

Media Release



Corporate Communications
100 Queen Street
Melbourne Vic 3000
www.anz.com

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ANZ releases Securities Lending Review

- remediation plan and accountability actions address findings -

ANZ Chief Executive Officer Mike Smith today released the findings of his Review Committee which examined the Bank's involvement in Securities Lending and its relationship with Broker clients including the Opes Prime group (Opes).

The report follows an announcement in April that Mr Smith would conduct a thorough review of the issues surrounding ANZ's Securities Lending business and publicly release its findings. Mr Smith was assisted by David Crawford, one of Australia's most experienced company directors with an extensive background in financial services and insolvency administration, and three senior ANZ executives.

The Review Committee examined business practice, governance and management accountability related to the Securities Lending business within ANZ and developed a comprehensive remediation plan to address its findings.

The issues examined in the report are not those which caused the collapse of Brokers including Opes. Nor does the report address broader legal issues, particularly those associated with the losses incurred by the clients of Opes. Those issues are the subject of several legal actions and commercial mediation involving the Opes administrators, the Australian Securities and Investments Commission and other financiers. ANZ continues to believe it has a strong legal position in relation to these claims.

"The release of this report delivers on a commitment to provide an open and transparent account of ANZ's involvement in Securities Lending, to examine accountabilities within ANZ and to identify the remedial actions necessary," Mr Smith said.

"The Review Committee found weaknesses in the management and oversight of the Equity Finance business within ANZ's Securities Lending unit. Taken together, this meant that ANZ did not adequately identify and manage the range of risks which arose from the operation of a business of this nature.

"In reviewing this issue, it's clear the findings have some wider implications for ANZ's management of other non-traditional businesses, particularly in our Institutional Division.

"We have developed a comprehensive 13-point remediation plan to address all the management, control and accountability issues identified in the report. I believe this plan will provide ANZ with a step change in the management of risk, particularly in Institutional, and will draw a line in the sand at ANZ about performance and accountability in the future," Mr Smith said.

The Review Committee identified breaches of ANZ's Code of Conduct by two employees who will leave ANZ.

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A range of other management accountability issues associated with the operation, management and oversight of the Equity Finance business were also identified. As a result, ANZ has taken action involving a number of employees. This includes formal notes placed on employment records, cuts to remuneration and the departure from ANZ of six managers and executives.

A number of executives who have already left the Institutional Division would also have been subject to employment sanctions had they remained at ANZ.

Mr Smith added: "ANZ's shareholders, customers and the wider community have a right to expect the Bank to conduct its business with the highest standards of business practice.

"We have dealt clearly and squarely with the accountability issues and have a comprehensive remediation in place to address the short comings in management and control we have identified particularly within Risk Management and the Institutional Division.

"However, I do recognise the legacy of ANZ's involvement in Equity Finance may well be with the Group for some time through legal claims that we will continue to defend and the impact of these issues to our reputation.

"There have been no winners from this unfortunate series of events. The collapse of Brokers has had a significant affect on the lives of their clients and their families together with those of the affected staff members at ANZ," Mr Smith said.

The Review Committee's report has been presented to the ANZ Board which has accepted the findings and has given its full support to the remediation program. The report provided to the ANZ Board has been released today and has also been provided to the Australian Prudential Regulation Authority and the Australian Securities and Investments Commission.

For media and investor enquiries contact:

Paul Edwards
Head of Corporate Communications
Tel: +61-3-9273 6955
Email: paul.edwards@anz.com

Jill Craig
Head of Investor Relations
Tel: 03-9273 4185
Email: jill.craig@anz.com