	0.7287	0.7244
Month ended	June	0.7067	0.6840	0.6937	0.6952
	July	0.7334	0.6980	0.7161	0.7035
	August	0.7245	0.7001	0.7111	0.7071
	September	0.7244	0.6880	0.7028	0.7244
	October	0.7478	0.7207	0.7337	0.7468
	November	0.7903	0.7447	0.7704	0.7723

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

On December 2, 2004, the Noon Buying Rate was USD0.7769 per $1.00.

In 2004, 33% (2003: 27%) of our operating income was derived from overseas operations and was denominated principally in New Zealand dollars (NZ$ or NZD), US dollars (US$ or USD) and British pounds sterling (£ or GBP). Movements in foreign currencies against the Au dollar can therefore affect ANZ s earnings through the re-translation of overseas profits to Australian dollars. Based on exchange rates applied to convert overseas profits and losses from September 2000 to September 2004, the Australian dollar moved against these currencies as follows (refer also Note 56 to the Financial Report):

Years ended September 30	**2004**	**2003**	**2002**	**2001**	**2000**
NZD	+1%	7%	4%	1%	+5%
USD	+19%	+15%	+2%	14%	5%
£	+6%	+6%	0%	7%	0%

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

Certain Definitions

Our fiscal year ends on September 30. As used throughout this Annual Report, unless otherwise stated or the context otherwise requires, the fiscal year ended September 30, 2004 is referred to as 2004, and other fiscal years are referred to in a corresponding manner. References to calendar years are identified as such.

Item 4: Information on the Company

Overview

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

Based on publicly available information as at September 30, 2004, we ranked third among Australian banking groups in terms of total assets ($259 billion) and third in terms of shareholders equity ($18 billion) and ranked third in terms of market capitalization, with a market capitalization of $35 billion, which ranked us as the fourth largest company listed on the Australian Stock Exchange Limited.

We provide a broad range of banking and financial products and services to retail, small business, corporate and institutional clients. We conduct our operations primarily in Australia and New Zealand (approximately 93% of our total assets at September 30, 2004 are related to these operations). The remainder of our operations are conducted in the United Kingdom, the United States and a number of other countries, most of which are located in the Asia Pacific region. At September 30, 2004, we had 1,190 branches and other points of representation worldwide.

ANZ s strategy is executed through a management structure focused on specialization:

Principal activities of divisions

Personal

Personal is comprised of the Australian operations of Personal Distribution (including Rural Banking), Banking Products, Mortgages and Cards and Merchant Services.

Personal Distribution - Provides a full range of banking and financial planning services to personal customers across Australia, and to small business and agriculture customers in rural Australia.

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

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

Cards and Merchant Services - Provides consumer and commercial credit cards, ePayment products, personal loans, and merchant payment facilities in Australia.

Institutional

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

Institutional Banking - Manages customer relationships and develops financial services solutions and strategies for large businesses with a turnover greater than $100 million in Australia and New Zealand and, for corporate clients with whom ANZ has an existing customer relationship, in the United Kingdom, United States and Asia.

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

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

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

New Zealand Business

New Zealand Business includes

National Bank of New Zealand (NBNZ), which was acquired from Lloyds Bank on the December 1, 2003 (refer to page 36 for acquisition details); and

ANZ (NZ) businesses provide banking services, including wealth management, for personal, small business and corporate customers in New Zealand through branches, call centers, relationship managers and online banking.

ANZ (NZ) and NBNZ engage in the following businesses.

Personal and Business Banking - provides consumer banking deposits, loans, overdrafts, credit card and merchant services and mortgage products. A two-brand strategy has been adopted whereby both the ANZ and NBNZ brands and branch networks are to be maintained and run in competition. Management and systems of the businesses are separate.

Rural Banking provides a full range of banking services to the rural community and is offered under the NBNZ brand only.

Corporate Banking is responsible for managing customer relationships and developing financial solutions for medium-sized businesses and is offered under the ANZ brand.

The business model is focused upon preserving revenue by reducing customer disruption and attrition and leveraging the strong market positions in both Rural and Corporate Banking of NBNZ and ANZ respectively.

Corporate

Corporate includes

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

Business Banking Australia which provides a full range of banking services for metropolitan based small to medium business in Australia with turnover up to $10 million; and

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

Esanda and UDC

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

Asia Pacific

Asia Pacific provides retail banking services in the Pacific Region and Asia. This business unit excludes Institutional and Corporate transactions that are included in the geographic results for Asia. The Asia Pacific business also manages ANZ s consumer banking business in Asia with Singapore and Japan being the major contributors.

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

ING Australia

On April 10, 2002, the Group entered into a contract to sell certain life and general insurance and funds management businesses to a joint venture with ING Group, and acquire a 49% interest in the joint venture.

