2002

US FORM 20-F

ANNUAL REPORT

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Securities and Exchange Commission

Washington, D.C. 20549

Form 20-F

(Mark One) [ ] Registration Statement pursuant to Section 12(b) or (g) of the Securities Exchange Act of 1934

or

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

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

For the fiscal year ended September 30, 2002

Commission file number 0-18262

Australia and New Zealand Banking Group Limited

(Exact name of registrant as specified in its charter)

Victoria, Australia

(Jurisdiction of incorporation or organization)

100 Queen Street, Melbourne, VICTORIA, 3000, AUSTRALIA

(Address of principal executive offices)

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

Title of each class	Name of each exchange on which registered
American Depositary Shares each representing five ordinary shares	The New York Stock Exchange, Inc.
9 1/8% Capital Securities	The New York Stock Exchange, Inc.
American Depositary Receipts each representing four Preference shares	The New York Stock Exchange, Inc.

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

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

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

Ordinary Shares	1,503,886,082 fully paid
US$6.25 Preference Shares	124,032,000 fully paid

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

Yes X No __

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

Item 17 __ Item 18 X

Form 20-F Cross Reference Index

Forward-Looking Statements

This Annual Report contains certain forward-looking statements, including statements regarding (i) economic and financial forecasts, (ii) anticipated implementation of certain control systems and programs, (iii) the expected outcomes of legal proceedings, and (iv) strategic priorities. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Australia and New Zealand Banking Group Limited ("the Company"), together with its subsidiaries ("ANZ", or the “Group”), which may cause actual results to differ materially from those expressed in the forward-looking statements contained in this Annual Report.

For example, the economic and financial forecasts contained in this Annual Report will be affected by movements in exchange rates and interest rates, which may vary significantly from current levels, as well as by general economic conditions in each of ANZ's major markets. Such variations may materially impact ANZ's financial condition and results of operations. The implementation of control systems and programs will be dependent on such factors as ANZ's ability to acquire or develop necessary technology and its ability to attract and retain qualified personnel. The plans, strategies and objectives of management will be subject to, among other things, government regulation, which may change at any time and over which ANZ has no control. In addition, ANZ will continue to be affected by general economic conditions in capital markets, the competitive environment in each of its markets and political and regulatory policies. There can be no assurance that actual outcomes will not differ materially from the forward-looking statements contained in this Annual Report. See “Summary of Material Risk Factors” on page 21.

Currency of Presentation, Exchange Rates and Certain Definitions

The Company, together with its subsidiaries, publishes consolidated financial statements in Australian dollars. In this Annual Report, unless otherwise stated or the context otherwise requires, references to "US$", "USD" and "US dollars" are to United States dollars and references to "$", "AUD" and "A$" are to Australian dollars. For the convenience of the reader, this Annual Report contains translations of certain Australian dollar amounts into US dollars at specified rates. These translations should not be construed as representations that the Australian dollar amounts actually represent such US dollar amounts or could be converted into US dollars at the rate indicated. Unless otherwise stated, the translations of Australian dollars into US dollars have been made at the rate of US$0.5429 = A$1.00, the Noon Buying Rate in New York City for cable transfers in Australian dollars as certified for customs purposes by the Federal Reserve Bank of New York (the "Noon Buying Rate") on September 30, 2002.

Exchange Rates

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

		US$ per A$1.00			
Year ended		**High**	**Low**	**Average**	**Close**
1998	September	0.7386	0.5550	0.6444	0.5930
1999	September	0.6712	0.5887	0.6390	0.6528
2000	September	0.6687	0.5372	0.6032	0.5415
2001	September	0.5712	0.4828	0.5182	0.4946
2002	September	0.5748	0.4923	0.5329	0.5429
Month ended	June	0.5748	0.5583	0.5682	0.5628
	July	0.5688	0.5370	0.5538	0.5445
	August	0.5534	0.5280	0.5413	0.5495
	September	0.5518	0.5419	0.5465	0.5429
	October	0.5585	0.5422	0.5502	0.5548
	November	0.5660	0.5563	0.5613	0.5601

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

On December 2, 2002, the Noon Buying Rate was US$0.5594 per A$1.00.

In 2002, 28% (2001: 30%) of our gross revenue was derived from overseas operations and was denominated principally in New Zealand dollars ("NZ$" or "NZD"), US dollars (“US$” or “USD”) and British pounds sterling ("£" or "GBP"). Movements in foreign currencies against the Australian dollar can therefore affect ANZ's earnings through the restatement of overseas profits to Australian dollars. Based on exchange rates applied to convert overseas profits and losses from September 1998 to September 2002, the Australian dollar moved against these currencies as follows (refer also Note 56 to the Financial Report):

Years ended September 30	**2002**	**2001**	**2000**	**1999**	**1998**
NZ$	-4%	-1%	+5%	+4%	+3%
US$	2%	-14%	-5%	-1%	-16%
£	0%	-7%	0%	0%	-17%

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

Certain Definitions

Our fiscal year ends on September 30. As used throughout this Annual Report, unless otherwise stated or the context otherwise requires, the fiscal year ended September 30, 2002 is referred to as 2002, and other fiscal years are referred to in a corresponding manner. References to calendar years are identified as such.

Item 4: Information on the Company

Overview

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

Based on publicly available information as at September 30, 2002, we ranked fourth among Australian banking groups in terms of total assets ($183.1 billion) and third in terms of shareholders' equity ($11.5 billion). At December 2, 2002, our market capitalization of $29.6 billion ranked us the sixth largest company listed on the Australian Stock Exchange Limited.

We provide a broad range of banking and financial products and services to retail, small business, corporate and institutional clients. We conduct our operations primarily in Australia (approximately 74% of our total assets at September 30, 2002) with significant operations in New Zealand (approximately 13% of total assets at September 30, 2002). The remainder of our operations are conducted in the United Kingdom, the United States and a number of other countries, most of which are located in the Asia Pacific region. At September 30, 2002, we had 1,018 branches and other points of representation worldwide.

In 2000 we announced a new strategy for ANZ designed to position us effectively in a more competitive, electronic and globalizing environment. Our strategy has three main elements - perform, grow and breakout as described below:

Perform - Ensuring "best in class" performance for shareholders, customers, staff and the community.

Grow - Demonstrating strong growth momentum in core businesses and positioning ourselves in attractive new high growth categories.

Breakout - Being bold and different, a high performance culture with a human face, technological leadership and a strong domestic and regional strategic position.

To implement this strategy we created 16 specialist business units to provide a more focused, competitive and responsive approach to customer and product segments. While our strategy has remained the same there has been refinements to the business structure. During the year ended September 30, 2002, ANZ managed its activities along the following lines of business:

Personal Banking Australia and Wealth Management

- Personal Banking Australia
- Wealth Management
- ING Australia Limited
- Personal Banking New Zealand
- Asia Pacific Personal Banking

Corporate Business

- Corporate Business
- Global Institutional Banking
- Global Transaction Services

Investment Banking

- Global Foreign Exchange
- Global Capital Markets
- Global Structured Finance
- Corporate Finance & Advisory

Small to Medium Business

Mortgages

Consumer Finance

Asset Finance

Group Treasury

The activities of each of these businesses for the September 2002 year end are described below. Definitions of each lines of business are on page 89 of the Financial Report. Included in the following narrative statements regarding our competitive position. Those that are not attributed to a third-party source are based on internally held and/or publicly available information. To the best of our knowledge these statements are accurate.

Personal Banking and Wealth Management

Personal Banking and Wealth Management includes our Personal Banking businesses in Australia, New Zealand and Asia–Pacific, Wealth Management and our joint venture in funds management with ING (refer page 11).

During 2002, earnings rose 8.9% to $573 million as we continued repositioning these businesses for future growth. This has involved a commitment to transforming our customers' banking experience. We have made some real progress in these areas this year.

- We launched our new access accounts which now set a new standard in the industry. We have received an award from Personal Investor Magazine for our product, Access Advantage.
- In May 2002, we made a strategic leap in wealth management through our joint venture with the ING Group, establishing ING Australia as a leader in funds management and life insurance in Australia and New Zealand.
- We implemented the Restoring Customer Faith program in Victoria and New Zealand. This new model for our retail business is being rolled out across Australia and New Zealand during the next two years. It involves giving local staff a greater sense of ownership and freedom by allowing them to put customers first, and supporting our people by investing in modern branch premises, training programs and improved technology.

- Our new Customer Service Charter established clear benchmarks for service to personal and small business customers.
- We extended our leadership position in the Pacific through acquisitions in Kiribati, Papua New Guinea, Vanuatu and Fiji, and through investment in electronic banking and new products.

Our challenge is to build on this new momentum to take our Personal Banking and Wealth Management businesses to the next level by continuing to focus on growing our revenue and customer base. We will make key investments in our product suite, technology and training programs.

Corporate Businesses

Corporate Businesses includes our relationships with middle-market corporate clients, major Australian and international institutions and corporations, and Global Transaction Services which provides products to support working capital management, liquidity management and transaction processing.

It has been a subdued year in the domestic business market. Although consumer sentiment has helped drive growth in the domestic economy, the business market has been relatively quiet. It has been even more difficult internationally.

However, ANZ has an enviable franchise in the business market. In a survey by Greenwich, among the major Australian banks, customers again rated us number one in satisfaction for both the corporate and institutional markets.

Key elements of performance include:

- Earnings in Corporate Banking were up 6.3% to $134 million in 2002 despite restrained balance sheet growth reflecting the contribution of lending, leasing and deposit products.
- Institutional Banking faced a more challenging international environment in 2002. Earnings were up 18.5%, mainly from lending fee income.
- Global Transaction Services earnings were up 11.1% to $150 million with growth in structured trade partly off-set by downturns in foreign cash and travellers cheques following September 11 and a repositioning of the trade finance portfolio to reduce risk.

Our performance is also a reflection of the quality and commitment of our people, with high levels of satisfaction reflected in our staff survey results.

Our client franchise and high levels of customer satisfaction together provide a strong combination that continues to allow us to explore opportunities to reshape the business and create growth.

Investment Banking

ANZ Investment Bank, which includes our structured and corporate finance, capital markets and foreign exchange businesses, has produced a solid performance in a challenging international environment.

We remained the premier Australian foreign exchange ("FX") bank globally. Although earnings were down 3.4% to $84 million, reflecting lower FX volatility internationally and tightened credit conditions, growth in FX amongst funds management clients and e-commerce are positioning us for the future.

Global Capital Markets was ranked number 1 by Asia Money magazine in Interest Rate and Credit Derivatives, and number 1 in Australian and New Zealand Loans by Basis Point magazine. Earnings were up 20.8% to $64 million supported by debt, derivative and securitization deal flow.

Corporate Financing and Advisory earnings grew 9.7% to $79 million reflecting a range of leading roles in major project financings and the development of growth businesses in private equity capital and leveraged finance.

Global Structured Finance produced earnings growth of 10.5% to $84 million, achieving a strong performance in project and structured finance and industrial transportation and growth in non–lending fees, despite subdued markets.

We incurred significant specific provision losses from loans made to two major international companies that collapsed during the year, namely Enron and Marconi. Following this, further steps have and are being taken to address credit issues and improve risk mitigation internationally. Our strong business foundation is enabling us to continue to reshape our business and focus on new growth opportunities in private equity products and securitization and increased fee-based structuring and advisory activities.

Consumer Finance

Consumer Finance, which includes credit cards, merchant payment solutions, ePayment products and personal loans, has performed well in 2002.

Earnings were up 50.5% to $149 million in 2002, based on growth in the credit card portfolio following the collapse of competitor airline loyalty programs, increases in card spending volumes, higher merchant acquiring share, and improved credit performance particularly in personal loans.

Our specialist approach has allowed us to focus on the quality of our people and technology to deliver products efficiently with high levels of customer satisfaction. This focus is showing results, including the highest credit card satisfaction among our major competitors and a 7% increase in staff satisfaction.

Our 2002 results reflect a number of significant technology investments designed to support future growth. During the year, we were the first bank in Australia and New Zealand to commence converting our credit card technology to chip. The $50 million investment in new chip-based cards and chip-capable 'MultiPOS' terminals provides an early mover advantage with cardholders and merchants. This included launching Sphere, a new chip–based reward program, for ANZ First customers.

In March, we replaced our main processing platform with a new system called VisionPlus. This system will allow us to provide more flexible, customized, and responsive service to customers and reduce costs through greater processing efficiencies.

We have also improved our share of merchant acquiring; introduced new on–line tools for our customers and staff; reduced fraud losses through the application of neural network technology; and taken early steps to extend our credit card business into Asia by launching credit cards in Hong Kong.

Mortgages

Growing our Mortgage business starts with good products. In 2002, for the fourth year in a row, we received Personal Investor magazine's award for Home Lender of the Year, reflecting the first rate features and competitiveness of our mortgage products.

Good products don't add value without high levels of customer service, and this year we invested heavily in technology and resources to develop faster, more responsive ways of serving our customers.

This has included implementation of new online systems to allow mortgage applications in Australia and New Zealand (including broker channels) to be lodged electronically, speeding up processing and approvals. We have also developed new businesses in the wholesale funding and servicing of third party mortgages.

We are already seeing some early results. While we have taken a conservative position on risk, we have approved mortgages in record numbers in the second half of 2002. Loans outstanding have grown by 16% over the year. Brokers have voted us 'the best bank to do business with'. These results have, however, been impacted by pressure on margins through increased funding costs in the rising interest rate environment, resulting in 4.2% earnings growth to $246 million.

Asset Finance

Esanda and UDC are our asset finance and rental businesses in Australia and New Zealand. We specialize in supporting our customers and business partners, such as dealers and brokers, through vehicle and equipment finance, vehicle fleet and equipment management and servicing, and debenture investments.

The asset finance and rental market is highly competitive and has experienced consolidation and increased margin pressures in recent years. Our response has been a series of initiatives to develop a more sustainable market leadership position. This includes a program of efficiency improvements involving investments in technology and process re-engineering and redesign, and a focus on improving credit quality.

Our efforts are already starting to show results. Earnings in 2002 are up 10.9% to $102 million. Customer satisfaction remains strong at 80% and staff satisfaction has also risen to 77%. These results reflect the specialized culture and identity we have developed around serving our business and personal customers.

There is still much to do. We need to create an operationally excellent platform for our customers and business partners and continue to attract and retain talented people. This focus will provide a platform to capture future growth opportunities and continue to improve profitability within our asset finance business.

Small to Medium Business

The small to medium business sector is an important growth opportunity for ANZ. During 2002, we continued to develop our specialist focus by implementing a distinctive new service proposition – one focused on developing the quality of our people and empowering them to address customer needs more effectively.

The new service proposition directly addresses some of the key drivers of customer satisfaction – being flexible and responsive around customer needs, providing expert advice and innovative products and a long-term focus to customer relationships. We have expanded our geographic 'footprint' and developed specialist industry segments such as franchising.

Our efforts have begun to pay dividends. Customer satisfaction has risen from 66% in 2001 to 69% in 2002. Staff satisfaction increased from 59% in 2001 to 75% in 2002. We also received recognition in Personal Investor magazine's financial services awards for the Best Business Transaction Account, Best Small Business Web Site and the Lifestyle Package Banking Award for Small Business.

During the year, Small to Medium Business earnings grew 20.8% to $157 million in 2002, driven by growth in new customers, increased share of business from our existing customers, and higher deposit and lending volumes.

While we have a long way to go to build a market-leading position, we have made good progress in 2002. We will continue to invest in the business, by growing our geographic presence, serving our customers better, developing new products and extending our specialist capabilities.

Group Treasury

Group Treasury provides cash flow support, ensures liquidity, manages interest rate risk and provides capital to our businesses. In 2002, Treasury's earnings increased 65% to $124 million, reflecting strong interest income from interest rate risk management activities.

Corporate Centre

ANZ's Corporate Centre provides a diverse range of services to the Group. It comprises Group Strategic Development, Group Risk Management, People Capital, Chief Financial Officer's (CFO) Units and Operations Technology and Support Services (OTSS).

Providing these services is about a working partnership between our technology, payments and other specialists and each of our businesses. The objective is to provide our customers with superior personalized services at lower cost.

In 2002, OTSS worked on a number of projects including the replacement of front-to-back systems for our Asset Finance business, installation of a common administrative system for the Group, rollout of a new branch sales platform and implementation of a new platform for our cards business called VisionPlus.

The technology development arms work closely with each of ANZ's business divisions to develop, integrate and improve core business software for ANZ. The teams include over 1500 analysts and developers located in Australia, New Zealand and India. The development teams continue to support ANZ business units and the Group in delivering new systems and infrastructure for customers and staff. ANZ's project delivery capability continued to be improved with upgraded processes and tools put in place and the software development centre based in India attained Capability Maturity Model level 4 certification from the Software Engineering Institute (USA). As well as the new PeopleSoft systems mentioned above, key initiatives include a new telling system for staff in the branch network, implementation of a new Cards processing platform, and replacement of ANZ's Asset Financing operation's existing business computing systems in Australia and New Zealand with a new common platform.

The Payments area has responsibility for providing secure, timely and cost-effective deposits and payments processing, and associated operations, to support ANZ's lines of business and their customers. It also operates and manages the clearing interface with other institutions globally. Focus remains on maintaining high reliability, mitigation of risk and cost management. Implementation of a new global payments application and roll-out of a new image-based item processing platform was successfully completed in Australia and is now being extended into NZ. Payments also commenced operations (along with 39 major global banks) in the new continuous linked settlement system for the seven major trading currencies of the world.

Other Shared Services continued to deliver cost savings. The Property area completed a new four year outsource of real estate services for Australia and New Zealand premises. The Procurement and Strategic Sourcing area continued to extract procurement cost savings. The Human Resources operations area achieved its cost targets.

Staff satisfaction for OTSS increased from 69% to 83%, while internal customer satisfaction continued to rise.

Group Strategic Development works closely with the businesses to strengthen and maximize their performance. In 2002, ANZ launched a new funds management joint venture with ING as well as acquired the Bank of Hawaii's Pacific businesses.

Group Risk Management is responsible for the organization's risk strategies, policies and processes.

People Capital is involved in leading a range of initiatives to help build organizational capability, and deliver the best opportunities to our people.

CFO Units are responsible for the Group's financial governance. In 2002, the Company won several awards in recognition of the quality of its disclosure with CFO Units being major contributors to this transparency.

Subsidiaries, Associates and Joint Venture

We have many subsidiaries and associates. More detailed information regarding material subsidiaries and associates is contained in Exhibit 8, Note 44, Note 45 and Note 46 of the Financial Report.

Organization Restructure

On October 18, 2002 and effective December 1, 2002, we announced a change to our business structure, primarily to sharpen our focus on customers and priorities for ANZ's future development.

Personal Banking and Wealth Management Australia, will focus exclusively on Australia including all channels for personal customers and the ING Australia funds management joint venture.

Global Institutional and Investment Banking will oversee all business dealing with large corporate and institutional customers including Global Institutional Banking, Global Transaction Services, ANZ Investment banking businesses, and Asia Corporate.

Corporate and Small to Medium Business Australia brings together corporate and small business banking into a single business to harness synergies between these segments.

These changes leave our specialized business structure intact, and enhance synergies between our businesses by emphasizing a total customer relationship approach.

Strategic Priorities

The core elements of our strategy going forward are to:

Organic Out-Performance

- Extend specialization
- Grow customer numbers
- Increase share of wallet
- Drive productivity

Portfolio Reshaping

- Invest in high growth areas
- Build specialist capabilities
- Exit weak positions
- Risk reduction
- Transformational moves
- Step changes in positioning
- Creating new growth options
- Proactively shaping industry

Our 2003 Priorities

- Rollout Restoring Customer Faith, reconnect with community
- Complete Joint Venture integration. Leverage distribution opportunity
- Reposition cards and mortgages for tougher environments
- Narrow focus of offshore activities to reduce risk
- Capture share of cyclical upswing in corporate lending and small to medium enterprises
- Implement three major strategic cost programs, fewer projects
- Accelerate shift in performance culture and identify and develop the next generation of leaders

Financial Aspirations

We have set the following targets for 2003:

- Earnings per share growth - 10%
- Cost income ratio - 45%
- Return on equity - 20%
- Adjusted Common Equity ratio - 5.25% - 5.75% (refer page 49)
- Credit Rating - AA-

Property

We have a sizeable holding of freehold and leasehold land and buildings (largely within Australia) for our business purposes. These premises, which include branches, administration centers and residential accommodation for employees, had a carrying value at September 30, 2002 of $455 million and a market value of $464 million. (2001 carrying value of $483 million).

The Group last valued this class of assets, based on independent valuations, as at June 30, 2002. There were no material movements in property values in the period to September 30, 2002.

The decrease in property carrying values from September 30, 2001 to September 30, 2002 reflects the Group's continued divestment strategy through sales and sale and leasebacks of non core property assets.

Recent Developments

Acquisition of Bank of Kiribati

In October 2001, ANZ announced it had acquired (on September 30, 2001) a majority interest in the Bank of Kiribati Ltd, consolidating our position as the leading bank in the Pacific.

ANZ purchased 75% of the Bank of Kiribati from the Kirbati Government which retains a 25% interest. The consideration of approximately $5.4 million brought $1.4 million in net assets into ANZ.

Bank of Kiribati has four branches - three on Tarawa and one on Kirimati Island.

Establishment of Joint Venture with ING

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

Key details of the transaction are:

- ING Australia Limited is owned 51% by ING Group and 49% by ANZ.
- Both shareholders have an equal say in strategic decisions with a number of matters requiring the approval of both Shareholders. These include major items of capital expenditure, acquisitions or disposals in excess of $20 million and changes to the Board structure.
- Equal board representation with four ANZ nominees and four ING Group nominees. All key issues (including business plans, major capital expenditure, acquisitions etc) require unanimous Board approval.
- The Joint Venture was valued in April 2002, at $3,750 million with ING contributing businesses valued at $2,874 million; ANZ contributing businesses valued at $879 million. ANZ's contribution to the Joint Venture was by way of selling a controlling interest in ANZ Life Assurance Company Limited, ANZ Managed Investments Limited, ANZ General Insurance Limited and Investment and Administration Services Limited, as well as making a capital contribution of $960 million.
- The Joint Venture includes the majority of ANZ's and ING's funds management and insurance activities in Australia and New Zealand.

Acquisition of Bank of Hawaii Assets

On October 4, 2001, ANZ announced it had agreed to acquire the Bank of Hawaii's operation in Papua New Guinea, Vanuatu and Fiji further consolidating ANZ's leading position in retail and commercial banking in the Pacific region.

The consideration of approximately $100 million in cash includes total assets of about $350 million ($52 million net assets and $48 million of goodwill). The acquired business operates from two branches in Papua New Guinea, two in Vanuatu and three in Fiji.

The acquisition builds upon an important year of strategic growth for ANZ in the Pacific. We now have operations in three new countries - American Samoa, East Timor and Kiribati.

Assets and Gross Revenue by Line of Business

Years ended September 30[1]	2002 $M		2001 $M		2000 $M	
Line Of Business[2]						
Assets						
Personal Banking and Wealth Management	10,635	6%	13,597	7%	n/a	n/a
Corporate Businesses	42,822	23%	44,245	24%	n/a	n/a
Investment Banking	25,669	14%	29,851	16%	n/a	n/a
Consumer Finance	5,551	3%	4,881	3%	n/a	n/a
Mortgages	64,826	35%	55,901	30%	n/a	n/a
Asset Finance	12,410	7%	12,013	7%	n/a	n/a
Small to Medium Business	6,764	4%	6,013	3%	n/a	n/a
Other	14,428	8%	18,992	10%	n/a	n/a
	183,105	100%	185,493	100%	n/a	n/a
Gross Revenue[3] *(equity standardized)*[4]						
Personal Banking and Wealth Management	1,376	11%	1,440	11%	n/a	n/a
Corporate Businesses	2,141	18%	2,467	19%	n/a	n/a
Investment Banking	1,527	13%	2,309	18%	n/a	n/a
Consumer Finance	986	8%	896	7%	n/a	n/a
Mortgages	3,760	31%	3,846	30%	n/a	n/a
Asset Finance	1,036	9%	1,071	8%	n/a	n/a
Small to Medium Business	503	4%	473	4%	n/a	n/a
Other	678	6%	322	3%	n/a	n/a
	12,007	100%	12,824	100%	n/a	n/a

Line Of Business

Assets	2001 $M		2000 $M	
Personal (2001)	73,528	39%	66,896	38%
Corporate (2001)	68,191	37%	65,161	38%
International and Subsidiaries (2001)	26,416	14%	24,372	14%
Corporate Centre, Technology and Finance (2001)	16,270	9%	15,129	9%
Discontinued Businesses (2001)	1,088	1%	909	1%
	185,493	100%	172,467	100%
Gross Revenue[3] *(equity standardized)*[4]				
Personal (2001)	6,306	49%	5,517	39%
Corporate (2001)	4,524	35%	4,041	29%
International and Subsidiaries (2001)	1,977	15%	1,789	13%
Corporate Centre, Technology and Finance (2001)	48	1%	1,743	12%
Discontinued Businesses (2001)	8	–	941	7%
	12,863	100%	14,031	100%

1 Comparative Line of Business information cannot be provided without unreasonable effort or expense, refer table below for line of business under previous business structure
2 For discussion of operating results by Line of Business see "Operating and Financial Review and Prospects - Results by Line of Business"
3 Gross revenue comprises interest income and non-interest income
4 Economic Value Added (EVA™) principles are in use throughout the Group, whereby risk adjusted capital is allocated and charged against business units. Equity standardized profit is determined by eliminating the impact of earnings on each business unit's book capital and attributing earnings on the business units risk adjusted capital. This enhances comparability of business unit performance. Geographic results are not equity standardized

Assets and Gross Revenue by Region

Years ended September 30	2002 $M		2001 $M		2000[3] $M	
Region[1]						
Assets						
Australia	135,050	74%	133,057	72%	127,306	74%
New Zealand	23,799	13%	22,337	12%	20,354	12%
Overseas Markets	24,256	13%	30,099	16%	24,807	14%
	183,105	100%	185,493	100%	172,467	100%
Gross Revenue[2]						
Australia	8,697	72%	9,012	70%	7,991	57%
New Zealand	1,917	16%	2,011	16%	1,843	13%
Overseas Markets	1,393	12%	1,801	14%	4,197	30%
	12,007	100%	12,824	100%	14,031	100%

1 For discussion of operating results by region see "Operating and Financial Review and Prospects - Results by Region"
2 Gross revenue comprises interest income and non-interest income
3 Includes abnormal items

Supervision and Regulation

Australia

Our operations are regulated in each country in which we operate. The Australian Prudential Regulation Authority ("APRA") has responsibility for the prudential and regulatory supervision of Australian banks, Credit Unions, Building Societies, other Authorized Deposit-Taking Institutions ("ADI's"), Insurance Companies and Superannuation Funds.

APRA discharges its responsibilities by requiring banks subject to its supervision to conform to a set of prudential standards and to regularly provide it with reports which set forth a broad range of information, including financial and statistical data relating to their financial position and information in respect of prudential and other matters.

In its supervision of banks, APRA gives special attention to capital adequacy, liquidity, earnings, loan loss experience, concentration of risks, the maturity structure of assets and liabilities, potential exposures through equity investments, funds management and securitization activities and international banking operations. APRA may also exercise certain investigative powers if a bank fails to provide information about its financial condition or becomes unable to meet its obligations or suspends payment.

In carrying out its supervisory role, APRA supplements its analysis of statistical data collected from banks with selective "on site" visits and formal meetings with banks' senior management and external auditors. APRA has also formalized a consultative relationship with each bank's external auditors. The external auditors provide additional assurance that prudential standards set by APRA are being observed, and that statutory and other banking requirements are being met. External auditors also undertake targeted reviews of specific risk management areas as selected at the annual meeting between the bank, its external auditors and APRA. In addition, each bank's Chief Executive Officer attests to the adequacy and operating effectiveness of the bank's management systems to control exposures and limit risks to prudent levels.

Individual equity investments by banks or their subsidiaries in entities not operating in the field of finance may not exceed a value greater than 0.25% of a bank's consolidated Tier 1 capital, and the total of such investments may not exceed a value greater than 5% of a bank's consolidated Tier 1 capital, without prior reference to APRA. Banks should also notify APRA before committing to equity investments in entities not operating in the field of finance which will result in more than a 10% equity interest in the entity being acquired. These restrictions do not apply to equity holdings held within a trading portfolio.

A bank may not enter into any agreement or arrangement for the sale or disposal of its business or carry on business in partnership with another bank without the consent of the Treasurer of the Commonwealth of Australia ("the Treasurer").

Although the Reserve Bank of Australia "RBA" has the authority, with the approval of the Treasurer, to set interest rates paid or charged by banks, this authority is not currently being exercised.

Bank Liquidity

Liquidity is regulated by APRA through individual agreements with each bank which take into consideration the specific operations of each organization. APRA requires that banks have a comprehensive liquidity policy statement which defines the guidelines and systems for managing domestic and foreign currency liquidity. This statement must be approved by the Board of Directors. A bank's liquidity management policy should cater for a range of potential conditions and APRA requires each bank's liquidity risk to be assessed under two specific scenarios. The first scenario is known as the "going-concern" and refers to the normal behaviour of cash flows in the ordinary course of business and forms the day-to-day focus of a bank's liquidity management. The second scenario, known as the "short term crisis", covers the behaviour of cash flows where there is a problem (real or perceived) which may include operational problems, doubts about the solvency of a bank or adverse rating changes. APRA expects a bank to have sufficient liquidity to keep operating for at least 5 business days.

Banks must supply APRA with a monthly return which details the projected future cash flows under both the "going concern" and "short term crisis" scenarios. The latter must include maturity profiles out to 5 business days based on assumptions agreed with APRA. Banks are required to consult with APRA before making any significant changes to the assumptions underlying these reports.

Where APRA is not satisfied with the adequacy of an ADI's liquidity management strategy, or where it has particular concerns about an ADI's liquidity, it can direct the ADI to hold specified amounts of liquid assets such as cash and certificates of deposit.

Banks operate Exchange Settlement Accounts with the RBA. These accounts are used primarily for liquidity management purposes by banks. Prior to October 1, 1997 the RBA paid an interest rate on balances in Exchange Settlement Accounts of 10 basis points under the cash rate. Effective from that date, the RBA reduced the interest payable on these balances to 25 basis points below the cash rate.

Capital Adequacy

APRA imposes guidelines for the capital adequacy of banks as an essential part of its prudential supervision of ADI's.

Under the existing APRA guidelines, balance sheet assets and off-balance sheet exposures are assessed according to broad categories of relative credit risk, based largely on the nature of the asset or counterparty.

