

When people are inspired ...



Corporate Responsibility Report 2005



From left to right (back): Andrew Baines, Head of Small Business Operations, Corporate Banking; Konstantin Georgiev, ANZ Customer, Elsternwick Branch; Caroline Gowan, Analyst, Group Strategic Development; Rosie Brown, Corporate Relations Manager, Comic Relief; Gautam Banerjee, Program Executive, Operations and Transformation, Personal Banking; Hong Taing, Graduate Trainee, People Capital and Breakout; Linda Volpe, Account Manager, Stream Solutions. Front: Veilawa Rereiwasiwa, Manager Projects, Projects and Governance; Huyen Le Thi, Manager Operations MIS, Asia Pacific.

... they put their customers first, create value for shareholders, lead and inspire each other and earn the trust of the community.



From left to right (back): Brendan Wagner, Manager, Elsternwick Branch; Vanessa Cook, Personal Banker, Elsternwick Branch; Sandie de Wolf, Chief Executive Officer, Berry Street Victoria; Glen Terry, Regional Manager, Port Phillip Region, Greening Australia; Neil Shields, Executive Director, Habitat for Humanity Victoria. Front: Habitat for Humanity program recipients, Aranka Buza and her three daughters: Melanie and Shannon (seated) and Kayla (far right); Alan Wright, Coordinator National Volunteer Program, World Vision.

ANZ is one of the largest companies in Australia and New Zealand and a major international banking and financial services group. The company's assets total \$293 billion. We have approximately six million customers in Australia and New Zealand, and more than 30,000 employees globally. We are also represented throughout Asia, the Pacific, the United Kingdom, Europe and the United States.

About this report

This is ANZ's first Corporate Responsibility Report. It covers activities and outcomes from our reporting year to 30 September 2005 and, unless otherwise stated, refers to our Australian banking operations.

The acquisition and integration of The National Bank of New Zealand is relatively recent, so we have yet to incorporate our New Zealand Division into our overall corporate responsibility management and reporting systems. We will include New Zealand in our 2006 Corporate Responsibility Report and other geographic and operational areas, particularly our Asia Pacific division, progressively thereafter.

The Global Reporting Initiative (GRI) 2002 has been used as a guide in the preparation of this report, and KPMG has provided an external assurance statement on key performance indicators used in the report. In addition, The Corporate Citizenship Company has provided an assurance statement and commentary based on AA1000AS. More detailed information about specific activities and GRI indicators is available at www.anz.com/cr.

03	Message from the Chairman
04	Message from the CEO
06	Our Performance
12	Corporate Governance
16	Putting Our Customers First
22	Creating Value for Our Shareholders
26	Leading and Inspiring Our People
34	Earning Community Trust
44	Key Indicators
45	Assurance Reports
48	Recognition



Message from the Chairman

There is a debate in our community as to whether a company's objective should be solely to create shareholder value or to serve a number of stakeholders including shareholders, staff, customers and the community.

We consider that we can reconcile these two views and retain the primary objective of creating shareholder value by introducing the concept of sustained shareholder returns.

In our view the growth in shareholder returns can only be sustained if we have the support and respect of our employees, customers and the community. They expect us to be a good corporate citizen and that is our aim.

It means we conduct our operations with high standards for personal behaviour and ethics, employee engagement, customer service and consideration for the community and the environment. We set goals against which to measure ourselves and we track our performance.

These matters are an important focus for the Board. We have this year ensured they are formally acknowledged in our Board Charter and Directors' Code of Conduct and we have given responsibility for their oversight to our Nominations, Governance and Corporate Responsibility Committee. At the management level, we have formed a Corporate Responsibility Council to inform and steer the detailed work.

We believe we should focus our efforts on issues directly relevant to a financial institution and where we can make the greatest contribution to sustainable social and economic development.

We have made considerable progress in some areas such as the growth in shareholder returns, employee engagement, serving our customers and earning community trust.

We are now putting increased emphasis on programs involving the safety of our employees, our impact on the environment, and how environmental considerations can be incorporated in our lending policies.

We started on this journey several years ago. How we have progressed is set out in this our first Corporate Responsibility Report.

CHARLES GOODE
CHAIRMAN



Message from the CEO

A community working with other communities

A company must be more than its people, its products and its capital. Companies are not 'islands' that exist separately from the communities within which they operate. Successful companies understand and engage with their customers, their staff and their communities.

A broader focus on our responsibilities to these communities is consistent with achieving sustainable long-term results for shareholders as it requires directors and management to focus on the right things for the long run.

Our approach to each of our communities is captured in the five values we articulated several years ago and which form the structure of this, our first full Corporate Responsibility Report. Since then, there is much we have achieved and of which we are proud:

- We've introduced products and services that are recognised by customers and consumer organisations as best in class for their simplicity, transparent costs and responsiveness to consumer needs.
- We have delivered 141% Total Shareholder Return (TSR) over the past five years and 33% in the past year.
- We're especially proud of our relationships with our people, who invest themselves

and their careers with us. They innovate and produce results and in return we provide them with development and opportunities. Our staff engagement is the highest among all major companies in Australia and we are creating a high-performing and values-led culture.

In 2005, staff rated our most evident values as 'customer focus' and 'community involvement'. Five years ago, these were 'cost reduction' and 'profit'.

- We've sought to earn the trust of the community and demonstrate the social benefits that can be achieved when businesses work in partnership with local communities and community organisations.
- We're implementing our Environment Charter by embedding environmental commitments in our business decisions, practices and behaviours, particularly in our lending, operations and procurement activities. We know, however, that we have more to do to establish robust systems to enhance our environmental performance.



Our Aspiration

To be the bank with a human face

Our Values

- Put our customers first
- Perform and grow to create value for our shareholders
- Lead and inspire each other
- Earn the trust of the community
- Breakout, be bold and have the courage to be different

We have represented our value – ‘Breakout, be bold and have the courage to be different’ – through case studies and comments from our people which are featured throughout this report. Here, they describe in their own words some of the issues and opportunities we face, and how we can address these to achieve both business and social prosperity in the years to come.

Expanding our commitments

The challenge for us now is to sharpen and expand our commitments and to improve the transparency of our targets and our performance against them.

Sometimes this may mean a return to more traditional approaches, such as our decision to open more branches to increase our face-to-face interactions with customers. Other times it will require us to develop entirely new strategies, either on our own or through partnerships.

This report aims to demonstrate our approach to sustainable development:

how we use our expertise in financial services, our corporate resources and the talents of our people to make a significant and lasting difference to our communities.

It reflects our belief that a company is a community that is interdependent with other communities. We are determined that ANZ will be a role model for how successful modern corporations work with and behave towards their customers, people and the communities in which they operate.

To this end, we thank you – our communities. I welcome any feedback on this report and how we can work better together in the coming years.

JOHN MCFARLANE
CHIEF EXECUTIVE OFFICER

Our Performance

Achievements and work-in-progress

ANZ's approach to corporate responsibility is embodied in the values we established several years ago and which guide our actions and decisions today.

Here we describe our major achievements in living these values in 2005 and the key challenges ahead.

The case studies and comments from our people throughout the report represent our value – 'Breakout be bold and have the courage to be different'. While our 2005 reporting focuses primarily on our Australian banking operations, these case studies highlight some major achievements in our New Zealand, Asia and Pacific businesses.

Putting Our Customers First

- **Customer satisfaction:** Our customer satisfaction remained the highest of the top four major Australian banks at 76.5%*, a three percentage point improvement on 2004, according to independent studies conducted by Roy Morgan Research.
- **Customer Charter:** Following feedback from our stakeholders, we released an updated version of our Customer Charter. The Charter sets out our service promises, including commitments to provide convenient, simple and responsible products, services and customer communication for our personal banking, small business and Esanda customers.
- **Accessibility:** We improved the accessibility of our services by opening our call centre 24 hours a day, seven days a week, adding more than 300 new Automatic Teller Machines (ATMs) throughout Australia and opening 15 new branches in communities such as Wyndham Village in Victoria; Clarkson in Western Australia; Cairns Central in Queensland; and Tahmoor in New South Wales.

Leading and Inspiring Our People

- **Employee engagement:** ANZ has the highest level of employee engagement (63%) among large employers and all major banks in Australia and New Zealand that participate in the globally recognised Hewitt Best Employers survey. Our survey result is nine percentage points above the financial services benchmark.
- **Cultural transformation:** Over the past five years, 21,000 staff have experienced our Breakout cultural transformation workshops including 3,078 people this year. A 'Values Assessment' has been conducted each year since the program began. In 2002, our people cited 'cost reduction' and 'profit' as the top two values most evident in our culture. Today they are 'customer focus' and 'community involvement'.
- **Recruitment:** We have added over 1,100 mostly customer-facing roles in the past 12 months to support our agenda for growth and enhance our customer service.

Creating Value for Our Shareholders

- **Financial performance:** We delivered a record profit of \$3,018 million for the year ended 30 September 2005, up 7.2% on the previous year. Cash earnings per share (excluding non-core items) were 175.2 cents, up 8.8%.
- **Environment Charter:** We upgraded our Environment Charter to include a specific focus on understanding and assessing the environmental and social risks and opportunities in our lending activities; reducing the impact of our operations and those of our supply chain on the environment; and developing new products and services that help our customers improve their environmental performance.
- **Risks in lending:** ANZ has developed a new screening model to assess the potential environmental and social impacts of an individual transaction, a specific client or an entire portfolio/industry. This model enables us to more consistently identify key risk exposures, such as land contamination, through the credit review process. We have commenced the implementation of the model, with 25% of all Institutional Division transactions and 100% of the Corporate Division portfolio being screened this year. As a result, we specify conditions for financing approval to ensure our clients are able to reduce or mitigate the identified risks.

Earning Community Trust

- **Volunteering:** 18% of Australian staff contributed more than 24,000 hours as part of our ANZ Volunteers program, which provides employees with eight hours leave each year to complete volunteering activities of their choice. ANZ's program is among the leaders globally – the average corporate volunteering participation rate is 8.5%.**
- **Community Giving:** 28% of our Australian staff donated money to 18 community partners through our Community Giving program where ANZ matches staff contributions dollar-for-dollar up to \$1,000 per person. This was achieved principally through staff donations to Tsunami relief efforts, where ANZ and its people donated \$1 million to support the work of World Vision.
- **Saver Plus:** Through our Saver Plus financial literacy and matched savings program we assisted more than 700 low-income families to develop a long-term savings habit, improve their financial knowledge and save for their children's education. As part of the program, ANZ provided funds to match more than \$800,000 saved by participants.

Future Challenges

Areas requiring specific focus in the coming year include:

- **Environmental Management System (EMS):** We are implementing our upgraded EMS to improve our ability to identify, measure, enhance and report our environmental performance.
- **Risks in lending:** Having established the new screening model to assess potential environmental and social impacts in our lending activities, we are now focused on training our people to implement the model across our Institutional and Corporate divisions.
- **Supply chain standards:** We have developed a Sustainable Procurement Policy to be introduced into new and existing supplier contracts in 2006. The policy will guide the selection and evaluation of suppliers on the basis of environmental and social indicators consistent with ANZ's Environment Charter, including labour, health and safety standards and environmental impact.
- **Occupational health and safety:** Having developed an enhanced health, safety and wellbeing strategy in 2005, our next step is to successfully introduce our new health and safety system across ANZ.
- **Females in executive positions:** The percentage of females in executive positions increased from 17.5% in 2004 to 18.8%. However we did not meet our target to have females in 20% of executive positions by the end of 2005. We are continuing our focus on achieving this target through our mentoring programs for women; having at least one female on shortlists for all management and executive roles; by ensuring there is a woman on recruitment panels where possible; and by hiring an equal intake of males and females in our graduate program.
- **Human rights:** ANZ is currently assessing opportunities to make a formal commitment to external human rights instruments and to enhance our existing policies and practices, which already address human rights issues relevant to our core markets of Australia and New Zealand.

* Preliminary results for September 05.

** Figures based on volunteering participation rates from members of the London Benchmarking Group (LBG) for corporate community investment programs. The highest participation rate from LBG members was 53% and the lowest was 0.3%.

Performance Summary

The following pages contain a self-assessment of how we performed on our key corporate responsibility goals for 2005. These are described in full on our website. Green describes activities that are on track or complete. Amber represents targets which were not met, but where progress has been made. Black represents targets that were not met and where no progress was made.

2005 Goals	Performance	Assessment
<p style="text-align: right;"> ■ No progress ■ Progressing ■ Completed </p>		
<h3>Customers</h3>		
<p>Match the regional and community banks' satisfaction scores of 80% or more.</p>	<p>We achieved customer satisfaction of 76.5%*, improving our performance by three percentage points. However we are yet to match the performance of regional banks, which average 79.7% customer satisfaction. Source: Roy Morgan Research.</p> <p>* Preliminary results for September 05.</p>	■
<p>Expand our branch representation in Australia.</p>	<p>We've opened 15 new branches in communities around Australia, as part of our ongoing branch expansion program. Locations include Wyndham Village in Victoria, Clarkson in Western Australia, Cairns Central in Queensland and Tahmoor in New South Wales. Over the next three years we'll expand the branch network by almost 10% or around 65 branches.</p>	■
<p>Improve performance on our Customer Charter, and conduct a review of the Charter to ensure our basic service standards are consistent with customer and community expectations.</p>	<p>This year we exceeded our performance standard on every promise in the Charter except our commitment to answer standard home loan applications within two working days. We identified 5,296 cases where our answer was unacceptably delayed, resulting in a total of \$52,960 in account keeping fees being refunded to our clients. Following extensive consultation with our customers, employees, government, regulators and community organisations – and in response to the findings of our 2005 research into adult financial literacy and personal debt – we have redeveloped the Charter with promises that focus on convenient, simple and responsible products, services and customer communication.</p>	■
<p>Introduce initiatives, tools and systems that make ANZ 'easier to do business with' for our customers, and for non-customers interested in switching banks.</p>	<p>We've added more than 300 ATMs throughout Australia and over 1,100 mostly customer-facing roles over the past 12 months to support our agenda for growth. Our call centre is now open 24 hours a day, seven days a week.</p>	■
<p>Address the findings from the extensive review of our lending practices, including increased specialist resources to implement changes and embed new processes.</p>	<p>An environmental and social screening of clients, transactions and portfolios has been incorporated into the lending practices of our Institutional and Corporate banking activities. This allows our potential exposures to activities with significant environmental and social impact to be more explicitly identified and taken into account in the financing approval process.</p>	■