Key details of the transaction are:

ING Australia Limited is owned 51% by ING Group and 49% by ANZ.

Both shareholders have an equal say in strategic decisions with a number of matters requiring the approval of both Shareholders. These include major items of capital expenditure, acquisitions or disposals in excess of $20 million and changes to the Board structure.

Equal board representation with four ANZ nominees and four ING Group nominees. All key issues (including business plans, major capital expenditure, acquisitions etc) require unanimous Board approval.

The Joint Venture was valued in April 2002, at $3,750 million with ING contributing businesses valued at $2,874 million; ANZ contributing businesses valued at $879 million. ANZ s contribution to the Joint Venture was by way of selling a controlling interest in ANZ Life Assurance Company Limited, ANZ Managed Investments Limited, ANZ General Insurance Limited and Investment and Administration Services Limited, as well as making a capital contribution of $960 million.

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

As a result of the transfer of ANZ s life insurance, general insurance and funds management subsidiaries into the new joint venture company, ANZ Life Assurance Company Limited, ANZ Managed Investments Limited, ANZ General Insurance Limited and Investment and Administration Services Limited are no longer consolidated within the results of the ANZ Group as subsidiaries. ANZ Group s investment in ING Australia is accounted for under the equity accounting method with 49% of both the net profit before tax and net assets from the joint venture recognized. The equity accounting method has been applied on the basis of ING Australia being under the joint control of ANZ and ING.

The profit on sale was $170 million under Australian Generally Accepted Accounting Principles (A GAAP) as a 49% interest in the businesses was retained. Under US GAAP all profit on sale was eliminated as it occurred as a result of a non-monetary transaction, which involved transferring ownership of controlled entities in exchange for a non-controlling ownership interest in the joint venture.

ING Australia, the wealth management joint venture between ANZ and ING Group, provides and distributes integrated wealth creation products, management and protection products and services aligned to ANZ distribution and the open market.

Group Treasury

Group Treasury is the banker for all ANZ businesses. It is charged with providing cash flow support, ensuring liquidity, managing interest rate risk and providing capital to all of the ANZ businesses. Group Treasury is included in the Group Center in 2004.

Group Center

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

Organization Structure Changes

The Group from time to time modifies the organization of its businesses to enhance the focus on delivery of specialized products or services to customers. Prior period numbers are adjusted for such organizational changes to allow comparability where practical. During the year ended September 30, 2004 the significant changes were:

Personal clusters all ANZ s businesses serving personal customers in Australia. It now includes Cards and Merchant Services (formerly called Consumer Finance) and Mortgages Australia.

A new business unit New Zealand Business was created which consists of the ANZ (NZ) businesses, the National Bank of New Zealand, and Integration costs. The ANZ (NZ) businesses now include New Zealand Mortgages, which was previously reported in Mortgages, and New Zealand Consumer Finance, which was previously reported in Cards and Merchant Services.

Within Institutional, the operations of Structured Finance International and Corporate Finance and Advisory have been brought together and are being managed as one global business, called Corporate and Structured Financing. In addition, the operations of Foreign Exchange and Capital Markets have been brought together and are reported as one unit called Markets. Pacific Foreign Exchange, which was previously reported in Asia Pacific is now reported in Institutional.

Corporate comprises Corporate Banking Australia, Business Banking Australia, and now includes Small Business Banking Australia which was previously part of Personal.

Asset Finance has been renamed Esanda and UDC.

ANZ has moved the goodwill amortisation on investments to Group Center. This is an extension of equity standardisation and facilitates better comparisons across different business units.

In addition, there have been a number of function transfers including some minor segmentation between Institutional Banking, Corporate, and Asia Pacific together with a number of relatively minor methodology changes to revenue and cost allocations.

Our Strategic Direction

ANZ s aspiration is to be:

Australasia s leading, most respected and fastest growing major bank.

The strategic priorities for achieving our aspiration are:

- superior revenue growth
- market leadership in our core businesses
- increased market share
- superior cost and risk management
- superior shareholder returns

Underpinning the way ANZ operates are our core values:

- Put our customers first
- Create value for our shareholders
- Lead and inspire each other

Earn the trust of our community

Breakout, be bold and have the courage to be different.

A Foundation for Growth

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

ANZ has shifted the focus of its portfolio of businesses from institutional and corporate banking towards retail and business banking. Today, approximately 50% of ANZ s net profit after tax is derived from our retail segment, a rise from 31% of net profit after tax in 1997.

ANZ has reduced its cost-to-income ratio from 65% to 45% over the last seven years. This has positioned us well for growth, as for every dollar we earn, more flows through to the bottom line.