There are four categories of risk weights (0%, 20%, 50%, 100%) applied to the different types of assets or counterparties. Mortgage lending over residential property to individual borrowers is risk weighted at 50%, including mortgage lending with a loan to valuation ratio over 80% which is insured through an acceptable lenders mortgage insurer.

Off-balance sheet exposures are taken into account by applying different categories of credit conversion factors to arrive at credit equivalent amounts, which are then weighted in the same manner as balance sheet assets according to the counterparty.

Effective January 1 1998, APRA required banks to measure and apply capital charges in respect of their market risks arising from their trading and commodity positions, in a manner which is broadly consistent with the January 1996 Basel Committee amendment to its Capital Accord. In measuring their market risks, banks have a choice of two methods. The first alternative is to measure risks in a standardized manner defined by APRA. The second alternative allows banks to utilize their internal risk measurement systems subject to APRA approval. ANZ applies the second approach.

Capital, for APRA supervisory purposes, is classified into two tiers, referred to as Tier 1 and Tier 2. APRA requires all ADI's to maintain a minimum ratio of capital to risk-weighted assets of 8 per cent, at least half of which must be maintained in the form of Tier 1 capital. APRA has not indicated that it has any plans to allow Australian ADI's to employ a third tier of capital, which would consist of short term subordinated notes, to meet a proportion of the market risk capital requirements. APRA will consider other risk factors that have not been incorporated or accounted for quantitatively in the framework when assessing the overall capital adequacy of an ADI. Where it is judged appropriate, APRA may require individual ADI's to maintain a minimum capital ratio above 8 per cent. APRA requires ANZ to maintain the minimum capital ratio of at least 8 per cent.

Tier 1 or "core" capital, consists of paid up ordinary share capital, general reserves, retained earnings, non-cumulative preference shares not redeemable at the holders' option (as approved by APRA) together with minority interests but exclude retained earnings and reserves of subsidiaries and associates that are not consolidated for capital adequacy purposes. Tier 1 must constitute at least 50% of the capital base requirements. In June 1999, APRA expanded the definition of Tier 1 capital to include innovative equity instruments (as approved by APRA). Innovative equity instruments include capital instruments which are a permanent and unrestricted commitment of funds, are available to absorb losses, have no fixed servicing obligations and are subordinated to the interests of depositors and other creditors. Provision has also been made so that capital instruments issued via special purpose vehicles may be eligible for inclusion in Tier 1 capital.

ANZ also reports Inner Tier 1 capital and Adjusted common equity as a percentage of risk weighted assets. Inner Tier 1 capital comprises Tier 1 capital excluding non-cumulative, non-converting preference shares as approved by APRA. Adjusted common equity is defined as Inner Tier 1 capital less deductions (see below).

Tier 2 capital consists of general allowance for loan losses, asset revaluation reserves, certain cumulative irredeemable preference shares, mandatory convertible notes and similar capital instruments, and subordinated and perpetual debt. The contribution made to the overall capital adequacy ratio by Tier 2 capital cannot exceed that made by Tier 1 capital. Certain categories of Tier 2 capital, including term (as distinct from perpetual) subordinated debt, are not counted towards qualifying capital to the extent that they exceed 50% of Tier 1 capital.

In order for subordinated debt securities issued by ANZ to qualify as Tier 2 for capital adequacy purposes, further approvals from APRA may be required, and APRA may require other terms and conditions to the issue of such subordinated debt securities to be satisfied.

Deductions from Capital (as required by APRA)

Deductions (as required by APRA) from Tier 1 Capital comprise:

- Future income tax benefits (other than those associated with general allowance for loan losses), net of any provision for deferred income tax;
- Unamortized goodwill and any other intangible assets;
- Investments in and any other forms of credit support provided to associated lenders mortgage insurers;
- Retained earnings and reserves of subsidiaries and associates that are not consolidated for capital adequacy purposes (ie funds management and insurance entities).

Deductions from total capital comprise:

- ADI's investments in non-consolidated financial entities, and investments in entities involved in funds management, insurance and securitization activities;
- Strategic cross-ADI shareholdings (including those strategic shareholdings in equivalent deposit taking institutions in overseas countries);
- Any non repayable loans advanced by an ADI under APRA's certified industry support arrangements; and
- Any undertakings by an ADI to absorb designated first level of losses on claims supported by it (eg; first loss facilities associated with funds management and the securitization of assets).

ANZ's capital adequacy ratio was 9.5% (including 7.9% of Tier 1 Capital) at September 30, 2002, compared with 10.3% at September 30, 2001, and 10.2% at September 30, 2000.

APRA may from time to time vary the capital adequacy ratios, which it sets for individual banks subject to its supervision. For further information on our capital adequacy, see "Operating and Financial Review and Prospects-Capital".

Large Credit Exposures

APRA requires banks to report large credit exposures in terms of the consolidated group (ie the bank and its subsidiaries). Banks must consult with APRA before committing to any exposure (includes claims and commitments recorded on and off balance sheet) to any individual counterparty or group of related counterparties which will exceed 10% (subject to exceptions) of the capital base of the consolidated group. Banks are required to report quarterly to APRA exposures greater than 10% of its consolidated capital base. We reported exposures to nine counterparties (four Governments, four Corporates and one Bank) as at September 30, 2002 their respective ratings are as follows:

Banks

- One Bank - S&P rating A+, Moody's rating A1

Government

- Four Government bodies - S&P rating AA, Moody's rating Aa2

Corporate

- Two Corporates - S&P rating A, Moody's rating A2
- One Corporate - S&P rating AAA, Moody's rating Aaa
- One Corporate - S&P rating AA-, Moody's rating Aa3

Possible Future Developments

A policy discussion paper "Prudential Supervision of Conglomerates", was issued in March 1999 by APRA, and relates to future developments in regulation. Further revisions of this paper were released in November 1999, April 2000 and November 2002. The original paper and subsequent revisions address issues associated with the increasing number of institutions offering financial services within a conglomerate or group structure which also contains other activities, often with differing risk profiles. A particular issue of concern to APRA is the possibility of contagion where problems in some unregulated part might be transmitted to a healthy regulated entity. The paper outlines a common prudential framework in which all the activities of conglomerates with financial and other business can be considered. Many aspects of this paper have now been accepted by ADI's and incorporated within APRA's prudential standard framework. The impact of incorporating these changes to date has not had a material effect on ANZ. The November 2002 papers contain new proposals as to calculating capital ratios principally for the ADI and the conglomerate group (if one exists), and new regulations as to exposure limits between the ADI and its related parties, and with external counterparties. Some of the changes will be effective July 1, 2003 and with further changes, which are currently only in draft form, being implemented January 1, 2007 when the current Basel Committee proposals are expected to be implemented also. The July 2003 changes are expected to reduce the Group's Tier 1 ratio by approximately 55bpts, with the total capital ratio unchanged. At this stage the impact of the proposed January 2007 regulatory changes cannot be predicted.

In January, 2001, the Basel Committee on Banking Supervision issued a set of consultative papers discussing a new capital adequacy framework. The papers set out proposals to update the 1988 Accord, and establish the risk management and regulatory capital calculation framework for bank regulators around the world. When adopted, the proposals will amplify the influence of credit opinions from agencies such as Standard & Poor's and Moody's Investors Services and, for banks with more advanced internal risk grading and risk management practices and processes, provide the opportunity to use internal credit ratings. Once adopted, these developments will mean regulatory capital holdings are a more accurate reflection of the risk profile of a bank's loan portfolio, market related and operational activities.

Since January 2001, the Basel Committee have progressively released a number of working papers, refining the content of the original documents. A final version of the consultative papers is expected early in the 2003 calendar year, with implementation of the new proposals expected by the end of 2006.

New Zealand

The Reserve Bank of New Zealand is responsible for promoting and maintaining the soundness and efficiency of the New Zealand financial system. Capital adequacy requirements are in accordance with the Basel Committee framework. Prudential reporting requirements are fulfilled by the issue of quarterly public disclosure statements.

United States

On October 26, 2001, the President signed into law H.R. 3162, the USA PATRIOT Act (the "Act"), which contains strong measures to prevent, detect, and prosecute terrorism and international money laundering. Title III of the Act is the International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001. It includes numerous provisions for fighting international money laundering and blocking terrorist access to the U.S. financial system. The Act is far-reaching in scope, covering a broad range of financial activities and institutions.

The provisions affecting banking organizations are generally set forth as amendments to the Bank Secrecy Act ("BSA"). These provisions relate principally to U.S. banking organizations' relationships with foreign banks and with persons who are resident outside the United States. The BSA, which generally applies to insured depository institutions as well as to the U.S. branches and agencies of foreign banks, does not immediately impose any new filing or reporting obligations for banking organizations, but requires certain additional due diligence and recordkeeping practices. Some requirements take effect without the issuance of regulations. Other provisions are to be implemented through regulations that will be promulgated by the U.S. Department of the Treasury, in consultation with the Federal Reserve Board and the other federal financial institutions' regulators.

Following the passage in March 2000 of the Gramm-Leach-Bliley Act of 1999 ("GLB", also known as the Financial Modernization Act), ANZ successfully applied to the Federal Reserve Bank and became a Financial Holding Company ("FHC"). As a FHC, ANZ is allowed to engage in financial activities that are financial in nature or incidental, or complementary to financial activities, as determined by the Federal Reserve Bank and the Secretary of the Treasury Department. This legislation provides a clearer method for future integration of banks with other financial businesses and allows the Bank to enter into other new business lines for the first time.

Under this legislation, the FHC is subject to restrictions if it were determined that the FHC is not "well managed" or "well capitalized". In addition, under the GLB, the Federal Reserve Bank is the "umbrella" supervisor with jurisdiction over the FHCs.

Under the GLB's new requirements, the Office of the Comptroller of the Currency ("Comptroller") will continue to oversee, as "primary regulator," foreign banks having a federal branch in the United States. Therefore, the ANZ New York Branch will continue to be subject to supervision, examination and extensive regulation by the Comptroller and the International Banking Act of 1978 (the "IBA"), along with the regulations adopted pursuant to the IBA. The IBA provides, among other things, that a federal branch of a foreign bank can exercise the same rights and privileges that are available to national banks. In addition, the exercise of any such right or privilege must be subject to the same duties, restrictions, penalties, liabilities, conditions and limitations that apply to national banks at the same location. The Comptroller also imposes a required "capital equivalency" deposit to a federal branch, which must be maintained on deposit with a Federal Reserve member bank (or invest in qualifying securities as authorized by the Comptroller). The amount of this deposit should be not less than 5% of the total liabilities (excluding, among other things, liabilities to affiliates) of the federal branch. In addition, a federal branch is subject to the record-keeping and reporting requirements that apply to national banks. The branch must maintain its accounts and records separate from those of the foreign bank and must comply with such additional requirements as may be prescribed by the Comptroller. In addition to the above deposit requirement, Regulation D of the Federal Reserve Bank imposes uniform reserve requirements to all institutions (including a federal branch) with transaction accounts or non-personal time deposits. The Regulation defines such deposits and requires reports of deposits to the Federal Reserve.

Under the IBA, a federal branch of a foreign bank is subject to the receivership provisions to the same extent as a national bank. The Comptroller may take possession of the business and property of a federal branch. Accordingly, the Comptroller has at its disposal a wide range of supervisory and enforcement tools addressing violations of laws and regulations and breaches of safety and soundness, which can be used against federal branches. The Comptroller may remove federal branch management and assess civil money penalties. In certain circumstances, the Comptroller may also terminate a federal branch license at its own initiative or at the recommendation of the Federal Reserve Board.

Also under the IBA, the branch is subject to certain restrictions with respect to opening new domestic deposit-taking branches and establishing or acquiring subsidiary banks in states outside of our "home-state" of New York.

Other Countries

Local banking operations in all of ANZ's offshore branches and banking subsidiaries are subject to host country supervision by their respective regulators.

Competition

The Australian banking system is highly competitive. In September 2002, the four major banking groups in Australia being ANZ, Commonwealth Bank of Australia, National Australia Bank Limited and Westpac Banking Corporation, together with their respective banking subsidiaries, held 68% of the total Australian assets of banks that carry on business in Australia. Each of these four banking groups operates a nationwide branch network and, at September 30, 2002, they collectively operated 74% of the total number of bank branches in Australia. The operations of the smaller regional banks are typically limited to servicing customers in a particular State or region with particular emphasis on residential mortgage lending.

The deregulation of the Australian financial system during the early 1980s led to a proliferation of financial institutions which compete in selected markets with the four major banks. Non-bank financial intermediaries such as building societies and credit unions compete principally in the areas of accepting deposits and residential mortgage lending, mainly for owner-occupied housing. Some large building societies were granted banking authorizations under the Banking Act 1959. Specialist non-bank residential mortgage lenders and direct (non-branch) banking operations have become more prominent in recent years.

Competition is particularly intense in the housing lending market. Mortgage originator specialists, supported by a developing securitization market, have been able to undercut the average interest rates previously available from the banks. Major banks have tended to closely match the competitive pricing offered by specialist originators. Regional banks are also offering competitively priced home lending products.

Most of the foreign banks that are authorized to operate in Australia, either through subsidiaries or branches of their parent companies, engage in commercial lending, funds management and treasury activities, but have a low profile in personal banking.

The funds management industry is an area of strong competition among the four major banks and Australia's insurance companies. Competition has increased as the Australian Government has encouraged long-term saving through superannuation by means of taxation concessions and the imposition of a mandatory superannuation guarantee levy on employers. In May 2002, ANZ commenced operations of the joint venture with the ING Group to create a larger and more competitive organization in wealth management.

We offer personal and business superannuation and, savings and insurance products (in addition to our more established banking products) through our personal banking network and the joint venture.

Company Profile

In New Zealand, we compete with the Bank of New Zealand (a wholly-owned subsidiary of National Australia Bank Limited), The National Bank of New Zealand (a wholly owned subsidiary of Lloyds TSB Group plc), Westpac Trust Corporation (a wholly owned subsidiary of Westpac Banking Corporation), ASB Bank Limited (a subsidiary of Commonwealth Bank of Australia) and others.

ANZ Investment Bank offers a wide range of financial market services to our large corporate and institutional customer base including: foreign exchange, derivative and fixed interest activities, project and global structured finance, corporate finance (mergers and acquisitions, and other advisory), primary markets origination and syndication and leasing finance. Competitors gain recognition through the quality of their client base, perceived skill sets, reputation and brands. In domestic markets, ANZ Investment Bank's competitors are generally either international investment banks operating in niche markets, the boutique operations of large multi-national banking conglomerates or domestic investment banks with a focus on niche areas. Internationally, ANZ Investment Bank's key competitive strength is its focused geographic and sector experience, league table rankings and its established client base. Due to the large number of participants, niche orientation and the highly competitive nature of investment banking, there are no dominant competitors in international markets competing across the range of the ANZ Investment Bank's major product areas.

Item 3: Key Information

The summary consolidated balance sheet data as of September 30, 2002 and 2001 and income statement data for the fiscal years ending September 30, 2002, 2001 and 2000 have been derived from, and should be read in conjunction with our audited consolidated financial statements (The Financial Report) which is attached to this document. The Financial Report has been audited by our independent auditors. The balance sheet data as of September 30, 2000, 1999 and 1998 and income statement data for the fiscal years ending September 30, 1999 and 1998 have been derived from our audited consolidated financial statements for the fiscal years ending September 30, 2000, 1999 and 1998 which are not incorporated in this document. The Financial Report has been prepared in accordance with Australian GAAP which varies in certain respects from US GAAP. See Note 55 to the Financial Report.

Amounts reported in US dollars have been translated at the September 30, 2002 Noon Buying Rate (refer to page 6).

Years ended September 30	2002 US$M	2002 $M	2001 $M	2000 $M	1999 $M	1998 $M
Summary of Consolidated Statement of Income Australian GAAP						
Interest income	4,906	9,037	10,251	10,241	8,684	9,499
Interest expense	(2,725)	(5,019)	(6,418)	(6,440)	(5,029)	(5,952)
Net interest income	2,181	4,018	3,833	3,801	3,655	3,547
Allowance for loan losses[1]	(467)	(860)	(531)	(502)	(510)	(487)
Net interest income after allowance for loan losses	1,714	3,158	3,302	3,299	3,145	3,060
Non-interest income	1,612	2,970	2,573	2,583	2,377	2,142
Prior period abnormal income	–	–	–	1,207	–	–
Other operating expenses	(1,577)	(2,905)	(3,092)	(3,314)	(3,300)	(3,442)
Prior period abnormal expenses	–	–	–	(986)		(102)
Operating profit before income tax	1,749	3,223	2,783	2,789	2,222	1,658
Income tax expense attributable to operating profit	(487)	(898)	(911)	(863)	(736)	(576)
Prior period abnormal tax	–	–	–	(177)	–	33
Operating profit after income tax	1,262	2,325	1,872	1,749	1,486	1,115
Outside equity interests	(1)	(3)	(2)	(2)	(6)	(9)
Operating profit after income tax	1,261	2,322	1,870	1,747	1,480	1,106
Non-interest income as a % of operating income[2]	42.5%	42.5%	40.5%	40.5%	39.4%	36.4%
Dividends paid / provided[3]	680	1,252	1,062	941	814	747
Per fully paid ordinary share:						
Operating profit after income tax[4,5]	$0.80	$1.47	$1.17	$1.07	$0.91	$0.73
Dividends	$0.46	$0.85	$0.73	$0.64	$0.56	$0.52
Dividends - US$		US$0.46	US $0.36	US$0.35	US$0.37	US$0.31
Dividends per ADR - US$		US$2.31	US $1.80	US$1.75	US$1.85	US$1.55
Adjusted in accordance with US GAAP:						
Operating profit after income tax	1,138	2,097	1,796	1,940	1,410	1,096
Operating profit after income tax per share[5]	$0.72	$1.32	$1.12	$1.19	$0.86	$0.72
Continuing Operations[6]:						
Total income	6,519	12,007	12,855	11,883	10,017	n/a
Operating profit after income tax before abnormals	1,261	2,322	1,882	1,594	1,365	n/a
Operating profit after income tax per fully paid ordinary share[4,5]	$0.80	$1.47	$1.18	$0.97	$0.83	n/a

1 The allowance for loan loss charge represents the economic loss provision (refer page 49)
2 Operating income is the sum of net interest income and non-interest income
3 Excludes preference share dividends and dividends taken under the bonus option plan
4 Amounts are based on weighted average number of ordinary shares outstanding
5 Per weighted average fully paid ordinary share and share equivalents
6 Operations that will continue to contribute to the results of the Group in future periods. Information for 1998 is not available.

Years ended September 30	2002 US$M	2002 $M	2001 $M	2000 $M	1999 $M	1998 $M
Summary of Consolidated Balance Sheets						
Australian GAAP						
Shareholders' equity[1]	6,215	11,448	10,538	9,795	9,403	8,335
Subordinated debt	1,870	3,445	3,831	3,687	3,221	3,748
Bonds and notes	7,985	14,708	15,340	9,519	4,456	666
Deposits and other borrowings	61,509	113,297	104,874	100,602	96,559	94,599
Gross loans, advances and acceptances (net of unearned income)[2]	80,315	147,937	139,867	133,879	121,223	112,325
Specific allowance for loan losses	(318)	(585)	(500)	(709)	(907)	(819)
General allowance for loan losses	(812)	(1,496)	(1,386)	(1,373)	(1,395)	(1,401)
Net loans, advances and acceptances	79,185	145,856	137,981	131,797	118,921	110,105
Total assets	99,408	183,105	185,493	172,467	152,801	153,215
Risk weighted assets	76,761	141,390	139,129	129,688	118,037	116,096
Adjusted in accordance with US GAAP						
Shareholders' equity[1]	6,590	12,139	11,207	10,517	9,889	8,822
Total assets	99,370	183,035	185,573	171,858	152,415	152,773
Summary of Consolidated Ratios						
Australian GAAP						
Operating profit[1] after income tax and abnormals as a percentage of:						
- Average total assets		1.3%	1.1%	1.1%	1.0%	0.7%
- Average shareholders' equity[1]		23.2%	20.2%	18.8%	17.2%	14.6%
Dividends[3] to ordinary shareholders as a percentage of operating profit after income tax		57.8%	60.6%	57.2%	57.8%	67.5%
Average shareholders' equity as a percentage of average total assets[5]		5.3%	5.0%	5.3%	5.4%	5.1%
Capital Adequacy ratios:						
- Tier 1		7.9%	7.5%	7.4%	7.9%	7.2%
- Tier 2		2.8%	3.2%	3.4%	3.3%	2.8%
- Deductions[4]		(1.2%)	(0.4%)	(0.6%)	(0.5%)	(0.3%)
- Total		9.5%	10.3%	10.2%	10.7%	9.7%
Adjusted in accordance with US GAAP						
Operating profit[1] after income tax as a percentage of:						
- Average total assets		1.2%	1.0%	1.2%	0.9%	0.8%
Operating profit[1] after income tax as a percentage of:						
- Average shareholders' equity[1]		20.9%	18.2%	20.6%	15.8%	13.8%
Dividends[4] to ordinary shareholders as a percentage of operating profit after income tax		63.2%	63.3%	51.2%	60.8%	68.2%
Average shareholders' equity[1,5] as a percentage of average total assets		5.3%	6.8%	5.4%	5.6%	5.5%

[1] Excludes outside equity interest
[2] Our balance sheet shows loans and advances net of the specific and general allowances. For ease of presentation the gross amount is shown here
[3] Excludes dividends taken under the bonus option plan
[4] Deductions represent our investment in life insurance, funds management, securitization activities and other banks of $1,703 million (2001: $604 million, 2000: $787 million, 1999: $584 million, 1998: $305 million)
[5] Excludes preference shares

Years ended September 30	2002 US$M	2002 $M	2001 $M	2000 $M	1999 $M	1998 $M
Summary of credit quality data						
Gross non-accrual loans[1]						
Subject to specific allowance for loan losses	582	1,072	940	1,046	1,288	1,414
Without specific allowance for loan losses	71	131	320	345	255	248
Total non-accrual loans	653	1,203	1,260	1,391	1,543	1,662
Allowance for loan losses						
Specific allowance (loans)	312	575	490	692	886	762
Specific allowance (off-balance sheet commitments)	5	10	10	17	21	57
General allowance	812	1,496	1,386	1,373	1,395	1,401
Total allowance	1,129	2,081	1,886	2,082	2,302	2,220
Gross loans, advances and acceptances[2]						
Gross loans and advances[2, 3]	72,825	134,141	125,543	118,397	106,365	96,677
Acceptances	7,490	13,796	14,324	15,482	14,858	15,648
Total gross loans, advances and acceptances	80,315	147,937	139,867	133,879	121,223	112,325
Gross non-accrual loans as a percentage of gross loans and advances		0.9%	1.0%	1.2%	1.4%	1.7%
Gross non-accrual loans as a percentage of gross loans, advances and acceptances		0.8%	0.9%	1.0%	1.3%	1.5%
Specific allowance for loan losses as a percentage of gross non-accrual loans[1]:						
Subject to allowance		53.6%	52.1%	66.2%	68.8%	53.9%
Total non-accrual loans		47.8%	38.9%	49.7%	57.4%	45.8%
Total allowance for loan losses as a percentage of:						
Gross loans and advances[2]		1.6%	1.5%	1.8%	2.2%	2.3%
Gross loans, advances and acceptances[2]		1.4%	1.3%	1.6%	1.9%	2.0%
Risk weighted assets		1.5%	1.4%	1.6%	2.0%	1.9%

[1] Excludes off-balance sheet commitments that have been classified as unproductive of $44 million (2001:$31 million, 2000: $56 million, 1999: $70 million, 1998: $47 million) net of an allowance of $10 million (2001: $10 million, 2000: $17 million, 1999: $21 million, 1998: $57 million)
[2] Net of unearned income
[3] Our balance sheet shows loans and advances net of the specific and general allowances. For ease of presentation the gross amount is shown here

Summary of Material Risk Factors

Our business activities are subject to risk factors that can impact our future performance. Some of these risks can be mitigated by the use of safeguards and appropriate systems and actions but some are outside our control and cannot be mitigated.

Major risk factors for ANZ are discussed in detail throughout the Financial Review section of this document and in a number of sections of the Financial Report.

In summary, the material risk factors which may impact ANZ include:

- **Dependence on the Australian and New Zealand Economies**

  Our earnings are dependent on the level of banking and finance and financial services required by our customers. In particular, levels of borrowing are heavily dependent on customer confidence, the state of the economy and market interest rates at the time. As we currently conduct the majority of our business in Australia and New Zealand, our performance is influenced by the level and cyclical nature of business activity in Australia and New Zealand, which, in turn is impacted by both domestic and international economic and political events. There can be no assurance that a weakening in the Australian and New Zealand economies will not have a material effect on our future results. Our future performance can also be affected by the economic conditions of other regions where we conduct our operations.

- **Credit Risk**

Credit risk arises from potential financial loss resulting from the failure of a counter party to honour fully the terms of a loan or contract. General economic or business conditions, either internationally or in the states or regions in which ANZ does business, may be less favourable than expected, resulting in, among other things, a deterioration in credit quality or a reduced demand for credit.

Two areas that emerged as credit quality problems during 2002, were the US power industry and the Global telecommunications industry.

Recently, the US power industry has undergone some specific sectoral stress following market deregulation and ensuing expansions. In this regard, ANZ has been adversely affected by a small number of single name exposures (most notably Enron).

Many foreign Telecommunications companies have been exposed to high levels of debt in creating what now amounts to industry overcapacity. In this regard, ANZ has been adversely affected by its exposures to Marconi and one other customer (refer page 53).

- **Liquidity Risk**

Liquidity risk is the potential financial loss resulting from not having sufficient funds available at all times to meet maturing obligations as they fall due (see page 89 of the Financial Review).

- **Market Risk**

We are exposed to market risk as a consequence of our trading activities in financial markets and through the asset and liability management of our overall balance sheet. In our financial markets trading businesses, we are exposed to losses arising from adverse movements in levels and volatility of interest rates, foreign exchange rates, and commodity and equity prices (see page 89 of the Financial Review and page 39 of the Financial Report).

- **Operating Risk**

As a financial services organization we are exposed to a variety of other risks including those arising from process error, fraud, systems failure, security and physical protection, customer services, staff skills and performance, and product development and maintenance.

ANZ has a policy that decrees that every discrete business unit and off shore point will have a fully documented, fully rehearsed Business Continuity Plan that will be invoked when required. Items covered in each plan include denial of building access, (due to fire, bomb, flood, contamination etc) loss of utilities, personnel, critical suppliers, and civil disturbance. Operational business units are expected to have an alternate site identified in order to provide a minimum level of service for all critical business functions should a building become uninhabitable for any reason and are expected to exercise the plans at a minimum every six months.

In addition, ANZ has a Crisis Management capability that can be invoked at any time. The Crisis Management team will be convened when an event is deemed to be serious enough to warrant leadership and management by the most senior executives in the organization. Examples include acts of terrorism, kidnap and ransom, a run on the bank, or any incident that is likely to seriously affect ANZ's reputation. The crisis management team is available 24 hours a day, 7 days a week and, executive movements are tracked to ensure contact can be made should a meeting be called. The Crisis Management team is required to exercise every 18 months.

- **Country Risk**

We are exposed to country risk as a consequence of our lending activities with corporations, banks and governments located outside of Australia. There is potential for financial losses where the borrower may not be able to secure foreign exchange to service the debt, or does not have the ability or willingness to repay. A country's macro-economic and structural risk profile and its impact on the cost of servicing debt also forms part of the risk which we are exposed to. The main countries and regions we operate in are Australia, New Zealand, United Kingdom, United States, Asia and the Pacific.

- **Change in the Regulatory Environment**

Legislative or regulatory changes may adversely affect the businesses in which ANZ is engaged (see page 13 of the Company Profile).

- **Competitive Environment in which we Operate**

We face strong competition in all our key areas of business. Competitors of ANZ may develop products and services that enable those competitors to compete more successfully than ANZ (see page 17 of the Company Profile).

- **Changes in Tax Regimes**

Changes in tax legislation, and taxation reform, may adversely affect profitability and the businesses in which ANZ is engaged.

Item 5: Operating and Financial Review and Prospects

Results for 2002, 2001 and 2000

The following discussion is based on the Financial Statements and accompanying notes as prepared under Australian GAAP and set out on pages 2 to 76 and pages 79 to 88 of the Financial Report. Note 55 to the Financial Report discusses the differences between Australian GAAP and US GAAP, and their impact on the net profit, shareholders' equity and total assets.

The analysis that follows discusses results after income tax unless otherwise stated. In prior periods, abnormal items were reported separately, and the analysis discusses results after income tax and abnormal items. Since 2000, under Australian GAAP, abnormal items are not allowed to be disclosed separately. In past years abnormal items were defined as items of revenue or expense which, although attributable to the ordinary operations of the business entity, were considered to be abnormal by reason of their size and/or effect on the results of the business entity for the period.

Overview

We consider that many factors may affect our financial condition and results of operations. The following factors are of particular importance.

The state of the economies in the countries in which we operate, in particular Australia and New Zealand, influences our profitability. Such factors as the level of economic growth, unemployment levels and the state of consumer confidence all have a bearing upon our profitability.

Our profitability is influenced by the level of interest rates and by fluctuations in rates. Net interest income is a function of the earning rate on lending and investing and the cost of borrowed funds. The extent to which lending and funding are not matched, particularly with regard to repricing profiles, can also impact our interest earnings.

In 2002, 28% (2001: 30%) of our gross revenue was derived from countries outside Australia. Movements in foreign currencies against the Australian dollar will therefore affect our earnings through the restatement of overseas profits to Australian dollars.

We face substantial competition in all our markets, particularly Australia and New Zealand. Competition affects our profitability in terms of reduced interest rate spreads and the volume of new lending. See "Information on the Company - Competition".

Our operations are impacted by government actions such as exchange controls, and changes to taxation and government regulations in the countries in which we operate. Our operations in most countries depend on the continuing availability of banking licenses issued by applicable governments. In Australia, in addition to the competition rules overseen by the Australian Competition and Consumer Commission (ACCC), there is a prohibition of merger between any of the four major banks in Australia by the Commonwealth Government of Australia. There is no change anticipated to this prohibition in the near term.

Finally, our operations are also constrained by community pressures, most notably in Australia, in keeping fee income, interest rate increases and branch rationalization to acceptable levels.

Changes in Accounting Policy

There have been no significant changes in accounting policy.

Operating Results

Our results for the past three years are summarized below and are discussed under the headings of "Analysis of major income and expense items", "Results by line of business", and "Results by region", which follow.