2005 Goals	Performance	Assessment
People <div style="text-align: right;"> ■ No progress ■ Progressing ■ Completed </div>		
<p>Achieve at least 20% female representation at the executive level by the end of 2005 and a 50/50 split in graduate hiring.</p>	<p>The percentage of women in executive positions increased to 18.8% in 2005 from 17.5% in 2004. We did not achieve our target to have females in 20% of executive positions by the end of 2005. Of our 190 graduates recruited in 2005, 44% were female.</p>	■
<p>Review ANZ's Disability Action Plan by September 2005.</p>	<p>ANZ commenced a review of its Disability Action Plan in late 2004 and following an external assessment of progress in May this year it was agreed that the plan be reviewed in its entirety. A first draft of the revised plan, incorporating input from internal and external stakeholders, will be completed in December 2005.</p>	■
<p>Introduce improved rewards and remuneration structure for managers to provide clearer links with performance and demonstration of ANZ's values.</p>	<p>ANZ revised and simplified its remuneration structure for all managers in October 2004. This provided a balance between assessment of an individual's short and long-term performance, and a clearer link between rewards, performance and demonstration of ANZ's values.</p>	■
<p>Become a 'Best Employer' in the globally recognised Hewitt Employee Engagement study by 2006.</p>	<p>This year we had the highest level of employee engagement among large employers in Australia and New Zealand, and among all major banks in the globally recognised Hewitt Best Employer survey. Employee engagement increased from 60% in 2004 to 63%, demonstrating consistent improvement in staff satisfaction and engagement since 1999. Our score places us in Hewitt's 'Best Employer' zone.</p>	■
<p>Train an additional 5,000 ANZ people through our Breakout cultural transformation workshops.</p>	<p>A further 3,078 ANZ staff participated in our Breakout foundation workshops, some 800 frontline staff participated in Breakout to the Frontline and 120 staff participated in Breakout Recharge, which focuses on re-energising teams and individuals, employee wellbeing, growth and innovation.</p>	■
<p>Revise and launch ANZ's health and safety strategy, to build a mindset and culture of 'zero harm', through a Group-wide focus on health and safety awareness, accountability and behaviour.</p>	<p>ANZ's health and safety strategy was revised and launched in 2005. This includes the development of a new Health, Safety and Security Management System. In addition to programs and training to increase awareness of health, safety, security and wellbeing implemented in 2005, ANZ continued its facilities improvement programs, including branch refurbishment and upgrades.</p>	■
<p>Move beyond a compliance-based system of health and safety, and introduce programs to promote a sense of physical and psychological wellbeing for all staff.</p>	<p>We introduced a range of programs promoting the physical, psychological and emotional wellbeing of our people. 1,370 staff took up the offer of free health checks through our 'My HealthCheck' program. 4,148 employees registered for our online health information service. We funded more than 200 teams to participate in the Global Corporate Challenge, a program promoting physical fitness in the workplace, and more than 5,000 staff attended our 'financial fitness' sessions held around Australia during the 2005 calendar year.</p>	■

Performance Summary

2005 Goals	Performance	Assessment
<p>Community</p> <p style="text-align: right;"> ■ No progress ■ Progressing ■ Completed </p>		
<p>Support 500 families to improve their financial knowledge, build a long-term savings habit and save for their children's education through our Saver Plus program.</p>	<p>Through our Saver Plus program, ANZ and its community partners the Brotherhood of St Laurence, Berry Street Victoria, The Benevolent Society and The Smith Family, have assisted more than 700 low-income families to develop a long-term savings habit, improve their financial knowledge and save for their children's education. As part of the program, ANZ provided funds to match more than \$800,000 saved by participants.</p>	■
<p>Provide MoneyMinded facilitator training to 250 financial counsellors and community educators to deliver MoneyMinded workshops to 10,000 people in 2005.</p>	<p>More than 400 financial counsellors and community educators have been trained to deliver our MoneyMinded financial education program around Australia with 3,500 people attending the workshops. This has been achieved through partnerships with community organisations such as the Brotherhood of St Laurence, Berry Street Victoria, The Smith Family, The Benevolent Society, Mission Australia (WA), Anglicare (SA), Kildonan Child and Family Services (Vic) and the Australian Financial Counselling and Credit Reform Association.</p>	■
<p>Develop an easy access small loans program to meet the needs of people on low incomes who are currently using 'payday' lenders and other fringe credit providers.</p>	<p>The loans program structure has been developed and we plan to introduce it once we have tested the product to ensure it is robust and sustainable.</p>	■
<p>Deliver on our commitment to undertake research into Australian financial literacy levels every two years, with the second round of findings to be released mid-August 2005.</p>	<p>ANZ released its second national survey into Adult Financial Literacy in Australia on 25 November 2005. We extended the deadline to enable us to complete and release additional research into personal debt and financial difficulty.</p>	■
<p>Achieve a 10% participation rate of employees contributing to ANZ's Community Giving initiative.</p>	<p>28% of our Australian staff donated money to 18 community partners through our Community Giving program. The high participation rate was principally achieved through staff donations to the Tsunami relief efforts to support the work of World Vision. Our total contribution via Community Giving was \$1.1 million.</p>	■
<p>Achieve a target of 20,000 hours donated to Australian not-for-profit organisations through our ANZ Volunteers program.</p>	<p>This year 3,675 or 18% of Australian staff contributed more than 24,000 hours as part of our ANZ Volunteers program. ANZ's program is among the global leaders. The average corporate volunteering participation rate is 8.5%.*</p> <p><small>* Figures based on volunteering participation rates from members of the London Benchmarking Group (LBG) for corporate community investment programs. The highest participation rate from LBG members was 53% and the lowest was 0.3%.</small></p>	■
<p>Provide more than \$350,000 to local communities through the ANZ Community Fund in the 2005 financial year.</p>	<p>We achieved our target to contribute \$350,000, with our branches providing financial support for over 185 local community projects across Australia.</p>	■
<p>Provide more than \$350,000 in small grants to rural communities, in partnership with the Foundation for Rural and Regional Renewal, through the Seeds of Renewal program in 2005.</p>	<p>ANZ and the Foundation for Rural and Regional Renewal provided 93 grants totalling \$358,000 to small rural communities throughout Australia.</p>	■

2005 Goals	Performance	Assessment
<p style="text-align: right;"> ■ No progress ■ Progressing ■ Completed </p>		
<p>Environment</p>		
<p>Finalise the implementation of the environmental and social risk and opportunity assessment process for our Corporate and Institutional divisions.</p>	<p>ANZ has developed a new screening model to identify key risk exposures in our Institutional and Corporate divisions, such as land contamination. We aim to address these risks by specifying conditions for financing approval and ensuring our clients are able to reduce or mitigate the identified risks. We have commenced the implementation of the model, with 25% of all Institutional Division transactions and 100% of the Corporate Division portfolio being screened, with full implementation expected to be complete in 2006.</p>	■
<p>Continue to develop product and service offerings that assist our customers to improve their environmental performance.</p>	<p>A pilot to assess retail customer appetite for a 'green' mortgage offering has been undertaken in association with the environmental organisation, easybeinggreen. ANZ Markets has established a transactional capability for Renewable Energy Certificates and is transacting Gas Abatement Certificates. ANZ has joined the BP Solar consortia and submitted expressions of interest to the Australian Government's Solar Cities Program (a Government initiative to encourage use of solar energy alternatives in urban areas across Australia).</p>	■
<p>Implement an Environmental Management System (EMS) consistent with ISO14001 to identify, measure and track our environmental performance.</p>	<p>We did not fully implement an EMS this year as we expanded the scope of work required to establish an effective and robust system covering all elements of our operations. We have developed the framework, processes and procedures, consistent with the format and structure of ISO14001, and will complete implementation of the EMS in 2006.</p>	■
<p>Reduce electricity consumption by 10% compared to 2003.</p>	<p>While our initial target set in 2002 was to reduce electricity consumption by 10% over three years, we did not at the time have a comprehensive EMS to ensure data accuracy. The 2003/2004 data for electricity consumption has since been tested by KPMG and now forms the baseline year for our performance reporting.</p> <p>In 2004/2005 ANZ used an estimated 130,000 MWH of electricity, compared to 127,112 MWH in 2003/2004. At the time of printing, our 2004/2005 data was an estimate only – based on raw data and forecasted estimates. Fully tested electricity data and details of our performance against our 2005 target will be published on www.anz.com/cr/environment by January 2006. We have added 15 new branches, 300 ATMS and over 1,100 staff this year, which may have contributed to our constant level of electricity consumption.</p>	■
<p>Reduce office paper consumption by 5% compared to 2004.</p>	<p>Office copy paper consumption has reduced by 4% net or 7% per full-time equivalent employee in the past 12 months. Our people participated in our company-wide 'Great Paper Chase' promotion to support this objective and reduce paper use across ANZ.</p>	■
<p>Increase recycling and reduce waste to landfill by more than 10% compared to 2004.</p>	<p>While we recycled 1,329 tonnes of paper waste in 2005, we have not reached our waste management targets. A key focus in 2006 will be to expand the collection of waste data across Australia to establish a baseline for future analysis and reporting and to improve our performance. This will include the implementation of dedicated bins for recyclable and general waste across all ANZ sites.</p>	■
<p>Enhance our existing procurement policies and practices to address social and environmental risks and opportunities in our supply chain.</p>	<p>Our new Sustainable Procurement Policy was developed this year, in consultation with suppliers and non-government organisations. The implementation of this policy will involve collaboration with key suppliers to identify opportunities to minimise the environmental and social impact of our procurement activities.</p>	■

Pictured – David Meiklejohn, David Gonski AO, Charles Goode AC and Dr Gregory Clark, Nominations, Governance & Corporate Responsibility Committee.



Corporate Governance

The ANZ Board Charter requires Directors to act in a manner to create and continue to build sustainable value for shareholders; and in accordance with their duties and obligations under the ANZ Constitution and the law.

This year the Charter was amended to explicitly state that in performing their duties, Directors should recognise ANZ's corporate responsibility objectives and the importance of ANZ's relationships with all its stakeholders including the communities and environments in which the company operates. These amendments have been reflected in ANZ's Directors' Code of Conduct.

We also expanded the role of the Board's Nominations and Corporate Governance Committee to include Corporate Responsibility, reflecting the increased focus the Board is seeking on relevant objectives, programs and outcomes.

The Nominations, Governance and Corporate Responsibility Committee is responsible for reviewing ANZ's approach to, and strategies for, ensuring corporate responsibility remains an important focus and is integrated into overall business performance.

At a management level, the Corporate Responsibility Council has an oversight and advisory role. The Council is made up of senior executives from our business, operational areas and corporate centre. These leaders work across the group and also within their businesses to advise on and encourage participation in our corporate responsibility agenda.

Additional senior appointments to direct and drive specific components of our corporate responsibility agenda include:

- Fiona Krautil – the former Director of the Federal Government's Equal Opportunity for Women in the Workplace Agency (1999–2004) as our Head of Advancement of Diversity and Women.
- Gavin Murray – the former International Finance Corporation Director of Environment and Social Development as our Director of Institutional and Corporate Sustainability.
- Judy Smith – the former Manager of Telstra's Telstracare as our Practice Leader, Health and Safety.

This year we also revised the performance assessment criteria for our Management Board and top 800 managers to include a balanced scorecard of financial as well as non-financial measures including objectives relating to staff, customers, community and the environment.

ANZ strives to achieve best practice in corporate governance by taking into account the principles and guidelines set out by the Australian Stock Exchange Corporate Governance Council, the New Zealand Securities Commission and the Combined Code of the United Kingdom.

ANZ shares and related securities are listed on the Australian, New Zealand and the New York stock exchanges. ANZ must comply with listing requirements in Australia and New Zealand as well as the US Sarbanes-Oxley Act of 2002, the US Securities and Exchange Commission rules and the New York Stock Exchange Listing company requirements.

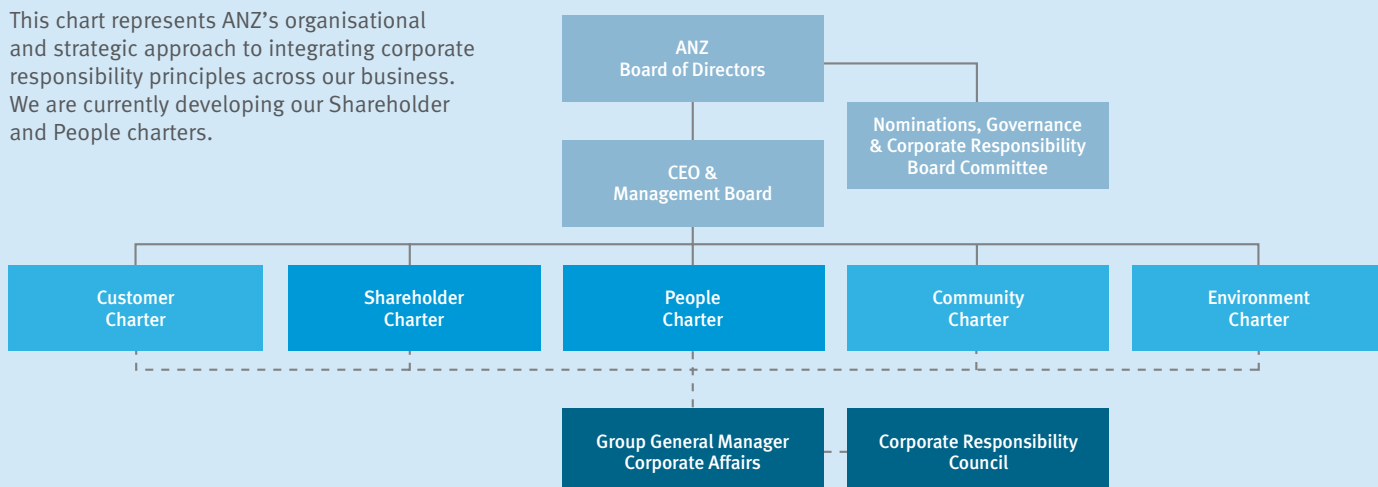


As we increase in size, we must ensure we do not lose sight of our core values, our rigorous approach to risk management and the importance of our focus on people and our unique culture.

Inspire ANZ – Stephanie Chenoweth, Group Strategic Development.

ANZ's organisational and strategic approach to corporate responsibility

This chart represents ANZ's organisational and strategic approach to integrating corporate responsibility principles across our business. We are currently developing our Shareholder and People charters.



Charters

Our Customer, Community and Environment Charters describe our approach to corporate responsibility and the way we behave towards our stakeholders. Each of these Charters was upgraded in 2005. We continue to work with our stakeholders to develop our Shareholder and People Charters.

Codes of conduct

Three codes of conduct guide our everyday business practice and decision-making:

- **ANZ Directors' Code of Conduct** guides directors in pursuing the highest ethical standards in the interests of shareholders

and all other stakeholders including our people, customers and the communities and environments in which ANZ operates.

- **ANZ Employee Code of Conduct** sets out the ethical standards and principles to guide the conduct of all ANZ people. An important aim of the Code is to create an environment where our people can excel regardless of race, religion, age, disability or gender.
- **ANZ Code of Conduct for Financial Officers** guides the Chief Financial Officer and financial staff in their everyday dealings and decisions.

Policies

We have Group-wide policies including those covering anti-discrimination, corruption and bribery, confidentiality of information, prevention of money laundering and terrorist financing, insider trading, employee indemnity, market disclosure, privacy, operational risk, public policy advocacy and political donations, our relationship with external auditors, health and safety and whistleblowing.

This governance framework is supported by a strong focus on compliance – including six-monthly auditing of business and functional areas.

Congruence

We engage with our stakeholders on matters that are aligned with our agenda, priorities and the issues associated with our business.

Consultative

We consult widely to achieve the best outcome through consideration of a diverse range of perspectives and experiences.

Collaborative

We aim to establish deep partnerships with organisations with which we can develop a shared vision. We balance the competing needs and interests of all stakeholders in the actions we take and decisions we make every day.

Working with our stakeholders

Our relationships with our stakeholders – our customers, employees, shareholders and the community – are at the heart of our business.

Over recent years these relationships have advanced beyond information delivery and occasional organised forums, to ongoing dialogue and, in some cases, multi-layered partnerships.

The principles that guide the way we work with our stakeholders are described above.