ANZ has improved its risk profile. We have reduced the amount of lending assets outside Australia and New Zealand from 15% in 1996 to just 5% today. Single customer exposures have also been significantly reduced.

ANZ has developed a strong performance culture based on a set of shared values. We have a record of setting targets and achieving them.

These four keys areas have set the foundation for achieving our aspiration. They also ensure that ANZ can deliver sustainable performance and value over the long term.

Our Strategic Priorities

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

We aim to combine superior revenue growth with superior efficiency. Our approach in recent years has involved moderate revenue growth and significant efficiency gains. ANZ is now very efficient and so our priority has to be to generate superior revenue growth.

We aim for market leadership in our core businesses. We are the leading bank in New Zealand and have a number of other leading positions in Australia and the Pacific. We are now focusing on increasing our market share in each of our core businesses, particularly those of lower risk, more sustainable businesses where we are underweight such as Australian personal banking and small business banking.

We aim to have distinctive relationships and service to increase market share and produce the highest sustainable revenue growth. Specialisation has helped us make progress in this area. It has provided our businesses with focus and vitality and we have great products for our customers. This year we re-organized to harness synergies between the specialist businesses and to broaden and deepen their offering to customers. There has been good progress but we are currently focusing on developing more reasons for customers to choose ANZ over our competitors.

We aim to manage costs effectively in order to improve earnings, offer lower prices and free up resources for investment in future revenue growth. We are going to support growth with increased investment funded by reallocating resources to growth businesses, re-investing funds generated by growth and continuing to run our businesses in a lean, agile way.

We aim to avoid non-core or risky activities that might produce sub-standard and volatile shareholder returns and divert management attention from what is important. We have had a consistent strategy of ceasing high-risk activities and narrowing our focus to core businesses where we have realistic leadership prospects.

We aim to share the benefits of our success with customers, staff and the community. We recognize that delivering sustainable value to shareholders in the long-term requires companies to serve others as well as shareholders.

Generating Sustainable Momentum

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

Our first major step was to create a portfolio of specialist businesses. Specialization has not only brought a sharper financial focus through greater accountability, it has also contributed to a greater sense of ownership and commitment from our people. This has already contributed to improved customer satisfaction across many business units, and in turn, improved results.

In April of this year we announced the formation of a new division, Personal, which is a cluster of all of ANZ s specialized businesses primarily serving personal customers in Australia. The move completes a program of clustering specialist businesses around customer segments. ANZ s Institutional, Corporate and New Zealand businesses have already adopted this approach. The divisional clusters are designed to accelerate organic growth and build market share. They aim to harness synergies between the specialist businesses to broaden and deepen the offering to customers, while maintaining the integrity and vitality of ANZ s specialization model.

We established a program of cultural change, Breakout, in 1999 and it continues today. This program is designed to transform ANZ s culture from the traditional, bureaucratic banking culture into a modern vibrant organisation. Over 18,000 people within ANZ have been through our Breakout program in its various phases, with each phase tackling a different priority or issue. Initially, much of the program was aimed at increasing accountability, freedom and openness and developing a common set of values. We are currently working at getting the whole organization aligned to the customer and to superior revenue growth. The Breakout program reflects our people are an investment rather than a resource. As a result we have seen a radical rise in staff satisfaction, which now stands at 85%.

At ANZ we are committed to helping our people continuously to improve their skills and capabilities, and support them in obtaining tertiary and post-graduate qualifications. We continue to be one of the largest private sector recruiters of graduates with a new intake of more than 250 in Australia and New Zealand in 2004.

ANZ s aim to deliver sustainable value recognizes that companies do not serve shareholders exclusively, but others as well. Part of delivering on our aspiration involves engaging and contributing to the community. We continue to invest in financial literacy with the launch of Australia s first comprehensive adult financial education program MoneyMinded . This program is designed to assist people make better judgments and decisions about the use and management of their money. The development of MoneyMinded follows the findings of Australia s first national survey of adult financial literacy in May 2003, which identified a strong relationship between socio-economic status and financial literacy. We see this study as a next step towards empowering people with the appropriate financial skills to make informed basic financial decisions.

During 2004, ANZ conducted a pilot matched savings program, Australia s first called Saver Plus . In conjunction with the Brotherhood of St Lawrence and other not-for-profit organizations, Saver Plus is aimed to help 270 families on low incomes to save for costs associated with their secondary education. For those on the Saver Plus program ANZ matches every dollar saved with two additional dollars and account holders have also been provided with financial skills training and personal coaching. In September, in partnership with The Smith Family, we expanded the program to Queensland furthering our commitment to making a difference to the community.