	2002 $M	2001 $M	2000 $M
Years ended September 30			
Australian GAAP			
Net interest income	4,018	3,833	3,801
Allowance for loan losses[1]	(860)	(531)	(502)
Net interest income after allowance for loan losses	3,158	3,302	3,299
Non-interest income	2,970	2,573	2,583
Net operating income	6,128	5,875	5,882
Other operating expenses	(2,905)	(3,092)	(3,314)
Operating profit before income tax and abnormal items	3,223	2,783	2,568
Income tax expense before abnormal items	(898)	(911)	(863)
Operating profit after income tax and before abnormal items	2,325	1,872	1,705
Outside equity interest	(3)	(2)	(2)
Operating profit after income tax before abnormal items	2,322	1,870	1,703
Abnormal profit	–	–	221
Abnormal income tax expense	–	–	(177)
Net abnormal profit	–	–	44
Operating profit after income tax	2,322	1,870	1,747
US GAAP			
Operating profit attributable to ANZ shareholders	2,097	1,796	1,940

[1] The allowance for loan loss charge for the years ended September 30, 2002, 2001 and 2000 represents the economic loss provision charge

Analysis of Significant Items

The table below analyzes the impact of the significant items on the Operating Results (refer page 25 for discussion).

	2002 $M	2001 $M	Movt Sep 02 v. Sep 01 %
Profit excluding profit after tax from sale of businesses to joint venture, NHB recovery and additional general provision for doubtful debts	2,168	1,870	16%
Additional general provision for doubtful debts after tax	(175)	–	n/a
Recovery from NHB litigation after tax	159	–	n/a
Profit from sale of businesses to ING joint venture after tax	170	–	n/a
Net profit attributable to members of of the company	2,322	1,870	24%

Australia and New Zealand Banking Group Limited recorded a profit after tax of $2,322 million for the year ended 30 September 2002, an increase of 24% over the September 2001 year. Earnings per ordinary share were 25% higher at 147.3 cents, and return on ordinary shareholders' equity was up from 20.2% to 23.2%.

Net profit and loss

Net profit after tax in 2002 was impacted by three significant items:

- In January 2002, the Group settled its long standing litigation with National Housing Bank in India (NHB). This resulted in the recovery of $248 million ($159 million after tax), from the net amount of $575 million, which had been provided when the Group sold Grindlays to Standard Chartered Bank.
- In March 2002, following an assessment of the general provision balance, an additional allowance for loan losses of $250 million ($175 million after tax) was charged in order to restore the provision balance to an appropriate level in the current environment of unexpected investment grade defaults.
- In April 2002, certain life and general insurance and funds management businesses were sold to a joint venture with ING Group, and a 49% interest in the joint venture was acquired. A profit after tax of $170 million arose on sale of the businesses.

Profit after tax for the year excluding these items was $2,168 million, an increase of 16% over the September 2001 year. Adjusting for the 4% reduction in the Australian corporate tax rate, profit after tax increased by 11%. Key influences on the operating result for the year were:

- Growth of 5% in net interest income. Changes in the funding mix (deposits grew by $4 billion in the Personal businesses, and by $4 billion in the Corporate businesses) assisted this growth. Net lending assets grew by $7.5 billion overall, with growth of $8.9 billion in Mortgages offset by a $2.7 billion decline in Corporate and Investment bank lending assets.
- A 9% increase in other operating income. Lending fees grew by 11%, principally from an increased range of specialist services in Corporate businesses. Non-lending fees grew principally from higher transaction volumes in Consumer Finance.
- Expenses increased by 2% (3% excluding the affect of the ING Australia Limited joint venture). Personnel numbers were held steady. Increases in computer expenses were primarily driven by increased software amortization.
- The Allowance for Loan Loss charge increased by 15%. While the Allowance for Loan Losses charge to operating segments was relatively stable, additional charges were taken to reflect higher levels of default in our UK and US portfolios. The recent collapses of previously investment grade corporates, and the uncertain economic outlook, have influenced the level of provisioning.

Risk

The total group Allowance for Loan Loss charge, totalled $860 million (2001: $531 million). This includes $610 million in the normal course of business and an additional $250 million recognizing the continuing uncertainty in the international economic outlook.

An enhanced methodology implemented in 2002 has enhanced our measurement of corporate credit risk, and allowed more accurate risk assessment in the Consumer Finance portfolios (see page 49).

The Allowance for Loan Loss charge to operating segments remained stable at $538 million in the year to September 2002. Allowance of Loan Loss reduced slightly in the Personal portfolios, offset by an increase for the offshore investment banking portfolio. An additional charge of $72 million (5 basis points) was taken to recognize the continued uncertainty in the international economic outlook, and is based on moving the credit profile of the offshore structured finance portfolio down one grade on the internal rating scale (equivalent to increasing the expected default percentages by approximately 150%) to reflect the higher incidence of downgrade and default evident in the portfolio. A significant decrease in our Allowance for Loan Loss charge is not expected until there is evidence that the level of unexpected losses have reduced. Excluding the $250 million additional provision, the average Allowance for Loan Loss rate increased over the year to 43 basis points compared to 38 basis points for the September 2001 year.

Net specific provisions were $728 million, up from $520 million in the September 2001 year. A small number of large single name losses in the United Kingdom and Americas portfolios caused the increase with provisions in the Australia and New Zealand portfolios falling by 30% or $153 million over the year. Provisions on formerly investment grade names dominated the total net specific allowances including Marconi and Enron, which alone accounted for 43% of the total net specific allowances (64% of Corporate businesses net specific provisions).

Net non-accrual loans were $628 million at September 2002 compared with $770 million at September 2001 with new non-accruals principally from former investment grade names in the UK and US. The Allowance for Loan Loss balance at 30 September 2002 was $1,496 million (1.06% of risk weighted assets), compared with $1,386 million (1.00% of risk weighted assets) at 30 September 2001.

ANZ Exposure to Enron

During the year end September 30, 2002, ANZ advised the market that it has direct unsecured credit exposures to Enron Corporation Group of approximately US$69 million. In addition, ANZ had indirect or contingent exposures of approximately US$51 million primarily associated with stand-alone power projects. At the time, we highlighted that we were cautious about the credit outlook at this point in the credit cycle. We currently have a $170 million specific provision against Enron. As at November 30, 2002, our exposure to Enron was US$54 million. The difference between the amount originally advised to the market and the current exposure is largely due to write-offs with some asset realizations.

ANZ Exposure to Marconi

On July 24, 2002, ANZ advised the market that it has credit exposures to Marconi PLC of approximately US$131 million. Marconi PLC, formerly GEC, is a global provider of telecommunications equipment and solutions. Marconi is headquartered in London and has been an ANZ customer since 1947. At the time, we commented: "Marconi was investment grade just over 12 months ago but it has been severely impacted by the downturn in the telecommunications sector. In recent years, however, ANZ has substantially reduced its exposure to Marconi. ANZ's lending to the telecommunications sector represents approximately 2% of total lending assets". ANZ remains strongly provisioned with a $143 million specific provision. As at November 30, 2002, ANZ's exposure to Marconi remains largely unchanged to the amount initially advised to the market.

Equity instruments issued to employees

Under current Australian Accounting Standards, certain equity instruments issued to employees are not required to be expensed. The Group does not presently expense shares issued to employees under the $1,000 scheme, nor options issued to employees (refer page 77).

September 2002 half year

Profit after tax for the September half year, excluding the profit on sale of businesses to the joint venture, was $1,102 million.This was 3% higher than the March half year, excluding the NHB recovery and the special provision for doubtful debts. Excluding amortization of notional goodwill on the INGA joint venture, "cash earnings" (net profit after tax less significant items less goodwill for joint venture amortized) increased 5% demonstrating continued earnings momentum.

Capital Management

The Group's Tier 1 ratio increased in the half to 7.9%. The total capital adequacy ratio remains strong at 9.5%, with a small reduction in the Tier 2 ratio and an increase in deductions.

Following the establishment of the joint venture with ING Group, our principal focus is Adjusted Common Equity, defined as the Tier 1 capital, less preference shares and deductions of investments in funds management from total capital. Over the September 2002 half, Adjusted Common Equity decreased from 6.3% to 5.7% of risk weighted assets, however remains at the top of our target range of 5.25% to 5.75%.

The Group is managed to maximize value for our shareholders. One measure of shareholder value is EVA™ (Economic Value Added) growth relative to prior periods. EVA™ for the year ended 30 September 2002 was $1,475 million, up from $1,275 million for the year ended 30 September 2001. EVA™ for the September 2002 half was $757 million, compared with $718 million for the March 2002 half.

EVA™ is a measure of risk adjusted accounting profit. It is based on operating profit after tax, adjusted for one-off items, the cost of capital, imputation credits and economic credit costs. Of these, the major component is the cost of capital, which is calculated at a rate of 11%.

At ANZ, economic capital is the equity allocated according to a business unit's inherent risk profile. It is allocated for several risk categories including: credit risk, operating risk, interest rate risk, basis risk, mismatch risk, investment risk, trading risk and other risk. The methodology used to allocate capital to business units for risk is designed to help drive appropriate risk management and business strategies throughout the Group.

EVA™ is a key measure for evaluating business unit performance and correspondingly is a key factor in determining the variable component of remuneration packages. Business unit results are equity standardized, by eliminating the impact of earnings on each business unit's book capital and attributing earnings on the business unit's risk adjusted or economic capital.

Major Projects

Major projects being undertaken across the Group are designed to streamline our processes and to improve our interaction with customers. Our programs leverage the value of technology to create better ways to work and to serve our customers. During 2002, the Group:

- Implemented a new general ledger across Australia and New Zealand, as part of the Common Administrative System (CAS). The final part of CAS, payroll services, is planned to roll out in Australia and New Zealand during the next six months. Accounts payable, procurement, fixed assets management and human resources management are already operating on CAS.
- Completed the implementation of the new back office processing system for cards,VisionPlus. This system provides increased flexibility to develop and implement new products.
- Development of the new technology system for our branch network, including a branch sales platform, continued. This project will improve our general banking processes, and will better support our front line staff and our Restoring Customer Faith program.

- The Payments Transformation Project will simplify the payments architecture of ANZ by replacing a range of existing payments processing applications and functions with a single integrated vendor solution.
- Our Restoring Customer Faith program is an initiative designed to radically transform our approach to the business of branch banking. The program aims to enable a customer-centric ownership culture that drives the transformation of the branch network. The model is initially being implemented in Victoria, New South Wales and New Zealand. The organizational model empowers our frontline staff, cuts bureaucracy and builds customer and staff advocacy.
- Completed the replacement of merchant EFTPOS terminals for the new smart-chip enabled credit cards.
- Restructured the Telstra and Qantas Visa credit card loyalty structure and administration.
- Progressed the upgrade of all PC hardware to Windows 2000 compatible hardware to enhance security and enable centralized and standardized management.

Approximately one-third of the restructuring provision created in 2000 ($361 million) has been used for redundancies and the balance for surplus lease space, EDP hardware write offs (Windows 2000 and EFTPOS terminals), payout costs, write off on fittings on refurbishment and restructuring program costs. Benefits from these programs are estimated to be two-thirds costs and one-third revenue enhancement and the efficiencies from these programs have contributed to ANZ's leading cost income ratio.

The Group has capitalized the development of software for major projects. As at 30 September, 2002, the balance of software capitalized was $419 million ($303 million at September 2001). Software is amortized over 3 to 5 years, commencing on the date of implementation (the only exception is the branch network platform, which is amortized over 7 years). The software amortization charge for 2002 was $53 million and is expected to approach $90 million for 2003. The build up in capitalized projects has been at a time when the Group has had an unusually high number of long term infrastructure projects.

Our Strategic Direction

ANZ - a different bank

Our specialization strategy is distinctive. The 2002 performance reinforces the benefits of our distinctive strategy and our increasing reputation for execution.

This capacity reflects the changes we have made in recent years to reduce risk, to achieve global industry-leading productivity, to build a balanced and sustainable business mix and to evolve a high performance culture.

Our specialized businesses continue to produce good results with 14 out of 16 increasing their profits during the year. The new joint venture with ING has maintained its relative market ranking in gross and net retail inflows, however funds under management has been adversely impacted both by market performance and slowing in the absolute level of net and gross inflows. Integration is on track.

During the year, many banks around the world suffered as a result of corporate failures. ANZ was impacted by losses from Enron and Marconi, which were disappointing, but we were able to absorb them. We have reduced the likelihood of similar losses re-occurring, by reducing the scope of our international corporate and investment banking activities and cutting individual customer concentration limits.

Moving from "perform" to "perform and grow"

Our vision is to generate sustainable returns and growth at low risk. Over the last five years we have made considerable progress in reshaping the organization to this end.

In the years ahead, our challenge is to maintain good financial performance at low-risk, and to grow our revenue and customer base. To achieve this we need to establish stronger relative positions in our core businesses in Australia and New Zealand, and selectively overseas. We are currently well positioned in our Corporate, Institutional and Investment Banking businesses, and in Consumer Finance and Asset Finance. Going forward we need to develop similar relative strengths in Personal Banking, Mortgages, Small to Medium Business, and in Wealth Management.

Internationally we will continue to seek opportunities to expand our franchise in the Pacific. In Asia we will consider opportunities to establish more modest, lower risk growth options, principally in consumer banking for longer-term growth.

These initiatives will require us to continue to grow our expenses and invest in future growth, while maintaining acceptable earnings performance.

Staff satisfaction and culture have improved dramatically

The investment we have made in our people and culture has resulted in staff satisfaction rising by 16% in 2002, the largest annual increase we have experienced. 78% of staff are now satisfied with ANZ, compared with around 50% five years ago. Over 80% of staff completed the survey, again the highest ever. During the year, 4,200 of our people participated in "Breakout", our cultural transformation program, and we expect 6,000 will participate in 2003.

We are also experiencing a dramatic improvement in new people looking for a career with ANZ. Last year, we had around 3,000 applicants for our graduate recruitment program. This year it was around 11,000.

Earning the trust of our customers and the community

The strength of our relationships with corporations is generally recognized, but it is very clear that we need to do more to improve relationships with personal customers, small to medium businesses, and with the wider community.

In 2002 we launched "Restoring Customer Faith" in Victoria and New Zealand. This program decentralizes our consumer banking business into small, community-based businesses, each with a local CEO. We launched simpler, lower-cost transaction accounts for our personal customers. Initial results are very encouraging and we have seen a rise in new customers and a fall in customer turnover. Customer satisfaction and retention in the pilot programs rose, as did staff satisfaction, and there are early signs of significant improvement in financial performance in the pilot areas.

We have also appointed a senior Customer Advocate as part of the Office of the Chief Executive. We updated our Customer Charter, with ten charter promises for our customers and for the second year we will also publish the customer satisfaction ratings for our businesses.

Increasingly, our people are engaged through volunteering leave and support from the ANZ Community Fund. These actions that we are taking in the communities in which we operate are gradually improving the image of ANZ in the wider community.

We have maintained high governance standards.

2002 has been a year of increased focus on the integrity and governance of corporations. During the year, the Board undertook a review of governance procedures and strengthened ANZ's governance process, disclosure levels and transparency. These included a new policy covering ANZ's relationship with its external auditor and new reporting arrangements for the company's internal audit function that sees it report directly to the Board Audit Committee.

This year has also seen a desire that options should be expensed. For the first time, we have calculated the impact that this would have on our 2002 results (decrease Net Profit After Tax by $44 million and a decrease in EPS of 2.9 cents). It is our aim to treat options as an expense in the year they are granted (based on fair values estimated at a grant date using a modified Black-Scholes model and the value of options amortized over vesting periods), once we have an approved accounting standard together with government clarification that the taxation treatment will be neutral. The current treatment involving the non-recognition of these amounts is consistent with A GAAP.

We are equally conscious of the debate on the use of options as part of senior executive remuneration. We have decided that options have a legitimate place in executive compensation, provided the value allocated is reasonable, the value is disclosed, and their nature is aligned with the interests of shareholders.

During 2002, we restructured the long-term incentive scheme for senior executives to be more in line with shareholder sentiment and interests. We reduced the value of options granted and increased the use of deferred stock. The use of traditional options where senior executives could benefit from a general rise in bank stock prices was disbanded. In its place we will use a new type of option for senior executives which links the exercise price to movements in the S&P/ASX 200 Banks Accumulation Index excluding ANZ. This ensures executives are only rewarded when ANZ out-performs its peers and the reward is only the value of the out-performance.

Outlook

Over the last five years, Australian banks have experienced one of the best periods in their history, with strong growth in profits and in shareholder value. During that period ANZ achieved earnings growth of 13% per annum, significantly exceeding our 10% target.

Looking forward to the next three years, we believe the opportunities for ANZ remain good, but the more subdued global situation and consumer outlook are unlikely to create the environment to allow the past five years performance to be repeated.

The global economic situation is likely to remain weak, exacerbated by increased security concerns, but for us we expect international credit losses to be at lower levels than last year. The Australian and New Zealand economies, are likely to be more robust than other developed economies although we see a softening in current high levels of consumer credit growth, together with a modest upswing in credit costs from their current cyclical lows.

For credit cards, higher loyalty program costs and, from 2004, substantially lower interchange fees will subdue returns. An expected slowing in the rate of growth in mortgages should partly be off-set by the strength of ANZ's position in the third party mortgage market. The outlook for the wealth management sector is not as strong as in recent years.

However, business investment is expected to rebound from its current low level, and ANZ is likely to benefit from a higher than industry weighting in Corporate and Institutional banking. We also intend to maintain our commitment to productivity improvement, risk reduction and capital management.

We are likely to consider revising upwards our dividend payout ratio.

We have announced for 2003, that our internal forecasts were below our target. Our first two months were weak, falling short of target. We have taken action to improve performance over the remaining months of the year. Given this our 10% earnings per share target is now more stretching.

There were some system outages during November and December, following the implementation of significant changes to operating systems. This caused some temporary disruption to customer transactions, and also some issues with internal suspense accounts. These issues were largely cleared by the date of signing.

The relatively favourable conditions offered by our domestic environment, together with the foundation we have established gives us confidence that ANZ will continue to prosper and create value for all stakeholders in the coming years.

Analysis of Major Income and Expense Items

Net interest income

The following table analyzes net interest income, interest spread and net interest average margin for Australia, New Zealand and overseas markets. Interest income figures included as part of spread and margin calculations are presented on a tax-equivalent basis.

Years ended September 30	2002 $M	2001 $M	2000 $M
Interest income	9,037	10,251	10,241
Interest expense	(5,019)	(6,418)	(6,440)
Net interest income	4,018	3,833	3,801
Average interest earning assets	145,920	139,301	133,158
Australia			
Gross interest spread adjusted to include interest forgone	2.44	2.35	2.35
Interest forgone on impaired assets[1]	(0.04)	(0.03)	(0.03)
Net interest spread[2]	2.40	2.32	2.32
Interest attributable to net non-interest bearing items	0.51	0.64	0.63
Net interest average margin[3]- Australia	2.91	2.96	2.95
New Zealand			
Gross interest spread adjusted to include interest forgone	2.34	2.13	2.37
Interest forgone on impaired assets[1]	-	(0.03)	(0.02)
Net interest spread[2]	2.34	2.10	2.35
Interest attributable to net non-interest bearing items	0.48	0.54	0.28
Net interest average margin[3]- New Zealand	2.82	2.64	2.63
Overseas markets			
Gross interest spread adjusted to include interest forgone	1.20	0.92	1.61
Interest forgone on impaired assets[1]	(0.05)	(0.16)	(0.18)
Net interest spread[2]	1.15	0.76	1.43
Interest attributable to net non-interest bearing items	0.25	0.55	0.63
Net interest average margin[3]- Overseas markets	1.40	1.31	2.06
Group			
Gross interest spread adjusted to include interest forgone	2.31	2.15	2.30
Interest forgone on impaired assets[1]	(0.04)	(0.06)	(0.07)
Net interest spread[2]	2.27	2.09	2.23
Interest attributable to net non-interest bearing items	0.50	0.68	0.64
Net interest average margin[3]- Group	2.77	2.77	2.87

1 Refer Note 15 to the Financial Report
2 Average interest rate received on interest earning assets less the average interest rate paid on interest bearing liabilities
3 Net interest income as a percentage of average interest earning assets

Net interest income (continued)

Years ended September 30	2002	2001	2000
Average rates			
Average Australian reference lending rate charged by ANZ	8.3%	9.3%	8.8%
Average Australian variable housing loan rate charged by ANZ	6.3%	7.4%	7.4%
Average Australian 90 day fixed term deposit rate[1]	3.1%	3.6%	4.0%
US average prime rate[2]	4.9%	8.1%	8.9%

[1] Source: Reserve Bank of Australia
[2] Source: "Economic Indicators" prepared by the Council of Economic Advisors

2002

Net interest income increased 5% (or $185 million) over the year to $4,018 million.

Gross spread increased in all geographic regions due largely to:

- improved margins in most asset based businesses;
- consumer-driven business such as Personal Banking and Small to Medium Business experienced strong deposit volume and margin growth on the back of the impact of marketing initiatives, and competitive pricing of products; and
- strong asset and liability management earnings.

Interest forgone on impaired assets reduced with cash interest receipts continuing from the majority of the large overseas corporate non-accrual loans, and the overall reduction in the Asian non-accrual loan portfolio.

The interest benefit from non-interest bearing items reduced. This was driven by the combined affects of a decline in interest rates across this year, and a reduction in the volume of net non-interest bearing items.

2001

Net interest income increased 1% compared to the September 2000 year end result.

The Group's achievement of consistent interest margin for the full year in a falling interest rate environment is due to the positive influence of:

- steady growth in retail lending activities, with improved margins in our Cards business further boosted by an increasing number of clients selecting the interest only payment option;
- re-pricing for risk of Corporate and Institutional banking products;
- increase in deposit volumes as customers look for quality and guaranteed returns due to uncertainties in other markets;
- market anticipation of rate cuts causing wholesale rates to fall ahead of customer rates; and
- the Group's ability to take advantage of more efficient funding mechanisms in the current market environment.

Offset by:

- continuing reassessment of lending policies, leading to overall reductions in high yielding, higher risk assets;
- the sale of high margin Grindlays businesses in July 2000;
- margin contraction in the Mortgage portfolio partially tempered by the positive influence of the product mix change between variable and fixed rate mortgages; and
- lower return on non-interest bearing items in a lower rate environment despite reduced non-interest bearing assets.

Non Interest Income

Years ended September 30	2002 $M	2001 $M	2000[1] $M
Fee income			
Lending	876	787	727
Other	1,196	1,105	1,133
Total fee income	2,072	1,892	1,860
Foreign exchange earnings	365	348	342
Profit on trading instruments	59	63	87
Other income	474	270	294
Non-interest income	2,970	2,573	2,583

[1] Excludes abnormal items

Non Interest Income

The growth in non interest income in 2002 of $397 million reflects the Group's commitment to reduce reliance on net interest income, diversify income streams and growing the business. The increase includes a $174 million net profit before tax from sale of business to the ING joint venture. There was a $180 million increase in fee income, as well as a $54 million increase in equity accounted income from associates and a $45 million increase from the hedge of TrUEPrS cash flows. There was a $91 million reduction in life insurance margin on services operating income due to the sale of the life business to the joint venture with ING. The 2001 result included a $84 million writedown of equity investments as well as a $99 million profit on sale of a strategic investment which were not repeated in 2002.

Fee Income

2002

Total fee income of $2,072 increased $180 million, 10% higher than September 2001.

Key drivers included :

- increased fee income from lending transactions in Global Institutional Banking and an increase in Personal Banking Australia mainly driven by growth in honour fees.
- increased non-lending fees largely as a result of higher cards transaction volumes. There was also an increase in non-lending fees in Global Structured Finance.

2001

Total fee income was $1,892 million, 2% higher than September 2000.

Key drivers included:

- lending fee income due to increased focus on fee income from lending based products within Institutional Banking and Global Structured Finance and an increase in lending activities coupled with the introduction of a new transactional fee structure within Personal; and
- non-lending fees, reflecting growth in Personal particularly in risk product sales, strong growth in Global Structured Finance particularly in leasing and tax based finance products, and increased fee income from corporate and project finance products in Asia.

This was offset by the loss of fee income streams (2000: $111 million) with the sale of Grindlays businesses in July 2000.

Foreign Exchange Earnings

Our foreign exchange earnings relate to customer-related and trading activities in currencies.

2002

Foreign Exchange income increased by $17 million, 5% higher than September 2001. Foreign exchange earnings are derived from customer trades, and increases in periods of volatility. This volatility has lead to an increase in foreign exchange earnings in Asia/Pacific Personal Banking.

2001

Foreign exchange income increased slightly over 2000. Foreign exchange earnings are derived from customer trades, and increase in periods of volatility. The 2001 amount reflects strong earnings across the range of foreign exchange products on offer.

Profit and Loss on Trading Instruments

2002

Profit from trading instruments decreased by $4 million to $59 million, (6% lower than September 2001). Increases in profitability in Global Capital Markets ($23 million increase) have been offset by reductions in Global Foreign Exchange ($33 million decrease). Movements have been due to changes in mix between the trading portfolio and net interest earning assets.

2001

Profit from trading instruments decreased from September 2000. This decrease directly reflects the impact of the weakening Australia dollar, combined with reduced volatility in the interest rate markets due to market expectations of interest rate cuts and economic uncertainties. Further decrease is attributable to a change in mix between the trading portfolio and net interest earning assets with new products introduced and strict risk management guidelines imposed.

The sale of Grindlays businesses in July 2000 also reduced this income source (2000: $5 million).

Other Income

2002

Other income increased by $204 million to $474 million, 76% higher than September 2001.

The 2002 result includes a $174 million net profit before tax from sale of business to the ING joint venture. This was offset by a $91 million reduction in life insurance margin on services operating income due to the sale of the life insurance business to the ING joint venture. The 2002 result also reflects an improved result from equity accounted associated entities ($54 million) and increased income from the hedge of TrUEPrS preference share dividend payments ($45 million).

2001

Other income (excluding abnormal items from 2000) decreased by $24 million compared with 2000.

Increases in life insurance margin on services operating income ($15 million) and profit on sale of investment in St George Bank ($99 million), were more than offset by writedowns of investments in Panin Bank ($43 million), E*Trade ($21 million) and other equity investments ($20 million), share of associate company losses ($25 million), decrease in other income ($16 million) and profit on sale of premises ($3 million).

The sale of Grindlays businesses in July 2000 also reduced our other income sources (2000: $37 million).

Non-Interest Expenses

Years ended September 30	2002 $M	2001 $M	2000[1] $M
Personnel expenses	1,714	1,675	1,758
Premises expenses	299	285	294
Computer expenses	424	364	343
Other expenses	653	682	812
Restructuring	63	86	107
Recovery from NHB litigation[2]	(248)	–	–
Non-interest expenses	2,905	3,092	3,314

[1] Excludes abnormal items
[2] Part of the Provisions raised on sale of Grindlays and associated businesses, which were reported as an abnormal expense in 2000 (refer page 24).

Operating expenses excluding the NHB recovery ($248 million) increased by $61 million, 2% higher than the year ended September 2001. Operating expenses were well contained and has reflected our cost management and restructuring initiatives resulting in a cost to income ratio of 46% in 2002.

Personnel Expenses

2002

Personnel costs increased $39 million, 2% over the year ended September 2001. This increase reflects performance related bonuses and salary increases with staff numbers remaining steady.

There has been increased use of temporary staff in 2002 (up $9 million) due to the need to service higher volumes (particularly in consumer finance). There was a $9 million increase in profit share/incentives due to the strong performance of the Group.

2001

Personnel costs decreased slightly over 2000 reflecting a 3% reduction in staff numbers and the exiting of Grindlays businesses in July 2000. This was offset by Enterprise Bargaining Agreement, Consumer Price Index and performance related salary increases.

Training costs increased reflecting the Group's commitment to provide employees with a range of opportunities to develop their skill base.

Premises Expenses

2002

Premises costs increased $14 million, 5% over September 2001 reflecting higher rent charges. There was also a net increase in utilities and other outgoings. This was attributable to increases in: Fuel, light and power up $2 million, Security up $1 million and land tax increasing by $1 million. This has been offset by a $2 million decrease in rates.

2001

Premises costs decreased slightly over 2000 as the Group continued to review its property requirements, to sell and lease back branches, and to exit surplus premises. The sale of Grindlays businesses in July 2000 also contributed to the reduction in costs. The introduction of GST on July 1, 2000 has increased the Group's rental costs on leased properties.

Computer Expenses

2002

Computer expenses increased $60 million, 16% compared to 2001 due to increased software purchases and software amortization. Increased data communications costs were offset by lower expenditure on computer contractors.

2001

Computer costs increased over 2000 reflecting the continued investment in technology. Specialist contractors, the impact of GST, software licence renewals, higher depreciation and software amortization charges all contributed to the increase.

Other Expenses

2002

Other expenses decreased $29 million, 4% when compared to September 2001 mainly reflecting reductions from purchasing initiatives particularly regarding telephone expenditure and advertising and public relations, lower use of consultants as well as lower depreciation of furniture and equipment. These reductions were offset by increases in non-lending losses, postage, freight and amortization of goodwill.

2001

Other expenses decreased by $130 million (16%) from September 2000. Significant falls were seen in non-lending losses, professional fees, stationery and other expenses.

Restructuring Expenses

2002

Restructuring is an ongoing part of our banking business. We incurred a $63 million restructuring charge during the 2002 year compared with an $86 million charge in 2001. The major areas of restructuring were: streamlining back office processes and developing of a common administrative systems platform encompassing human resources, procurement, accounts payable, fixed assets and general ledger.

2001

We incurred an $86 million restructuring charge during the 2001 year compared with $107 million (excluding abnormal items) in 2000. The major areas of restructuring were, streamlining back office processes, and outsourcing of trade back office processing, and developing of a common administrative systems platform encompassing human resources, procurement, accounts payable, fixed assets and general ledger.

Abnormal Items

There were no abnormal items as at September 2002 and September 2001 as under Australian GAAP these items are not allowed. In prior years abnormal items were reported separately.

Pension Payments

Pension payments are our principal post-retirement benefit. Other post-retirement benefits (which chiefly comprise reduced fees on bank accounts) are not material. Health care is provided to Australian citizens by the government. Accordingly, we do not provide post-retirement health insurance in Australia. Some post-retirement health care is provided in Japan and the United Kingdom, however this amount is not material.

ING Australia Limited[1]

Years ended September 30	2002 $M	2001 $M	2000 $M
Net interest income	(18)	n/a	n/a
Other operating income	7	n/a	n/a
Operating income	(11)	n/a	n/a
Operating expenses	–	n/a	n/a
Profit before income tax	(11)	n/a	n/a
Income tax expense	4	n/a	n/a
Net profit after income tax	(7)	n/a	n/a

[1] Impact of 5 months of the Joint Venture operation upon ANZ. The businesses sold to the joint venture contributed a $15 million profit prior to their sale.