Stakeholder insights and feedback have informed many of our most successful business strategies. For example:

- **Our Customer Charter** includes a commitment not to leave rural communities and to provide simple, convenient and responsible products and services. It was developed, and enhanced again this year, following extensive research and consultation with our customers, staff, consumer advocate groups and regulators.
- **Our workplace strategies** are shaped by the ideas and views of our people. We conduct an annual employee engagement survey followed by focus groups to better understand the issues and opportunities we must address to make ANZ an employer of choice.
- **Our Community Charter** recognises we have a leadership role to play in improving financial literacy and inclusion in Australia. This approach was developed in response to feedback from our staff, government, regulators, community and consumer groups regarding issues such as low levels of savings, unsustainable levels of personal debt affecting some consumers, financial stress and the personal stress this can create.
- **Our Environment Charter** was developed and launched this year following broad consultation with our people and a range of environmental and community groups. The Charter focuses on understanding and assessing the environmental and social

risks and opportunities in our lending activities; reducing the impact of our operations and those of our supply chain on the environment; and developing new products and services to help our customers improve their environmental performance.

Participating in the political and public policy-making process

ANZ is an active participant in the political and public policy-making process. We seek to constructively shape our operating environment by understanding the perspectives of our community's elected representatives, policy makers and regulators.

Our participation is multi-layered. At the leadership level, our CEO formally meets twice yearly with political, policy-making and regulatory leaders. At the policy development level, ANZ is engaged with our regulators and Federal, State and Territory Governments. This engagement takes a number of forms including:

- participation in Government advisory bodies such as our CEO's membership of the Australian Government's Financial Literacy Foundation, Business Regulation Advisory Group and Foreign Affairs Council;
- regular, issue specific discussion with elected representatives, policy makers and regulators;
- research based submissions on business, economic, social and environmental issues. This year, this included submissions and supporting dialogue with:
 - Senate Economics Committee Inquiry into the links between Australia's current account deficit, the demand for imported goods and household debt.
 - Parliamentary Joint Committee on Corporations and Financial Services Inquiry into Corporate Responsibility
 - Corporations and Markets Advisory Committee Review of Directors' Duties and Corporate Social Responsibility
 - Consultation on the National Indigenous Consumer Protection Strategy

- House of Representatives Committee on Aboriginal and Torres Strait Islander Affairs Inquiry into Indigenous Employment Programs
- House of Representatives Standing Committee on Family and Human Services Inquiry into Balancing Work and Family Life

Key memberships include the Australian Bankers' Association, the Business Council of Australia, and the United Nations Environment Program Finance Initiative.

Political donations

ANZ makes political donations each year to support the democratic process of parliamentary government in Australia. In 2005, we donated \$100,000 to the Liberal Party of Australia and \$50,000 to the Australian Labor Party. ANZ's political donations are also publicly disclosed each year in our annual report.

Controversial sectors and issues

During the year, a number of customers and other stakeholders raised some environmental and/or social concerns regarding ANZ's involvement with the following sectors or issues:

- Forestry
- Hydropower and large dams
- Wind farms and coastal development
- Energy exports such as coal to Asia
- Coal-fired power generation
- Project finance standards
- Trade finance due diligence
- Occupational health liabilities

ANZ responded to their specific concerns. In some cases, this involved raising these concerns directly with the clients involved, reviewing the extent of ANZ's exposure to specific sectors or issues and continuing to discuss ANZ's role in addressing their specific concerns. Overall, the feedback was used to better understand the social and environmental risks and opportunities facing individual sectors, issues and

Creative

We create innovative programs, initiatives and responses designed to make a significant and lasting difference. We aim to be bold and have the courage to be different.

Communicate

We value dialogue and open, honest and ongoing communication with all stakeholders. We lead with action and share our approach and outcomes widely.

Commitment

We are committed and persistent in our efforts to achieve a common understanding and real outcomes on challenging issues and opportunities.

clients and to enhance our ability to work with our clients on these issues.

Robust risk management

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

ANZ Board

- Risk Management 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



Senior Management

- Credit & 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 strategy



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

We have a Group-wide crisis management plan that is tested every 18 months by four crisis management teams and our approach is reviewed and assessed by external experts. Each business unit also has a business continuity plan, which is reviewed and updated every six months.

Lending Risk

Our Institutional and Corporate divisions have upgraded our evaluation of our clients' environmental and social impacts. This broader focus has involved:

- Increasing engagement with our clients to ensure they are able to minimise or mitigate environmental and social risks and to identify any financial constraints to improving their ongoing environmental and social performance.
- Implementing an environmental and social issues 'screen' of clients, transactions and portfolios across ANZ's Institutional and Corporate divisions. This model enables us to more consistently identify key risk

exposures, such as land contamination, through the credit review process. We have commenced the implementation of the model, with 25% of all Institutional transactions and the entire Corporate Division portfolio being screened. As a result, we specify conditions for financing approval to ensure our clients are able to reduce or mitigate the identified risks.

- Updating ANZ's lending policies, guidelines and procedures, and our staff training, to ensure we effectively assess the environmental and social issues in decision-making processes within the Institutional and Corporate divisions.

Reputation Risk

We have also developed a Reputation Risk Framework to provide staff with guidance on issues that have the potential to affect our standing with our staff and in the community. This framework identifies areas of reputation risk and provides a forum to address concerns or escalate issues.

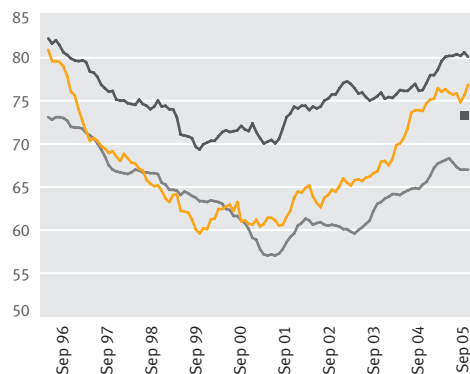


See anz.com to find out more about our:

- Corporate Governance > www.anz.com/corporategovernance
- Charters, Codes of Conduct, Policies > www.anz.com/corporategovernance
- Stakeholder engagement framework > www.anz.com/cr/approach

Putting Our Customers First

“ In many ways we need to keep doing exactly what we are doing – realising that evolution as a business must match the evolution of our society, which in turn shapes the needs, wants and habits of our staff, customers and shareholders. We need to strike a balance of doing things for the short to medium term and taking some risks for the long-term. Building relationships now that will bear fruit in the future. Inspire ANZ – Karl Langkau, Consumer Finance.



Customer satisfaction* with main financial institution in Australia

■ ANZ
■ Peer banks
■ Regional banks
■ Closest major peer

*% Satisfied (very or fairly satisfied, six-monthly moving average)
 Source: Roy Morgan Research – Main Financial Institution Satisfaction.

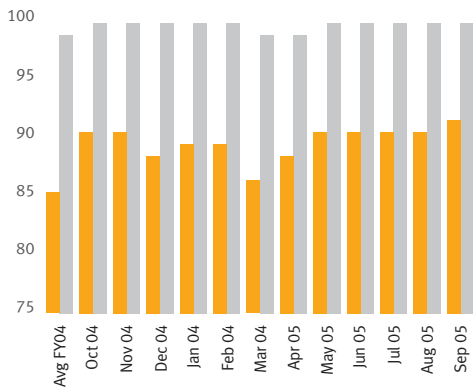
Putting customers first is one of the five values that guide our actions and decisions. However, we know this commitment has to be more than words. To us it means being friendly and welcoming, making banking as simple, easy and accessible as possible, and providing leading trusted and responsible financial advice, products and services.

Delivering on these commitments consistently is challenging and we do not always get it right. We know we can't succeed unless we continue to develop a thorough appreciation of the needs and interests of our customers, acknowledge and fix our mistakes as soon as they occur and have the right people in our business to take care of our customers.

Our customers have recognised these efforts, with our customer satisfaction increasing by three percentage points in the past year. ANZ now has the most satisfied retail and corporate and small business banking customers of all major banks in Australia, according to independent research conducted by Roy Morgan Research and the TNS Business Finance Monitor respectively. We were also recognised as Bank of the Year for the sixth year in a row by independent research group, Cannex.



Pictured – Branch Managers, Leisa Logan, Forest Hill and Daniel Leong, Donvale.



Average queue service standards in Australian branches*

■ % of customers served in 5 minutes in Q-matic branches
 ■ % of customers served in 10 minutes in Q-matic branches

*These figures are based on ANZ branches which use the Q-matic system. This system allows us to identify how long customers wait to be served and provides us with the ability to react in real time. In 2005 we installed a further 35 Q-matic systems in selected branches, increasing our total to 134.

ANZ branch representation

	2004	2005
Queensland	145	149
NSW and ACT	211	217
Victoria and Tasmania	231	232
South Australia and Northern Territory	82	84
Western Australia	72	74
Total	741	756

Delivering service promises

Our ‘customer first’ approach is embodied in ANZ’s Customer Charter which covers our Personal, Small Business and Esanda customers. The Charter was first developed in 2001 in response to stakeholder feedback, and includes commitments to provide simple, fast account opening; quick, convenient branch banking; to ensure privacy of customer information; and the swift resolution of complaints.

Our performance against these commitments is monitored monthly and independently audited and reported upon annually. This year, we exceeded our performance standard on every promise in the Charter except our commitment to answer standard home loan applications within two working days. We identified 5,296 cases where our answer was unacceptably delayed, resulting in a total of \$52,960 in account keeping fees being refunded to our clients.

Following extensive consultation and, in response to the findings of our 2005 research into adult financial literacy, we have redeveloped and relaunched the Charter. The updated promises focus on convenient, simple and responsible products – particularly credit cards – services and customer communication.

Providing more convenient banking

Our customers have told us that time is one of their most precious commodities, so we have implemented a number of initiatives to ensure we make banking as convenient as possible for them:

- We have opened 15 new branches in communities around Australia. Locations include Wyndham Village in Victoria; Clarkson in Western Australia; Cairns Central in Queensland and Tahmoor in New South Wales.
- We have added more than 300 ATMs throughout Australia with plans for at least a further 200 in the next 12 months.
- 176 branches opened for extended hours over Easter; and 230 for the Christmas holiday period.
- Our Australian Call Centre is now open 24 hours a day, seven days a week. It has again been recognised for excellence in customer service, winning the Outstanding Service category in the International Customer Service Professionals (ICSP) 2005 Awards.
- We’ve kept our 1998 promise not to leave any community in rural and regional Australia.

Pictured – Customer Dino di Bella and Andrea Gosstray, Shepparton Branch.



Simplifying our product range

Our commitment to improving financial literacy and inclusion must extend to providing a range of simple, accessible mainstream banking products for a variety of different customers.

Three years ago we streamlined our Access transaction accounts in response to customer feedback that our product range was too complex. Today, Access Advantage – an ‘all you can eat’ account providing an unlimited number of ANZ transactions for \$5 per month; and Access Select – a ‘pay as you go’ account with no monthly fee and up to six free ANZ transactions per month; are award winning accounts and have been recognised by independent financial services research company, Cannex with five-star ratings.

Our Community Banking package provides concessions including no monthly account fees and unlimited free transactions to seniors, students, young people, disabled people and benefit recipients.

While we have made good progress, a recent third-party review revealed that we have more work to do to simplify our core products, services and customer communication, and ensure these are marketed responsibly.

Responsible products and services

We aim to market our products and services responsibly and in a way that allows the costs and benefits to be clearly understood by our customers.

Our underlying principle is to lend only to customers who have the ability to service and repay a loan. We have a range of policies to determine a customer’s

credit worthiness and ability to make repayments. This includes assessment calculations to ensure customers will be able to repay a loan not only at today’s interest rate, but also in the event of an interest rate rise.

We have also taken steps to ensure our lending behaviour is aligned with community expectations, taking into account feedback from financial counsellors who deal with people facing financial difficulty every day.

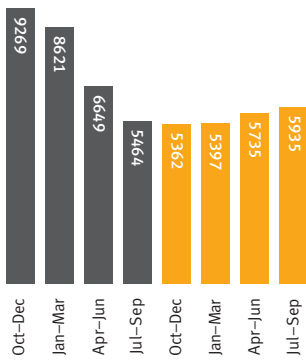
As a result, measures over and above regulatory requirements and industry standards are embedded into ANZ policies and procedures. For example ANZ will:

- not offer a credit card limit increase if customers have a recent poor credit performance or are having difficulty meeting repayments
- not offer customers credit limit increases if ANZ knows they are on a fixed income such as a government benefit
- provide customers with information about easy and efficient ways to reduce their credit card limit
- improve information and disclosure on credit card limit increase offers including how much the minimum monthly repayment would increase, and how to request a lower offer.

We have also trained a ‘hardship team’ in our call centres who can assist customers facing financial difficulty by offering debt moratoriums of up to three months and referring them to independent financial counsellors for money management coaching and assistance.

“ We should use our strengths to ‘bring to production’ concepts that will contribute to sustainability of our society. This could be through finance, leveraging business contacts, facilitation, promotion, finding synergies with our own products with a view to strategic alliances, or even getting directly involved in start-up enterprises.

Inspire ANZ – Alex Byass, Consumer and Business Technologies



Number of complaints in Australian operations

■ Complaints received in 2005
■ Complaints received in 2004

Customer Advocate – breakdown of completed matters in Australia

	2004	2005
Total number of complaints	64	46
Finding for customer	20	13
Finding for ANZ	31	26
Finding for both	13	7
Compensation amount	\$54,970	\$31,443
Non-financial outcome	47	37
Resolved in <20 days	27	21
Resolved in >20 days	37	25

Customer Communication

ANZ undertakes advertising both in a mass market context and via targeted direct marketing. In the financial year 2005, we spent in excess of \$20 million on advertising and direct marketing.

These activities must conform to requirements set out in the Code of Banking Practice, Financial Services Reform Act, Commercial Acceptance Division, Trade Practices Act, and by the Advertising Federation of Australia, Australian Association of National Advertisers and the Advertising Standards Bureau. All communication material must be signed off by a legal, risk and brand compliance representative within ANZ prior to proceeding to production. In 2005 there were no breaches of the above codes formally lodged with the Head of Strategy and Marketing or the Heads of Marketing group.

This year we updated our educational booklet *Kickstart your financial fitness* to include clearer information on managing credit cards. *Kickstart* is available in ANZ branches throughout Australia and on anz.com. It does not contain any product promotion and is designed to provide customers with practical information on the essentials of money management – including tips on saving, managing debt and credit, investing, retirement planning and protecting assets.

Fixing our mistakes

Over the past year a particular focus has been on improving ANZ’s complaint resolution process. Overall complaints are down by 7,574 to a total of 22,429. We also resolved 86% of complaints within 48 hours (78% last year) and 99% in 10 working days (93% last year).

Our Customer Advocate is responsible for solving the most difficult customer complaints. This role was introduced in 2003 to facilitate prompt and impartial conclusions to disputes with a bias towards our customers.

Since then, there has been a downward trend in both the number of complaints requiring the Customer Advocate’s attention and the number of complaints about ANZ to the Banking and Financial Services Ombudsman (BFSO).

During the year, 68 matters were referred to ANZ’s Customer Advocate for review. Forty-six of these were resolved, compared to 97 references and 64 resolutions the previous year. Findings for ANZ increased from 48% in 2004 to 57% this year. The Customer Advocate reports that this outcome reflects improved customer service and complaint management processes within ANZ. His reviews confirm that, in the majority of cases, customers had been treated fairly and ANZ had acted in accordance with good banking practice.