Building a future

Specialization creates a demonstrably more agile operation, able to respond rapidly to the opportunities presented within each business segment. We continue to position our businesses for growth and continue the focus on the specialized business model following the re-organisation of the Personal Banking business.

In our retail banking businesses, trained and committed staff acting as advocates for ANZ, are essential to the health of our relationships with customers and the broader community. We have also maintained high levels of investment to improve customer service, quality and efficiency. In Australia the MyTell system, a new branch telling platform, has been rolled out to the entire branch network with positive results for both staff and customers. We have also made substantial investment in the ANZ brand with the launch of the ANZ NOW national advertising campaign. In addition we have rebranded and redesigned 566 of our branches and refurbished 192 branches since 2002. In addition, we have begun a process of identifying attractive new sites to open 50 80 new ANZ branches in the next 3 years. This will strengthen our geographic footprint especially in areas of higher growth.

We continue to grow our rural franchise and are currently implementing our Take a fresh look program, which has been designed to fundamentally change the way Rural Banking does business by shifting the focus of staff to all of the customer s activities.

Our institutional businesses across Australasia, Asia, Europe and North America, are focused on Institutional banking, Trade and Project finance, and financial markets. We continued our focus on risk reduction in the Institutional bank. In December 2004 we finalized the transfer of the majority of ANZ s London-headquartered Project Finance business to Standard Chartered Bank.

Our regional international strategy is focused on consumer banking in Asia. Our preference is to work with local partners with domestic customer franchises where we can add our own distinct capabilities to theirs. Over time we would like to pursue further initiatives, while continuing to reflect the need to maintain a lower risk profile.

We will consider enhancing our capabilities, growth opportunities, scale benefits and other synergies through selective acquisitions. Any acquisition must be aligned with our vision for ANZ and must be value-creating. Our acquisition discipline was highlighted by the NBNZ transaction, which was completed in December 2003 and was EPS accretive in the first year of ownership. We will also enter commercial arrangements and partnerships where these provide a strategic fit with our existing businesses.

Subsidiaries, Associates and Joint Venture

We have many subsidiaries and associates. More detailed information regarding material subsidiaries, associates and joint ventures is contained in Exhibit 8 and Notes 43, 44 and 45 to the Financial Report.

Recent Developments

ANZ Trustees merger with Equity Trustees Limited

On October 12, 2004, the Company announced it had signed an agreement with Equity Trustees Limited, to merge the Group s trustee business with Equity Trustees Limited. The merged business will create Australia s third largest trustee company and the leading manager of charitable foundations.

In consideration, the Company will become the major shareholder in Equity Trustees Limited with a 37.5% share of the expanded issued capital, and receive $3 million in cash.

Completion of the merger is expected early in 2005 subject to the outcomes of due diligence, regulatory and government approvals and approval by Equity Trustees shareholders. The Company will equity account for its investment in Equity Trustees Limited and recognize a small profit from the transfer of the Group s trustee business.

The financial effect of this merger has not been recognized in these financial statements.

Share buyback

On October 26, 2004, the Company announced the intention to undertake an on-market share buyback of at least $350 million.

The financial effect of this buyback has not been reflected in these financial statements.

Sale of London-headquartered project finance activities

On October 26, 2004, the Company announced entry into a Memorandum of Understanding for the sale, subject to due diligence and other standard conditions, of the majority of its London-headquartered project finance activities to Standard Chartered Bank. The amount of the loans and commitments is approximately $2 billion. The premium from the sale above book value is not significant. Details of this transaction were finalized in December 2004.

The financial effect of this sale has not been reflected in these financial statements.

Joint Venture with Cambodia s Royal Group

On November 2, 2004, the Company announced it had signed a shareholder s agreement with the Royal Group, a mobile telecommunications company, to establish a joint venture bank in Cambodia.

Key points covered by the Agreement are:

Creation of a joint venture bank to be known as ANZ Royal Bank Cambodia Limited, owned 55% by ANZ and 45% by Royal Group.

ANZ will make a contribution of USD9.9 million to the joint venture bank s capital.

Establishment of clear governance principles, including proportional Board representation.

ANZ Royal Bank Cambodia will focus on providing retail banking services including services to support the 700,000 foreign tourists who visit Cambodia annually and ANZ s multinational clients who operate in Cambodia. Initially services will be provided in Cambodia s capital, Phnom Penh and Siem Riep.

ANZ Euro Hybrid Capital

On December 13, 2004, the Company issued 0.5 million 1,000 fully paid preference shares with a liquidation preference of 1,000. The preference shares were issued as part of a structured hybrid Tier 1 capital raising. Refer page 137 for further information.

Assets and Gross Revenue by Line of Business

Years ended September 30 (1)	2004	2003	2002
	$M	$M	$M