2002

In April 2002, certain life and general insurance and funds management businesses were sold to a joint venture with the ING Group, and a 49% interest in the joint venture was acquired. A profit after tax of $170 million arose on sale of the businesses.

The joint venture is equity accounted, ANZ's share of the equity accounted income for the 5 months ended September 30, 2002, was $20 million, which is then decreased by a $18 million notional goodwill amortization charge. The table above also shows the funding cost ($18 million charge before tax), and the investments earnings on a hedge ($5 million net of tax). Part of ING Australia's capital is invested in equities and fixed interest, and we have hedged our exposure to these earnings.

Non-Accrual Loans

September 30,	2002 $M	2001 $M	2000 $M
Gross non-accrual loans	1,203	1,260	1,391
Subject to specific allowance for loan losses	1,072	940	1,046
Without specific allowance for loan losses	131	320	345

2002

Gross non-accrual loans decreased to $1,203 million at September 2002 mainly due to a reduction in the Australia and New Zealand portfolios offset by increased non accruals in the Overseas markets. New non-accruals of $1,285 million were booked of which 52% were in Australia and New Zealand and 48% in Overseas Markets, principally in the Americas and United Kingdom.

Gross Non Accrual Loans by Region September 30,	2002 $M	2001 $M
Australia/New Zealand	561	872
US/UK Europe	541	145
Asia	62	147
Other international	39	96
Total	1,203	1,260

The majority of the new non-accruals in the Overseas markets were due to a small number of accounts in the Americas and the United Kingdom, the most high profile being Enron and Marconi.

New Non Accrual Loans by Region September 30,	2002 $M	2001 $M
Australia/New Zealand	674	1,127
US/UK Europe	587	124
Asia	10	48
Other international	14	58
Total	1,285	1,357

The Group is well provided with a specific provision coverage ratio of 48%. Net non-accruals are $628 million (September 2001: $770 million) and represents 5.5% of shareholders' equity at September 2002 (September 2001: 7.3%).

2001

Gross non-accrual loans decreased to $1,260 million from $1,391 million at September 2000 with new non-accruals more than offset by write offs and the sale of non-accrual portfolios. New non-accruals of $1,357 million were booked of which 83% were in Australia and New Zealand and 4% in Asia.

The Group remains well provided with a specific provision coverage ratio of 38.9%. This is down from September 2000 due to the write off of non-accrual loans. Net non-accruals are $770 million (September 2000: $699 million) and represent 7.3% of shareholders' equity at September 2001. The increase in net non-accruals was driven primarily by Australia due to the downgrade of a small number of high profile customers partially offset by non-accrual debt sales in Personal (mainly in Credit Cards and Personal Loans). Overseas, we also experienced a number of downgrades in the Investment Banking portfolio, however provisions for these are minimal, offset by debt repayments mainly in Asia and the Middle East.

Corporate Risk Profile

The Group applies a risk rating scale of 0 to 10 to its lending portfolios (risk grades 1 to 8 have + and - modifiers making a total of 27 separate risk grades), based on the probability of default, with risk grades 9 and 10 representing non-accrual loans. Outstandings (as opposed to limits) are documented below as they more closely relate to information disclosed on the balance sheet. Over the year, the quality of the Corporate portfolio has remained relatively stable with a slight deterioration in International being largely offset by improvements in the domestic portfolio. Despite some widely acknowledged, single name exposures (Marconi and Enron), the portfolio remains well diversified and of good quality. The general provision is considered sufficient to insulate against possible future losses inherent in the portfolio.

Corporate Businesses Risk Profile

Years ended September 30			2002	2001	2000
ANZ	S&P	Moody's			
CCR 1-3	AAA to BBB^{+}	Aaa to Baa1	39.4%	38.3%	38.4%
CCR 4	BBB to BBB^{-}	Baa2 to Baa3	27.3%	27.7%	26.8%
CCR 5	BB^{+} to BB	Ba1 to Ba2	19.9%	20.1%	19.4%
CCR 6	BB^{-}	Ba3	8.8%	9.0%	11.7%
CCR 7-8	B^{+} to CCC	B1 to Caa	2.9%	3.4%	2.9%
CCR 9-10	Non Accrual	Non Accrual	1.7%	1.5%	0.8%

Allowance for Loan Losses

ANZ's methodology for determining the total allowance for loan losses establishes both a specific (allocated) and general (unallocated) component. The allocated allowance represents the results of analysis of individual loans within ANZ's portfolio - specific allowance. The unallocated allowance (general provision for doubtful debt) is established for losses inherent in the portfolio, but yet to be specifically identified. The unallocated allowance is determined through the application of the Allowance for Loan Loss methodology. The unallocated allowance is regularly reviewed to ensure it is adequate, have regard to the loss rate and term of the portfolio. The Allowance for Loan Loss charge represents the expected annual loss on principal inherent in the lending portfolio. Expected loss is determined from analysis of both individual loan and portfolio risk gradings and associated default and loss expectancy rates. Financial and statistical tools are used to assist in the risk rating of much of the Bank's business and consumer borrowers. The Bank's risk rating framework separately identifies probability of default from the loss given default. For individually rated borrowers, the Bank employs a risk rating scale of 0 to 10 (risk grades 1 to 8 have "+" and "-" modifiers making a total of 27 separate risk grades), to determine the probability of default, with ratings 1 through 8 being the productive ratings and, 9 and 10 the non accrual grades. Underlying these ratings are associated default probabilities. To measure security coverage, a seven grade scale is applied, ranging from A through G. Security Indicator A represents more than 130% security coverage, while G is applied to unsecured customer borrowings. Customer's risk ratings and loan facilities are reviewed periodically (typically at least annually) to ensure the risk ratings reflect the credit risk of the customer and the prevailing economic conditions. Similarly, the performance of the risk rating tools used in the credit rating process are reviewed periodically to ensure they remain statistically valid and reflect current loss experiences.

See Note 1, (vi) and (vii), of the Financial Report for more details.

Years ended September 30	2002 $M	2001 $M	2000 $M
Specific allowance for loan losses			
Australia	211	303	260
New Zealand	20	33	26
Principal domestic markets	231	336	286
Overseas markets	354	164	423
Total specific allowance for loan losses	585	500	709
General allowance for loan losses	1,496	1,386	1,373
Total allowance for loan losses	2,081	1,886	2,082
General allowance for loan losses			
Balance at start of period	1,386	1,373	1,395
Adjustment for exchange rate fluctuations	(22)	2	(51)
Sale of Grindlays	–	–	(90)
Charge to profit and loss	610	531	502
Significant transaction:			
Additional charge to profit and loss	250	–	–
Transfer to specific allowance for loan losses	(788)	(595)	(429)
Recoveries	60	75	46
	1,496	1,386	1,373
Specific allowance for loan losses			
Balance at start of period	500	709	907
Adjustment for exchange rate fluctuations	(6)	30	88
Sale of Grindlays		–	(176)
Bad debts written off	(697)	(834)	(539)
Transfer from general allowance for loan losses	788	595	429
	585	500	709
Total allowance for loan losses	2,081	1,886	2,082
Allowance movement analysis			
New and increased allowance for loan losses			
Australia	423	562	319
New Zealand	54	67	52
United Kingdom	214	9	11
United States	185	12	–
Other overseas markets	22	26	166
	898	676	548
Allowance for loan loss releases	(110)	(81)	(119)
	788	595	429
Recoveries of amounts previously written off	(60)	(75)	(46)
Net specific allowance for loan losses	728	520	383
Net credit to general allowance for loan losses	132	11	119
Charge to profit and loss	860	531	502

2002

The $610 million (2001:$531 million) Allowance for Loan Loss charge was determined under allowance for loan losses principles and represents the expected average annual loss on principal over the economic cycle inherent in the current risk profile of the lending portfolio. In addition to the standard modelled Allowance for Loan Loss charge, a further $72 million has been provided. The charge is based on moving the credit profile of our structured finance portfolio down one grade on our internal rating scale (equivalent to increasing the expected default percentage in the Allowance for Loan Loss calculation by approximately 150%), to reflect the high incidence of downgrade and default evident in the portfolio.

The September 2002 year charge as a percentage of average net lending assets was 43 basis points, representing a 5 basis point increase on the level reported for the September 2001 year.

Actual loss experience or net specific allowance for the year to 30 September 2002 totalled $728 million, an increase of $208 million over the year to 30 September 2001. Of the 2002 increase in Specific Allowance, 43% was due to losses on two large accounts in the United Kingdom and Americas portfolios. The Australian and New Zealand portfolios actually reduced over the year by $153 million due to lower large single name and consumer losses.

During 2002, an additional Allowance for Loan Loss of $250 million has been charged. We have seen some very unusual large losses (Enron and Marconi) where the speed of collapse prevented appropriate recognition of an Allowance for Loan Loss charge. Neither internal nor external ratings downgraded the companies in sufficient time to allow the Allowance for Loan Loss provisioning process to recognize the increased risk inherent in the portfolio.

This has resulted in some erosion of our allowance for loan losses balance. Our approach has always recognized the risk of erosion of the Allowance for Loan Loss balance when unusual events happen.

Our review of the Allowance for Loan Loss balances in 2002 demonstrated that the unexpected events of the last year have eroded that balance to the point where we believe an additional amount is required to be taken to restore the balance to appropriate levels to reflect losses inherent in the portfolio.

At September 30, 2002 the Allowance for Loan Loss was strong and stood at $1,496 million, a surplus of $446 million over the tax effected 0.5% of risk weighted assets guidelines indicated by the Australian Prudential Regulation Authority.

2001

The Allowance for Loan Loss charge for doubtful debts increased from $502 million for the year to September 2000 to $531 million for the year to September 2001. While year on year on a basis point perspective Allowance for Loan Loss charge is stable at 38 basis points of net lending assets, the second half represents an increase from 35 basis points to 41 basis points. This increase is predominantly due to recognition of the likely impact on the risk grade profile of the adverse credit outlook following the September 11 terrorist attacks. Given the close proximity of the terrorist attacks to balance date, the Group has conducted an analysis that estimates the likely impact on economic loss provisioning. The analysis notionally downgraded, by one credit risk rating, all exposures to the tourism, airline and insurance industries, and exposures to the Middle East. All other loan assets were notionally given a 10% increase in their expected default frequency. The changed rating profile has resulted in an additional charge of $41 million in the second half.

Actual loss experience or net specific provisions during the year totalled $520 million, an increase of $137 million for the year, reflecting the deteriorating economic conditions and a small number of higher profile corporate defaults. Net specific provisions increased in Australia in response to prudent assessments of potential losses on some larger company exposures.

At September 30, 2001, the Allowance for Loan Loss was strong and stood at $1,386 million, a surplus of $372 million over the tax effected 0.5% of risk weighted assets guidelines indicated by the Australian Prudential Regulation Authority.

Income Tax Expense

Years ended September 30[1]	2002 $M	2001 $M	2000 $M
Total income tax expense including abnormals	898	911	1,040
Effective tax rate	27.9%	32.7%	37.3%
Australian corporate tax rate	30%	34%	36%

[1] There has been a phased reduction in the Australian corporate tax rate over the last three years

2002

The Group's effective tax rate decreased by 4.8% largely due to the 4% reduction in the Australian corporate tax rate and the roll-over relief which shields from tax the capital gain arising on the sale of businesses to the joint venture with ING Australia Ltd.

2001

The Group's effective tax rate decreased 4.6% from last year largely as a result of the 2% reduction in the Australian corporate tax rate, and the unfavorable impact that the corporate tax rate change had in the prior year on restating Australian deferred tax balances.

Provision was made in March 2000 for the impact on the value of deferred tax assets and liabilities resulting from the reduction in the corporate tax rate to 30%, effective from October 1, 2001, and no further adjustment has been required.

Results by Line of Business[1,3]

Years ended September 30[1]	2002 $M	2001[2] $M	2000[3] $M
Personal Banking and Wealth Management	573	526	n/a
Corporate Businesses	527	466	n/a
Investment Banking	311	288	n/a
Consumer Finance	149	99	n/a
Mortgages	246	236	n/a
Asset Finance	102	92	n/a
Small to Medium Business	157	130	n/a
Group Treasury	124	75	n/a
Operating segments total	2,189	1,912	n/a
Corporate Centre	(21)	(42)	n/a
Profit excluding significant transactions[4]	2,168	1,870	n/a

Years ended September 30	2001 $M	2000 $M
Personal (2001)	879	711
Corporate (2001)	737	602
International and Subsidiaries (2001)	284	220
Discontinued Businesses (2001)	(12)	106
Corporate Centre, Technology and Finance (2001)	(18)	64
Operating profit after income tax before abnormal items	1,870	1,703
Abnormal items (net of tax)		
Corporate Centre, Technology and Finance (2001)	–	44
Operating profit after income tax	1,870	1,747

1 Results are equity standardized. Refer definition on page 89 of the Financial Report
2 Results for 2001 have been restated
3 Comparative Line of Business information cannot be provided without unreasonable effort or expense, refer table below for line of business under previous business structure
4 Significant transactions for 2002 include: Sale of business to INGA joint venture, NHB recovery and additional provision for loan loss

During the year ended September 30, 2002, ANZ managed its business activities along the following lines of business: Personal Banking and Wealth Management, Corporate Business, Investment Banking, Small to Medium Business, Mortgages, Consumer Finance, Asset Finance and Group Treasury.

Corporate Centre includes the earnings on central capital and certain central costs.

The following commentary compares the 2002 results with the restated results for 2001.

Personal Banking and Wealth Management comprises Personal Banking Australia, Personal Banking New Zealand, Asia Personal Banking, Wealth Management and the INGA joint venture.

Personal Banking Australia profit after tax grew by 4% to $252 million for 2002, helped by the change in the Australian tax rate. Profit before tax was 1% lower to $360 million, with income flat, and a small increase in expenses. Core deposit business and transaction volumes were successfully grown throughout the year, but interest margins in the first half contracted due to falling interest rates. Profit grew strongly in the second half with margins between wholesale and official interest rates widening in the rising rate environment.

Personal Banking New Zealand profit after tax fell by 7% to $95 million in 2002, (10.5% excluding foreign exchange impact) from the record result in 2001. Income showed some growth, but expenses were 11% ($22 million) higher, due to investment in the branch network. Operating income in 2001 was boosted by property sales, and 2001 expenses were reduced by one-off cost recoveries.

Asia Pacific Personal Banking profit after tax grew very strongly by 39% ($26 million). Acquisitions in PNG, Vanuatu and Kiribati and increased returns from the investment in Panin were the main contributors to this result.

Wealth Management profit before tax grew by 35% to $144 million in 2002 and with the benefit of the Australian tax rate change, profit after tax at $101 million was 44% higher. Revenues grew 14% to $324 million reflecting strong business momentum, underpinned by increased mortgage sales and retentions, higher income from E*Trade milestone shares, and growth in deposits. Operating efficiency continued to improve notwithstanding additional investment in professionally accredited financial planners.

The 2002 result includes seven months' trading of the businesses sold to the INGA joint venture and five months' trading of our share of the joint venture. The joint venture's overall contribution to ANZ was below expectations principally due to lower investment earnings on capital partly offset by a gain on an investment hedge taken out by ANZ to reduce its exposure to equity risk held by the joint venture. This is in line with ANZ's policy not to take general market equity risk. Lower managed investment income was largely offset by higher insurance income. The joint venture's contribution was also adversely impacted by equity accounted amortization of goodwill.

Corporate Businesses comprises Corporate Banking, Global Institutional Banking (including Asia) and Global Transaction Services.

Corporate Banking profit before tax was 1% higher at $192 million in 2002, with the benefit of the reduction in the Australian tax rate leading to 6% growth in profit after tax to $134 million. Growth in fee income was offset by lower interest recoveries on impaired assets and lower interest margins on deposits in the first half, due to falling interest rates. Profit was boosted by a lower provision for doubtful debts, reflecting the improving quality of the loan book.

Global Institutional Banking profit grew by 16% to $353 million in 2002, driven mainly by strong growth in fee income from a range of product offerings and advisory services. Lending margins improved, leading to higher net interest income on lower loan volumes.

Global Transaction Services profit before tax grew by 6% to $215 million in 2002 and with the benefit of the Australian tax rate change, profit after tax was 11% higher at $150 million. This was achieved through increased deposits and increased utilization of ANZ on-line services. Costs decreased whilst significant investment was made for future growth.

Investment Banking comprises Global Foreign Exchange, Global Capital Markets, Global Structured Finance and Corporate Financing & Advisory.

Global Foreign Exchange performance was impacted by the weak global economy, relatively stable exchange rates and tightened credit conditions. Ongoing rationalization reduced costs by 4% to $121 million, partly offsetting the reduction in income from trading activities.

Global Capital Markets profit before tax grew strongly by 15% to $92 million and with the benefit of the Australian tax rate change, profit after tax was 21% higher at $64 million. This result was due to good revenue growth across the product range, despite a slowing economic cycle and volatile credit markets.

Expense growth was low despite significant investment in new product development, international distribution, and infrastructure replacement.

Global Structured Finance profit after tax measured using Allowance for Loan Loss charged was 11% higher at $84 million driven by strong fee income. However, significant net specific provisions of $356 million, or a loss rate of 3.9%, cast a shadow over the result. Net specific provisions of $356 million related mainly to Enron $136 million and Marconi $143 million. Remaining provisions related to a small number of customer exposures in the Media & Telecom and Power sectors. The strong growth in fee income was partly offset by the maturity of high yielding assets in the 2001 year, and an $8 million increase in provision for doubtful debts. Costs increased by 5% to $114 million with the investment in specialist staff.

Corporate Financing & Advisory profit after tax grew by 10% to $79 million in 2002, driven by strong growth in revenue from product and structured financings together with the private equity investment strategy. A rebalancing of the portfolio during the last 12 months resulted in strong interest income, with a lower level of structured transactions. Core costs were well controlled, enabling substantial investment to be made in growth initiatives. Provision for doubtful debts was slightly lower, and there has been a heightened focus on risk management in a less predictable credit environment.

Small to Medium Business profit before tax grew strongly by 16% to $226 million and with the benefit of the Australian tax rate change, profit after tax was 21% higher at $157 million. Significant investment has been made in industry specialization and increasing geographical coverage. This helped to generate good growth in loans and deposits. Expense growth was contained to only 2% to $124 million despite the increased investment.

Mortgages profit before tax was slightly lower, although the benefit of the Australian tax reduction led to 4% growth in profit after tax $246 million. Mortgage lending (including securitized loans) grew 14%, resulting in higher net interest and fee income. Funding costs rose during the year in anticipation of interest rate rises and the resulting fall in interest margins dampened the revenue increase from the growth in business especially in the second half. Expenses were higher from increasing personnel numbers to service the additional business volumes and from higher amortization of new mortgage origination software.

Consumer Finance profit before tax grew by 42% to $222 million and after the benefit of the Australian tax rate change, profit after tax was 51% higher at $149 million. A significant improvement in risk profile of the personal loan portfolio led to a reduction in the provision for doubtful debts. Operating income grew by 17% to $691 million, driven by higher transaction volumes and increased cards outstandings and growth in the cards portfolio following the collapse of competitor airline loyalty programs. Expenses were 16% higher at $308 million, reflecting the growth in volume of business and significant investment in new technology.

Asset Finance profit after tax grew by 11% to $102 million. The impact from the Australian tax rate change was limited due to tax credits in 2001. Income was 2% higher at $397 million, with new business stronger in the second half and a growing contribution from fleet management services. Efficiency initiatives achieved a further 4% reduction in expenses. Provision for doubtful debts was higher in 2002.

Group Treasury net profit was cyclically strong in 2002, rising to $124 million (65% increase on the previous year). This was due to an increase in the investment term of assets and favourable funding conditions during the uncertain global economic environment. In Australia, conditions were mixed with different parts of the business being impacted by Global events. Funding conditions for ANZ were excellent given its strong credit rating which is attractive to wholesale international investors. The strong demand for secure investments in wholesale markets was mirrored in domestic markets, consequently our retail depositor base grew strongly leading to a stronger overall funding base. The RBA changed the direction of the interest rate cycle by increasing interest rates by 0.25% twice in mid-2002. Further tightening is expected and built into market interest rates, however, such tightening has now been deferred due to the deteriorating global environment. The interest rate mismatch during this period of interest rate volatility was managed well with risk being contained.

The Corporate Centre result was an after tax loss of $21 million, compared with a loss of $42 million in 2001. Operating income was $68 million higher, mainly reflecting three factors. Firstly, 2001 included $30 million losses from discontinued businesses. Secondly, the appreciation of the Australian dollar against the US dollar and a reduction in the level of hedging improved the impact of USD revenue hedges by $32 million. Finally, reductions in US interest rates resulted in higher income from an interest rate swap which covers the USD payments to holders of preference shares (TrUEPrS). This was offset by reduced net interest income earned on the floating rate asset pool which is part funded by the TrUEPrS proceeds. Provision for doubtful debts was $82 million higher, including charges of $72 million that recognize the continued uncertainty in the international economic outlook.

Results by Region

Years ended September 30	2002 $M	2001 $M	2000 $M
Operating profit after income tax before abnormal items			
Domestic Markets			
Australia	2,391	2,160	1,781
New Zealand	456	395	328
	2,847	2,555	2,109
Overseas	376	228	459
	3,223	2,783	2,568
Income tax expense			
Domestic Markets			
Australia	683	716	581
New Zealand	126	117	87
	809	833	668
Overseas	89	78	195
Outside equity interest			
Overseas	3	2	2
Domestic Markets			
Australia	1,708	1,444	1,200
New Zealand	330	278	241
	2,038	1,722	1,441
Overseas	284	148	262
Operating profit after income tax before abnormal items[1]	2,322	1,870	1,703
Abnormal items (net of tax)			
Domestic Markets			
Australia	–	–	90
New Zealand	–	–	(31)
	–	–	59
Overseas Markets	–	–	(15)
Operating profit after income tax	2,322	1,870	1,747

[1] Includes significant transactions in the year ended September 30, 2002: the sale of businesses to ING joint venture (profit after tax of $170 million), National Housing Bank recovery ($159 million profit after tax) and additional general provision for doubtful debts ($175 million charge after tax)

Australia

Selected Australian economic indicators are shown below:

Years ended June 30	2002	2001	2000	1999
Nominal rates of growth[1] in Gross Domestic Product	6.4%	6.6%	6.1%	5.6%
Inflation rates	2.9%	6.0%	2.4%	1.3%
Real rates of growth in Gross Domestic Product[2]	3.9%	1.8%	4.0%	5.3%

Source: Australian National Accounts: National Income and Expenditure, ABS Cat. no. 52060.0 and 6401.0, June 2002

[1] Not restated for the effects of changes to price levels

[2] Nominal rates of Gross Domestic Product restated for the effect of changes to price levels

The Commonwealth Government of Australia has forecast the real rate of growth in Gross Domestic Product for the year ending June 30, 2003 to be 3.4%.

2002

Australian operations represented 74% of our external assets and 74% of our after tax profit in 2002. Net profit increased by 18% to $1,708 million (10% increase excluding the Australian component of the significant transactions). The benefit of the tax rate reduction to 30% was offset by an additional Allowance for Loan Losses Charge ($72 million) in the uncertain global economic environment. 2001 also included a small net gain on the sale of investments and various investment writedowns. Excluding these impacts, net profit increased by 8%, reflecting solid growth across most businesses.

2001

Australian operations represented 72% of our assets and 76% of our after tax profit in 2001.

Profit after tax excluding abnormals increased 19% over the 2000 result to $1,430 million. This result included the net positive impact from several one-off items, the main ones being:

- sale of our strategic investment in St George (profit after tax $65 million)
- write-down of various equity investments (loss $41 million)

Other key drivers influencing this years result include:

- net interest income increased by $244 million. This increase is directly attributable to an 8.8% increase in average lending assets combined with maintenance of a steady net interest margin in a falling interest rate environment where time to repricing was to our advantage on our funding costs.
- solid growth in fee income in Institutional Banking and Personal from transaction volume growth and new fee initiatives excluding the one-off items described above
- other income increased 13% due to strong growth in foreign exchange earnings, increased income from hedging activities and higher corporation superannuation flows to policyholders resulting in increased income in our funds management business.
- profit after tax benefited by $36 million from the 2% drop in the Australian corporate tax rate.

Offset by:

- higher expenses primarily due to GST
- increased economic loss provision charge, reflecting an assessment of the impact of September 11 and an increase in loss rates in the Personal non-mortgage lending book.

New Zealand

2002

New Zealand contributed $330 million to the Group result in 2002, an increase of 19% on last year. Excluding the exceptional gain from the sale of the funds management business to the INGA joint venture ($32 million), and adjusting for translation gains arising from a strengthening New Zealand dollar, growth in the 2002 year was 3%.

2001

Profit after tax excluding abnormals in New Zealand increased 15% to $278 million over the previous year. The main factors influencing this result include:

- increased net income, driven by modest lending growth
- increased fee income, reflecting a strong result from corporate financing activities, higher transaction volumes and growth in the contribution from the cards business

Offset by:

- marginal increase in operating expenses mainly attributable to the acquisition of EFTPOS NZ Limited which as increased the overall cost base of New Zealand
- increased allowance for loan losses charge, reflecting an assessment of the impact of September 11.

The operating cost to income ratio has reduced to 49.9% from 54.9% in the previous year.

Overseas Markets

2002

Net profit increased by 92% to $284 million in 2002. The prior year results were adversely impacted by losses from discontinued businesses and the writedown of the investment in Panin Bank (Indonesia). Excluding the net loss of $68 million from these items, profit grew by 31%, due mainly to a $26 million increase in equity accounted income from Panin, acquisitions and growth in fee income from Pacific, Americas and Asia particularly in structured finance. Net specific provisions were far above expectations, due to large single name losses on formerly investment grade loans, mainly Enron and Marconi.

2001

The Overseas Markets result comparatives for 2000 are dominated by the effect of the sale of Grindlays in July 2000. Profit after tax for the current year also includes a net loss of $12 million from discontinued business, including the joint venture with OCBC.

Excluding discontinued business, Overseas Markets profit after tax increased by $18 million to $174 million at September 2001. The main influences on the result were:

- higher net interest income primarily in Asia and UK
- increased fee income through strong growth in investment bank products in America and Singapore.

Offset by:

- higher expenses mainly due to Pacific acquisitions

Balance Sheet

Years ended September 30	2002 $M	2001 $M	2000 $M
Assets			
Liquid assets & due from other financial institutions	11,225	12,623	11,470
Trading securities and investment securities	9,482	8,314	7,132
Net loans and advances	132,060	123,657	116,315
Customers' liability for acceptances	13,796	14,324	15,482
All other assets	16,542	26,575	22,068
Total Assets	183,105	185,493	172,467
Liabilities			
Due to other financial institutions	10,860	12,690	12,247
Deposits and other borrowings	113,297	104,874	100,602
Liability for acceptances	13,796	14,324	15,482
Creditors and other liabilities	12,450	15,948	13,371
Bonds, notes and loan capital	18,153	19,171	13,206
All other liabilities	3,084	7,935	7,752
Total Liabilities	171,640	174,942	162,660
Net Assets	11,465	10,551	9,807
Total Shareholders' Equity	11,465	10,551	9,807

Our total assets at September 30, 2002 were $183 billion, a $2 billion decrease from September 30, 2002. Overall asset growth was offset by the sale of funds management business to ING Australia Ltd joint venture.

Liquid Assets & Due From Other Financial Institutions

Liquid assets decreased by $0.4 billion in 2002, largely arising from decrease in certificate of deposits in overseas markets ($1.2 billion) offset by bills and transit items in Australia.

Due from other financial institutions decreased by $1.0 billion largely in overseas markets.

Decrease in overseas markets reflects the high liquidity levels that were maintained at 30 September 2001 following the September 11 terrorist attack.

Trading and Investment Securities

Trading and Investment Securities increased by $1.1 billion in 2002, driven by increase in local and semi government securities held in Trading portfolio.

Net loans, advances and acceptances

Net loans and advances grew $8.4 billion in 2002, with increases in Australia ($10.1 billion) offset by decrease in Overseas Markets ($2.2 billion).

Growth was mainly in mortgages $8.9 billion driven by a buoyant housing market in Australia.

Other significant increases were seen in overdrafts ($0.9 billion) and Credit Card outstandings ($0.6 billion) in Australia and overseas markets.

Customers liability for acceptances decreased by $0.5 billion as a number of corporate customers exited commercial bills in favour of alternative sources of debt.

Other assets

Other assets reduced by $10 billion in 2002, largely from the sale of life insurance assets to the ING Australia Ltd joint venture ($4.8 billion) and the revaluation of off balance sheet derivative instruments ($3.0 billion) including hedges of USD borrowings.

Deposits and Other Borrowings

Deposits and other borrowings increased by $8.4 billion in 2002, with an increase in Australia of $9.4 billion offset by a reduction in Overseas Markets. Significant growth in customer sourced current accounts and term deposit volumes as well as wholesale certificates of deposit was experienced in Australia whilst decrease in commercial paper issue was noted in both the Australia and Overseas Markets as the group moved to increase customer based funding.

Creditors and Other Liabilities

Creditors and other liabilities decreased by $3.5 billion in 2002, largely due to the appreciation of the Australian dollar, the sale of the life and funds management business, and a reduction in unrealized losses on revaluation of off balance sheet instruments.

Bonds, Notes and Loan Capital

Bonds and notes and loan capital decreased $1.0 billion in 2002, with the growth in deposits reducing the funding requirement from other sources.

Capital

Years ended September 30	2002 $M	2001 $M	2000 $M
Shareholders' equity (including outside equity interests)	11,465	10,551	9,807
Loan capital (subordinated debt)	3,445	3,831	3,687
Total	14,910	14,382	13,494
Liabilities excluding loan capital	168,195	171,111	158,973
Total assets	183,105	185,493	172,467
Risk weighted assets	141,390	139,129	129,688
Tier 1 capital	11,201	10,387	9,640
Tier 2 capital	3,937	4,557	4,408
	%	%	%
Tier 1 capital ratio	7.9	7.5	7.4
Tier 2 capital ratio	2.8	3.2	3.4
Deductions[1]	(1.2)	(0.4)	(0.6)
Total capital adequacy ratio	9.5	10.3	10.2

[1] Total deductions of $1,703 million (2001: $604 million, 2000: $787 million)

2002

The Group's capital position continues to be strong. The total capital adequacy ratio reduced to 9.5% as a result of investment in the ING Australia Ltd joint venture, however it is still well above the minimum requirements of the Australian Prudential Regulation Authority (APRA) guidelines ratio of qualifying capital to risk weighted assets of 8%. Details of the capital adequacy position are shown in Note 33 of the Financial Report.