In the 2004/2005 financial year, the BFSO closed 552 ANZ cases, down from 695 in the previous year. Ninety-one percent of cases referred back to ANZ were resolved by ANZ without the need for a more formal investigation by the BFSO. The largest category of complaints to the BFSO related to consumer finance/credit cards, followed by housing finance.

While overall these outcomes demonstrate an improvement in our ability to solve customer issues quickly, specific cases throughout the year remind us that trends are not enough and every single customer concern must be treated promptly, fairly, openly and with empathy.



Pictured – Kuoung Muyleng, Tho Narith, Heak Lina and Heng Darany from ANZ Royal Bank Cambodia.

Living our values ANZ Royal Bank in Cambodia

We see real commercial opportunities in this market, but beyond this, we are already demonstrating that we can make a difference to a country still recovering from years of war.

ANZ Royal, a joint venture between ANZ and Royal Group of Cambodia, opened its first four retail branches in Phnom Penh in August 2005. This makes it the first top 50 international bank with full retail facilities in the country.

We see real commercial opportunities in this market, but beyond this, we are already demonstrating that we can make a difference to a country still recovering from years of war.

We work closely with the regulators and provide them with a commercial perspective on developing appropriate anti-money laundering policies and regulation. We are talking with the other local banks and the National Bank of Cambodia to move to an electronic payments system that will facilitate transactions between the banks. We encourage and support collaboration within the industry and are working with our peer banks and the Cambodian Bankers' Association to raise the standards of the banking industry as a whole.

Of the 14 million people in Cambodia, the National Bank calculates that only 120,000 people operate within the banking system

and that for every dollar that is in the system there is \$10 in the informal economy. We are less interested in taking market share off our competitors, who are vital to building a vibrant financial sector and wider economy, and more interested in bringing into the formal economy the millions of dollars that are currently 'hidden'.

Our advertising and marketing material is based around financial education and information about how to use bank accounts and ATMs, rather than our product sales themselves. Our aim is to increase financial literacy at all levels of the community, so that people become familiar with banking terms and practices.

We have instigated a three-minute financial news round-up at the end of the national news on the Cambodian Television Network every Friday. This is the first time that people in Cambodia have really been able to learn about financial markets around the world and to see how they impact them locally. We are currently exploring sponsoring a weekly 30-minute program to teach people about financial issues and how banking can revolutionise the way they manage their finances.

We are here to be an active participant in the market, not just to take advantage of commercial opportunities. In 20 years time, I would like people to look at ANZ Royal and not simply say that it is successful in its own right, but also to recognise what it has done to build the banking market in Cambodia, with all the potential benefits that this offers, as well as seeing it as an organisation that they trust will continue to do more for the country's economic future.

Cambodia is essentially starting from scratch and ANZ Royal is playing an important role in its development.

You cannot be 'bold and different' if you're not prepared to make mistakes, and we will make a few of these along the way. But in the process we will make a difference in Cambodia – helping to develop an active commercial sector, supporting and strengthening a country's economy as well as its social infrastructure, and growing our business at the same time.

DEAN CLELAND
CHIEF EXECUTIVE OFFICER
ANZ ROYAL CAMBODIA



We must be responsive to our clients' needs and responsible in the way we integrate economic, environmental and social considerations in our business lending decisions. We engage our clients to identify how key environmental and social issues are being managed and how we can help them ensure their long term business success.

Inspire ANZ – Gavin Murray, Director, Institutional and Corporate Sustainability.

Supporting business customers

We provide a range of resources to support our micro, small and medium business customers. For example our *Starting a Business Guide* provides comprehensive information on all aspects of establishing a business including templates for preparing business plans and cash flow statements. Our website provides financial dictionaries and benchmarking tools enabling customers to assess the performance of their business against their industry and peers.

Our quarterly *In Business* magazine reaches more than 200,000 customers and business stakeholders. It features stories on the achievements of, and challenges faced by our customers; the economy; financial and business literacy; work life balance; marketing and promoting a business as well as information on ANZ's community investment programs.

Investing in the future

This year we continued our support for renewable energy projects in the Australasian region and piloted new products and services to help our customers improve their environmental performance. For example:

- ANZ Markets has established a transactional capability for Renewable Energy Certificates and is transacting Gas Abatement Certificates.
- We have joined the BP Solar consortia and submitted expressions of interest to the Australian Government's Solar Cities Program (a Government initiative to encourage use of solar energy alternatives in urban areas across Australia).
- We are considering involvement in a number of biodiesel production facilities in Australia and New Zealand within our diversified energy vehicle, the Energy Infrastructure Trust.

- We provided financing and were a financial adviser to the sponsors behind the Nam Theun 2 project for the construction of a dam and hydropower scheme in Laos.
- We finance wind farms such as the Portland and Wonthaggi projects in Victoria.
- Our 'green' mortgages product was piloted this year in conjunction with easybeinggreen, an organisation that helps customers to make their homes more environmentally friendly. An ANZ Supplementary Loan or a loan increase with no approval fee was offered to customers who undertook an easybeinggreen home assessment and decided to make changes to their home. The pilot results suggested that greater customer education and marketing would be required to accurately assess customer interest in 'green' mortgage products.



Putting Our Customers First Goals for 2006

- 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 2006 Customer Charter.
- Continue to expand our branch and ATM network particularly in high growth areas.
- Increase environmental and social impact screening of all new transactions and annual client reviews in our Institutional lending business to 100%.



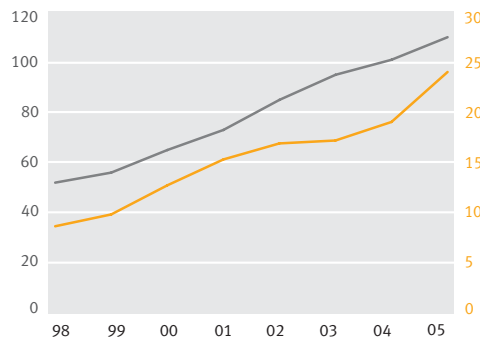
See anz.com to find out more about our:

- Customer Charter › www.anz.com/cr/customercharter
- Customer Advocate › www.anz.com/cr/customeradvocate
- ANZ Community Banking Package › www.anz.com/cr/community
- Risks in lending › www.anz.com/cr/environment
- Financial literacy research › www.anz.com/cr/finlit

Creating Value for Our Shareholders

“ We are of course ultimately accountable to the shareholder, but we are also such a major player in the Australian financial system that we have a role to play in bettering Australia generally. By continuing to develop an accountable and respected brand we will increase shareholder value and sustainability in the long run, and differentiate ANZ from the other major players in the market.

Inspire ANZ – Liz Moylan, Retail Banking.



Share price and dividend performance by year

■ Dividend (cents)
■ Share price (A\$)

Balancing the needs and interests of stakeholders is integral to the way a successful, energetic company behaves and does business every day. For example, we need to strengthen our market leadership positions, grow our revenues by between 7–9% per year, reduce our costs, and respond to the social and environmental issues inherent in our business decisions and operations. How we do this, is how we exercise our corporate responsibilities.

Our strategic priorities

The approach and activities detailed in this report are integral to ANZ achieving the following strategic priorities:

Maintaining a regional focus: We are the leading bank in New Zealand and have a number of other leading positions in Australia and the Asia-Pacific region. We intend to maintain our regional focus by building a stronger strategic presence in Australia, strengthening our leadership position in New Zealand, and expanding selectively in emerging Asia-Pacific markets.

Actively managing our portfolio of specialist businesses: ANZ continues to position for growth in Personal Banking by reallocating resources to customers and attractive markets. We are also focused on increasing our investment in faster growth Investment Banking segments, leveraging our strong Corporate position into Business and Small Business Banking, building on

Creating value

	\$m	%
Income after debt provisions	8,770	100
Distributed as follows:		
Employees and ancillary costs	2,449	28
Suppliers	2,066	24
Government (as income tax)	1,234	14
Shareholders (dividends and minority interests)	1,964	22
Retained for investment	1,057	12



Pictured – Bruce McMullin, Manager, Institutional and Corporate Sustainability, and Melissa Haddon, Application Fraud Officer, Consumer Finance.

momentum in Private Banking, and strengthening our position in wealth management and insurance over the medium term.

Investing in rapidly growing segments to create revenue growth of 7% to 9% per year: Our performance in recent years has involved moderate revenue growth and significant efficiency gains. We are now focused on generating superior revenue growth through proactively defending existing clients, attacking adjacent markets by leveraging tried and tested capabilities, positioning for next growth wave segments, and acquiring selectively where value-enhancing and the timing is right.

Lowering our cost-to-income ratio to 40%: ANZ aims to reduce its cost-to-income ratio by growing revenues faster than costs, as well as targeting cost reductions. We are well advanced in a program to achieve this, including realising the benefits of the New Zealand integration, reducing back office

costs through process redesign, making greater use of our operations in Bangalore, increasing automation, and simplifying our technology, enabling us to introduce new products and services faster.

Financial performance

This year we again met our commitments to our shareholders, delivering a record profit of \$3,018 million for the year ended 30 September 2005, up 7.2% on the previous year. Cash earnings per share (excluding non-core items) were 175.2 cents, up 8.8%. At the same time, we delivered a Total Shareholder Return of 33% while maintaining a conservative risk profile and continued world-class efficiency levels.

These results enhanced the value we have created for our shareholders over the past five years:

- Net profit after tax has grown from \$1.75 billion to \$3 billion

- Cost-to-income ratio (excluding goodwill amortisation, abnormals and significant items) has fallen from 52% to 46%
- 141% Total Shareholder Return over the past five years and 33% in the past year
- Market capitalisation has increased from \$20 billion to \$43.8 billion

We attribute these results to stable leadership, a consistent agenda, sound financial management and a focus on ethical and responsible decision-making at all levels of the organisation.

Investor relations

ANZ is committed to the highest level of transparency in disclosure and reporting of our strategy and performance in accordance with the ASX continuous disclosure guidelines. This year our approach was recognised by our peers and the investment community when we were awarded the Grand Prix for Best Investor Relations, the highest accolade in the 2005 annual Australian Investor Relations Magazine Awards.



Creating Value for Our Shareholders Goals for 2006

- Achieve annual revenue growth of 7% to 9% and over time reduce our cost-to-income ratio to 40%.



See anz.com to find out more about our:

- Shareholder information > www.anz.com/shareholder

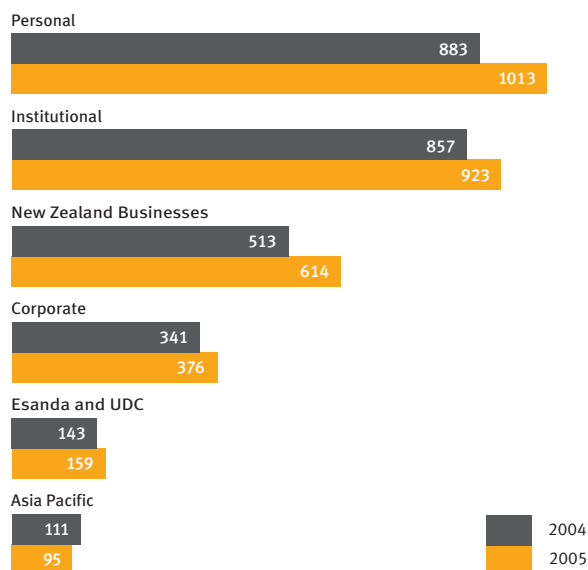


Our geographic locations

Our domestic markets, Australia and New Zealand, are the most significant contributors to our performance, comprising 89% of our 2005 profit. Our focus on these markets is evidenced by the fact that 89% of our staff and 94% of our points of representation reside in these geographies.

Our business performance

Net profit after tax by divisions – (\$m)



Personal Division provides retail banking services to an estimated three million customers in Australia through our five specialist business units: Retail Banking, Regional and Rural Banking, Consumer Finance (including credit cards and personal loans), Mortgages, Investments and Insurance and Banking Products.

Institutional Division serves ANZ's largest Institutional customers. It provides specialist services in financial markets, corporate and structured financing, trade and transaction services and relationship management for clients with a turnover of more than \$150 million.

New Zealand Division was created following ANZ's \$4.9 billion acquisition in 2003 of The Royal Bank of New Zealand. Together with our ANZ business, the amalgamated company, ANZ National Bank Limited, holds market-leading positions in all segments.

Esanda, our asset finance business, provides vehicle and equipment finance and rental services, and debentures. It operates in Australia as Esanda and Esanda FleetPartners and in New Zealand as UDC and Esanda FleetPartners.

Corporate Division provides relationship banking and financial services for corporate and small to medium enterprises in Australia.

Asia Pacific Division provides retail and commercial banking services to 11 countries in the Pacific and serves Australian, New Zealand and Asian corporations in 11 countries in Asia. The division also has partnerships in Indonesia (Panin Bank 29%), the Philippines (Metrobank 40%), Cambodia (Royal Group 55%) and Vietnam (Sacombank 10%).

Performance by region

Australia	
Operating income	\$6,163m
Cost-to-income ratio	44.8%
NPAT	\$2,159m
External assets	\$195,500m
Number of FTEs*	18,043
Points of representation	840

New Zealand	
Operating income	\$2,331m
Cost-to-income ratio	52.3%
NPAT	\$528m
External assets	\$78,474m
Number of FTEs*	9,515
Points of representation	308

Pacific	
Operating income	\$250m
Cost-to-income ratio	44.0%
NPAT	\$90m
External assets	\$2,118m
Number of FTEs*	1,606
Points of representation	50

* FTE: Full-time Equivalent Employee (as at 30 Sep 05)

Asia	
Operating income	\$256m
Cost-to-income ratio	49.2%
NPAT	\$94m
External assets	\$7,297m
Number of FTEs*	826
Points of representation	19

Other	
Operating income	\$350m
Cost-to-income ratio	33.7%
NPAT	\$147m
External assets	\$9,796m
Number of FTEs*	986
Points of representation	6

ANZ Group	
Operating income	\$9,350m
Cost-to-income ratio	45.6%
NPAT	\$3,018m
Total Assets	\$293,185m
Number of FTEs*	30,976
Points of representation	1,223

Leading and Inspiring Our People



We must continue to create a diverse workforce. As global markets merge into one, having a diverse group of employees will be the key to gaining an advantage with different people bringing different ideas, experiences and the ability to communicate with a wider range of people. *Inspire ANZ – Gabriela Szukielojc, Personal Banking Tasmania.*

Inspiring performance

ANZ has the most engaged workforce of all major companies in Australia, according to the globally recognised 2005 Hewitt Best Employers survey.

To us, ‘employee engagement’ is the result of a comprehensive five-year strategy to inspire our people and create a culture based on ANZ’s values. As well as contributing to our continued high performance, this strategy has enabled us to attract, nurture and reward the very best talent.

An important part of this approach is ensuring our people have a voice within the organisation. This year for example, our CEO, John McFarlane, led our first company-wide online ‘brainstorm’, ‘Inspire ANZ’, to gather insights from our people on the issues and opportunities they believe will need to be addressed to help shape a successful future for ANZ and its stakeholders. Some of our employees’ contributions to this initiative are featured throughout this report.



Hewitt Employee Engagement Survey (Engagement %)

■ ANZ
— Financial services benchmark and other organisations

Number of ANZ Employees (as at 30 Sep 05)

	2004	2005
Australia	18,257	19,430
New Zealand	8,928	10,268
Pacific	1,610	1,696
Asia	781	833
India	514	664
UK/Europe	292	222
United States	111	89
Total	30,493	32,664



Pictured – Richmond Payments Team members: Kayzad Namdarian, Baskal Toa, Trish Evans and Chris Gertners and Allan Trower.

Breaking out

ANZ has invested in an organisation-wide approach to cultural transformation, called Breakout, since 2000. Breakout focuses on empowering employees at all levels to make values-based decisions that take into account the needs and interests of our stakeholders.

Combined with clear, agreed and ‘stretching’ objectives, Breakout encourages our employees to ‘be bold and have the courage to be different’ – creating the flexibility that we believe leads to higher employee satisfaction and which in turn produces superior outcomes for ANZ’s people, customers, communities and shareholders.

Over 21,000 ANZ employees have now participated in the foundation Breakout workshop. Some 800 additional staff have participated in our ‘Breakout to the Frontline’ program which was launched this year with a further 6,000 frontline staff due to complete the program by the end of 2006. We also introduced ‘Breakout Recharge’, which focuses on re-energising teams and individuals, employee wellbeing, growth and innovation.

Engaging our people

Research links employee engagement scores above 60% with higher shareholder return and higher customer satisfaction. Employees who are engaged speak positively about the business to others and are motivated to deliver their best.

This year, in the globally recognised Hewitt Employee Engagement study, we led the top 20 Australian Stock Exchange and Australian finance sector companies (which measure engagement) with a score of 63%, compared to 60% in 2004. Our result was nine percentage points above the financial services sector benchmark.

We also conduct employee engagement surveys each year to understand employee attitudes on some 80 criteria related to our culture and business strategy. This is followed by focus groups and action planning at a business unit level to address the key findings of the survey.

In 2005, these included:

- 71% of employees say ANZ maintains high standards of ethics and integrity;
- 75% of employees say that they can be themselves at work;

- 73% of employees say they are confident ANZ is committed to making appropriate changes to be successful in the future; and
- 77% of employees believe that workplace safety and security are considered important at ANZ.

The survey also identified areas for improvement including career opportunities, recognition for employee and team achievements, and improving the effectiveness of our people policies.

Human rights

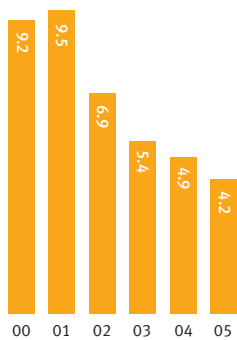
ANZ’s values, culture and code of conduct are consistent with protecting and preserving the fundamental human rights of our people. We also have policies and practices relating to freedom of association, equal opportunities, and the right to a safe and secure workplace.

We are assessing a formal commitment to external human rights instruments, and relevant enhancements to existing policies and practices. We believe that a genuine and meaningful commitment requires a clear understanding of our obligations, as well as internal engagement to ensure there are the appropriate structures and processes in place to support that public commitment.



We can never become complacent about our achievements. We must always be progressive and market leaders in all that we do. ANZ must both hire staff who are aligned with the bank's values and encourage existing staff to remain progressive. People need to be constantly excited about working for ANZ. People throughout the business need to be involved in decisions and made aware of their impact on the bank's future.

Inspire ANZ – Jo Mikleus, Rural Banking New South Wales.



Australian Lost Time Injury Frequency Rate*
(Compensated claims per million hours worked)

* The method of reporting lost time injuries was changed in February 2005 to reduce the time lag of reporting lost time incidents. The LTIFRs from 2000–2004 are estimates based on the revised LTIFR calculation methodology. LTIFR = Lost Time Injury Frequency Rate = Number of occurrences whereby days/shifts of one or greater are lost due to injury per million hours worked. ANZ's target was a LTIFR of 4.9 or lower in 2005.

Protecting and promoting employee wellbeing

We are moving from a compliance-based approach to Health, Safety and Security to one that also proactively supports the physical, emotional and financial wellbeing of our people.

A series of initiatives have boosted health, safety and security awareness and participation. For example, we introduced BranchSafe, a risk-based model for branch security and we continued our program of branch refurbishments and security upgrades. We completed 75 branch refurbishments, costing \$68 million. A further 61 branch refurbishments are scheduled for completion in 2006 at a cost of approximately \$46 million.

Our staff completed more than 46,000 online health and safety courses this year. Our increased focus on the causes of stress and the introduction of online training for managers has decreased working hours lost due to illness, stress, accidents or injuries. Our annual Lost Time Injury Frequency Rate (LTIFR) declined from 5.4 in 2003 to 4.9 in 2004. By September 2005 this had further decreased LTIFR to 4.2.

In addition, the following initiatives form part of ANZ's employee wellbeing program, which focuses on improving the physical, emotional and financial wellbeing of our employees:

- More than 1,370 Australian staff took advantage of their 'My Health' health check – a paid physical check-up during working hours made available to all Australian staff every two years.
- Some 4,140 staff registered for MyHealth Online, which provides all staff with access to comprehensive health information.
- Our staff can access our Employee Assistance Program – free confidential counselling for all staff on personal and professional matters. 761 Australian employees used this service in 2005, while People Assist provides confidential advice on policy, payroll and performance management queries.
- 'Financial fitness' sessions were held throughout Australia this calendar year helping over 5,000 staff better understand and manage their personal finances. The sessions cover financial literacy essentials such as budgeting and saving, superannuation and retirement planning, and investment basics.
- ANZ's MoneyMinded financial literacy education program also came online in the 2005 calendar year making money management training available to all staff and many of their families via our online training platform, eTrain.



Pictured – Vicki Shields,
Head of Australian Call Centres.

Living our values The Australian Call Centre – What we do that makes us different

Our journey began four years ago – our story is one of customer focus, cultural change, best practice performance and delivery. This has made a real difference to our business and to ANZ.

The Australian Call Centre (ACC) has undergone significant transformation from a back-office processing centre to a leading edge, award winning call centre providing customer service 24 hours a day, seven days a week. Our customer satisfaction is at 85%, with more than 80% of our customers rating us as 'excellent'.

The ACC's journey began four years ago – our story is one of customer focus, cultural change, best practice performance and delivery. This has made a real difference to our business and to ANZ.

Our workplace offers our people an opportunity to grow and excel. We have used the Breakout program to embed a culture that ensures real commitment to our customers, our people and the community, making this an engaging place where our people want to be.

Our people have been part of the Breakout program since 2001 when we commenced rolling it out on a voluntary basis on Saturdays.

They are involved in all aspects of our business through improvement suggestions

where we encourage them to challenge the norm. They were involved in the design of our building, from choosing the furniture and colours to the design of the open floorplan which has created a greater sense of community.

Community involvement provides an opportunity to share and give to the wider community and we support a variety of organisations. The highlight of the fundraising calendar is the annual Talent Night, which we now have been running for three years. This showcases our talent, we have heaps of fun and at the same time raise money for our nominated charity. This year we raised \$6,000 for Ronald McDonald House (Monash). We have also been able to use our facilities and expertise to support initiatives such as taking calls for Comic Relief, World Vision's Tsunami Relief Appeal and The Long Walk.

We regularly have external visitors coming to learn from us, as our reputation for excellence in business performance, customer focus and our culture is well known. This culminated in us winning awards for Outstanding Customer Service in the

International Customer Service Professional's 2004 and 2005 Awards.

The message is simple: our people are the key to our success; they are the voice of the human face of ANZ and they are what makes a difference every day.

VICKI SHIELDS
HEAD OF AUSTRALIAN CALL CENTRES

Creating opportunity

We aim to provide our people with opportunities and challenges, encouraging them to learn and try new personal and professional experiences.

In 2005, we recruited 190 graduates in Australia. Graduates attend an induction event in Melbourne, including briefings from our CEO, and throughout the year work on Group projects to develop their professional skills and networks. We have also added over 1,100 mostly customer-facing roles over the past 12 months to support our agenda for growth.

Our staff globally completed more than 230,000 courses this year through eTrain, our online learning program, with an average \$1,779 being allocated to the training and development needs of each staff member in Australia.

ANZ's formal knowledge and learning networks include our graduate program, *Specialist Talent Radar* and Breakout together with monthly *Open Your Mind* senior executive briefings, covering issues such as financial exclusion and Indigenous employment; mental health and depression in the workforce; diversity and inclusiveness; and becoming easy to do business with.

ANZ's talent initiatives identify aspiring leaders and support the development of high-potential candidates with coaching, on-the-job experience and other development opportunities.

In June 2005, 49% of our staff had positive perceptions of their future career opportunities at the bank compared to the banking and finance industry benchmark of 42%.

Leadership and succession planning

This year 334 first-time managers completed our *Future Leaders* program and 326 more experienced managers attended our *Business Leaders* program. A further 475 staff members participated in the *Leader as Coach* course, which helps to improve the coaching and communication skills of our people.

ANZ periodically assesses promotions within the organisation and analyses trends relating to performance, potential, tenure and career progression. We are systematically identifying, recognising and advancing the top 20% of performers to build a genuine meritocracy across the Group.

Retaining staff

Comprehensive exit interviews are conducted with all staff who voluntarily leave ANZ, to help us understand and address the positive and negative aspects of our culture and the reasons why people choose to leave.

In the 2005 financial year, 2,217 people left ANZ in Australia voluntarily – a turnover rate of 11.6%. These people rated our communication culture, access to information and community programs as the most positive aspects of their experience at ANZ. While we have made progress in improving access to opportunities for advancement within the organisation, this was the main reason people chose to leave ANZ last year.



Pictured – Debbie Dela Cruze and Marie Agius from ANZ Wyndham Village Branch, Victoria.

Rewarding performance

Performance-based rewards have been extended to all staff levels with reviews conducted twice a year.

In 2005, our top 800 managers' performance was assessed against a balanced scorecard evaluation including financial and non-financial measures. This includes performance measures related to customer service and satisfaction, community support and participation, and employee engagement.

Skill mapping has been formally built into our people management systems, with specific competencies identified for all roles.

Non-managerial staff receive wage increases each July, while their bonuses are dependent on the bank's financial results and assessments of individual performance. Our approach aims to differentiate remuneration on the basis

of achievement against performance targets which are consistent with ANZ's values. Staff can elect to have their bonuses paid as cash, shares or allocated to their superannuation fund.

We encourage our staff to become part owners in our business and share in ANZ's success by receiving, earning and buying ANZ shares. Approximately 93% of staff own shares in ANZ.

In 2005, for the eighth year, we issued up to A\$1,000 of ANZ shares to each eligible staff member globally under the Employee Share Acquisition program. Shares are allocated only if our business performs well. At 30 September 2005 more than 9.4 million shares had been granted under the program. Employees who have participated in this program since it began in 1998 would now own shares worth almost \$14,000 including dividends reinvested.

Employee benefits

Staff can also purchase shares through salary sacrifice at a 5% discount. As at January 2005, almost 3,000 Australian staff had signed up to the Employee Share Save Scheme – an increase of 40% on the previous year.

We also have increased the range of salary packaging benefits, where goods and services are available to staff using their pre-tax salary. Staff can elect to include in their salary package childcare (at participating ABC Learning Centres), additional personal and spouse superannuation contributions, purchase of laptop computers, our Employee Share Save Scheme and Community Giving, our workplace matched community giving program.

Organising and resourcing our business

Our business strategy includes organising and resourcing our operations to best meet the needs of our customers and our growth objectives. We have added more than 1,100 mostly customer-facing roles in Australia this year to improve our customers' experience and satisfaction with us; and to grow our business.

We have also sought to rebalance our technology resources across Australia, New Zealand and India – making greater use of our IT development business in Bangalore which has been part of ANZ for the past 17 years. We intend to increase

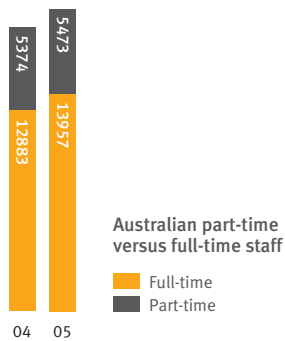
usage of our team in Bangalore for additional applications and systems development and maintenance; support; and network and database management.

We believe we must do this to remain competitive and to allow us to continue to invest in growing our business in Australia.

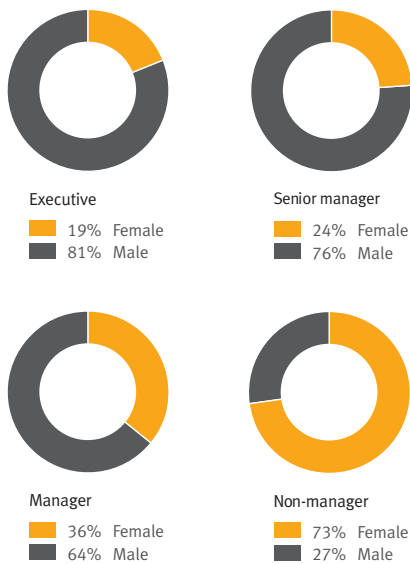
We have made a series of promises to our people to minimise the impact of this change on our IT staff in Australia (including actual job losses) and increase future opportunities for those who wish to continue their careers at ANZ. These include extensive consultation and communication on

proposed changes; the introduction of an external recruitment freeze to ensure existing staff are given priority for vacant roles available within the bank; career counselling; and a specific budget allocation to retrain staff for roles that are in demand across our business.

Where suitable roles cannot be found, in addition to redundancy packages, staff have access to career and financial planning seminars as well as outplacement support to help them identify career opportunities outside the bank.



Australian females and males per employee group comparison (%)



Australian salaries by employee group

Employee classification	Differential ¹	Favours
Executives	+2%	Males
Senior managers	+5%	Males
Managers	+3%	Males
Non-managers	+1%	Females
Overall weighted average ²	0.4%	Males

1 The differential represents the difference between average male and female remuneration. For example female manager remuneration = \$100,000 versus \$103,000 for male managers. The differential is therefore +3% in favour of males [$1 - (\$100,000/\$103,000)$].

2 The overall weighted average takes into consideration the proportion of employees within each of ANZ's major classification levels. As such, ANZ's non-managers heavily influence the overall average given that they comprise the largest percentage of ANZ's population.

Creating an inclusive workplace

We have made social diversity a priority. Our diversity program is led by our Head of Advancement of Diversity and Women and our Diversity Council. It involves Group-wide and Business Unit specific initiatives.

In 2005, 10,627 staff completed discrimination and harassment courses and a variety of programs tailored to women's development needs have been introduced within ANZ. For example, senior female leaders run a mentoring program for young women within the organisation. Initiatives such as these are designed to increase the representation of females in management. At present women fill some 36% of management roles and 19% of executive roles.

For the past four years the Equal Opportunity for Women in the Workplace Agency (EOWA) has recognised ANZ as an 'Employer of Choice for Women'. In 2005, EOWA also recognised ANZ as the Leading Australian Organisation for the Advancement of Women (for organisations of more than 500 employees).

Following the introduction of ANZ's *Career Extension program*, which gives staff the option to continue working with ANZ beyond the traditional retirement age, a new policy was launched enabling employees who are 55 years and older, and who have performed satisfactorily in the company for at least five years, the right to move to a part time working arrangement.

We also continued our partnership with the Aboriginal Employment Scheme (AES) in rural and regional Australia to support local communities and local Indigenous employment. This year we worked with AES to enable 13 school students to participate in traineeships with ANZ as part of their final year studies.

We began revising our Disability Action Plan in 2004 and will complete the review in December 2005. A disability support network was also established during the year.

We know we have more to do to better understand the demographics of our workforce. Towards the end of 2005 we will conduct our first organisation-wide census and the results of this will be used to further develop our approach to workforce diversity and inclusion.