Tier 1 ratio (7.9%) increased through growth in retained earnings.

The reduction in Tier 2 ratio is due to maturity of subordinated debts.

During the year deductions from total capital increased to 1.2% due to our investment in the ING Australia joint venture.

2001

The Group's capital position continues to be strong. Details of the capital adequacy position are shown in Note 33 of the Financial Report.

Total capital adequacy ratio of 10.3% is well above the minimum requirements of the Australian Prudential Regulation Authority (APRA) guideline ratio of qualifying capital of risk weighted assets of 8%.

Tier 1 ratio (7.5%) increased through growth in retained earnings, having been managed down previously by the share buy-back program which was completed in April 2001.

Deductions from capital comprise the Group's investment in Panin Bank (Indonesia), along with other funds management operations.

Qualifying capital, on balance sheet assets and off-balance sheet exposures

A summary of qualifying capital, on-balance sheet assets and off-balance sheet exposures can be seen at Note 33 of the Financial Report.

Commitments

The Group leases land and buildings under operating leases expiring from one to five years. Leases generally provide the Group with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either movements in the Customer Price Index or operating criteria.

Years ended September 30	*2002 $M*	*2001 $M*
Capital expenditure		
Contracts for outstanding capital expenditure		
Not later than 1 year	75	32
Later than 1 year but not later than 5 years	–	1
Total capital expenditure commitments	75	33
Lease rentals		
Future rentals in respect of leases		
Land and buildings		
Not later than 1 year	163	133
Later than 1 year but not later than 5 years	426	359
Later than 5 years	450	471
Total lease rental commitments	1,039	963
Furniture and equipment		
Not later than 1 year	16	9
Later than 1 year but not later than 5 years	7	17
	23	26
Total lease rental commitments	1,062	989
Total commitments	1,137	1,022

Credit related commitments

The credit risk of the following facilities may be less than the contract amount, but as it cannot be accurately determined, the credit risk has been taken to be the contract amount.

	2002 $M	*2001 $M*
Undrawn facilities	60,373	56,766
Underwriting facilities	36	210
	60,409	56,976

Contingent liabilities

The Group guarantees the performance of customers by issuing standby letters of credit and guarantees to third parties. The risk involved is essentially the same as the credit risk involved in extending loan facilities to customers, therefore these transactions are subjected to the same credit organization, portfolio management and collateral requirements for customers applying for loans. As the facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements.

The credit risk of these facilities may be less than the contract amount, but as it cannot be accurately determined, the credit risk has been taken to be the contract amount.

Table of Contingent Liabilities

	2002 M	*2001 $M*
Guarantees	3,580	4,496
Credit derivatives - sold	3,088	–
Standby letters of credit	1,952	1,412
Bill endorsements	298	430
Documentary letter of credit	1,620	1,396
Performance related contingents	11,161	9,174
Other	935	1,930
Total contingent liabilities	22,634	18,838

Liquidity and Capital Resources

Liquidity and capital resources information is contained in the cashflow, Notes 8, 10, 11, 12, 25, 29, 30, 31, 37, 47 and the Financial Information section of the Financial Report, and throughout the Financial Review section of this document.

The Supervision and Regulation section on page 13 describes the prudential requirements that must be met in respect of liquidity. ANZ has policies consistent with those required by APRA.

Liquidity risk is described on page 22 and indicates the risk management processes ANZ has in place to ensure funds are available to meet obligations when they fall due.

Wholesale Funding

ANZ is funded from both the retail and wholesale markets. ANZ's $A19 billion of term wholesale funding as at September 30, 2002 has grown from $A3 billion in 1998. In 2002, $A5.3 billion debt was issued via 81 transactions. The portfolio is diversified by both type and currency with a weighted average term to maturity of 2.6 years. In 2002/03 new term debt issuance for is planned at between $A6 to $A7 billion with an average term of four years.

Maturity Profile of Funding

AUD	Senior $M	Subordinated $M	Total $M
1 year	3,989.3	79.8	4,069.1
2 years	4,833.4	351.4	5,184.8
3 years	2,346.5	–	2,346.5
4 years	2,011.9	625.6	2,637.5
5 years	1,939.3	–	1,939.3
> 5 years	73.6	2,734.2	2,807.8
	15,194.0	3,791.0	18,985.0

Liquidity Portfolio

ANZ maintains an $8.1 billion portfolio of high quality, diversified, highly liquid securities to support payment obligations and contingent funding in the event of a market disruption. The portfolio is managed on a global basis through the Group's major funding centres ie: Melbourne, New York, London, Wellington and Singapore.

AUD	Total $M
AUD	3,469
NZD	851
USD	3,099
EUR	181
GBP	471
	8,071

Capital Management

The Group's central capital management target is formulated around Adjusted Common Equity (ACE) with a benchmark of ACE/RWA in the range of 5.25% to 5.75%. Capital management at ANZ seeks to optimize return to shareholders, support growth in the business and maintain low cost of capital through prudent risk management. NZD$300 million subordinated debt was issued in the domestic New Zealand market. A$500 million subordinated debt was issued in the domestic Australian market.

	Tier 1	Inner Tier 1	ACE
September 2001	7.47%	6.37%	5.91%
September 2002	7.92%	6.95%	5.74%

Provisions

Restructuring Provisions

Restructuring is an ongoing part of banking business. Restructuring expenditure against the restructuring provision for 2002 amounted to $179 million, while additional restructuring provisions amounted to $39 million. The remaining restructuring provision balance at 30 September 2002 of $95 million (September 2001: $236 million) represents ongoing restructuring programs to which we are committed.

The restructuring provision was utilized in Australia, for redundancies, surplus lease space, EDP hardware writeoffs, pay out costs, writeoff on fittings on refurbishment and restructuring program costs.

Methodology of Total Allowance for Loan Loss

The Allowance for Loan Loss charge to the Statement of Financial Performance is used to fund the Allowance for Loan Loss, with specific provisions for actual credit losses drawn from the Allowance for Loan Loss balance. The Allowance for Loan Loss balance is continually assessed, ensuring it is sufficient to cover:

- variations around the annual expected losses (a normal level of variation is to be expected),
- balance sheet growth, and
- the remaining term of the loan portfolio on a cumulative expected loss basis.

Supplementary Financial Information

Loan Quality

All loans are subject to regular review and are graded according to the degree of credit risk. We use a two dimensional risk grading system which measures both the customer's ability to repay (probability of default) and the loss in the event of default (a factor of the security taken to support the facilities).

Our policy relating to the recognition and measurement of impaired assets conforms with APRA guidelines.

Loans are classified as either accrual or non-accrual. Accrual loans are credit risk assets where interest is accrued to income. Non-accrual loans are credit risk assets where, generally, there is reasonable doubt about the ultimate collectability of any of the interest and/or principal under contractual terms; accordingly, the crediting to profit of interest and fees on such loans ceases unless the amounts are actually received.

Our policy requires a specific allowance to be recorded as soon as it is recognized that a loss of principal is likely to occur. Where a loan is considered to be unrecoverable, the debt is written off against the Allowance for Loan Loss in the year it is identified. Our Allowance for Loan Loss charge represents the expected annual loss on principal for the current risk profile inherent in the lending portfolio. The Allowance for Loan Loss charge is credited to the General Allowance for Loan Losses.

The specific allowance requirement is transferred from the allowance for General Loan Loss to the Allowance for Specific Loan Loss. Recoveries, representing excess transfers to the Specific Allowance for Loan Loss, are credited to the General Allowance for Loan Loss.

See Note 1, (vi) and (vii), of the Financial Report, for more details.

Non-Accrual Loans

Set out below are our non-accrual loans classified as loans carrying specific allowances and loans not carrying specific allowances. Non-accrual loans include assets acquired in foreclosure or similar proceedings.

Years ended September 30	2002 $M	2001 $M	2000 $M	1999 $M	1998 $M
Gross non-accrual loans subject to specific allowance					
Australia	445	597	370	530	686
New Zealand	30	74	46	33	94
Overseas markets	597	269	630	725	634
Total	1,072	940	1,046	1,288	1,414
Specific allowance for loan losses	(575)	(490)	(692)	(886)	(762)
Net exposure	497	450	354	402	652
Gross non-accrual loans not subject to specific allowance					
Australia	78	195	281	93	166
New Zealand	7	6	13	17	22
Overseas markets	46	119	51	145	60
	131	320	345	255	248
Net non-accrual loans[1]	628	770	699	657	900
Gross non-accrual loans					
Australia	523	792	651	623	852
New Zealand	37	80	59	50	116
Overseas markets	643	388	681	870	694
Total	1,203	1,260	1,391	1,543	1,662
Specific allowances for loan losses	(575)	(490)	(692)	(886)	(762)
Net non-accrual loans[1]	628	770	699	657	900
Ratio of specific allowances for loan losses to gross non-accrual loans	47.8%	38.9%	49.7%	57.4%	45.8%

[1] Excluding off-balance sheet commitments that have been classified as unproductive of $44 million (2001: $31 million, 2000: $56 million, 1999: $70 million, and 1998: $47 million) net of an allowance of $10 million (2001: $10 million, 2000: $17 million, 1999: $21 million and 1998 $57 million)

Accruing Loans - Past Due 90 Days or More

Set out below are aggregate amounts of loans which are over 90 days in arrears in terms of interest servicing or principal repayments, but remain on an interest accrual basis. Full recovery of principal and interest is expected. This category comprises accrual loans in arrears 90 days and over which we believe are well secured, and accrual facilities below $100,000 past due from 90 to 180 days.

Years ended September 30	2002 $M	2001 $M	2000 $M	1999 $M	1998 $M
Australia	176	277	335	292	216
New Zealand	25	63	51	47	50
Overseas markets	15	11	20	15	17
Total past due loans	216	351	406	354	283

Restructured Loans

Set out below are aggregate amounts of loans where the original contract terms have been modified to provide concessions of interest and/or principal due to the financial difficulties of the customer. For these loans, interest and fees earned are recognized as income on an accrual basis.

Under APRA guidelines, restructured loans include loans with an effective yield above our cost of funds and below our prevailing reference rate for that form of lending. Restructured loans with an effective yield below our average cost of funds at the date of restructuring are classified as non-accrual loans.

Years ended September 30	2002 $M	2001 $M	2000 $M	1999 $M	1998 $M
Australia	1	1	1	7	4
New Zealand	–	–	–	–	–
Overseas markets	–	–	–	–	–
Total restructured loans	1	1	1	7	4

Other Potential Problem Loans

We do not use the category "potential problem loans" for loans that continue to accrue interest. If a loan is identified as a potential problem, it is classified as non-accrual and if necessary an allowance is raised.

Interest Forgone

The following table shows the estimated amount of interest income that would have been recorded during the years ended September 30, 2002, 2001 and 2000 had interest on the above non-accrual loans and restructured loans been accrued to income for those years (or, in the case of restructured loans, had interest been accrued at the original contract rate), and the amount of interest income received with respect to such loans.

Years ended September 30	2002 $M	2001 $M	2000 $M
Gross interest receivable on non-accrual loans and restructured loans			
Australia	50	47	48
New Zealand	3	12	6
Overseas markets	30	67	92
Total gross interest receivable on non-accruals and restructured loans	83	126	146
Interest income received			
Australia	(10)	(20)	(20)
New Zealand	(3)	(4)	(2)
Overseas markets	(16)	(14)	(32)
Total interest received	(29)	(38)	(54)
Net interest forgone			
Australia	40	27	28
New Zealand	–	8	4
Overseas markets	14	53	60
Total net interest forgone	54	88	92

Allowance for Loan Losses

The following table shows our specific allowance for loan losses against loans by geographic region in addition to specific allowances against off balance sheet commitments and our general allowance for loan losses for each of the past five years ended September 30.

Years ended September 30	2002 $M	2001 $M	2000 $M	1999 $M	1998 $M
Specific allowance for loan losses					
Australia	208	300	258	278	291
New Zealand	20	32	26	20	33
Overseas markets	347	158	408	588	438
Allowances against loans	575	490	692	886	762
Allowances against off-balance sheet commitments	10	10	17	21	57
Total specific allowances	585	500	709	907	819
General allowance for loan losses	1,496	1,386	1,373	1,395	1,401
Total allowance for loan losses	2,081	1,886	2,082	2,302	2,220

Allowance for Loan Losses - Industry Analysis

See Notes 4 and 5 of the Financial Information section of the Financial Report for details.

Power Industry Exposure

Approximately 68% of ANZ's exposure to the power industry is investment grade. Recently, the US power industry has undergone some specific sectoral stress following market deregulation and ensuing expansions. In this regard, ANZ has been adversely affected by a small number of single name exposures (most notably Enron).

ANZ's Energy Portfolio Limits[1]

Years ended September 30	2002 $B	2002 %
AAA to BBB$^+$	4.50	46.9%
BBB to BBB$^-$	2.00	20.8%
BB$^+$ to BB	2.27	23.6%
BB$^-$	0.06	0.7%
>BB	0.77	8.0%
	9.60	100%

ANZ's Exposure by Geography

	2002 %
Australia & New Zealand	53%
America	25%
Europe	9%
Asia	9%
Middle East	4%
	100%

[1] Based on ANZ's internal rating system

Telecommunication Industry Exposure

Many foreign Telecommunications companies have been exposed to high levels of debt in creating what now amounts to industry overcapacity. In this regard, ANZ has been adversely affected by its exposures to Marconi and one other customer. Half of the limits are Australia and New Zealand based, and 83% are investment grade.

ANZ's Telecommunication Portfolio Limits[1]

Years ended September 30	2002 $B	2002 %
AAA to BBB$^+$	3.44	62.6%
BBB to BBB$^-$	1.17	21.2%
BB$^+$ to BB	0.48	8.7%
BB$^-$	0.04	0.8%
>BB	0.37	6.7%
	5.50	100%

ANZ's Exposure by Geography

	2002 %
Australia & New Zealand	50%
America	12%
Europe	35%
Asia	3%
Middle East	0%
	100%

[1] Based on ANZ's internal rating system

Concentrations of Credit Risk / Loans and Advances by Industry Category

See Note 4 of the Financial Information section of the Financial Report for details.

Although our loan portfolio is spread across many countries, 76% of loans and advances are booked in Australia. The inherent risk characteristics of our loan portfolio are therefore very much linked to general economic conditions in Australia where the portfolio is diversified across different regions, industries, customer types and products.

As at September 30, 2002, our largest credit exposure in Australia was in the category "Real estate - mortgage" (56%) which principally comprises owner occupied residential property loans with the remainder comprising loans made for residential investment (non-owner occupied) and commercial property purchases.

As at September 30, 2002, 15% of our Australian loans and advances were in the category "Personal", which covers non-business loans to individuals through overdrafts, personal loans, credit cards and fully drawn advances.

Our largest overseas credit exposure is to "Real estate - mortgage", where most of the exposure and associated growth is in New Zealand. This category's percentage share of our overseas loan portfolio was 36% in 2002.

Cross-Border Foreign Outstandings

See Note 1 of the Financial Information section of the Financial Report for further detail.

Our limits in respect of cross-border foreign outstandings are approved on a country by country basis. A centralized unit is responsible for monitoring and controlling all cross-border exposure. This unit has overall responsibility for country limit approval and product/concentration allocations which is managed by a computerized global risk exposure management system operated through our branch network on a 24 hour basis.

Our cross-border exposure to a rescheduled debt country (both Sovereign and Non Sovereign exposure) has not exceeded 0.75% of total assets over the past three fiscal years, with the exception of South Korea.

Investment Securities

See Note 13 of the Financial Report for details.

Average Deposits

Details of our average deposits and balances due from other banks for each of the past three fiscal years is provided in the Average Balance Sheet analysis in Note 34 of the Financial Report.

Certificates of Deposit and Other Time Deposit Maturities

See Note 2 of the Financial Information section of the Financial Report for details.

Short Term Borrowings

See Note 6 of the Financial Information section of the Financial Report for details.

Volume and Rate Analysis

See Note 3 of the Financial Information section of the Financial Report for details.

Accounting Developments

Australian GAAP

Provisions, Contingent Liabilities and Contingent Assets

The Group is required to adopt the provisions of Accounting Standard AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" from 1 October, 2002. AASB 1044 sets out requirements for the recognition, measurement and presentation of provisions, contingent assets and contingent liabilities. It is estimated that this will result in a one-off reduction in the Group's return equity of approximately 0.5% in 2003.

Adoption of IASB Standards

The Australian Federal Government has announced that Australia will adopt accounting standards issued by the International Accounting Standards Board (IASB). This will apply to reporting entities which report under the Corporations Act 2001 and is expected to come into effect for reporting periods beginning on or after 1 January 2005.

The main areas of difference between Australian Accounting Standards and IASB Standards include:

- Income taxes - IASB Standards require income tax to be accounted for using the balance sheet method as opposed to the income statement method currently followed in Australia. The balance sheet method requires entities to obtain and maintain a tax value for all their assets and liabilities and focuses on temporary differences rather than timing differences.
- Foreign currency - a key difference is that on disposal of a foreign entity, IASB Standards require the cumulative amount of any exchange differences which have been classified as equity to be recognized as either revenue or an expense. By contrast, current Australian Standards prohibit the recycling of amounts within the foreign currency translation reserve through net profit or loss and instead require the cumulative amount of such differences to remain in equity.
- Financial instruments - in May 2002, the IASB released an exposure draft of proposed improvements to International Standards covering, respectively, the disclosure and presentation of financial instruments and the recognition and measurement of financial instruments.

  If these proposals are adopted, the key areas of impact on Group results will be as follows:

  - All derivatives will need to be recognized at market value.
  - Additional requirements will need to be met in relation to the designation of hedging relationships
  - On balance sheet exposures hedged within derivatives will be required to be recognized at fair value.
  - Gains or losses arising from changes in the fair value of available for sale financial assets will be required to be recognized directly in equity and then transferred to net profit or loss when the financial asset is derecognized or impaired.

Significant amendments are expected to be made to IASB standards during 2003 and 2004 and it is not currently possible to estimate the impact of adoption of IASB standards.

Share Options

The Australian Federal Government has announced that a proposed IASB Standard requiring the expensing of employee share options will have the force of law on adoption by the AASB, expected to be in the second half of 2003. On adoption of this Standard, the Group will be required to recognize additional expense relating to this type of remuneration.

The notional impact of expensing options, and shares issued under the $1,000 share plan is a $44 million (1.9%) reduction in net profit attributable to members of the company for the year ended September 30, 2002. The notional impact on basic earnings per share for this period is a reduction from 147.3 cents to 144.4 cents. This is based on fair values estimated at a grant date using a modified Black-Scholes model and the value of options amortized over vesting periods.

United States GAAP

Accounting for derivative instruments and hedging activities

The Group has adopted SFAS 133 "Accounting for Derivative Instruments and Hedging Activities", as amended by SFAS 138 "Accounting for Certain Derivative Instruments and Certain Hedging Activities", in its US GAAP reconciliation. SFAS 133 requires all derivatives to be recognized on balance sheet at fair value. Movements in the fair value of derivatives are taken to the statement of financial performance, unless the derivatives meet the criteria prescribed in SFAS 133 for fair value, cash flow, or foreign currency hedges. If certain criteria are met derivatives can be designated as hedges.

Under SFAS 133 normal banking hedging practices may not qualify for hedge accounting, notwithstanding their ability to hedge existing balance sheet positions from an economic perspective. As a result future fair value movements recognized in US GAAP reconciliation may not be indicative of the Group's risk profile. The Group uses instruments and hedging techniques that are effective in managing interest rate risk and foreign exchange risk.

Further information on the results of the Group's hedging activities, and the effectiveness of the risk management policies, can be assessed better by considering the information provided on interest rate risk in Note 36: Market Risk, and the information on hedging derivatives provided in Note 39: Derivative Financial Instruments, of the Group 2002 Financial Report.

Under SFAS 133, movements in the value of derivatives designated as fair value hedges are taken to the statement of financial performance, along with the movement in the fair value of the underlying exposure that is being hedged to the extent the hedge is effective. These amounts largely offset each other with any ineffectiveness recognized in the US GAAP statement of financial performance. Movements in the effective portion of the fair value of derivatives designated as cash flow hedges are taken to other comprehensive income. Any ineffectiveness is recognized in US GAAP statement of financial performance immediately. Amounts are subsequently reclassified out of other comprehensive income into earnings as the hedged transaction impacts earnings.

Goodwill and Intangible Assets

In June 2002, the Financial Accounting Standards Board FASB issued Statement of Financial Accounting Standard SFAS No. 141 "Business Combinations" and SFAS No. 142 "Goodwill and Other Intangible Assets".

SFAS No. 141 addresses financial accounting and reporting for business combinations and supersedes APB Opinion No. 16 "Business Combinations" and SFAS No. 38 "Accounting for Preacquisition Contingencies of Purchased Enterprises". Under SFAS No. 141, all business combinations are to be accounted for using the purchase method. In addition, this Statement requires separate recognition of intangible assets acquired in a business combination if they meet one of two criteria - the contractual-legal criterion or the separability criterion. SFAS No.141 applies to all business combinations accounted for using the purchase method for which the date of acquisition is July 1, 2001, or later. The impact of adopting SFAS No. 141 is not expected to be material to Group results expressed in terms of US GAAP.

SFAS No. 142 addresses financial accounting and reporting for acquired goodwill and other intangible assets and supersedes APB Opinion No. 17 "Intangible Assets". SFAS No. 142 addresses how intangible assets that are acquired individually or with a group of other assets (other than in a business combination) should be accounted for in financial statements upon their acquisition. It also addresses how goodwill and other intangible assets should be accounted for subsequent to the initial recognition. The Statement requires that goodwill and intangible assets that have indefinite useful lives will not be amortized but rather tested at least annually for impairment. Intangible assets with finite useful lives will continue to be amortized over their useful lives, but with no arbitrary maximum period of amortization. The Group will fully adopt the provisions of SFAS No. 142 for the year commencing October 1, 2002 for goodwill acquired prior to July 1, 2001 and its transitional provisions for goodwill acquired since that date in the current year. The impact of adopting SFAS No. 142 is not expected to be material to Group results expressed in terms of US GAAP.

Asset Retirement Obligations

SFAS No. 143 "Accounting for Asset Retirement Obligations" addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. Under this Statement, the liability is discounted and accretion expense recognized using the credit-adjusted risk-free interest rate in effect when the liability was initially recognized. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset, and subsequently allocated to expense using a systematic and rational method over its useful life.

SFAS No. 143 is effective for fiscal years beginning after June, 15 2002. The impact of adopting SFAS No. 143 is not expected to be material to Group results expressed in terms of US GAAP.

Impairment or Disposal of Long-Lived Assets

SFAS No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets" addresses financial accounting and reporting for the impairment of long-lived asset and for long-lived assets to be disposed of. While SFAS No. 144 supersedes SFAS No.121 "Accounting for the Impairment of Long-Lived Assets and For Long-Lived Assets to be Disposed of", the fundamental provisions of Statement 121 of recognition and measurement of the impairment of long-lived assets to be held and used, and the measurement of long-lived assets to be disposed of by sale, have been retained.

SFAS No. 144 also supersedes APB Opinion No. 30 "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions", for segments of a business to be disposed of. SFAS No. 144 retains the requirement of Opinion 30 to report discontinued operations separately from continuing operations and extends that reporting to a component of an entity that has either been disposed of (by sale, abandonment, or in a distribution to owners) or is classified as held for sale.

SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. The impact of adopting SFAS No. 144 is not expected to be material to Group results expressed in terms of US GAAP.

Recission of FASB Statements No. 4, 44 and 64, and Other Amendments

SFAS No. 145 "Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13 and Technical Corrections" rescinds Statement Nos. 4, 44 and 64 in relation to extraordinary items, amends Statement No. 13 in relation to modifications of capital leases, and makes technical corrections to several other standards.

SFAS No. 145 is effective for fiscal period beginning January 1, 2003, except for the provisions relating to the amendment of SFAS No. 13, which are effective for transactions occurring subsequent to May 15, 2002. The impact of adopting SFAS No. 145 is not expected to be material to Group results expressed in terms of US GAAP.

Accounting for Costs Associated with Exit or Disposal Activities

SFAS No. 146 "Accounting for Costs Associated with Exit or Disposal Activities" addresses financial accounting and reporting for costs associated with exit or disposal activities. SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred. Under Emerging Issues Task Force Issue No. 94-3, which SFAS No. 146 nullifies, a liability for an exit cost (as defined in Issue 94-3) was recognized at the date of an entity's commitment to an exit plan that did not meet the definition of a liability in FASB Concepts Statement No. 6 "Elements of Financial Statements".

SFAS No. 146 is to be applied prospectively to exit or disposal activities initiated after December 31, 2002. The Group has not yet assessed the impact of adopting SFAS No. 146 on our results.

Critical Accounting Policies

The Group prepares its consolidated financial statements in accordance with Australian Accounting Standards and other authoritative accounting pronouncements. However, notwithstanding the existence of relevant accounting standards, there are a number of critical accounting treatments, which include complex or subjective decisions or assessments. The Group requires all such applications of judgement to be reviewed and agreed by Group Finance, and where the impact is material, the accounting treatment be reviewed during the audit process by the Group's external auditors. All material changes to accounting policy are approved by the Audit Committee of the Board.

Historical Changes

No change has been made to any of the critical accounting policies or their related methodologies over the last 3 years.

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

Allowance for Loan Loss

Description and Significance

Each month the Group recognizes an expense for credit losses based on the expected long term loss ratio for each part of the loan portfolio.The monthly charge is transferred to the Allowance for Loan Loss which is maintained to cover losses inherent within the Group's existing loan portfolio.

The method used by the Group for determining this monthly expense charge is referred to as Allowance for Loan Loss Provisioning. The Group uses Allowance for Loan Losses models to calculate the expected loss by considering:

- the history of credit loss for each type and risk grade of lending; and
- the size, composition and risk profile of the current loan portfolio.

Ongoing Reviews

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

To the extent that credit losses are not consistent with previous loss patterns used to develop the assumptions within the Allowance for Loan Loss methodology, the existing Allowance for Loan Loss may be determined to be either in excess of or insufficient to cover inherent credit losses not yet specifically identified. As a result of the reassessments, Allowance for Loan Loss charge levels may be periodically increased or decreased with a direct impact on profitability.

As part of its review of the Allowance for Loan Loss model outputs, the Group also regularly evaluates the overall level of the Allowance for Loan Loss. The Group is required, by APRA prudential standards, to have policies which cover the level of Allowance for Loan Loss that are needed to absorb estimated losses inherent in the credit portfolio. In some limited circumstances, the assessment of the inherent losses in the portfolio may require an additional charge to profits to ensure the adequacy of the Allowance for Loan Loss.

Quantification of Sensitivity

For 2002, the balance of the Allowance for Loan Loss of $1,496 million (September 2001: $1,386 million) represents 1.1% (September 2001: 1.0%) of risk weighted assets.

Specifically identified credit losses net of recoveries during the year were $728 million (September 2001: $520 million). During the same period, the average charge to profit for Allowance for Loan Loss was 0.43% of average net lending assets (September 2001: 0.38%).

Allowance for Loan Loss v Allowance for Specific Loan Loss

Years ended September 30	2002 $M	2001 $M	2000 $M	1999 $M	1998 $M
Allowance of Loan Loss charge	860	531	502	510	487
Allowance for Specific Loan Loss	728	520	384	482	512
Surplus / (Deficit) Allowance for Loan Loss	132	11	118	28	(25)

During the year an additional charge for loan losses of $250 million, identified as part of the regular review process (refer page 49), was added to the Allowance for Loan Loss to restore its balance to an appropriate level. Also, recognizing the unexpected default experience on international exposures, an additional Allowance for Loan Loss charge of $72 million has been recognized at the Group level.

Allowance for Specific Loan Loss

Description and Significance

The Group maintains a specific provision for Allowance for Loan Loss arising from its exposure to organizations and credit counterparties.

The Group's Allowance for Loan Loss provisioning methodology is used to estimate the extent of losses inherent within the loan book. Once a specific doubtful debt loss is identified as being probable, its value is transferred from the Allowance for Loan Loss to the Allowance for Specific Loan Loss. Allowance for Specific Loan Loss methodology applies when the full recovery of one of the Group's exposures is identified as being doubtful resulting in the creation of an Allowance for Specific Loan Loss equal to the full amount of the expected loss plus any enforcement/recovery expenses.

Recoveries resulting from excess Allowance for Specific Loan Loss arising when actual losses are determined to be less than the amount provided for within the Allowance for Specific Loan Loss are transferred back to the Allowance for Loan Loss.

Quantification of Sensitivity

The recognition of losses has an impact on the size of the Allowance for Loan Loss rather than directly impacting profit. However, to the extent that the Allowance for Loan Loss is drawn down beyond a prudent amount it will be restored through a transfer from the current year's earnings. Recoveries of amounts previously specifically provided against are applied to the restoration of the Allowance for Loan Loss balance. The amount of draw down from the Allowance for Loan Loss to the Allowance for Specific Loan Loss, net of recoveries, during the year was $728 million (September 2001: $520 million).

Deferred acquisition costs, software assets and deferred income

Description and Significance

The Group recognizes assets and liabilities that represent:

- Capitalized expenses - direct costs from the acquisition of interest earning assets;
- Software assets - direct costs incurred in developing software systems; and
- Deferred income - liabilities representing income received in advance of services performed.

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

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

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

Quantification of Sensitivity

Deferred acquisition costs - at 30 September 2002, the Group's assets included $289 million (September 2001: $258 million) in relation to costs incurred in acquiring interest earning assets. During the year, amortization of $132 million (September 2001: $121 million) was recognized as an adjustment to the yield earned on interest earning assets. Software assets - at 30 September 2002, the Group's fixed assets included $419 million (September 2001: $303 million) in relation to costs incurred in acquiring and developing software. During the year, amortization expense of $53 million (September 2001: $22 million) was recognized and $24 million (September 2001: $14 million) was written off in relation to software assets.

The software amortization expense will increase going forward, as projects are completed following a period of above average project activity which has replaced significant parts of the Group's core infrastructure. The Group anticipates that software depreciation will exceed $90 million in 2003. Consistent with US accounting rules on software capitalization only costs incurred during configuration, coding and installation stages are capitalized. Administrative, preliminary project and post implementation costs including determining performance requirements, vendor selection and training costs are expensed as incurred.