In October this year ANZ's Payments centre was recognised with a Diversity@Work Award for employment and inclusion of culturally and linguistically diverse Australians. Payments was also recognised by the Victorian Multicultural Commission for Excellence in Multicultural Affairs in December 2004.

Life balance

Creating a balance between work, leisure, family and the other roles can only make for more fulfilled staff.

In December 2004 maternity/parental leave was doubled – from six to 12 weeks fully paid, with no minimum service requirements to qualify. When parents return to work they can apply for part-time positions while retaining the right to return to a full-time role.

Other flexible options include Lifestyle Leave, which offers up to an additional four weeks leave for any purpose and Career Breaks of up to five years.

All permanent employees are able to pay part or all of their childcare fees at one of the five participating ABC Centres via a pre-tax salary deduction. We hope to have 10 such centres by the end of 2006.

Workplace relationships

ANZ respects the rights of employees to join associations of their choice and the employment conditions of our staff in Australia are derived from the ANZ Group Award 1998 and the ANZ/Finance Sector Union (FSU) Agreement 1998.

In October 2005, ANZ and the FSU resolved a long-standing dispute over the interpretation of the hours of work clause in the Enterprise Bargaining Agreement (EBA), reaching agreement about how rostered days off (RDOs) should operate for non-managerial employees. We held a vote of all Australian employees to vary ANZ's Enterprise Bargaining Agreement to reflect the agreement between ANZ and the FSU. ANZ and the FSU issued a joint announcement that the dispute was settled, and have held joint briefing sessions for employees to explain the agreement, and the voting process. More than 7,900 Australian staff participated in the vote, with 91% supporting the variation of the EBA.

In addition to dispute resolution processes at a manager/supervisory level, our employees have access to the FSU and *Forum*, an internal mediation service for difficult workplace related matters.

Forum enables employees to develop workable solutions to grievances which cannot be easily resolved. This process is used when all attempts to resolve a matter within a business unit have been exhausted. This year five people used *Forum* to settle workplace disputes.

The number of unfair dismissal claims increased from 9 in 2004 to 17 in 2005. This is still well down on our 2002 high of 44 claims.

Whistleblower protection

We aim to create a values-based culture which encourages open and honest communication, integrity and accountability at all levels of our organisation.

Our people are encouraged to have their say through multiple formal channels and face-to-face forums including regular employee surveys, direct email access

to the CEO and division heads, and regular 'skip level' meetings where teams are able to discuss ideas and issues in a confidential forum with their manager's manager.

In circumstances where these channels are not appropriate for raising significant concerns, ANZ's Whistleblower Protection policy provides employees, contractors and consultants with a mechanism to escalate serious issues or matters of misconduct on a confidential basis without fear of reprisal, dismissal or discriminatory conduct. Concerns can be raised with one of four whistleblower protection officers (WPOs) including three senior executives and an ANZ Director. The policy is available for all staff on our intranet and via our website, anz.com. No formal investigations were initiated by our WPOs in 2005.

Significant breaches

Compliance with the ANZ Employee Code of Conduct forms part of the assessment and management of employee performance. Disciplinary action can result from an employee's failure to comply with the Code of Conduct.

ANZ's Employee Misconduct Policy provides a framework to guide and assist managers in applying appropriate levels of disciplinary action where misconduct has occurred. The policy and supporting information is referred to in employment contracts and available to all employees via the ANZ intranet.

ANZ's Group Compliance and Operational Risk teams conduct internal monitoring to capture and report significant breaches of our Code of Conduct.

In 2005, 76 significant breaches of ANZ's Code of Conduct in Australia were investigated at a Group level, with 41 cases resulting in dismissal and 35 in reprimand. 46% of these cases related to employees using their access to ANZ's systems for unlawful financial gain. These figures do not include minor breaches of the Code, which are currently handled at a business unit level. We are improving our systems to ensure we accurately capture and report all breaches across the Group in future years.



Leading and Inspiring Our People Goals for 2006


- Further improve our 'best employer' standing in the globally recognised Hewitt Employee Engagement study.
- Enable 6,000 frontline employees to complete our Breakout program.
- Continue our focus on achieving 20% female representation at executive level and an equal split of male/females in our graduate intake.
- Introduce accelerated development programs for the top 20% of manager level employees.
- Introduce an annual 360 degree feedback mechanism for all senior leaders.
- Implement a zero harm approach to health, safety and security.



See anz.com to find out more about our:

- Breakout program › www.anz.com/cr/breakout
- Health, safety and wellbeing › www.anz.com/cr/people
- Remuneration and benefits › www.anz.com/cr/people
- Workplace relationships › www.anz.com/cr/people
- Diversity and life balance › www.anz.com/cr/people

Earning Community Trust

 Financial literacy and awareness is a key issue and we are on the right path. We just need to go faster with these programs and move the thinking into everything we do. Inspire ANZ – John Harries, ANZ Banking Products.

ANZ's community investment in Australia, New Zealand and Asia Pacific

Cash contributions	\$6.81m
Volunteer support	\$1.20m
Management costs	\$0.67m
Total Community Investment	\$8.68m

Better financial skills build better communities

ANZ has made a significant, long-term commitment to improving the financial literacy and inclusion of adult Australians, particularly the most vulnerable. These are issues which affect our staff, our customers and the broader community.

Our aim is to help create confident, capable consumers who have the ability to improve their personal financial wellbeing.

Our approach is guided by our national research, third party assessments of our progress and outcomes, together with reviews of international experience in addressing these issues.

We work closely with government, regulators and community organisations to inform our work and achieve our goals.

Looking at the bigger picture

Financial literacy

ANZ completed its second national financial literacy survey of adult Australians this year. The research continues to show that most Australians have a reasonable level of financial literacy and that there is a relationship between financial literacy and socio-economic status.



Pictured – Geetha Yogalingham from Esanda and Michael de Kretser from Institutional Financial Services.

Those with the lowest levels of financial literacy are people with low education levels, low incomes, low savings, and they are at both ends of the age spectrum (18–24 year olds and those aged 70 and over).

Personal debt and financial difficulty

We also commissioned detailed research into personal debt to help ANZ and our stakeholders understand why some people get into financial difficulty.

From the research, three core factors emerged as causes of people falling into financial difficulty:

- ‘unhealthy’ ways of thinking about finances;
- circumstances or events perceived as being outside a person’s control; and
- lack of financial skills and knowledge.

We are now using the results of this research to enhance our existing financial literacy programs and improve our own operations and business practices. For example, we have strengthened our 2006 Customer Charter and introduced a responsible lending code, in recognition of the role we can play in addressing the financial issues affecting our customers and the community.

Financial inclusion

Early in the reporting period, we released research into the issue of financial inclusion in Australia. The research examined the extent to which people have difficulty accessing ‘mainstream’ banking products and services.

From the research we defined financial inclusion as improving the access by disadvantaged consumers to appropriate low-cost, fair and safe financial products and services from mainstream providers. A key finding was that up to 120,000 Australians are struggling to be financially included and nearly one million Australians have only basic access to financial services. Many of these people are unemployed, in poverty, disabled or, in particular, are Indigenous Australians.

Guided by our research, ANZ is now working in partnership with government, regulators, community organisations and others in the finance industry to improve financial inclusion.

Creating lasting change

ANZ’s CEO, John McFarlane, is actively involved in this work, in particular through his position on the Advisory Board of the

Commonwealth Government’s Financial Literacy Foundation.

The Foundation is developing a national strategy to help Australians make more informed decisions and better manage their money. This will include an Australia-wide education campaign on financial literacy; incorporating financial skills programs in school curriculums and workplaces; and establishing a financial resources website.

ANZ sponsored two national microfinance conferences organised by the Good Shepherd Youth and Family Services and the United Nations Association of Australia. The conferences brought together national and international experts and community leaders to share experiences and stimulate discussion about how best to improve financial literacy and inclusion.

We also supported Dr Michael Sherraden, Professor of Social Development and Director of the Centre for Social Development, Washington University, USA, to visit Australia to speak at the UN conference. Dr Sherraden developed the concept of matched savings for low-income earners.

I learnt so much from the workshops and so has my family. My son is now saving for a motorbike, which is a big goal for him, but he can see through my experience that the money really adds up over time. Julie Henderson – Saver Plus program participant.

Encouraging financial education and saving

Working with our community partners, ANZ is providing innovative financial literacy and inclusion programs to help those most in need. These programs aim to empower people to improve their ability to make informed choices and effective decisions about their money.

Saver Plus is a financial literacy and matched savings program aimed at helping low-income families to improve their financial knowledge, develop a long-term savings habit, and save for their children's education. As part of the program, financial education workshops and personal financial coaching is provided to participants to help them improve their money management skills. ANZ rewards the efforts of participants by matching every dollar saved up to a total amount of \$2,000. Participants agree to direct their savings towards their children's education and learning needs, such as the purchase of personal computers.

The program was developed by ANZ and the Brotherhood of St Laurence (BSL) and is delivered through partnerships with BSL, Berry Street Victoria, The Benevolent Society and The Smith Family.

Through Saver Plus we have assisted more than 700 low-income families, and provided funds to match more than \$800,000 saved by participants.

An RMIT University evaluation of the Saver Plus pilot revealed that:

- 92% of participants achieved their savings goal.
- The majority of participants used their matched savings to purchase computers or IT related accessories for their children. Other purchased products included school uniforms, books and education experiences such as school camps.
- At the conclusion of the pilot program, 99% of participants said they were planning to keep saving in the future, with 57% planning to save the same amount as they did in the program and 26% hoping to save more.

- Most significant is the finding that three months after the program's completion 84% of participants were still saving regularly, and 34% were saving more than they had previously.

MoneyMinded is Australia's first comprehensive adult financial literacy program. It helps people, particularly low-income earners and those facing financial hardship, to develop the knowledge, skills and confidence to increase their personal financial wellbeing. Its development was funded by ANZ, and guided by stakeholders such as the Australian Financial Counselling and Credit Reform Association and Australian Securities and Investments Commission.

Financial counsellors and community educators are a trusted source of information for low-income Australians and ANZ is working with these groups to deliver MoneyMinded. Our goal is to reach 100,000 people over five years.

More than 400 facilitators have been trained to deliver the program and 3,500 people attended MoneyMinded workshops this year.

RMIT University completed an evaluation of MoneyMinded to determine the relevance of the program's content and structure for facilitators and participants. This found that the program helps build money management skills through the involvement of financial counsellors and community educators who are highly effective in engaging and working with lower income Australians.

Since the evaluation, we have returned to our stakeholders to review and refine the program to ensure it is relevant and remains up to date. ANZ and nominees from the Australian Financial Counselling and Credit Reform Association, representing every State and Territory, are overseeing this review and the updated version of MoneyMinded will be available in late 2005.

ANZ's ongoing commitment to MoneyMinded will include funding of facilitator training for financial counsellors and community organisations throughout Australia to deliver

MoneyMinded to their clients. For example, ANZ and Victoria University have formed a partnership where the program will be the centrepiece of efforts to improve the financial literacy of refugees, the young, disabled and unemployed living within the communities served by Victoria University. The work will commence in 2006 and will improve the capacity of community organisations to deliver financial literacy programs for these groups.

MoneyMinded has also been trialed for use as curriculum for secondary students in selected schools and the Victorian State Government has funded Berry Street Victoria to translate and deliver MoneyMinded to the Iraqi community in Shepparton as part of its social policy action plan, *A Fairer Victoria*.

ANZ will also provide financial support for the annual conferences for each of the State financial counselling associations over the next two years.

Working with others to make a difference

ANZ's research into financial exclusion highlighted the position of Indigenous Australians as among the most disadvantaged groups in Australia, with lower levels of financial literacy and poor access to appropriate, fair and safe financial products. This research led us to develop a specific focus on working with Indigenous communities to help build social and economic capacities by improving financial literacy and inclusion.

In July this year ANZ, the Australian Government and Indigenous communities launched MoneyBusiness, a culturally specific program to bring financial literacy and money management skills to Indigenous people in six sites including Katherine, Tennant Creek, Nguiu (Tiwi Islands), Galiwinku (Elcho Island) in the Northern Territory and Geraldton and Kununurra in Western Australia.

ANZ will contribute \$1 million in funding over the next three years and share our experience in developing financial literacy and matched savings programs to enable MoneyBusiness to reach 2,000 Indigenous people. We will also work with the Government and local communities to adapt Saver Plus to reach up to 300 Indigenous families.

At each of the six pilot sites, local Indigenous people will be employed and trained to work side by side with individuals and families, offering coaching in financial literacy,



Pictured – Saver Plus program participant Julie Henderson with her sons James and Paul.

budgeting, bill paying, developing savings plans and using banking services effectively. Our local branch teams in these communities will also be actively involved in supporting the delivery of the program.

At the same time, we will work with the Government to develop a national strategy to enable MoneyBusiness to be used by other community organisations interested in delivering money management programs to Indigenous communities.

ANZ is also working with the Traditional Credit Union (TCU), an Indigenous credit union based in Darwin and delivering banking services to some 11,000 Indigenous Australians in the Northern Territory. ANZ will fund TCU to deliver financial literacy training to its members in Milingimbi and Ngukurr during the initial 18-month program. This will include an independent evaluation of the outcomes in the two communities which will make recommendations on the potential for a long-term relationship between TCU and ANZ.

ANZ has also engaged with the Indigenous leaders in Shepparton and the Goulburn Valley to explore the best way to deliver financial literacy and inclusion programs to benefit one of the largest urban Indigenous communities in Australia.

With the guidance of Yorta Yorta leader, Paul Briggs, ANZ commissioned the Koori Economic and Employment Agency, Ganbina, to conduct a community consultation to

understand the financial literacy needs of the community. The recommendations will be used to inform the delivery of programs in 2006.

Checking progress

We commissioned a review of our financial literacy and inclusion program to assess our performance in achieving the goals of our program. The review included detailed consultation with our partners and key stakeholders and an assessment of our program against leading practice globally. Key findings included recommendations that ANZ:

- continue to review and simplify its core products, services and customer communication, and ensure these are marketed responsibly;
- increase investment in its financial literacy and inclusion programs, such as Saver Plus and MoneyMinded, to extend their reach and impact both in Australian communities and other markets such as New Zealand and Asia;
- provide more opportunities for ANZ employees to participate in its financial literacy and inclusion activities through the bank's employee volunteering programs; and
- continue to evaluate progress and outcomes on core programs to ensure the medium to long-term impact on individuals and communities can be assessed.

Pictured – Te Whetu Leef, The National Bank of New Zealand; Peter Coates, The National Bank of New Zealand and Silla Mulitalo, ANZ.



Living our values Benchmarking financial knowledge in New Zealand

ANZ New Zealand is keen to generate awareness of financial literacy and identify how educators and the financial services industry can work together to help consumers and investors in those areas where people are experiencing difficulty.

ANZ's New Zealand subsidiary, ANZ National Bank Limited, was formed as a result of the merger of ANZ and The National Bank of New Zealand. Participating in our communities is one of our organisational values and it's how we do business. Through our two brands – ANZ and The National Bank – we engage with our communities in a variety of ways.

The New Zealand Retirement Commission in partnership with ANZ has commissioned New Zealand's first study into adult financial literacy. The study is also supported by the Ministry of Economic Development.

The ANZ-Retirement Commission Financial Knowledge survey will measure New Zealanders' personal financial knowledge, skills and competence. The study is the first research of its kind in New Zealand and will provide Government and the financial sector with a crucial benchmark for future comparisons.

The survey aims to:

- Identify areas of low financial literacy by topic and population breakdown and help improve skills in these areas.

- Inform the development of education programs to help individuals manage their finances more effectively – improving their standard of living over time.
- Provide a benchmark of financial literacy across the whole adult population so trends can be measured and programs targeted at areas where improvement is needed.
- Help the financial services industry identify where products or services are misunderstood or confusing to consumers, so product design or communications can be improved.
- Provide information to help develop law reform programs that provide effective consumer protection and address real issues facing individuals.

The more financial understanding people have, the more effectively they can manage their day-to-day finances.

In supporting this project, ANZ is keen to generate awareness of financial literacy and to identify how educators and the financial services industry can work together to help consumers and investors in those areas where people are experiencing difficulty.

The survey results will be available in early 2006.

STEVEN FYFE
CHIEF OPERATING OFFICER
ANZ RETAIL NEW ZEALAND

Investing in the community

According to the London benchmarking Group (LBG) model, an accepted standard for measuring corporate community investment, we invested \$8.68 million in community initiatives across the Group during the year, including almost \$2.37 million in financial literacy and inclusion programs.

We are the first Australian company to have its community investments assessed and assured based on the LBG model.

All numbers reported include Australia, New Zealand and Asia Pacific activities:

- ANZ provided a total of \$6.81 million in cash contributions to community initiatives in Australia, New Zealand and Asia Pacific.
- The value of ANZ staff volunteer support through volunteering leave paid by ANZ was \$1.2 million or nearly 33,000 hours of staff time across the Group.
- Emergency relief (e.g. Tsunami, bushfires) accounted for 20% of ANZ's contributions.

- Programs addressing financial literacy and inclusion issues in the community constituted 30% of our investment.
- A broad range of subject areas were supported, with social welfare a leading theme.

The LBG model is used by around 100 leading international companies in the measurement and reporting of their community investment.



Contributions by Type

- 78% Cash
- 14% Time
- 8% Management Costs



ANZ Subject Focus

- 70% Programs Outside Financial Literacy
- 30% Financial Literacy



Contributions by Subject

- 27% Social Welfare
- 25% Other
- 20% Emergency Relief
- 9% Economic Development
- 8% Health
- 7% Education & Young People
- 3% Arts & Culture
- 1% Environment



Contributions by Motivation

- 56% Community Investment
- 41% Charitable Gift
- 3% Commercial Initiative

Motivation for community investment

ANZ's Charitable Gifts – 41%

LBG definition: Intermittent support to a wide range of good causes in response to the needs and appeals of charitable and community organisations, increasingly through partnerships between the company, its employees, customers and suppliers

ANZ's Community Investment – 56%

LBG definition: Long-term strategic involvement in community partnerships to address a limited range of social issues chosen by the company in order to protect its long-term corporate interests and to enhance its reputation

ANZ's Commercial initiative – 3%

LBG definition: Activities in the community, usually by commercial departments, to directly support the success of the company, promoting its corporate brand in partnership with charities and community-based organisations.

Pictured – Children from the Togovere village in Fiji in front of the ANZ mobile bank.



Living our values 'Banking the Un-banked' in the Pacific

This is believed to be the first time that a commercial bank and an international multilateral organisation like UNDP have formed a partnership to deliver banking services and financial literacy.

ANZ is partnering with the United Nations Development Program (UNDP) to deliver tailored basic banking services and financial education to 300,000 plus people in remote communities in Fiji.

UNDP, through its Pacific Sustainable Livelihoods Program, teaches basic banking, financial literacy and enterprise development skills to the villagers while ANZ opens savings accounts and arranges micro loans.

This is believed to be the first time that a commercial bank and an international multilateral organisation like UNDP have formed a partnership to deliver banking services and financial literacy.

A fleet of custom-made four-wheel-drive trucks has been converted into mobile bank branches and travels into the Fijian hinterland to make contact with isolated communities.

ANZ has designed two products for Fiji Rural Banking – a Savings Account and an everyday banking account. So far over 40,000 previously un-banked rural Fijians have opened accounts and amassed more than US\$1.2 million in savings.

In May, ANZ launched its first microfinance product, MicroLoan, to cater to our savers who need credit to help them turn ideas into reality.

Loans are approved up to US\$1,000 for customers who have saved regularly over the past six months. New roofs, solar power, school fees, boats and better living conditions are now making a difference to the lives of these people.

We see regular evidence of economic empowerment through our program. For example, there are women living in a very remote village in Namosi province who make paper for local cosmetics companies. They now receive payments directly into their bank accounts. Previously these women would make the long, expensive trek into the capital city to receive their pay, inevitably consuming much of the money they had earned. Now they are saving and contributing much-needed funds for a village sanitation project.

The program in Fiji has been very successful and upon the request of other Pacific communities, 'Banking the Un-banked'

projects are underway or have been launched in the Solomon Islands, PNG, Tonga, Vanuatu, Samoa, Kiribati and American Samoa. All include a financial literacy component.

CAROLYN BLACKLOCK
REGIONAL EXECUTIVE – ANZ PACIFIC

Our employee contributions

We provide opportunities for our people to lead and support local community programs and the causes that are important to them.

Over the course of the year, 3,675 or 18% of Australian staff contributed more than 24,000 hours as part of ANZ's Volunteers program, which provides employees with eight hours leave each year to complete volunteering activities of their choice. ANZ's program is among the leaders globally – the average corporate volunteering participation rate is 8.5%, according to figures based on volunteering participation rates from members of the London Benchmarking Group for corporate community investment programs.

Our people responded to the devastating Tsunami of Boxing Day 2005, in partnership with organisations such as World Vision and the Australian Red Cross, with some 600 staff in Australia alone donating 4,200 volunteer hours to support Tsunami relief efforts.

We also provided the volunteer network to support the inaugural Australian Comic Relief fundraiser for Oxfam Community Aid Abroad.

Throughout the year, 28% of our Australian staff donated money to our 18 community partners through our Community Giving

program, where ANZ matches staff contributions dollar-for-dollar up to \$1,000 per person. The high participation rate was principally achieved through staff donations to Tsunami relief efforts to support the work of World Vision. Our total contribution via Community Giving was \$1.1 million.

This year the ANZ Community Fund contributed \$350,000 to support 185 local projects across Australia. This Fund encourages people in our branch network to support grass-roots business and community partnerships. Since 2002 more than \$680,000 has been provided to support over 330 projects.

ANZ and the Foundation for Rural and Regional Renewal (FRRR) promote Seeds of Renewal, a small grants program helping to increase the sustainability of rural communities. In 2005, 93 grants totalling \$358,000 were made to small rural communities throughout Australia, supporting projects that are important to the people who live and work in these areas. In many cases our staff also volunteer to support and deliver these projects. ANZ has contributed more than \$800,000 over the three years since the program's inception.

Our Community Giving partners were selected following feedback from our people on the issues and causes important to them.

- The Cancer Council of Australia
- Habitat for Humanity Australia
- Foodbank
- Starlight Foundation
- Diabetes Australia Research Trust
- The Benevolent Society
- The Smith Family
- Alzheimer's Australia
- World Vision
- National Heart Foundation
- Brotherhood of St Laurence
- CanTeen
- RSPCA
- Beyond Blue
- Reconciliation Australia
- Greening Australia
- Kids Help Line
- Berry Street Victoria
- ANZ's Staff Foundation

Living our values There's no place like home

With around 200,000 families living permanently in caravan parks and more than 172,000 families on public housing waiting lists, the number of people living in inadequate, unsafe housing is growing every year with the escalating costs of housing nation wide.

Our team in ANZ Mortgages has partnered with Habitat for Humanity to build simple, decent, affordable houses for people in need. We use our ANZ Volunteer leave to construct the houses with the families who will eventually call it their home. Recipient families invest 500 hours in the project as part of their agreement with Habitat.

The partnership is a natural extension of our team's focus on putting people into

homes and gives us an opportunity to address major social and environmental issues in housing.

This year we completed our fourth Habitat home since our partnership began in 2001 and we have now committed to build or renovate three Habitat homes each year. Next on our list are projects in Mooroolbark (Vic), Dandenong South (Vic) and Adelaide (SA).

We also provide Habitat with management, marketing and communications expertise, drawn from our people within the Mortgages team. Habitat for Humanity is also one of the 18 community partners supported by our Community Giving program.

Habitat families participate in ANZ's MoneyMinded financial education program

to help them build their 'financial fitness' at the same time as they're building their new homes.

Without a doubt, the best outcome of all is seeing the tangible human benefits created by our partnership with Habitat, the friendships we build with the families involved and the contribution of our people.

For most of our people, working with the families and seeing the children's happy faces when they move into their new homes is the biggest buzz of all.

CHRIS COOPER
MANAGING DIRECTOR
ANZ MORTGAGE GROUP

Reducing our impact on the environment



The way business operates affects the environment we live in – socially and ecologically. As time goes on it will become only more important for us to consider the effect of the way we do business in our world. To be a true leader we must treat all resources (and I include here financial resources) as precious.

Inspire ANZ – Anne Vitali, UDC New Zealand.

Environment Charter

We upgraded and relaunched our Environment Charter this year to formally demonstrate our commitment to improving our environmental performance. The Charter includes a specific focus on:

- Establishing clear and measurable performance objectives and standards based on international best practice.
- Integrating environmental considerations into the appraisal of customers' financing or advisory propositions ahead of credit approval, including specific measures to manage environmental considerations as a condition of doing business (for more details see page 15 of this report).
- Offering guidance and incentives to our customers with respect to the environmental impacts of their own business activities.
- Training employees to be aware of the environmental impacts of our operations and to support our programs to reduce these impacts.
- Encouraging our suppliers and business partners to adopt practices consistent with the intent of the Charter.

The Environment Charter is implemented through ANZ's businesses and support areas. Each is accountable for their environmental performance.

Environmental governance

We have two committees that govern the management of our direct and indirect environmental impacts: the ANZ Group Environment Program Steering Committee and the Institutional and Corporate Sustainability Steering Committee. These Committees meet regularly to monitor and drive ANZ's environmental initiatives. Each is accountable within their respective business divisions, with progress monitored

by the Corporate Responsibility Council and the Nominations, Governance and Corporate Responsibility Committee of the Board.

Environmental Management System

This year, we set ourselves the goal of implementing an upgraded EMS consistent with ISO14001 to improve efficiency in the way we gather and manage environmental data. As a first step, we conducted a thorough review of our EMS in conjunction with external environmental consultants. This assessment resulted in a decision to expand the scope of work initially planned for our EMS, to ensure the final system would be more effective and robust in capturing a wider range of ANZ's direct and indirect environmental aspects, and in tracking performance. The expanded scope has delayed the completion of this work, with full implementation now due in 2006.

Reporting improvements to date include increasing the sample size of buildings where we collect and track electricity meter data to 90% of all ANZ sites throughout Australia, and developing capability for the first time to accurately measure and report on water consumption at our ten largest sites.

Reducing our direct impact

Initiatives to minimise our environmental footprint in 2005, include:

- Waste recycling programs in partnership with Visy and Recall. This year 1329 tonnes of paper waste was recycled and diverted from landfill.
- The conversion of 6000 computer monitors to LCD screens, with all remaining monitors to be converted over the next 3 years. This is estimated to reduce our CO2 emissions by over 1000 tonnes in the first 12 months.
- The appointment of an Environment Program Manager in our Operations, Technology

& Shared Services division to manage our program to reduce our environmental footprint.

- The Green Challenge and the Great Paper Chase encouraged staff to develop ideas to improve our environmental performance and to take personal responsibility at home and in the workplace to reduce resource consumption. These programs have contributed to a 4% overall reduction in paper usage, or 7% per FTE, in 2005.

Electricity consumption

While our initial target set in 2002 was to reduce electricity consumption by 10% over three years, we did not at the time have a comprehensive EMS to ensure data accuracy.

Natural resource efficiency and emissions

Indicator	Performance
Total staff (average for year)	16,657 FTE
Occupied building space	497,277 m ²
Electricity consumption	130,000 MWH
	7.8 MWH/FTE
	0.26 MWH/m ²
% Renewable or offset	0%
Gas consumption	9,773 GJ
Diesel fuel purchased	44 kL
Petrol fuel consumed (1 Apr 04 to 31 Mar 05)	1,624 kL
Paper usage	3,921 tonnes
	235 kg/FTE
Office copy paper	806 tonnes
Print paper	3,115 tonnes
Corporate travel	91,361,735 km
	5,485 km/FTE
Fleet car travel (1 Apr 04 to 31 Mar 05)	14,126,138 km
Car rental travel	508,654 km
Air travel – domestic	41,303,604 km
Air travel – international	35,423,339 km
Paper recycling	1,329 tonnes
Equivalent CO₂ emissions*	166,202 tonnes
	9.98 tonnes/FTE

* Includes electricity consumed, gas consumed, petrol consumed and diesel purchased

The 2003/2004 data for electricity consumption has since been tested by KPMG and now forms the baseline year for our performance reporting.

In 2004/2005, ANZ used an estimated 130,000 MWH of electricity, compared to 127,112 MWH in 2003/2004. At the time of printing, our 2004/2005 data was an estimate only – based on raw data and forecasted estimates. Fully tested electricity data and details of our performance against our 2005 target will be published on www.anz.com/cr/environment by January 2006.

We have added 15 new branches, 300 ATMS and over 1,100 staff this year, which may have contributed to our constant level of electricity consumption compared to last year.

Supply chain

We have developed a new Sustainable Procurement Policy in consultation with our key suppliers and stakeholder groups. The policy and related guidelines will be used in the selection and evaluation of key suppliers.

These include environmental and social criteria including labour standards, health and safety, human rights and environmental impact which aim to:

- minimise our environmental and social impact through better selection and use of products and services;
- support suppliers to understand and comply with the new policy and guidelines; and
- assist our suppliers to improve their environmental and social performance.

The new policy has been communicated to our key suppliers and will be implemented in the 2006.

Employee Involvement

Greening Australia is Esanda's major community partner for 2005. Esanda a fully owned subsidiary of ANZ, is working with Greening Australia to regenerate the two hectares of bushland at Yarra Bend Park in Melbourne called 'River Retreat'.

In addition to Esanda's \$65,000 sponsorship, the team sends volunteers every month to plant trees and shrubs and weed the

riverbank. More than 700 staff have participated in the project throughout the year. The sponsorship was chosen after staff identified the environment as an issue they were passionate about.

Memberships

ANZ is an active member of the United Nations Environment Program Finance Initiative (UNEP-FI) program and participates in two working groups reviewing projects including rural environmental credit risk, financing energy efficiency, water investment initiatives and green lending products.

In 2005, we also continued our participation in the Carbon Disclosure Project, a study of the world's top 500 companies' disclosure of their greenhouse gas emissions, and the Australian Greenhouse Office Green Challenge Plus program – including the pilot verification project this year.



Earning Community Trust Goals for 2006

- Enable a further 1,000 families to participate in our Saver Plus program.
- Fund the delivery of MoneyMinded to reach 15,000 Australians.
- Implement a national rollout of the MoneyBusiness financial literacy program for use with community organisations who work with Indigenous Australians.
- Achieve 20% staff participation in our ANZ Volunteer's program including 40,000 hours of volunteer time.
- Achieve 10% employee participation in Community Giving, ANZ's workplace giving program.
- Integrate our new Sustainable Procurement Policy into tender requirements, new supplier contracts and existing contracts with key strategic suppliers.
- Reduce ANZ's environment footprint (electricity, paper, waste, water, greenhouse gases) by a minimum of 5% per FTE over the period 2006–2008.