Deferred income - At 30 September 2002, the Group's liabilities included $128 million (September 2001: $131 million) in relation to income received in advance. This income is comprised of 2 components: (1) fees received for services not yet completed; and (2) profit made on an interest rate swap that was hedging future payments (years 2004 and forward) on the Group's preference shares. Under Australian Accounting Standards, this profit is deferred and recognized when the hedged transaction occurs, or immediately if the hedged transaction is no longer expected to occur. As the Group presently plans to retain the preference shares, recognition of the income from the hedging transaction is deferred.

The balances of deferred assets at 30 September were:

	Deferred acquisition costs		*Software Assets*		*Deferred Income*	
	2002 $M	*2001 $M*	*2002 $M*	*2001 $M*	*2002 $M*	*2001 $M*
Personal Banking & Wealth	–	–	177	142	–	1
Corporate Businesses	–	–	17	16	4	5
Investment Banking	27	39	–	–	11	11
Consumer Finance	–	–	45	30	–	–
Mortgages	73	57	27	17	–	–
Asset Finance	189	162	29	31	–	1
Small to Medium Business	–	–	6	3	–	–
Other	–	–	118	64	113	113
Total	289	258	419	303	128	131

Derivatives and Hedging

Description and Significance

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

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

Accounting treatment - In accordance with the requirements of Australian Accounting Standards, derivative instruments entered into for the purpose of hedging are accounted for on the same basis as the underlying exposures or risks.

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

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

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

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

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

Fair value determination - Derivatives entered into as part of the Group's trading operations are carried at their fair values with any change in fair value being immediately recognized as part of trading income. Where liquid markets exist, fair value is based on quoted market prices. For certain complex or illiquid derivative instruments, it may be necessary to use projections, estimates and models to determine fair value. In addition, judgmental factors such as the need for credit adjustments, liquidity and other valuation adjustments affect the reported fair value amounts of derivatives.

Special purpose and off balance sheet vehicles

The Group may invest in or establish special purpose companies, or vehicles (SPVs), to enable it to undertake specific types of transactions. Where the Group controls such vehicles, they are consolidated into the Group financial results.

Certain SPVs may be set up by the Group to facilitate Group strategic aims, or to assist with structured transactions for clients. The accounting treatment of each SPV is assessed using existing Australian guidance, with reference also to International and US accounting standards where specific issues are yet to be addressed in Australia. The table below summarizes the main types of SPVs that are not consolidated into the Group, the reason for their establishment, and the key risks associated with them.

Type of Special Purpose Vehicle (SPV)	Reason for establishment	Key Risks	SPV Assets $M
Securitization vehicles	Assets are transferred to a SPV, which funds the purchase by issuing securities. Enables ANZ or customers to increase diversity of funding sources.	ANZ may manage securitization vehicles, service assets in a vehicle and provide liquidity support, and retains the risks associated with the provision of these services. Credit and market risks associated with the underlying assets are not retained by ANZ. ANZ may also provide other services (eg. swaps, credit guarantees), for which ANZ earns a fee at commercial rates.	6,992
Structured finance entities	These entities are set up to assist with the structuring of client financing.	ANZ may retain liquidity risk, if it provides liquidity support to the vehicle. ANZ may also manage these vehicles.	1,968
Managed funds	These funds invest in specified investments on behalf of clients.	The ANZ/ING Australia joint venture, as manager of the funds, exposes ANZ to operational risk and reputational risk.	26,642

Risk Management

ANZ's Risk Management Vision and Strategy

ANZ is underpinned by an ongoing focus on risk issues and strategy at the highest levels and a comprehensive risk management framework comprising:

- The Board, providing overall leadership and monitoring progress
- A strong basis for Group–wide risk management policies, procedures and systems, overseen by an independent central team of risk professionals headed by the Chief Risk Officer reporting to the Chief Executive Officer
- The use of sophisticated risk tools, applications and processes to execute our global risk management strategy across the Group
- Primary Business Unit–level accountability for management of risks in alignment with the Group's strategy

Risk Management and the Board

The Board of Directors, through the Risk Management Committee, approves the Group's risk appetite and is responsible for overseeing and approving ANZ's risk management strategy and policies. The Risk Management Committee meets regularly to monitor that the requisite culture, practices and systems are in place across the Group, to discuss the Group's response to emerging risk issues and trends, and to review the effectiveness of the risk management systems.

A Strong Framework for Risk Strategy

Management has the primary responsibility for identifying and evaluating significant risks to the business and for implementing suitable controls.

Responsibility for the implementation of risk policy and for ensuring that there is an effective top–level control framework is delegated to the Chief Risk Officer.

The Chief Risk Officer implements the risk strategies and policies approved by the Board by leveraging specialist expertise within Group Risk Management in three key types of risk: Credit Risk, Market Risk and Operational Risk. Group Risk Management is also responsible for setting risk policy, determining risk measurement methodology, overseeing the Business Units' compliance with policies, regulations and laws, and undertaking regular risk evaluation and reporting. All of these functions are undertaken by risk professionals with extensive experience.

Business Unit Level Accountability for Risk Management

Within each Business Unit, the Managing Director has primary responsibility for risk management. Each Business Unit has a risk management team and receives further assistance from a senior risk professional who provides strategic guidance and advice. This partnership approach ensures timely communication about risk issues as they arise and also provides the means for effective governance and oversight by the Chief Risk Officer.

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

1. Credit Risk

Credit Risk policy and management are principally executed through two dedicated departments - Wholesale Risk and Retail Risk.

Wholesale Risk services the Group's Corporate, Institutional and Global Investment Banking activities, while Retail Risk services the Group's consumer-based businesses.

All major credit decisions (or automated decision processes) for the Group's corporate and consumer businesses require dual approval by both Group Risk Management and Business Unit-based personnel.

Review of 2002

2002 was a very difficult year in the international credit markets highlighted by large corporate failures and accounting frauds, continued difficulties in the energy and telecommunications industries, increased share market volatility and an overall trend towards increased risk aversion. In recognition of these events, and consistent with ANZ's objective to improve continually our core risk management processes to industry leading levels, we have implemented a number of substantial enhancements to our framework for managing credit risk in 2002.

Specific improvements include:

- Continuing the trend of previous years, ANZ's largest corporate exposures were further materially reduced in 2002. The aggregate of our top 10 committed exposures as a percentage of Adjusted Common Equity declined over the last year from greater than 130% in September 2001 to approximately 100% in September 2002
- Further substantial reductions were made to the limits applying to our single customer exposures. These limits vary with the credit rating and geographical location of the customer; the limits applicable to offshore customers are 40% lower than those applicable in Australia and New Zealand. In addition, inner sub–limits on funded exposures were introduced in October 2002
- Cross–border limits were further materially reduced (post September 11) in South Asia, Middle East and Asia
- ANZ's internal credit ratings are now regularly and systematically reviewed against movements in external ratings, market indices, credit spreads and other industry indicators for "early warning" purposes
- ANZ's internal risk grading scale was expanded from 10 to 27 customer credit ratings

- A new credit cost calculator, 'C–Risk', was implemented, which calculates economic credit costs for individual facilities
- A wider application of sophisticated risk measurement tools in the retail sector, resulting in more efficient and effective credit assessment processes. Credit policies were tightened in certain specific areas.
- Despite a difficult economic environment in 2002, the overall quality of ANZ's corporate and consumer credit portfolios remains sound. Australian and New Zealand risk profiles remain stable with the international profile being affected by a small number of larger corporate downgrades. The assessment of counterparty credit worthiness has been enhanced through providing greater weighting to the quality and integrity of counterparties' financial disclosure. Concentration limits on certain industries, sectors and customers have been reviewed and further aligned to the Group's risk appetite.

2. Market Risk

Market Risk is the risk that the Group will incur losses from changes in interest rates, foreign exchange rates or the prices of equity shares and indices, commodities, debt securities and other financial contracts, including derivatives. It is managed by a variety of different techniques with Group Risk Management setting limits to control trading positions and interest rate risk up to Board authorized totals.

Review of 2002

During the year, rollout of a new 'Market Risk Engine' was completed. This major initiative enables better aggregation and measurement of market risks across asset classes (eg, equities, foreign exchange and interest rate products), and positions ANZ at the forefront of market risk management capability. Other key undertakings over the year, which focus particularly on the crossover dynamics between Credit Risk and Market Risk, include:

- Establishment of a new framework to enable trading in credit derivatives. This capability introduces another tool to support 'best practice' management of the Group's credit portfolio, the creation of structured investment products for clients, and enhanced trading capability
- Evaluation of market risk management capabilities at clients exposed to significant market risks in their core business, thereby improving the Group's overall management of credit risk associated with these clients

3. Operating Risk

Operating Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Group Risk Management is responsible for establishing Group policy and for the measurement, monitoring and reporting of operating risk across the Group.

Review of 2002

ANZ's operating risk framework, policy and procedures continue to be strengthened in line with new and emerging risk trends. Key activities in 2002 included:

- Further development of ANZ's methodology for operational risk measurement and economic capital allocation
- Strong focus on fraud risk management, including implementation of an updated Group fraud policy, enhanced technology tools and development of industry solutions in conjunction with Government and industry groups.
- Refinement of the Group's business continuity capability in line with new and emerging threats, reinforced by crisis management exercises.
- Significant enhancement to ANZ's regulatory compliance framework, including policies to address money laundering, criminal and terrorist financing, privacy and customer disability, and procedures for electronic funds transfer.

Looking Forward

ANZ's risk management capabilities are considered to be a strategic asset and a source of competitive advantage. Through effective use of technology and strong management focus, we seek to strengthen further the Group's risk capabilities and culture to ensure that ANZ remains at the forefront of risk management capability within the banking and financial services industry.

Environmental Report

This year we have commenced an important review to extend our approach to corporate sustainability. The aim is to develop an approach which will assist us in achieving long–term shareholder value by focussing on the market's potential for sustainability products and services while at the same time successfully reducing and avoiding sustainability costs and risks. This aim is to develop a framework for greater self–awareness and action.

Although there is still much to do, we have made some early progress.

In June 2002, ANZ's infrastructure investment business established Wind Power Investment Trust. The Trust is considering investments to enable the development of wind farms in New South Wales, South Australia and Victoria, which would deliver in excess of 300MW of green energy into the national energy market.

ANZ has also focused on minimizing the direct impact of its operations on the environment. To support this we have expanded our Environmental Management Program through the ANZ Green Office initiative including joining the Federal Government's Greenhouse Challenge.

The Green Office initiative addresses the impact ANZ has on the environment though its consumption of energy, the waste materials we produce and the water we consume.

Energy

We have joined the Property Council of Australia/Sustainable Energy Authority of Victoria's Energy Smart Leaders Program, an initiative aimed at reducing our energy consumption and reducing Greenhouse emissions.

So far we have conducted a number of energy audits of our major buildings in Melbourne. These audits have identified potential savings of Greenhouse gases between 1,700 and 2,500 tonnes. Green Teams have been established to act on the audit findings and ensure we achieve these energy savings. For example, during 2002 the initial energy saving at our 55 Collins Street, Melbourne building resulted in an immediate 10% drop in Greenhouse emissions and a $30,000 saving in energy costs.

ANZ received the 2002 Outstanding Achievement Award for successful involvement in the Energy Smart Leaders Program.

Waste

During 2002, we participated in a Best Practice Waste Management Trial to ensure we recover and recycle all used office paper. Although ANZ already has a comprehensive paper recycling system, the trial resulted in an increase of 65 tonnes in the quantity of paper recycled over a three–month period. This is being supported by a company–wide Work Practices Review to identify ways ANZ can reduce paper in the first instance.

We know, however, that waste is a wider issue than just paper. Recently, a waste audit of one of our major buildings was conducted by Visy to identify the potential to reduce our current waste to landfill. We have started to act on the audit's recommendations that have the potential to reduce waste to landfill by almost 75%. We are supporting these initiatives by engaging our people on environmental issues. An environmental site on ANZ's intranet has been established to advise staff of ways they can actively participate in initiatives across the Bank and in the community. This includes staff using their Volunteer Leave to work on environmental projects with a community organization.

Purchasing

ANZ has begun to review all purchasing contracts with a focus on environmental sustainability. The initial focus is on recycled paper purchasing, use of cleaning chemicals and the development of sustainability criteria for tenders as evidenced in a recent office furniture request for tender.

Our progress has been recognized with ANZ continuing to be included in two leading indices of Corporate Sustainability in 2002—the Dow Jones Sustainability World Index and Financial Times FTSE4Good Global Index.

We know, however, there is much more for us to achieve. The journey ahead is about building on our progress so far to develop a comprehensive sustainability agenda that can demonstrate a high level of commitment and action in addressing global and industry social and environmental challenges.

Customer Service Charter

In October 2001, we launched our first Australian Customer Service Charter in a further step towards improving ANZ's value and service to its customers.

We also promised to have our performance against the promises in the Customer Charter independently reviewed by ANZ's auditors, KPMG, and to publicly report the results. The KPMG review is now completed and the results are available in our Customer Charter Annual Report on www.anz.com.

Our internal review of our performance against the promises in the 2001 Customer Charter has been encouraging but in some areas we still have work to do to consistently meet customer expectations.

Our Promise: Simple, fast account opening

- Personal Banking – open accounts within 24 hours

Standard Loan Applications

- Personal Loans – answered within one working day
- Home Loans – answered within two working days
- Car Loans – answered within one working day

If we do not meet these standards, we will refund one month's standard fee or equivalent.

Our Performance:

- We have improved our processes so we can open personal bank accounts on the spot. This makes it difficult to accurately determine delays. However, we have refunded over $800 in fees in nearly 150 cases where delays have been identified
- Nearly 100% of personal loan applications were answered within one day
- Identified fewer than 2% of home loan applications which were answered beyond 2 days and refunded over $26,000 of fees. We are also working towards developing enhanced systems and processes to ensure completeness of reporting for home loans
- Over 99% of car loan applications were answered within one day; refunded over $4,300 of fees
- In total, over $31,000 of fees were refunded for accounts opened or loan applications answered beyond our promised times. We are continually improving our systems and processes to ensure that we consistently meet our promises

Our Promise: Access

- Internet banking and Website – available more than 99% of the time
- Phone banking service – available more than 98%
- Network of ATMs – available more than 98%
- Lost & stolen cards hotline – available 24 hours, 7 days a week
- Esanda phone service – available 8am to 7.30pm AEST weekdays and 9am to 5pm on Saturdays

Our Performance:

- We exceeded Internet banking and website target of 99% except for two months when the availability was 98.9% and 98.6%
- We exceeded Phone Banking and ATM Banking target of 98%
- Internally, our Cards hotline and Esanda phone service were staffed for availability 100% of the times promised. We are also seeking details from our telecom provider to monitor the extent to which our telephone lines were accessible by our customers

Our Promise: We will respect your personal information

- We will keep private the information you have provided to us

Our Performance: We have guidelines in place to ensure that we comply with this promise. We measure our compliance based on the privacy–related enquiries received from our customers by our National Customer Liaison unit. We have received 25 valid enquiries which we have addressed with our customers. We are further improving our internal monitoring systems and processes for keeping our customers' information private

Our Promise: Information we provide to you will be written in plain language

Our Performance:

We have implemented processes to ensure that we provide our customers information written in plain language by using:

- Simple language easily understood by the intended reader
- Short, clear and concise statements that avoid use of jargon
- Consistent written expression and punctuation
- Structured sentences/paragraphs and headings that guide the reader through the communication

Our customer satisfaction score with our communication improved from 6.9 to 7.2 out of 10.

Our Promise: Resolving complaints—if we make a mistake, we will put it right

- Respond to complaints addressed to our National Customer Liaison Unit with 48 hours
- Resolve complaints within 10 working days
- Advise how much longer it will take to resolve these complaints if it takes more than 10 working days

Our Performance:

- We responded to 100% of complaints received by our National Customer Liaison unit within 48 hours
- We resolved 70% of complaints within 10 days

- We are developing a comprehensive complaint resolution system which will help us ensure completeness of reporting and further improve our performance

We expanded the Customer Charter in April 2002, extending the Charter to cover small business as well as our personal customers and adding new promises on fees and quick, convenient banking services.

Our New Promise: Quick, convenient branch banking

- Teller service within 5 minutes and extended banking hours

Our Performance:

- The average waiting time was under 3 minutes at 40 branches where ANZ has a queue measurement system. The maximum wait time, however, was nearly 21 minutes at these branches. We are working to improve this performance by looking at staffing levels and resourcing for peak periods. We are also extending banking hours and offering Saturday banking at several of our branches

Our New Promise: Fast, efficient phone service

- Calls answered within 1 minute and notification of expected waiting time on our 13 13 14 and 13 22 73 numbers

Our Performance:

- 13 13 14 – 89% calls answered within 1 minute
- 13 22 73 – 94% calls answered within 1 minute

Our New Promise: Simple accounts, fees and charges

Our Performance:

- Introduced two new lower cost Access accounts with simpler fees. For example, Access Advantage offers unlimited ANZ transactions for $5 per month. We have also reviewed our fees and charges and helped our customers understand them by directly communicating those which are frequently applicable to their accounts

Our New Promise: Building relationships with the community

Our Performance:

- Maintained our rural branches and opened a new branch in Koroit
- Continued to offer fee–free branch banking for seniors
- Continued to offer 15 fee–free transactions and no monthly fee for Centrelink payment recipients and healthcare cardholders

Item 6: Directors, Senior Management and Employees

Directors

Our business is managed by the directors, who may exercise all powers not required to be exercised at a general meeting of shareholders. On the date hereof the directors of ANZ are:

Director's Name	*Position held*	*Year appointed*	*Age*
C.B. Goode, AC	Director/Chairman of Directors[1]	1991	64
J. McFarlane, OBE	Chief Executive Officer	1997	55
J.C. Dahlsen	Director	1985	67
R.S. Deane	Director	1994	61
J.K. Ellis	Director	1995	65
D M Gonski[2], AO	Director	2002	49
M.A. Jackson	Director	1994	49
B.W. Scott, AO	Director	1985	67

[1] The Chairman is an ex officio member of all Board committees
[2] Appointed 7 February 2002

Directors' profiles

Mr C B Goode, AC

B Com (Hons) (Melb), MBA (Columbia), Hon LLD (Monash), Hon LLD (Melb)

Chairman

Company Director.

Director since July 1991, appointed Chairman August 1995.

Mr Goode is ex-officio member of all Board Committees. Mr Goode is Chairman of Woodside Petroleum and also a Director of Singapore Airlines Ltd. He is Chairman of the Ian Potter Foundation and Howard Florey Institute of Experimental Physiology and Medicine.

Mr J C Dahlsen

LLB, MBA (Melb)

Solicitor and Company Director.

Director since May 1985. Mr Dahlsen is Chairman of the Audit Committee and a member of the Risk Management Committee and Compensation Committee. Mr Dahlsen is a former Consultant to and Partner of the legal firm Corrs Chambers Westgarth. He is Chairman of Southern Cross Broadcasting (Australia) Ltd, and a director of The Smith and J.C Dahlsen Pty Ltd Group. He is a former Chairman of Woolworths Ltd, Melbourne Business School Ltd, The Herald and Weekly Times Ltd and Deputy Chairman Myer Emporium Ltd.

Dr R S Deane

PhD, B Com (Hons), FCA, FCIS, FNZIM

Company Director.

Director since September 1994. Dr Deane is a member of the Risk Management Committee, Compensation Committee and Chairman of ANZ Banking Group (New Zealand) Ltd. He is Chairman of Telecom New Zealand Ltd, Fletcher Building Ltd and Te Papa Tongarewa (Museum of New Zealand). He has a number of directorships including TransAlta Corporation (Canada) and Woolworths Ltd. He was formerly Chief Executive and Managing Director, Telecom New Zealand Ltd and Chief Executive, Electricity Corporation of New Zealand, Chairman of Fletcher Challenge Ltd, State Services Commission, Alternate Executive Director, International Monetary Fund and Deputy Governor, Reserve Bank of New Zealand.

Mr J K Ellis

MA (Oxon) FAICD, Hon FIE Aust, FAusIMM, FTSE

Company Director.

Director since October 1995. Mr Ellis is Chairman of the Risk Management Committee and member of the Compensation Committee. He is Chairman of Pacifica Group Ltd, Australia-Japan Foundation and Black Range Minerals Ltd. He is a Director of GroPep Ltd and Chancellor of Monash University. He was Former Chairman, BHP Ltd and International Cooper Association Ltd.

Ms M A Jackson

MBA, B Econ, FCA

Company Director.

Director since March 1994. Ms Jackson is a member of the Audit Committee, Risk Management Committee, Compensation Committee and Nominations & Corporate Governance Committee. She is Chairperson of Qantas Airways Ltd, Chairperson of Methodist Ladies College. She is a Director of the Brain Research Institute and Billabong International Ltd, and a Board Member of Howard Florey Institute of Experimental Physiology and Medicine.

Mr J McFarlane, OBE

MA, MBA

Chief Executive Officer.

Appointed October 1997. Directorships include The Business Council of Australia, the Australian Graduate School of Management and the Financial Markets Foundation for Children. He was a former Group Executive Director, Standard Chartered PLC (1993 - 1997), Head of Citibank United Kingdom (1990 - 1993), Managing Director, Citicorp Investment Bank Ltd (1987 - 1990), and a Director London Stock Exchange (1989 - 1991).

Dr B W Scott, AO

B Ec, MBA, DBA

Company Director.

Director since August 1985. Dr Scott is Chairman of the Nominations & Corporate Governance Committee and Compensation Committee and Member of the Audit Committee and Risk Management Committee. He is Chairman of Management Frontiers Pty Ltd, and The Foundation for Development Co-operation Ltd. He is also a Director of Air Liquide Australia Ltd and the James N. Kirby Foundation Ltd. Australian member of the Board of Governors, Asian Institute of Management, Former Federal President, Institute of Directors in Australia.

Mr D M Gonski, AO

B Com, LLB

Company Director.

Director since February 2002. Mr Gonski is a member of the Risk Management Committee, Compensation Committee and the Nominations & the Corporate Governance Committee and a Director of ING Australia Ltd. He is Chairman of Coca Cola Amatil Ltd and Investec Wentworth Pty Ltd, a Director of Westfield Holdings Ltd and John Fairfax Holdings Ltd. Mr Gonski is Chairman of the Australian Council for the Arts and the Art Gallery of New South Wales.

Mr G K Toomey

B Com, FCPA, FCA, FCIS

Company Director.

He was a Director since March 1998 and formerly a President and Chief Executive Officer of Air New Zealand Group (January 2001 to October 2001). He was Deputy Chief Executive Officer and Executive Director of Qantas Airways Ltd (December 1993 to September 2000). Formerly Non-Executive Director of Air Pacific Limited (May 1998 to September 2000).

Resigned October 2001.

Board Responsibility

The Board is responsible to shareholders for the operations of the Company. It sets the strategic direction and financial objectives for the Company and delegates responsibility for the management of the Company to the Chief Executive Officer and senior management. The Board is responsible for ensuring that the Company has appropriate governance arrangements in place for the benefit of all shareholders.

The Board aims to carry out its responsibilities so as to create and build sustainable value for the benefit of shareholders and other stakeholders. The Board has adopted a Charter which sets out, among other things, roles and responsibilities of the Board. The Board's responsibilities include:

- Appointing the Chief Executive Officer, and reviewing his/her performance and remuneration
- Setting objectives, strategies and budgets, and monitoring and assessing management's performance in achieving each
- Monitoring compliance with regulatory requirements and ethical standards
- Approving policies and overseeing governance and compliance practices relating to management of risk, conduct of internal audit and human resources management

The Board is also responsible for reviewing the operations of all Business Units together with the major functional areas of the Company at least once per year to satisfy itself that each Unit's strategy, policy and direction are consistent with those of the Company.

The Board recognizes its overriding responsibility to act honestly, fairly, diligently and in accordance with the law in serving the interests of ANZ's shareholders, as well as its employees, customers, and the community. The Board works to promote and maintain an environment within ANZ that establishes these principles as basic guidelines for all its employees and representatives at all times.

Directors meet regularly in private sessions without management being present. Non–executive directors also meet regularly, at least twice a year, without the Chief Executive Officer or management being present.

Board Composition

Board Size & Membership

Directors, as a Board and through the Nominations & Corporate Governance Committee of the Board, regularly review the size and composition of the Board. It is policy that, at a minimum, the Board be comprised of five directors. The Board's policy also states that the Chairman be a non–executive director and that the majority of the Board be comprised of non–executive directors.

At the time of this report, the Board comprises eight directors; a non–executive chairman, six other non–executive directors, and the Chief Executive Officer.

Director Appointments

The Board aims to bring a balance of skills, experience and views to its deliberations. The Board, through the Nominations & Corporate Governance Committee, engages external consultants to assist it in identifying appropriate candidates for consideration as Board members.

On their appointment, directors are provided with information setting out their entitlements, duties and responsibilities including Board policies.

Independence & Directors' Dealings

All non-executive directors have been determined by the Board to be independent and, other than in their capacity as a director of the Company, not to have a material relationship with the Company. Details on the definition of 'independent' and 'material relationship' as determined by the Board can be found on www.anz.com.

The Board has adopted a policy on Disclosure of Interests which provides processes for:

- The disclosure by directors of certain interests
- How actual or potential conflicts of interest are to be addressed

A copy of this policy is available on www.anz.com.

Performance of Chairman and Directors

The full Board is responsible for reviewing the performance of the Chairman. It is the responsibility of the Chairman, with input from the Nominations & Corporate Governance Committee, to assess the performance of each director.

Retirement

Directors are required to retire at the age of 70 years. Directors appointed since 1993 have agreed to retire after fifteen year's of service.

Work of the Board

Access to Directors

Employees and shareholders have access to the directors either directly or through the Company Secretary.

Operational Familiarization

Directors take part in site visits to branches and various areas of the Company's operations in order to familiarize themselves with the Company's business. To facilitate interaction between management, customers and directors, information briefings with management and customers as well as social and working events are scheduled regularly. In addition, directors participate in shareholder briefings held in Australia and overseas at regular intervals.

Briefings & Updates

As appropriate and when required, directors take part in various Company briefings and updates on key business issues, emerging trends, matters relevant to their role as directors and changes in technology or support systems.

Independent Advice

In order to assist directors to fulfill their responsibilities, each director has the right, with the prior approval of the Chairman, to seek independent professional advice regarding their responsibilities at Company expense. In addition, the Board and each Committee may obtain professional advice at Company expense if required to assist in their work.

Board Committee Structure

Main Committees

In February 2002, the Board commenced a review of its corporate governance practices. The outcomes of the review, now largely implemented, resulted in the formation of new Committees, new membership structure of Committees, updated Committee Charters and the dissolution of the Human Resources Committee (as of March 2002).

There are now four main Board Committees:

- Audit Committee
- Risk Management Committee
- Nominations & Corporate Governance Committee with effect from 1 July 2002)
- Compensation Committee (with effect from 1 July 2002)

Each of the four main Committees is comprised solely of independent directors (as previously defined), has its own Charter and has the power to direct any special investigations it deems necessary. A copy of each Committee Charter can be found on www.anz.com.

The Chief Executive Officer, John McFarlane, attends all Committee meetings by invitation of each Committee. He is not present, however, if this could compromise proceedings. He also does not attend any meeting where his remuneration or performance is considered or discussed. Directors may attend any meeting of a committee when it is discussing a subject in which they have a special interest.

Audit Committee

- Mr. John Dahlsen, Chairman
- Mr. Charles Goode
- Ms. Margaret Jackson
- Dr. Brian Scott

The Audit Committee is responsible for the appointment, evaluation, compensation and oversight of the external auditor. It also oversees and monitors the Company's financial reporting principles, controls, policies and procedures, the work of the internal audit group, the integrity of the Company's financial statements and prudential supervision procedures as required by regulators.

All members of the Audit Committee must be financially literate and at least one member of the Committee be determined to be a 'financial expert' as defined by the Board. Further details on the definition of 'financial expert' can be found on www.anz.com.

The Audit Committee meets at least four times per year. The external auditor and the head of internal audit attend every meeting of the Audit Committee by invitation. It is the policy of the Audit Committee to meet with the external auditor in the absence of management at each of its regularly scheduled meetings. The Chairman of the Audit Committee also meets separately and regularly with the head of internal audit and the external auditor.

The Audit Committee and the Board have approved a policy on the provision of audit and non–audit services by the external auditor, which effectively limits the non–audit services that may be provided by the external auditor. A copy of this policy can be found on www.anz.com.

Risk Management Committee

- Mr. Jerry Ellis, Chairman
- Mr. John Dahlsen
- Dr. Roderick Deane
- Mr. David Gonski
- Mr. Charles Goode
- Ms. Margaret Jackson
- Dr. Brian Scott

The Risk Management Committee's function is to review risk in the business. It is responsible for overseeing and monitoring the Group's risk management principles and policies, strategies, processes and controls including credit, market, balance sheet and operating risk. It may approve credit transactions and other matters beyond the approval discretion of executive management. The Risk Management Committee met nine times during the year. Further details on ANZ's management of risk issues can be found on pages 61 and 62.

Nominations & Corporate Governance Committee

- Dr. Brian Scott, Chairman
- Mr. David Gonski
- Mr. Charles Goode
- Ms. Margaret Jackson

The purpose of the Nominations & Corporate Governance Committee is to identify individuals qualified to become Board members and recommend them to the Board for nomination as members of the Board and its Committees; to review the performance of the Board and the members of the Board; to review and recommend corporate governance principles, practices and procedures for ANZ; and to review the Board and Committee structure to ensure that the Board can properly perform its oversight and monitoring function. The Committee meets at least twice a year.

Compensation Committee

- Dr. Brian Scott, Chairman
- Mr. John Dahlsen
- Dr. Roderick Deane
- Mr. Jerry Ellis
- Mr. David Gonski
- Mr. Charles Goode
- Ms. Margaret Jackson

The Compensation Committee makes recommendations to the Board in respect of the Company's compensation program including any equity–based programs and evaluates the performance of and recommends the compensation for senior executive officers and Board appointees including the Chief Executive Officer. The Compensation Committee meets at least three times during the year.

Additional Committees

In addition to the four main Board Committees, the Board has constituted the Shares Committee and the Executive Committee which convene when necessary. The Shares Committee, comprising a minimum of two directors, has the power to administer the Company's Employee Share Plan and Employee Share Option Plan. The Executive Committee, comprising three directors, has the full power of the Board and is convened as necessary in between regularly scheduled Board meetings. The Board also forms and delegates authority to ad hoc Committees of the Board as and when needed to carry out its functions.

On page 72 is a table setting out details of directors' attendance at Board and Committee meetings during the course of the last financial year.

Remuneration of Non–Executive Directors

Non–executive directors' fees are determined by the Board of Directors based on advice from external advisors including reference to fees paid to non–executive directors of comparable companies.