See anz.com to find out more about our:

- Community programs > www.anz.com/cr/community
- Financial literacy and inclusion > www.anz.com/cr/finlit
- Saver Plus > www.anz.com/cr/saverplus
- MoneyMinded > www.anz.com/cr/moneyminded
- MoneyBusiness > www.anz.com/cr/moneybusiness
- 2005 environmental performance > www.anz.com/cr/environment
- Sustainable procurement policy > www.anz.com/corporategovernance

Key Indicators

This table summarises the indicators covered by KPMG's assurance statement.

Definitions of these indicators and a GRI index can be found on our website: www.anz.com.au/cr

Customers	Year ended 30 Sept 2005
Average branch queue waiting times	See graph page 17
Customer satisfaction levels (preliminary results for September 05)	76.5%
Number of customer complaints received	22,429
Shareholders – financial (globally)	
Assets	\$293b
Employees and ancillary costs	\$2,449m
Income after debt provisions	\$8,770m
Net profit after income tax (2005)	\$3b
Net profit after income tax (2000)	\$1.75b
New Zealand division acquisition	\$4.9b
Profit (2005)	\$3,018m
Profit increase (2005)	7.2%
Voting interests in PT Panin Bank, Metrobank and Royal Group	29%, 40%, 55%
Net profit after tax by divisions (2004 and 2005)	see graph on page 25
Institutional Division turnover	more than \$150m
People – employee	
Employee engagement survey results	63%
Lost Time Injury Frequency Rate (LTIFR)	4.2
Number of employees in Australia (as at 30 Sep 2005)	19,430
Number of employees in New Zealand (as at 30 Sep 2005)	10,268
Employees who completed the employee Breakout Program (as at 30 Sep 2005, globally)	21,474
Employees who completed the employee Breakout Program (1 Oct 2004 to 30 Sep 2005, globally)	3,078
Number of eTrain courses completed (globally)	232,369
Employee turnover rate	11.6%
Number of full-time and part-time staff (as at 30 Sep 2005)	13,957 and 5,473
Number of on-line health and safety courses completed (Australia and New Zealand)	46,131
Number of unfair dismissals	17
Percentage of male and female staff in executive positions (as at 30 Sep 2005)	81% and 19%
FTE (average for year)	16,657
Community (globally, except employee volunteer hours)	
Cash contributions	\$6.81m
Financial literacy programs	\$2.37m
Total community investment	\$8.68m
Volunteer support	\$1.2m
Community investment – management costs	\$0.67m
Community investment (contributions by type, ANZ subject focus, contributions by subject and contributions by motivation)	see graphs on page 39
Annual employee volunteer hours	24,935
Environment	
Air travel – domestic	41,303,604 km
Air travel – international	35,423,339 km
Car rental travel	508,654 km
Diesel fuel purchased	44 kL
Petrol fuel consumed (for period 1 Apr 04 to 31 Mar 05)	1,624 kL
Electricity use (forecast)	130,000 MWH
Fleet car travel (for period 1 Apr 04 to 31 Mar 05)	14,126,138 km
Gas use	9,773 GJ
Greenhouse gas emissions from electricity, gas, petrol and diesel	166,202 tonnes CO ₂ e
Office copy paper use and print paper use	806 and 3,115 tonnes
Waste paper recycled	1,329 tonnes

Independent Assurance Statements



Independent review report to ANZ on its Corporate Responsibility Report 2005

Introduction

We have been engaged by Australia and New Zealand Banking Group Limited (ANZ) to review selected Financial, Customer, Environmental, Employee and Community performance data (the Performance Data) set out on page 44 in the ANZ Corporate Responsibility Report 2005 (the Sustainability Report), for the year ended 30 September 2005 or 31 March 2005 where stated (the 2005 Year).

Scope

The Sustainability Report and management responsibility

Management of ANZ are responsible for the preparation of the Sustainability Report and the information and assessments contained within it, for determining ANZ's objectives in relation to sustainability performance, and for establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived. Management's assertions about the effectiveness of the performance management and internal control systems are included in a separate letter we have received from management.

Review approach

We have conducted an independent review of the Performance Data set out on page 44 in the Sustainability Report for the 2005 Year. There are no mandatory requirements for the preparation, publication or review of sustainability performance data. ANZ applies its own reporting protocol for sustainability reporting ('the Criteria'), which can be found online at www.anz.com/cr in the 'Indicator Definitions' dated 28 November 2005. The selection and suitability of the Criteria is the responsibility of management and our review did not include an assessment of the adequacy of the Criteria. Further, the internal control structure which management has

established and from which the Performance Data has been derived, has not been reviewed and no opinion is expressed as to its effectiveness.

Our review was conducted in accordance with the International Standard on Assurance Engagements ISAE 3000 'Assurance Engagements other than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standards Board, and with Australian Auditing Standards AUS 108 'Assurance Engagements' and AUS 902 'Review of Financial Reports'. A review is limited primarily to inquiries of company personnel and other procedures applied to the compilation and presentation of the quantitative data. A review does not provide all evidence that would be required in an audit thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, do not express an audit opinion.

We performed procedures in order to obtain all the information and explanations that we considered necessary to provide sufficient evidence for us to state whether anything has come to our attention that would indicate the Performance Data has not been presented fairly in accordance with the Criteria established by management.

Financial performance data

We performed procedures to agree that the Financial Performance Data set out on page 44 in the Sustainability Report are consistent with the ANZ Financial Report 2005.

Customer performance data

KPMG has performed a separate review and provided a separate review report to ANZ on the ANZ Customer Charter Annual Report 2005. We performed procedures to agree that the Customer Performance Data set out on page 44 in the Sustainability Report, except for customer satisfaction levels, are consistent with the ANZ Customer Charter Annual Report 2005.

Environmental, Employee and Community performance data

For Environmental, Employee and Community Performance Data, and customer satisfaction levels, set out on page 44 in the Sustainability Report,

we formed our statement on the basis of review procedures performed.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Qualification

Performance Data for electricity consumption and greenhouse gas emissions set out on page 44 includes actual data for the period 1 October 2004 to 31 March 2005 and forecast data for part of the period 1 April 2005 to 30 September 2005. Forecast data represents 17% of the total Performance Data for electricity consumption and 16% of the total Performance Data for greenhouse gas emissions. ANZ has prepared schedules supporting forecast consumption and emissions data, which we have reviewed, and whilst the basis of the estimates are supported, there is a risk that forecasts may differ to actual results when actual data becomes available. Accordingly, we express no opinion as to whether forecasts will be achieved.

Statement

Based on our review, which is not an audit, except for the above qualification, nothing came to our attention to indicate that the Financial, Customer, Environmental, Employee and Community Performance Data set out on page 44 for the 2005 Year reported in the Sustainability Report has not been presented fairly in accordance with the Criteria established by management.

KPMG

ROB HOGARTH

PARTNER

SYDNEY, 28 NOVEMBER 2005

External assurance statement and commentary



ANZ has commissioned The Corporate Citizenship Company to provide it with external assurance and commentary on its Corporate Responsibility Report 2005. ANZ's management has prepared the report and is responsible for its contents. Our objectives were to review and advise on aspects of its contents and presentation, to conduct selected checks to underlying corporate records, and to provide this statement for which we have sole responsibility.

A full statement of our external assurance and commentary is available at www.anz.com/cr including details about The Corporate Citizenship Company, our relationship with ANZ and the assurance process we have adopted. This statement summarises our principal findings.

Our opinion

In our opinion, the report provides a fair and balanced representation of the progress ANZ is making in living out its commitments to corporate responsibility. Where gaps in available performance data and stakeholder views on material issues exist, they are identified by us in our full statement.

In forming our opinion and making our comments, we have had regard to the principles underlying the international assurance standard AA1000 (www.accountability.org.uk) notably concerning materiality, completeness and responsiveness. We have also had regard to the 11 reporting principles judged essential by the June 2002 GRI sustainability reporting guidelines (www.globalreporting.org).

Commentary

A corporate responsibility report should explain how the company impacts on society, looking at all the important economic, social and environmental concerns of its stakeholders. It should show how crucial decisions are made, and differing interests balanced. Honest about shortcomings, it should demonstrate how the organisation is responsive, by listening, learning and improving.

Against this goal, we believe ANZ's first corporate responsibility report is to be commended. It is an accessible and balanced account that should help interested audiences to learn more about the business and to engage more effectively. The report compares well with others published by ANZ's international peer group of leading banks.

In our full online statement, we highlight the strengths of the approach adopted by ANZ to this report. By structuring it around the corporate values, readers are better able to judge whether the company is being true to its stated beliefs. Each section shows clear commitments to future action, so the sense of a developing corporate responsibility 'journey' is readily apparent.

Reviewing what stakeholders say, the report demonstrates high satisfaction levels among personal and small business customers about performance. Evidence from employees, who are usually best placed to judge any gap between aspiration and reality, shows strong adherence to the values that ANZ aspires to. On financial literacy and inclusion, our own research shows that ANZ measures up well in comparison with its international peers. And on wider support to the community, voluntary engagement by employees is above average while as a company ANZ has a regional leadership position on evaluating its programs.

Looking ahead

From our review work we identified four main areas for consideration in future reports. Going beyond issues of responsible behaviour, they will help address a fundamental question: what does the goal of sustainable development mean in practice for a bank like ANZ?

The first is economic impact. In line with best practice, the report already shows how the income generated by ANZ's operations benefits employees, suppliers, shareholders and governments. By providing efficient financial services particularly to institutional clients and corporate customers, ANZ also helps to promote wider economic growth. Building on the already strong discussion about services for personal customers, we believe future reports should examine the full range of customer-facing issues, including asset management which is operated through a joint venture.

Second, ANZ has now started to screen for social and environmental risks in its lending policies and in procurement from suppliers. A formal commitment to increasingly accepted external standards, notably concerning human rights and environmental impacts, would help external audiences to judge the approach being adopted. Then the challenge in future will be to identify commercial opportunities that contribute positively to sustainable development goals.

Third, while the report clearly addresses many aspects of ANZ's internal operations, two in particular could be enhanced. Existing environmental management systems have difficulty yielding reliable data on performance trends across all key indicators. Without these, progress towards meeting the published targets will inevitably be hard to track. On employees, ANZ is committed to enhancing diversity: so that this can fully

include ethnicity, data needs to be assembled and reported, and action then focused on addressing likely imbalances.

Finally, ANZ is pledged to expand the scope of its corporate responsibility reporting to include operations in New Zealand. In our view, future reports should also address more fully the Pacific Islands and developing markets such as China which, while still small in monetary terms, raise issues of interest to stakeholders.

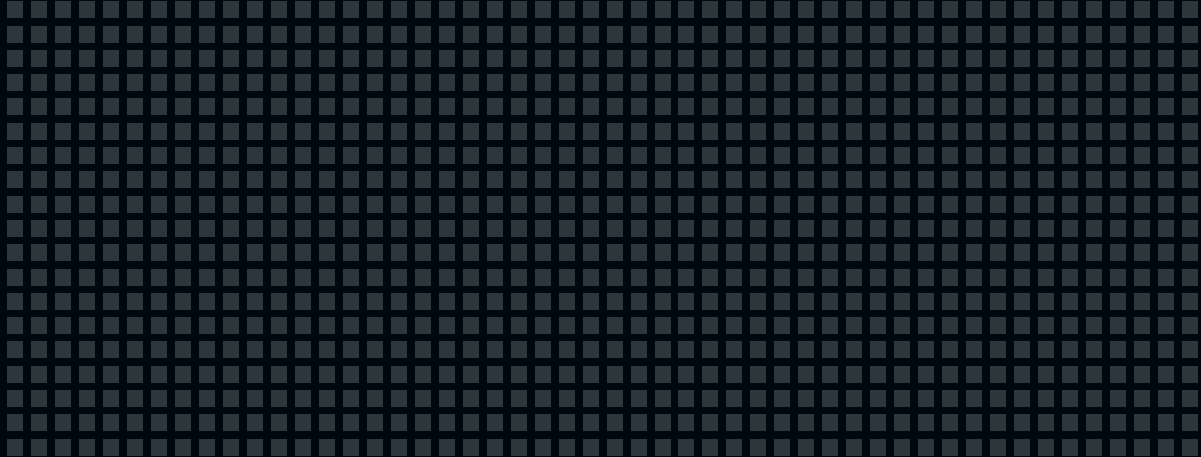
The Corporate Citizenship Company

THE CORPORATE CITIZENSHIP COMPANY
www.corporate-citizenship.com
24 NOVEMBER 2005

Recognition

Many of our initiatives and outcomes have been recognised by various award programs. In 2005 we won 'Bank of the Year' for the sixth year running at the Money Magazine Consumer Finance Awards. ANZ received this award for its flexible products and competitive prices, as independently judged by Cannex. Here are details of this and a selection of other awards presented to ANZ in 2005.

- Best domestic commercial bank in Australia.
- Asia's Best Bank.
AsiaMoney Awards 2005
- Best Financial Institution and Best Business Bank.
Australian Banking & Finance Magazine 2005 Awards
- The Management Practice and Performance and Impact of our Community programs rated 100%.
Australian Corporate Responsibility Index
- Twelve ANZ mortgage products received a five star rating.
- ANZ transaction and savings accounts: ANZ Access Advantage, ANZ Access Select, ANZ Progress Saver, ANZ V2 Plus, and ANZ Premium Cash Management awarded a deposit account five star rating.
- ANZ Rewards Visa and ANZ Low Rate MasterCard awarded a five star rating.
Cannex
- Australian service award for our branch network.
Customer Service Institute of Australia
- ANZ Payments recognised for employment and inclusion of culturally and linguistically diverse Australians.
Diversity@work Awards
- ANZ retains membership for the fourth year in a row. We rank in the top ten of the top 10% of banks globally on the DJSI.
Dow Jones Sustainability Index (DJSI)
- Leading Australian Organisation for the Advancement of Women (with more than 500 employees).
- Recognised as an Employer of Choice for Women.
Equal Opportunity for Women in the Workplace Agency
- We are a member of the FTSE4Good Index.
FTSE4Good
- Australian Call Centre recognised for excellence in customer service.
International Customer Service Professionals (ICSP)
- Grand Prix for Best Investor Relations.
IR Magazine Awards
- Best Personal Transaction Account for Electronic Use and Best Term/TPD Insurance Product.
- Bank of the Year 2005 – for the sixth year in row.
- Personal Banking Website of the Year Awards 2005.
Money Magazine Awards 2005
- Bank of the Year.
Personal Investor Awards
- We improved our rating from A in 2004 to AA in 2005.
RepuTex Social Responsibility Rating



Contact details

Gerard Brown
Group General Manager
Corporate Affairs

Level 22, 100 Queen Street
Melbourne VIC 3000 Australia
Telephone +613 9273 4991
Facsimile +613 9273 4875
gerard.brown@anz.com

Julie Bisinella
Head of Corporate Responsibility

Level 22, 100 Queen Street
Melbourne VIC 3000 Australia
Telephone +613 9273 4571
Facsimile +613 9273 4899
bisnelj@anz.com

Renee Hancock
Manager
Corporate Responsibility

Level 22, 100 Queen Street
Melbourne VIC 3000 Australia
Telephone +613 9273 0682
Facsimile +613 9273 4899
hancocr1@anz.com



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