Non–executive directors' fees are within the limit approved by shareholders at the December 13, 2002 Annual General Meeting. Directors' fees are set at levels that fairly represent the responsibilities of and time spent by the non–executive directors on ANZ-related matters.

Directors may elect to take all or part of their fees in shares under the Directors' Share Plan which was approved by shareholders at the 1999 Annual General Meeting. Under this plan, shares are bought on market to an equivalent value to the fee that would otherwise have been paid to the director and are held in trust for the director for at least one year.

Non–executive directors also participate in the directors retirement plan, which provides that, after eight years of service, a director may receive a retirement benefit equivalent to the last thirty six months of fees (pro-rated for a lesser period of service), less any superannuation benefit paid or payable to the director attributable to contributions made by ANZ.

On page 75 is a table detailing the remuneration of each non-executive director for the last financial year.

Equity Participation by Non-Executive Directors

It is Board policy that all directors have a share qualification of at least 2000 ANZ shares. In addition, as set out above, directors may participate in the Directors' Share Plan. Details of directors' shareholdings are set out on page 72.

Executive Remuneration including Employee Share and Option Plans

The objective of ANZ's remuneration policy is to ensure that remuneration packages properly reflect the duties and responsibilities of the senior executives and are sufficient to attract, retain and motivate personnel of the requisite quality. The policy focuses on creating value for shareholders by rewarding senior employees based on enhancement of shareholder value through improvements in Economic Value Added™ (EVA™).

There are three components to executive remuneration packages, a fixed component and two variable or 'at risk' components; short–term incentive (STI) and long–term incentive (LTI). The fixed reward is generally targeted to the market median levels being paid in the finance industry in the relevant markets in which ANZ operates. The STI and LTI components are based on performance and reflect achievements against agreed key result areas and competencies.

A detailed discussion on executive remuneration and a table setting out the remuneration of senior officers of the Company can be found on page 76.

Company Policies

The Board has approved and adopted policies to apply to employees within the Group. Summaries of the policies can be found on www.anz.com.

Code of Conduct for Directors and Code of Conduct for Employees

These policies set out the ethical standards expected of directors and employees. The codes require that directors and employees adhere to the law, that they disclose their own relevant interests, that they act in the best interest of the Group and that they act honestly and ethically in all their dealings. The policies also cover such matters as the confidentiality of information, acceptance of gifts or entertainment and use of ANZ goods, services and facilities.

Market (Information) Disclosure Policy (reviewed and updated in 2002)

ANZ is committed to achieving best practice in the area of market disclosure. The policy is designed to ensure that there is full and timely disclosure of ANZ's activities to shareholders and the market. It is important that all shareholders have an equal opportunity to receive or obtain information issued by ANZ. This policy covers announcements that must be lodged with stock exchanges as well as announcements and presentations made to analysts, investors and the media. It requires that once material information is disclosed to the relevant stock exchanges, it will be placed on www.anz.com.

Share Trading Policy (reviewed and updated in 2002)

The policy covers trading in ANZ securities by directors and all employees as well as contractors and consultants engaged by ANZ. The Share Trading Policy prohibits trading for all persons aware of unpublished ANZ price sensitive information. In addition, it specifically prohibits trading by directors, certain employees, contractors and consultants working in specific areas of the Company during blackout periods. There are two blackout periods each year, covering approximately six weeks leading up to the day after the announcement of the half year and full year results.

Employee Indemnity Policy

This policy provides that the Company will indemnify employees against any liability incurred in carrying out their roles subject to certain requirements being met.

Serious Complaints Process (approved in 2002)

ANZ has a history of implementing policies and procedures consistent with responsible and well–managed business practices. The Serious Complaints Process is an additional mechanism by which ANZ staff, contractors and consultants may voice concerns they have regarding any potential malpractice or impropriety that they find within ANZ. It is intended to operate as a last resort and requires that protection be given to employees against dismissal or penalty as a result of disclosing concerns in good faith.

Relationship with the External Auditor

As highlighted on page 69, the Audit Committee policy on non–audit services states the audit–related and some non–audit services that may be conducted by ANZ's external auditor. It sets in place a formal approval process regarding the provision of non–audit services, which are only considered where they are not perceived to be in conflict with the role of auditor. This approval process is the responsibility of the Audit Committee.

Significant Accounting Policies

Details of the significant accounting policies and any changes in accounting policies made since the date of the last Annual Report are set out in the Financial Report and on www.anz.com.

Group (Internal) Audit

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

A risk–based audit approach is used to ensure that the higher risk activities in each business are audited each year. All audits are conducted in a manner that conforms to international auditing standards. Group Audit plays an active role in ensuring compliance with the requirements of supervisory regulatory authorities, including APRA. Group Audit also works collaboratively with the external auditor to ensure a comprehensive audit scope.

Political Donations

In Australia in the year to September 2002, ANZ donated $150,000 to the Liberal Party and $75,000 to the Labor Party.

Shareholder Information

Directors' Meetings

The number of Board meetings and Committee meetings held during the year, and attended by each director are set out in the following table:

	Board		*Risk Management*		*Audit*		*Human Resources*[3]		*Executive Committee*		*Shares Committee*		*Committee of the Board*		*Nominations & Corporate Governance Committee*		*Compensation*[4] *Committee*	
	A	*B*	*A*	*B*	*A*	*B*	*A*	*B*	*A*	*B*	*A*	*B*	*A*	*B*	*A*	*B*	*A*	*B*
C B Goode	10	10	9	8	8	8	2	2	7	7	7	7	7	7	1	1	1	1
J C Dahlsen	10	9	9	7	8	8	–	–	3	3	–	–	–	–	1	1	1	1
R S Deane[1]	10	10	9	6	–	–	–	–	–	–	–	–	–	–	–	–	1	1
J K Ellis	10	10	9	9	–	–	2	2	–	–	3	3	1	1	–	–	1	1
D M Gonski[2]	7	6	7	6	–	–	–	–	–	–	–	–	–	–	1	1	1	1
M A Jackson	10	10	6	5	8	8	–	–	3	3	–	–	1	1	1	1	1	1
J McFarlane	10	10	9	7	–	–	2	2	7	7	1	1	6	6	–	–	1	1
B W Scott	10	10	6	5	8	8	2	2	–	–	7	7	–	–	1	1	1	1

Column A - Indicates the number of meetings the Director was eligible to attend
Column B - The number of meetings attended. The Chairman is an ex-officio member of all Board Committees
[1] New Zealand resident
[2] Appointed 7 February 2002
[3] Disbanded 31 March 2002
[4] Formed 1 July 2002

Directors' Shareholdings

	Beneficially held *Shares*[1]	*Options*[2]	*Non-beneficially held Shares*
C B Goode	218,779	–	143,986
J C Dahlsen	83,400	–	8,500
R S Deane	75,000	–	–
J K Ellis	57,601	–	–
D M Gonski	2,000	–	–
M A Jackson	73,406	–	–
J McFarlane	1,132,370	2,500,000	–
B W Scott	69,982	–	–
Total	1,712,538	2,500,000	152,486

[1] Shares include deferred shares
[2] 750,000 options are exercisable at $11.49 from 31 December 2002 to 31 December 2004 inclusive, 750,000 options are exercisable at $14.78 from 31 December 2003 to 31 December 2004 inclusive and 500,000 options are exercisable at $17.20 from 31 December 2004 to 31 December 2005 inclusive; however, the options may be exercised only if the ANZ Accumulation Index over the period from the date on which the options are granted to the last trading day of any month occurring during the relevant exercise period equals or exceeds the ASX 100 Accumulation Index calculated over the same period. 500,000 options are exercisable at $17.52 from 31 December 2003 to 31 December 2007 inclusive; however, one half of the options may be exercised only if the ANZ Total Shareholder Return ("ANZTSR") calculated over the period commencing on the date of grant and ending on the last day of any month after the second anniversary of their date of grant exceeds the percentage change in the S&P/ASX 200 Banks (Industry Group) Accumulation Index (formerly the Accumulated Banking and Finance Index) over that same period; the other half of the options may be exercised only if the ANZTSR calculated over the relevant period exceeds the percentage change in the S&P/ASX 100 Accumulation Index over that same period.

Term of Directors

The directors have the power to appoint any person to be a director either to fill a casual vacancy or as an additional director. Any director so appointed may hold office only until the next Annual General Meeting when he/she shall be eligible for re-election. At each Annual General Meeting one-third (or the number nearest to but not greater than one-third) of the directors (excluding the Managing Director) retire from office and are eligible for re-election. No director, other than the Managing Director, may hold office for more than three years or after the third Annual General Meeting following his/her appointment, whichever is the longer, without submitting himself/herself for re-election. Directors must retire upon attaining the age of 70 years, with the exception of the Chairman who may remain in office as a director until the conclusion of the Annual General Meeting next following his/her attaining of the age of 70 years, or if appointed as a director after 1992, after a term of 15 years service.

Directors' Benefits

No director has, during or since the end of the year ended September 30, 2002, received or become entitled to receive a benefit from ANZ other than:

(a) a benefit included in the aggregate amount of emoluments received, or due and receivable, by directors as shown in Note 53 to the Financial Report; or

(b) the fixed salary of a full-time employee of the Company, or an entity controlled by the Company, or a body corporate that was related to the Company at a relevant time; or

(c) loans or financial instrument transactions which are made lawfully and occur either at arm's length or with the approval of a general meeting.

United States Sarbanes - Oxley Act of 2002

The Sarbanes - Oxley Act of 2002 ("the S-O Act") was signed into law on 30 July 2002. As we are registered with The United States Securities and Exchange Commission (The SEC), we are subject to the provisions of this Act.

The SEC is to formulate rules to implement many of the S-O Act provisions. At present, many of these rules have not been finalized or issued. However we do not expect the S-O Act to have a material impact on our operations.

The next section considers certain requirements of the S-O Act, and our position in relation to those requirements.

Service's outside the scope of practice of auditors

The S-O Act prohibits the external auditor of our Group from providing certain non-audit services to the company. The Audit Committee of our Board announced, in April 2002, a policy on the provision of audit-related and non-audit services. The policy lists services which may be perceived to be in conflict with the role of the auditor, and precludes the external auditor from providing such services. Our policy also requires the Audit Committee to approve in advance any non-precluded, non-audit services' provided by the external auditor.

Our policy on non-audit services is generally aligned to the requirements of the S-O Act.

Audit Committee Independence

The S-O Act requires that each member of our Audit Committee is a member of our Board of Directors, and meets the criteria for independence.

Our Board has reviewed the independence criteria in the S-O Act, and determined that each non-executive director is independent. The Audit Committee is composed solely of non-executive directors.

Complaints

As required by the S-O Act, the Audit Committee has established a policy and procedures which provides a mechanism by which ANZ staff, consultants and contractors may voice concerns regarding questionable accounting or auditing matters.

Work of External Auditor

Our Audit Committee is directly responsible for the appointment, remuneration and oversight of the external auditor.

Responsibility for Financial Reports

As required by the S-O Act, our CEO and CFO have certified the 20-F filing. This certification follows an audit of the disclosure controls and procedures, and of the financial controls. The audit was conducted by the Group's internal audit function during September and October 2002. A report on the findings of this audit was presented to the Audit Committee and to the external auditor.

Share Trading Policy

The share trading policy adopted by the Group specifically prohibits trading by directors, certain employees, contractors and consultants working in specific areas of the Group during black out periods. The Group's policy is consistent with the S-O Act.

Off-balance sheet transactions

The SEC has recently issued proposed rules on disclosure of off-balance sheet transactions necessary to meet the S-O Act requirements.

The proposed rules seek increased levels of disclosures on the existence and implications of off-balance sheet arrangements. The Critical Accounting Policies section of the Financial Review contains information of the nature described in the proposed rule in relation to the Group's off-balance sheet activities.

Code of Ethics for Senior Financial Officers

ANZ's Code of Conduct for Employees applies to all employees. The code requires employees to act honestly and ethically in all their dealings.

Audit Committee Financial Expert

The SEC has recently issued proposed rules on the definition and disclosure matters related to the Audit Committee Financial Expert section of the S-O Act. With reference to the proposed rules the Board of Directors has assessed the qualifications and experience of Audit Committee members and determined that a financial expert is included within its membership.

Senior Management

At the date hereof the executive officers of ANZ were:

Executive Officers	Position held	Year appointed to position	Year joined Group
J. McFarlane	Chief Executive Officer 29 years in the Banking and Financial Services industry	1997	1997
D.L. Boyles	Group Managing Director, Technology and Services 20 years of senior management experience in Technology and Operations	1998	1998
G.J. Camm	Managing Director, New Zealand 30 years experience in Retail Financial Services, Securitization and Insurance	2002	1989
C.J. Cooper	Managing Director, Mortgages 24 years experience in the Financial Markets world-wide	2002	1994
R.A. Davis	Head of Customer Origination and Structuring 23 years experience in International Banking	2002	1999
M.J. Domann	Group General Manager Audit 20 years experience in Banking, Financial Services and Auditing	2000	1998
R.J. Edgar	Managing Director, Global Institutional and Investment Banking 25 years experience in Financial Services and Banking	2002	1984
S.A. Freeman	Group General Manager, People Capital 24 years experience in Human Resources, including Industrial Relations	2001	2001
E. Funke Kupper	Managing Director, Personal Banking Wealth Management Australia 7 years experience in Financial Services, covering Risk Management, International and Retail Banking	2001	1995
B.C. Hartzer	Managing Director, Consumer Finance 10 years experience in Strategic Consulting to the Financial Services industry and 3 years managing a global credit card business	1999	1999
P.J.O. Hawkins	Group Managing Director, Group Strategic Development Over 30 years experience in International and Commercial Banking	2002	1971
G.K. Hodges	Managing Director, Corporate and Small to Medium Business Australia 25 years experience across Corporate Banking and Government	2001	1991
K.M. Lawrence	Group General Manager, Risk Management 15 years Senior Management experience in Risk Management in the Financial Services and Banking Industry	1999	1999
P.R. Marriott	Chief Financial Officer 23 years experience in International Banking, Finance and Auditing	1997	1993
G.D. Miller	Managing Director, Major Investment Programs 35 years in various roles including International, Corporate and Investment Banking, plus management of major investment projects	2002	1968
T.A. Paine	Group General Counsel (Acting) 10 years experience as a lawyer in the Financial Services industry	2002	1992
E.M. Proust	Managing Director, Asset Finance Over 15 years senior management experience in major public and private sector organizations, and Financial Services and Banking	2002	1998

There are no family relationships between or among any of the directors or executive officers.

Employment Contracts

Arrangements or undertakings between executive officers and ANZ are covered by an employment agreement under which remuneration is at such rates and terms as ANZ shall determine from time to time.

Compensation of Directors and Senior Management

The Compensation Committee recommends to the Board fees for the Chairman or other non-executive directors, after receiving independent external advice. Non-executive directors fees are within the limit agreed to by shareholders at the Annual General Meeting held on December 13, 2002, and are set at levels that fairly represent the responsibilities of, and the time spent by, the non-executive directors on Group matters. Regard is also given to the levels of fees paid to non-executive directors in comparable companies.

The aggregate compensation paid by ANZ during the year September 30, 2002 to all directors and executive officers (23 persons) was $18.9 million. The aggregate amount set aside by ANZ for the year ended September 30, 2002 to provide persons and other retirement or superannuation benefits for such directors and executive officers was $0.5 million.

Non-Executive Director Emoluments

	Fees Paid						
Amounts in $	*Cash*	*Value of deferred shares*[1]	*Subsidiary Board*	*Committee Chairman's fee*	*Retirement Benefit*	*Superannuation contributions*	*Total*
Non-executive directors							
C B Goode (Chairman)	76,000	274,000	–	–	–	9,468	359,468
J C Dahlsen	110,000	–	–	17,500	–	9,464	136,964
R S Deane	110,000	–	93,744[3]	–	–	8,954	212,698
J K Ellis	89,000	21,000	–	17,500	–	9,464	136,964
D M Gonski[2]	71,194	–	17,747	–	–	6,556	95,497
M A Jackson	110,000	–	5,824	–	–	9,309	125,133
B W Scott	83,748	26,252	–	13,750	–	9,464	133,214
G K Toomey[4]	–	–	–	–	98,090	–	98,090
Total	649,942	321,252	117,315	48,750	98,090	62,679	1,298,028

[1] Participation in Directors' Share Plan. Value of shares at the date they were purchased on market
[2] Appointed 7 February 2002
[3] Fees paid in NZ$ converted at average exchange rate of 1.20
[4] Resigned 8 October 2001

Executive Emoluments

Cash and benefits

			Annual Compensation and Short Term Incentive			
Amounts in $	*Salary or fees*	*Benefits*[1]	*Performance Related Cash component*	*Bonus*[2] *Deferred shares*	*Superannuation contributions*	*Total*
J McFarlane (Managing Director)	1,419,462	–	–	1,398,520	80,538	2,898,520
D L Boyles	654,189	8,227	220,355	318,645	37,584	1,239,000
G Branston[3]	469,760	25,973	458,891	639,021	–	1,593,645
E Funke Kupper	658,446	3,970	261,865	369,135	37,584	1,331,000
P J O Hawkins	705,761	3,970	213,198	295,802	40,269	1,259,000
P R Marriott	658,446	3,970	256,671	359,329	37,584	1,316,000

[1] Benefits include the provision of housing, cars and parking, private health insurance, subsidized loans and certain other expenses

[2] Deferred Shares are held in trust for up to 10 years and are restricted for one and three years. Subject to the Board determining otherwise the shares are forfeited if the recipient leaves the Group within the restricted period for reasons other than retirement, retrenchment, death or disablement. These shares are issued at the 5 day weighted average price up to and including the date of issue.

[3] Conversion rate of GBP @ 0.3621

Long Term Incentive

	Options granted[4,5]					
	Type I[6,7]			Type II[8]		
Value $	*Number Issued*	*Date*	*Exercise Price $*	*Number Issued*	*Date*	*Strike Price $*
J McFarlane (Managing Director)						
Initial contract approved 1999 AGM[9]	500,000	31.12.2001	17.20			
New contract approved 2001 AGM[10]	500,000	31.12.2001	17.52			
D L Boyles	70,000	24.04.2002	18.75	140,000	24.10.2002	18.06
G Branston	113,100	24.04.2002	18.75	28,600	24.10.2002	18.06
E Funke Kupper	57,000	24.04.2002	18.75	131,000	24.10.2002	18.06
P J O Hawkins	54,000	24.04.2002	18.75	87,000	24.10.2002	18.06
P R Marriott	70,000	24.04.2002	18.75	153,000	24.10.2002	18.06

[4] All options expire seven years from the date of grant except for J McFarlane's which expire four years and six years respectively from the date of grant. These options are exercisable between three and seven years of the date of grant if certain performance conditions are met. Each option entitles the holder to purchase one ordinary fully paid share in the company. Estimated values calculated using a modified Black Scholes model, per option, at the dates of issue, were: $2.68 (31 December 2001), $2.95 (24 April 2002), $1.10 (24 October 2002, index linked).

[5] Subject to the Board determining otherwise the options are forfeited if the recipient leaves the Group prior to them becoming exercisable for reasons other than retirement, retrenchment, death or disablement. The number of options issued under long term incentive arrangements is predicated on a market competitive assessment of long term compensation benchmarks. In the event of retirement, retrenchment, death or disablement the release of options will be pro-rated for those issued on or after 24 April 2002.

[6] All Type I options issued except for the first series issued to J McFarlane may be exercised only if the ANZ Accumulation Index over the period from the date of grant to the last trading day of any month occurring during the relevant measurement period equals or exceeds (for 50% of the options issued) the S&P/ASX 100 Accumulation Index and (for the remaining 50% of the options issued) the S&P/ASX 200 Banks (Industry Group) Accumulation Index, both calculated over the same period.

[7] J McFarlane's first series of options may be exercised only if the ANZ Accumulation Index over the period from the date on which the options are granted to the last trading day of any month occurring during the relevant exercise period equals or exceeds the S&P/ASX 100 Accumulation Index calculated over the same period.

[8] Type II options have a dynamic exercise price. The final exercise price will be the initial strike price indexed by the change in the S&P/ASX 200 Banks (Industry Group) Accumulation Index excluding ANZ. These options cannot be exercised if the exercise price falls below the original issue price.

[9] Exercisable from 31 December 2004, subject to the performance conditions being met.

[10] Exercisable from 31 December 2003, subject to the performance conditions being met.

	Deferred Shares[11]	
	Number	*Value $*
J McFarlane (Managing Director)	–	–
D L Boyles	14,000	256,635
G Branston	2,700	49,452
E Funke Kupper	12,500	228,855
P J O Hawkins	9,500	174,468
P R Marriott	14,800	271,083

[11] Deferred shares are held in trust for up to 10 years and are restricted for three years. Subject to the Board determining otherwise the shares are forfeited if the recipient leaves the Group within the restricted period for reasons other than retirement, retrenchment, death or disablement. The number of shares issued under long term incentive arrangements is predicated on a market competitive assessment of long term compensation benchmarks. These shares have an additional restriction, ie. the entitlement will only vest in the event of individual performance conditions being met. In the event of retirement, retrenchment, death or disablement the release of long term incentive shares will be pro-rated.

Employees

At September 30, 2002 ANZ employed 22,482 (2001: 22,501) people worldwide on a full-time equivalent basis ("FTEs"), of which 21,380 were permanent employees and 1,102 were temporary. There were 15,879 FTEs in Australia at September 30, 2002 compared with 16,152 FTEs at September 30, 2001 (refer to table below).

Approximately 40% of employees in Australia are members of the Finance Sector Union of Australia. ANZ has a specific industrial award that contains terms and conditions of employment that apply in differing degrees to all ANZ staff. The award is supplemented by a collective enterprise bargaining agreement and in addition the majority of management staff are covered by an individual common law contract of employment.

Under enterprise bargaining in Australia, terms and conditions of employment, including salaries, are dependent on agreements negotiated between unions and management. The Australian Industrial Relations Commission has the power to ratify these agreements and ensure legally enforceable minimum conditions of employment are retained.

ANZ's current Australian collective enterprise bargaining agreement was entered into in August 1998 and continues to legally operate despite passing its nominal expiry date of February 2001. ANZ paid a 4% salary increase to most pre-management staff in July 2002 and have advised that another pay review will take place in July 2003.

ANZ has 9 superannuation/pension plans worldwide. Notes 49 and 55 to the Financial Statements give further detail on ANZ's superannuation commitments.

ANZ also provides loans at concessional rates to eligible employees and senior management but excluding executives and directors.

Staff Numbers September 30	Sep 02	Sep 01	Movement
Personal Banking and Wealth Management	8,917	9,283	-4%
Corporate Businesses	2,207	2,268	-3%
Investment Banking	1,034	1,068	-3%
Consumer Finance	1,156	1,070	8%
Mortgages	1,048	903	16%
Asset Finance	1,303	1,270	3%
Small to Medium Business	1,265	1,171	8%
Group Treasury	46	45	2%
Corporate Centre	5,506	5,423	2%
	22,482	22,501	0%
Australia	15,879	16,152	-2%
New Zealand	3,698	3,683	0%
Overseas Markets	2,905	2,666	9%
	22,482	22,501	0%

The ANZ Employee Share Acquisition Plan was approved by shareholders at ANZ's Annual General Meeting on January 21, 1998. At the invitation of ANZ, the Plan allows for permanent employees who have had continuous service for one year with ANZ, to each be issued with up to A$1,000 worth of ANZ shares each year at no cost to the employee. The first offer to employees under the Plan was made on November 30, 1998. Subsequent offers have been made in 1999, 2000, 2001 and 2002. The Plan also includes a section that allows for the issue of deferred shares to selected employees in lieu of cash bonuses.

The ANZ Share Option Plan provides benefits, in the form of share options, to selected employees. From October 2002, only "Indexed-linked" options will be issued to executives, the strike price of which will be indexed by the movement in the S&P/ASX 200 Banks (Industry Group) Accumulation Index (excluding ANZ). This indexation will ensure that executives will only be rewarded for the outperformance of ANZ's share price over and above the movement in the above Index.

More detailed information regarding ANZ's employee share and option plans, remuneration of directors and remuneration of executives is contained in Notes 51, 53 and 54 respectively to the 2002 Financial Report.

Item 7: Major Shareholders and Related Party Transactions

Major Shareholders

We are not directly or indirectly owned or controlled by another corporation or any foreign government.
At December 2, 2002 we know of no person who is the beneficial owner of more than 5% of our ordinary shares.

The following table identifies the shareholders which, at December 2002, 2001 and 2000 were registered as holding 3% or more of our issued ordinary shares:

Shareholder[1]	Number of Shares Held	% of Total
December 2, 2002		
J P Morgan Nominees Australia Ltd	211,127,137	14.01
National Nominees Ltd	193,410,333	12.83
Westpac Custodian Nominees Ltd	141,693,653	9.40
December 3, 2001		
Chase Manhattan Nominees Ltd	250,022,135	16.77
National Nominees Ltd	162,024,599	10.87
Westpac Custodian Nominees Ltd	138,320,467	9.28
December 1, 2000		
Chase Manhattan Nominees Ltd	258,976,108	17.2
National Nominees Ltd	150,547,909	10.0
Westpac Custodian Nominees Ltd	107,616,144	7.2

[1] The nominee companies indicated hold shares on behalf of other beneficial owners none of which are to our knowledge beneficially entitled to more than 5% of our ordinary shares

At December 2, 2002, there were no entries in the Register of Substantial Shareholdings (5% or more of the votes attached to voting shares).

At December 2, 2002, 1,507,240,244 ordinary shares representing 95.90% of our total ordinary share capital were held by 185,784 record holders with registered addresses in Australia.

The following table outlines the total number of ordinary shares and share options in ANZ owned by our directors and executive officers as at December 2, 2002:

Title of Class	Identity of Group	Amount of Shares/Options Owned	% of Class
Ordinary shares -fully paid	Directors and Executive Officers (24 persons)	5,170,197	0.34
Share options over ordinary shares	Directors and Executive Officers (17 persons)	8,607,190	24.51

As at December 2, 2002, no individual director or executive officer beneficially owned more than 1% of the outstanding share capital of the Company.

The acquisition of shares in Australian companies by foreign interests is regulated by the Foreign Acquisitions and Takeovers Act 1975 (the "Foreign Takeovers Act"). The Foreign Takeovers Act applies to any acquisition or issue of shares which results in either:

(a) a foreign person and its associates being in a position to control 15% or more of the voting power or hold any legal or equitable interest in 15% or more of the issued shares; or

(b) two or more foreign persons and their associates being in a position to control 40% or more of the voting power or hold any legal or equitable interest in 40% or more of the issued shares.

In either of these cases, the Federal Treasurer may prohibit the acquisition if it would be contrary to the Australian national interest.

The Financial Sector (Shareholdings) Act 1998 prohibits a person, or two or more persons under an arrangement, from acquiring shares in a financial sector company if the acquisition would result in a person holding a stake in the company of more than 15%. However, the Federal Treasurer may grant approval to a person to hold a stake of greater than 15% but only if satisfied that it is in the Australian national interest. No such approvals have been granted in respect of our shares.

Any person acquiring voting shares in a company is subject to the control of the acquisition of shares provisions contained in Chapter 6 of the Australian Corporations Act 2001 ("Corporations Act"). Subject to certain limited exceptions, Section 606 of the Corporations Act prohibits a person from acquiring shares in a company if:

(a) the person is entitled to less than 20% of the voting power in the company and would immediately after the acquisition be entitled to more than 20% of the voting power in the Company; or

(b) the person is entitled to 20% or more but less than 90% of the voting power in the company and would immediately after the acquisition be entitled to a greater percentage of the voting power in the company.

One of the exceptions to Section 606 is that the law will allow a person who has been entitled to voting power in the company of at least 19% for at least six months to acquire an additional 3% of the company's voting power in any six month period.

For the purposes of the Corporations Act, a person's voting power in a company is the total number of votes attached to voting shares in respect of which the person and its associates (which are broadly defined) have a relevant interest (which is also broadly defined) as a proportion of the total number of votes attached to all voting shares in the company.

Related Party Transactions

All related party loans were made in the ordinary course of business, were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and entities, and did not involve more than the normal risk of collectability or present other unfavourable features.

More detailed information regarding related party disclosures is contained in Note 52 to the Financial Report.

Item 8: Financial Information

For financial information refer to Attachment.

Legal Proceedings

Companies within the Group are defendants from time to time in legal proceedings arising from the conduct of their businesses. For further information see Note 48 of the Financial Report "Contingent Liabilities and Credit Related Commitments". The ANZ does not believe the outcome of any current proceedings, either individually or in aggregate, are likely to have a significant effect on the Group's financial position.

Dividend Distribution Policy

The Board of Directors of the Company will determine and declare the amount and timing of dividend distributions to shareholders based on the financial performance and financial position of the Company.

Item 9: The Offer and Listing

Our principal ordinary share listing and quotation is on the Australian Stock Exchange Limited (the "Australian Stock Exchange"). Our ordinary shares are also quoted on the New Zealand Stock Exchange.

American Depositary Receipts

Our ordinary shares are traded in the United States by means of American Depositary Receipts ("ADRs"). We entered into a Deposit Agreement dated December 9, 1988 with The Bank of New York. The Bank of New York, acting as depositary, issues ADRs. Each ADR represents an American Depositary Share ("ADS"), which in turn represents five ANZ ordinary shares. This agreement was amended to permit listing of the ADRs on the New York Stock Exchange, Inc. ("NYSE"), and on December 6, 1994 trading of the ADRs commenced on the NYSE. At December 2, 2002, 1,724,543 ADRs representing 8,622,715 or 0.55% of our ordinary shares were outstanding and there were 339 record holders of ADRs.

The following table sets out, for the calendar periods indicated, the high and low market quotations for both our ordinary shares as reported by the Australian Stock Exchange and our ADRs as quoted on the NYSE.

		Per Ordinary Share (A$)		Per ADR (US$)	
Year ended		High	Low	High	Low
1998	September	11.88	8.45	41.63	24.38
1999	September	12.45	8.58	40.38	25.25
2000	September	13.46	12.20	38.56	34.06
Quarter ended					
2000	December	15.41	13.20	41.50	35.37
2001	March	16.08	13.44	42.30	33.25
	June	16.95	13.44	43.45	33.30
	September	17.47	13.97	45.40	34.80
	December	18.72	15.92	48.60	39.80
2002	March	18.61	17.02	47.83	44.10
	June	20.60	17.49	57.90	46.70
	September	19.63	16.92	54.25	45.85
Month ended	June	20.60	19.09	57.90	54.25
	July	19.35	16.92	54.25	45.55
	August	19.05	17.10	52.12	46.15
	September	19.63	17.52	53.75	48.00
	October	18.98	16.84	53.15	46.83
	November	19.02	17.91	53.00	52.66

Capital Securities

On March 4, 1993, we completed an underwritten public offering in the United States of US$258.8 million (aggregate principal amount) of 9 1/8% Capital Securities ("Capital Securities"). Our Capital Securities are listed on the NYSE, which is the principal market in the United States for the trading of the Capital Securities.

Our Capital Securities are represented by certificates deposited with, and registered in the name of, The Depositary Trust Company ("DTC"), as Depositary, or its nominee. DTC is the sole record holder of the Capital Securities and ownership of interests in such Capital Securities are shown on, and the transfer of those ownership interests will be effected only through, records maintained by DTC and its participants.

Shareholder Information

The following table sets out the high and low market quotations per US$25 principal amount of Capital Securities as quoted on the NYSE.

Year ended		High	Low
1998	September	28.250	26.130
1999	September	28.030	26.130
2000	September	26.440	22.000
Quarter ended			
2000	December	26.060	24.800
2001	March	27.220	25.380
	June	26.990	25.750
	September	27.290	25.970
	December	27.150	25.930
2002	March	27.150	25.650
	June	27.220	25.750
	September	27.290	25.930
Month ended	June	26.640	25.900
	July	26.270	25.720
	August	26.440	25.900
	September	26.520	25.640
	October	26.100	25.700
	November	26.100	25.610

Preference Shares

We have issued 124,032,000 fully paid non-converting non-cumulative preference shares for US$6.25 per share raising capital of US$775 million via two[1] Trust Securities Issues.

Date of issue	Number of shares	Price (US$)	Capital (US$)	Trust distribution per annum	Maturity
September 23, 1998	64,016,000	6.25	400 million	8.00%	2047
November 19, 1998	56,016,000	6.25	350 million	8.08%	2048
November 24, 1998[1]	4,000,000	6.25	25 million	8.08%	2048

[1] On November 24, 1998 the underwriters exercised an option on the November 19, 1998 issue resulting in a further 4,000,000 shares being issued, giving a total of 60,016,000 shares issued for US$375 million.

The Trust Securities are mandatorily exchangeable for the preference shares issued by us and carry an entitlement to a non-cumulative trust distribution per annum payable quarterly in arrears. The Trust Securities were issued by a non diversified closed end management investment company registered under the US Investment Company Act of 1940. The preference shares themselves carry no present entitlement to dividends. Distributions to investors in the Trust Securities are funded by income distributions made by the Group.

Upon maturity of the Trust Securities, investors will mandatorily exchange the Trust Securities for the preference shares and thereupon the preference shares will carry an entitlement to non-cumulative dividends at the Trust distribution rate payable quarterly in arrears. The mandatory exchange of Trust Securities for preference shares may occur earlier at our option or in certain specified circumstances including default, breach of APRA capital adequacy limits and appointment of a liquidator.

With the prior consent of APRA, the preference shares are redeemable at our option after 5 years, or within 5 years in limited circumstances. The entitlement of investors to distributions on the Trust Securities will cease on redemption of the preference shares.

The transaction costs arising on the issue of these instruments were recognized directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate.

Item 10: Additional Information

Exchange Controls and Limitations Affecting Security Holders

There are currently no Australian Exchange Control regulations in force which restrict the payment of dividends, interest or other remittances to holders of our securities, other than in relation to holders who are among or are connected with the following countries or groups:

(a) Iraq;

(b) the Taliban (which also calls itself the Islamic Emirate of Afghanistan), Osama bin Laden, Al Qa'ida and associated persons and entities and any other person or entity identified by the United Nations or the United States as terrorists or their sponsors;

(c) the National Union of the Total Independence of Angola (UNITA);

(d) the Embassy of the Federal Republic of Yugoslavia, the Consulate-General of the Federal Bank of Yugoslavia, Narodna Bank Jugoslavije (including Banque Nationale de Yugoslavie) and certain other persons listed in the relevant instrument issued by the Reserve Bank of Australia as known supporters of the former Milosevic regime of the Federal Republic of Yugoslavia;

(e) any person or entity mentioned in paragraph 4(b) of Resolution 1267 (1999) of the Security Council of the United Nations;

(f) any person or entity mentioned in paragraph 8(c) of Resolution 1333 (2001) of the Security Council of the United Nations or any list maintained thereunder;

(g) any person or entity mentioned in paragraph 1(c) of Resolution 1373 (2001) of the Security Council of the United Nations;

(h) certain members of the Government of Zimbabwe as listed by the Reserve Bank of Australia from time to time; and

(i) certain other persons and entities suspected of terrorist activities listed by the Australian Government from time to time, at the following URL: www.dfat.gov.au/icat/freezing_terrorist_assets.html

which categories are referred to below as "Proscribed Entities"

Certain payments in or from Australia to, by the order of, on behalf of, for credit of, or relating to the property, security of funds belong to or controlled by or payments to Proscribed Entities cannot be made without the specific approval of the Reserve Bank of Australia, and in the case of the Taliban, only in accordance with an authorization of the United Nations Committee established under paragraph 6 of the United Nations Security Council Resolution No. 1267.

Payments in or from Australia to, by order of, on behalf of, for credit of, or relating to the property, security or funds belonging to or controlled by or payments to Osama bin Laden, Al Qa'ida and associated person and entities may not be made under Australian law.

Australian law and our Constitution do not limit the right of a holder of an ANZ issued debt security who is not an Australian resident to hold such securities nor do they limit the exercise of any voting rights save in the case of Proscribed Entities.

Taxation

The following discussion is a summary of the Australian taxes generally applicable to United States (US) holders of ADRs or Capital Securities. The summary does not purport to be complete technical analysis, and does not address the Australian taxes applicable to special classes of US holders. Except as otherwise noted, the statements of Australian tax laws as of the date of this Annual Report, including the Australian/United States income tax conventions in force and are subject to any changes in law occurring after that date.

ADRs - Australian taxation

Distributions

- In accordance with Article 10(2) of the Australia/United States income tax convention, dividends derived by a non-resident of Australia who is a resident of the US may be taxed in Australia. The tax is limited to 15% of the gross amount of the dividends (unless the dividend is attributable to a permanent establishment or fixed base in Australia, in which case, a 30% rate may apply). However in some instances withholding tax may not apply (refer to the following paragraphs).
- Australia and the United States have recently agreed, subject to ratification formalities of both countries, to generally reduce the withholding rate limit for dividends to 5% for holders of more than 10% of shares in a company and 0% for 80% holders. In all other cases, the 15% rate limit will continue to apply. The earliest these withholding rate changes could take effect is 1 July 2003.
- The Australian Government introduced a dividend imputation system, effective from July 1, 1987. The basis of the system is that Australian tax paid by an Australian resident company on its income is allocated to stockholders by means of imputation credits attached to the dividends they receive. Such dividends are known as franked dividends. For Australian resident individual and institutional stockholders, the imputed tax credits are available to apply against the tax liability which arises on their assessable income (or in the case of a resident corporate shareholder, to be allocated to its own shareholders).

- To the extent that a dividend paid by an Australian resident company and derived by US residents is franked, the dividend will not be subject to Australian dividend withholding tax. In this case, no separate credit or refund for the attached imputation credit is available.
- The Australian dividend imputation system has been amended effective from July 1, 2002. The amending legislation does not materially change the tax outcomes described above. However, subject to certain constraints, it provides some flexibility for an Australian resident company to choose the level to which a dividend is franked.
- The Australian tax rules require taxpayers to hold shares 'at risk' for certain periods before obtaining the benefit of the dividend imputation system. The minimum period for holding ordinary shares 'at risk' is currently 45 days, but the Government is considering a proposal to reduce the minimum period. Failure to satisfy these requirements may result in the deduction of Australian withholding tax from dividends paid to non-residents of Australia. There is an exemption from these rules for defined 'small' transactions.
- There is a similar system by which unfranked dividends paid to non-resident shareholders may be exempt from dividend withholding tax if it is specified that the dividends are paid by Australian resident companies out of its Foreign Dividend Account ("FDA"). The FDA is used to capture certain types of foreign source dividend income derived on or after July 1, 1994 from offshore subsidiaries. Dividends paid out of the FDA qualify for the dividend withholding tax exemption. It is not mandatory for Australian resident companies receiving eligible foreign source dividends to maintain a FDA. The Australian Government has previously announced an intention to consider replacing the FDA by a Foreign Income Account ("FIA") which will allow all types of foreign source income to be FDA eligible (not just foreign source dividend income). The proposal has now been deferred indefinitely and will be considered as part of the Review of International Taxation Arrangements currently being undertaken by the Australian Government.
- ANZ dividends have recently been fully franked or paid from the FDA and, therefore, there has not been any withholding tax withheld on dividends paid to non-resident shareholders. However, ANZ does not guarantee the level to which future dividend payments will be franked or whether they will be sourced from its FDA.
- Consequently, the portion of the dividend paid to US residents which is not franked nor sourced from an FDA by an Australian resident company will be subject to Australian dividend withholding tax as above. The payment of unfranked dividends (other than those paid out of an FDA) to a US resident is made net of the withholding tax. The Australian income tax legislation does not allow shareholders to elect to be paid dividends on a franked or an unfranked basis.
- With effect from 1 July 2001, new legislation classifies interest as either equity or debt. An interest that is classified as equity will be frankable, whereas an interest that is classified as debt will not be frankable. ADR's would be classified as equity on the basis that the return is contingent on ANZ's performance or at the discretion of ANZ.

Dispositions

- A US resident enterprise which is a non-resident of Australia would not generally be liable to income tax on sale of shares by virtue of Article 7 of the Australia/United States income tax convention, as long as the sale was not attributable to a permanent establishment in Australia.
- US resident holders who are non-residents of Australia would not generally be subject to Australian capital gains tax except in the circumstances described below.
- Generally speaking, shares or rights to acquire shares in Australian resident public companies sold by US residents are exempt from capital gains tax in Australia. However, in accordance with Section 136-25 of the Australian Income Tax Assessment Act 1997, the disposal of such shares or rights shall be held to have the necessary connection with Australia and subject to capital gains tax if they have at any time been used by the taxpayer in carrying on a trade or business wholly or partly at or through a permanent establishment in Australia. Capital gains tax will also apply where the sale of shares or rights in an Australian resident public company has occurred where the vendor and the vendors' associates held 10% or more of the issued capital of the Company any time within 5 years prior to the time of sale. The Australian Taxation Office takes the view that profits taxed under the capital gains tax regime are not entitled to the protection of Article 7 of the Australia/United States Income Tax Convention
- In those applicable circumstances as referred to in the preceding paragraph, Australian capital gains realized on the disposal of assets acquired after September 19, 1985 are taxed at ordinary tax rates. The basis of calculating any taxable capital gains has been amended effective September 21, 1999. The taxable capital gain is still based on the excess of the disposal proceeds (or value, in certain non arms-length transactions) over "cost" of the asset, however the basis of establishing "cost" has been amended. Capital losses continue to be available for offset only against capital gains.

  Prior to September 21, 1999 if the asset was held for a period in excess of 12 months the original cost (plus certain costs of acquisition) was indexed by the Australian inflation rate. Effective September 21, 1999, indexation of the cost base has been frozen at September 30, 1999. The calculation of the "cost" of the asset depends on whether the assets are acquired before or after September 21, 1999 and whether the taxpayer is an individual or a company.

For assets acquired on or before September 21, 1999 and held for at least one year, companies are taxed on the whole difference between the disposal price and the frozen indexed cost base. Individual tax payers, trusts and certain superannuation funds have the choice of calculating the taxable capital gain on either:

- half the realized nominal gain (or two-thirds for certain superannuation funds); or
- the whole difference between the disposal price and the frozen indexed cost based.
- For assets acquired after September 21, 1999, companies are taxed on nominal gains but individuals, trusts and certain superannuation funds will be taxed on half (two-thirds for some superannuation funds) the difference between the disposal price and the original cost if the assets are held for at least one year.

If the individual is taxed or chooses to be taxed on half the nominal gain, any available capital losses will be applied against the full nominal capital gains. If the individual chooses the indexation option, capital losses will be applied against the real gains with indexation frozen up to September 30, 1999. Individuals who have both types of capital gains can chose the order in which available capital losses are offset against the different capital gains.

Some holders, such as share traders or certain institutions carrying on a business of investment, may be subject to tax on the profit on disposal of shares, on an historical cost basis, as ordinary income. Any capital gains tax liability otherwise arising on such a profit would be reduced to the extent that it was taxed as ordinary income.

Capital Securities - Australian Taxation

Distribution

- A US holder of Capital Securities will not incur or become liable for any Australian income tax (including Australian withholding tax on income produced by holding such Capital Securities). No Australian taxes or duties will be liable to be deducted in respect of payments (including additional amounts, if any) to that US holder provided that the conditions of Section 128F of the Australian Income Tax Assessment Act 1936 are, and continue to be, satisfied. If we were at any time compelled by law to withhold or deduct an amount in respect of any present or future tax or duty imposed, or levied by any Australian taxing authority on a payment (including on any premium payable on redemption of any Capital Securities, we would be required to pay to a US holder additional amounts in respect of the tax or duty (subject, in certain circumstances, to our right to redeem for tax reasons).
- If however, a US holder were an Australian resident or that US holder derived payments on the Capital Securities through a permanent establishment or fixed base in Australia, the holder could be subject to Australian income tax on interest or premium comprised by such payments, at normally applicable Australian tax rates.

Disposition

- A US holder would not be liable to Australian capital gains tax on a profit on any sale or other disposition (including redemption) of Capital Securities unless the Capital Securities were held through an Australian permanent establishment or fixed base. Australian income tax would not apply to such a profit unless the profit was "income" under Australian law (e.g. the profit was derived in the course of a securities trading business), and had an Australian "source" (determined as a question of fact by reference to factors such as location of the Securities, the business or transaction of which the disposition was part, and of payment) and the US holder could not claim exemption under the Australia/United States Income Tax Convention.

Inheritance Tax

- No Australian federal or state inheritance or similar taxes are payable in respect of Capital Securities transmitted by death held by a person who is a US holder at the date of death.

Stamp Taxes

- No Australian stamp tax or duty is payable by a US holder on the issue or transfer by delivery of Capital Securities. No such stamp duty or tax is payable by a US holder on the transfer outside Australia by instrument of any Capital Securities so long as the Capital Securities are registered on a register maintained outside Australia, as is required under the Indenture relating to the Capital Securities.

Goods and Services Tax

Australia introduced a Goods and Services Tax (GST) with effect from July 1, 2000.

Our primary financial products qualify as "input taxed" and therefore GST is not generally added directly to the consumer's price for financial services and products. Consequently, ANZ is not able to claim the input credit for GST paid. Leasing, general insurance and a range of other products are subject to GST like most goods and services. We operate in a number of other countries which have a similar tax to the GST.

Constitution

The following is a summary of the key aspects of the Constitution.

Objects and purposes

The Company was registered in the state of Victoria, Australia on 14 July 1977 as a public company limited by shares. The Company is registered with the Australian and Securities and Investments Commission ("ASIC") and its Australian Business Number is 11 005 357 522. The objects and purposes of the company are not set out in its Constitution. Under the Corporations Act 2001, the Company has the legal capacity and powers of an individual.

Directors

Our Constitution and the Corporations Act 2001 regulate various matters concerning the directors of the Company:

(a) Matters in which the director has a material personal interest

A director who has a material personal interest in a matter that is being considered at a directors' meeting cannot be present while the matter is being considered at the meeting and may not vote on the matter, except in the following four circumstances permitted by the Constitution and the Corporations Act 2001:

- directors who do not have a material personal interest in the matter have passed a resolution identifying the relevant director, the nature and event of the director's personal interest and its relation to the affairs of the Company and stating that the remaining directors are satisfied that the relevant director's material personal interest should not disqualify the director from being present or voting;
- ASIC has made a declaration or order under the Corporations Act 2001 which permits the director to be present and vote notwithstanding the director's material personal interest;
- there are not enough directors to form a quorum for a directors' meeting because of the disqualification of the interested directors, in which event the directors (including directors with a material personal interest in the matter) may call a general meeting to deal with the matter; and
- the matter is of a type which the Corporations Act 2001 specifically permits the director to vote upon and to be present at a director's meeting during consideration of the matter notwithstanding the director's material personal interest.

(b) Compensation of directors

The aggregate remuneration of directors is determined by the Company in general meeting. That aggregate remuneration is to be divided among the directors as they agree on or, in the absence of agreement, equally. The division of aggregate remuneration among directors does not require an independent quorum.

(c) Borrowing power exercisable by directors

Under the Constitution, the directors have exclusive power to manage the business of the Company to the exclusion of the members in general meetings, and may exercise all of the powers of the Company that are not required by the Corporations Act 2001, or the Constitution, to be exercised by the Company in general meeting. The general power granted to the directors will include the power to borrow. These powers can only be altered by an amendment to the Company's Constitution, which would need to be approved by a special resolution of the Company's members at a general meeting.

(d) Retirement of directors under an age limit requirement

A director who attains the age of 70 is deemed to have retired from the Company on that day, unless the remaining directors have previously resolved that the director's retirement will occur at a later date. Directors appointed since 1993 have agreed not to seek re-appointment after 15 years service.

(e) Share qualification

Within 2 months after a director is appointed, the director must hold at least 2,000 fully paid ordinary shares in the Company in the director's own right.

Share rights - ordinary shares

(a) Dividend rights

Holders of ordinary shares are entitled to receive such dividends as may be declared by the directors from time to time. Dividends that are not claimed are required to be dealt with in accordance with laws relating to unclaimed monies.

Dividends are only payable out of profits of the Company, and a declaration by the directors as to the amount of profits available for payment of a dividend is final and binding on all members. Before paying any dividend, directors may set aside, out of profits of the Company, such reserves as they think proper to be applied at their discretion for any proper purposes, and may carry forward so much of the profits remaining as they consider ought not to be distributed as dividends without transferring those profits to a reserve.

(b) Voting rights

Each ordinary shareholder present at a general meeting (whether in person or by proxy or representative) is entitled to one vote on a show of hands or, on a poll, one vote for each fully paid ordinary share held.

(c) Right to share in profit

In the event of a winding-up of the Company, ordinary shareholders rank after creditors and preference shareholders and are fully entitled to any surplus proceeds on liquidation.

(d) Rights to redemption

Ordinary shareholders have no right to redeem their shares.

(e) Further calls

Holders of fully paid ordinary shares have no liability for further capital calls by the Company. There are no partly paid ordinary shares.

There is no provision of the Constitution that discriminates against any existing or prospective holder of ordinary shares as a result of such shareholder owning a substantial number of shares.

Share rights - American depositary shares ("ADSs")

Each ADS conferes an interest in 5 fully paid ordinary shares in the Company which have been deposited with a depositary or custodian. The rights attaching to each fully paid ordinary share represented by an ADS are the same as the rights attaching to fully paid ordinary shares as described above. These rights are vested in the custodian or depositary as the holder of the fully paid ordinary shares, although holders of American depositary receipts ("ADRs"), which evidence ADSs, have certain rights against the depositary or custodian under the terms governing the issue of the ADRs.

Share rights - TrUEPrS[SM] preference shares

On 23/9/1998 a total of 64,016,000 non-converting non-cumulative preference shares of the Company with a liquidation preference of US$6.25 per share ("TrUEPrS No 1") were issued to a depositary in connection with an issue of 16,004,000 Trust Units Exchangeable for Preferred Shares[SM] ("TrUEPrS") by the ANZ Exchangeable Preferred Trust, a Delaware business trust that is not controlled by the Company.

On 19/11/1998 a total of 56,016,000 and on 24/11/1998 an additional 4,000,000 non-converting non-cumulative preference shares of the Company with a liquidation preference of US$6.25 per share ("TrUEPrS No 2") were issued to a depositary in connection with an issue of 15,004,000 "TrUEPrS" by the ANZ Exchangeable Preferred Trust II, a Delaware business trust that is not controlled by the Company.

The holders of TrUEPrS No 1 receive distributions quarterly in arrears at the rate of 8% per annum on a non-cumulative basis. The holders of TrUEPrS No 2 receive distributions quarterly in arrears at the rate of 8.08% per annum on a non-cumulative basis. In 2048, or the earlier occurrence of certain other 'exchange events', the holders of TrUEPrS will exchange their TrUEPrS for American depositary shares representing TrUEPrS preference shares, or for cash in some limited circumstances. Until that time, the TrUEPrS preference shares do not pay dividends. After such an 'exchange event' occurs the TrUEPrS preference shares will automatically convert into non-cumulative preference shares with the TrUEPrS No 1 preference shares paying a dividend of 8% per annum, if a dividend is declared, and the TrUEPrS No 2 preference shares paying a dividend of 8.08%, if a dividend is declared.

If a dividend is not paid on TrUEPrS preference shares, the Company cannot, in certain circumstances, pay distributions, redeem, buyback or reduce capital on any other shares of the Company that rank equally with, or junior to, the TrUEPrS preference shares.

Holders of the TrUEPrS preference shares are entitled to vote together with the holders of ordinary shares in the Company (to the extent that these shareholders are entitled to vote) on the basis of one vote per TrUEPrS preference share on a limited number of matters, including any proposal to wind up the Company or any proposal to affect the rights attaching to the TrUEPrS preference shares.

The TrUEPrS preference shares are redeemable, in certain limited circumstances prior to the fifth anniversary of their issue date, and after the fifth anniversary of the issue date, at the Company's election at par plus accrued dividends, if any.

In a winding-up of the Company, holders of TrUEPrS preference shares will generally rank equally with the holders of other preference shares and will rank for return of capital on the TrUEPrS preference shares in priority to ordinary shares and equally with other preference shares as to dividends.

TrUEPrS[SM] is a service mark of Merrill Lynch & Co., Inc.

Process for altering share rights

Unless otherwise provided by the terms of issue of a class of shares, the terms of issue of a class of shares in the Company can only be varied or cancelled in any way by a special resolution of the Company and with either the written consent of members holding at least three quarters of the votes in that class of shares or with the sanction of a special resolution passed at a separate meeting of the holders of that class of shares.

Convening of and admission to general meetings

The Board may call a meeting of the Company's shareholders. The directors must call and arrange to hold a general meeting of the Company if requested to do so by shareholders who hold at least 5% of the votes that may be cast at the general meeting or 100 shareholders entitled to vote at a general meting. Shareholders who hold at least 5% of the votes that may be cast at the general meeting may also call and arrange to hold a general meeting of the Company at their own expense.

At least 28 days notice must be given of a meeting of the Company's shareholders. Written notice must be given to all shareholders entitled to attend and vote at a meeting. All ordinary shareholders are entitled to attend to vote at general meetings of the Company. Voting rights attaching to other classes of shares in the Company are set out above.

The directors may, in accordance with the constitution and the Corporations Act 2001, determine a time before a meeting at which membership in the Company (for the purposes of the meeting) is to be ascertained in respect of holding of shares that are quoted on the stock market of the Australian Stock Exchange.

Limitations on ownership and changes in control

The Constitution does not contain any limitations on the rights to own securities in the Company. However, there are detailed Australian laws and regulations which govern the acquisition of interests in the Company, and a summary of those is set out in item 7 above, Major Shareholders and Related Party Transactions.

The Constitution requires any sale or disposal of the Company's main undertaking to be subject to ratification by the Company in general meeting. Except for that provision, there are no provisions in the constitution which would have the effect of delaying, deferring or preventing a change in control of the Company which would operate only with respect to a merger, acquisition or corporate restructuring involving the Company or its controlled entities.

Constitution provisions governing disclosure of shareholdings

There are no provisions of the Constitution which provide an ownership threshold above which share ownership must be disclosed. However, the Corporations Act 2001 requires a person to disclose certain prescribed information to the Company and the ASX if the person has or ceases to have a 'substantial holding' in the Company. The term 'substantial holding' is defined in the Corporations Act 2001 as 5% or more of the total number of voting shares and is not limited to direct shareholdings.

The Corporations Act 2001 also permits the Company or ASIC to direct any member of the Company to make certain disclosures in respect of their interest in the Company's shares and the interest held by any other person in those shares.

Changes in capital

The Constitution does not make any provision governing changes in the capital of the Company, which is more stringent than is required by Australian law.

The full constitution of Australia and New Zealand Banking Group Limited has been provided previously as Exhibit 3 of the Form 20-F registration statement for the year ended September 30, 2000. This information is hereby incorporated by reference into this Item 10.

Material Contracts

We have no material contracts other than those entered into in the ordinary course of business.

Documents on Display

It is possible to read and copy documents referred to in this Annual Report on Form 20-F that have been filed with the Securities and Exchange Commission (SEC) at the SEC's public reference room located at 450 Fifth Street, N.W., Washington DC 20549 or for documents filed after November 4, 2002 on their website at www.sec.gov. Please call the SEC at 1-800-SEC-0330 for further information.

Item 11: Quantitative and Qualitative Disclosures about Market Risk

Trading Risk Management

Trading risk is controlled by a specialist function within Group Risk Management. This function provides specific oversight of each of the main trading areas and is responsible for the establishment of Value at Risk information (see Note 36 to the Financial Report) and supplementary limits. In all trading areas, ANZ has implemented models that provide Value at Risk information, comparison against risk limits on a daily basis, and 'stress test' analysis. These models comply with the Australian Prudential Regulation Authority Prudential Supervision Statement APS113 (Capital for Market Risk). Market risks are monitored daily against a comprehensive limit framework that includes Value at Risk, aggregate market position, sensitivity, product and geographic thresholds. The Value at Risk limit framework is applied at three levels, an aggregate global market risk limit, global product limits and individual trading book limits. These are further supported by daily mark-to-market profit/loss accounting and cumulative loss limits.

The Value at Risk is a statistical estimate of the maximum daily decrease in market value with a 97.5% confidence. Conversely there is a 2.5% probability of the decrease in market value exceeding the value at risk estimate on any given day. The methodology employed by ANZ to measure Value at Risk is the historic simulation method. This method is based upon assessing the change in value of portfolios each day against historical prices. The calculation of Value at Risk is conducted using close-to-close (overnight) risk levels.

Additionally risk is managed through cumulative loss limits and stress testing. Cumulative loss limits are used to contain cumulative losses on consecutive days, month-to-date and year-to-date bases.

Our aggregate Value at Risk figures covers both physical and derivatives trading positions for our principal trading centres.

Balance Sheet Risk Management

The balance sheet risk management process embraces the management of non-traded interest rate risk, liquidity and risk to capital and earnings as a result of exchange rate movements. Group Treasury, a specialist balance sheet management unit manages these risks and is overseen by the Group Asset and Liability Committee ("GALCO").

The objective of balance sheet management is to produce strong and stable net interest income over time. ANZ uses simulation models to quantify the potential impact of interest rate changes on earnings.

ANZ uses derivative instruments, inter alia, to manage the risk associated with its balance sheet and future revenue streams. The principal objectives of asset and liability management are to manage and control the sensitivity of our income while maintaining acceptable levels of interest rate and liquidity risk; and to hedge the market value of our capital.

Structural foreign exchange positions are managed with the objective of ensuring that our capital ratio is not adversely impacted by movements in exchange rates.

For hedging purposes ANZ principally uses forward rate agreements, futures contracts, interest rate swaps, currency swaps and cross currency interest rate swaps. ANZ uses a variety of foreign exchange derivatives to hedge against adverse movements in the value of foreign denominated assets and liabilities and future revenue streams.

A derivative instrument qualifies as a hedge where it has been entered into for the purpose of mitigating the impact of a change in interest rates on net interest income, or the effect of a change in rates of exchange for foreign currency amounts when translated to A$. The derivative instrument must reduce an identified exposure and must continue to be effective in reducing that exposure until the hedging instrument is closed out, terminated, exercised or expires. To be designated as a hedge, the fair value of the hedge must move inversely with changes in the fair value of the underlying exposure.

All derivative instruments used for hedging purposes must be designated as a hedge in our accounting records at the time of entering the transaction.

Liquidity Risk

The liquidity management process ensures that funds are available at all times to meet maturing obligations as they fall due. Our policy establishes daily liquidity management practices as well as scenario-based guidelines to monitor future liquidity flows under both normal operating conditions and in the event of an ANZ-specific liquidity crisis.

Further liquidity information is contained throughout the Financial Report, and the Financial Review section of this document.

Foreign Currency Exposures

ANZ manages its structural foreign exchange exposures within the context of an overall capital and earnings strategy. Foreign currency capital and earnings are not automatically hedged as they form part of a diversified portfolio of assets. However, certain exposures may be hedged to protect the capital ratio or where we have a strong medium term view that the foreign currency is overvalued.

The table below shows the aggregate amounts of our balance sheet financial instruments denominated in currencies other than Australian dollars.

Year ended September 30, 2002	*NZ$ AUD$M*	*US$ AUD$M*	*GBP AUD$M*	*Other AUD$M*	*Total non-AUD exposure AUD$M*
Assets					
Liquid assets	1,015	2,559	454	1,576	5,604
Due from other financial institutions	1,104	1,529	85	301	3,019
Trading securities	654	–	–	1	655
Investment securities	488	1,879	–	258	2,625
Net loans and advances	18,126	11,969	1,791	3,255	35,141
Customers' liability for acceptances	–	52	56	4	112
Other financial assets	1,131	1,549	741	485	3,906
Total	22,518	19,537	3,127	5,880	51,062
Liabilities					
Due to other financial institutions	533	5,983	969	1,169	8,654
Deposits and other borrowings	17,970	15,292	1,852	3,898	39,012
Liability for acceptances	–	52	56	4	112
Bonds and notes	183	5,759	1,346	7,251	14,539
Loan capital	259	2,670	–	16	2,945
Other financial liabilities	1,557	2,143	415	485	4,600
Total	20,502	31,899	4,638	12,823	69,862

Information on fair values is contained in Note 38 to the Financial Report and information on contract terms is contained in Notes 10, 11, 24, 25, 29, 30 and 34 to the Financial Report.

Further details on our foreign exchange derivative financial instruments are contained in Note 39 to the Financial Report.

Interest Rate Exposures

Interest rate risk in the balance sheet relates to the potential for changes in market interest rates to have an adverse impact on the Group's future net interest income. This risk arises from two principal sources: mismatching the repricing dates of interest bearing assets and liabilities; and the investment of capital and other non-interest bearing liabilities in interest bearing assets.

Management of exposure to interest rates is coordinated centrally by Group Treasury and executed on a individual country basis. Group ALCO monitors individual interest rate risk exposures to ensure that the Bank's aggregate exposure is contained within policy guidelines and approved limits set by the Risk Management Committee.

For more detail on interest rate sensitivity refer to Note 37 of the Financial Report.

Foreign Currency Investments in Subsidiaries and Associates

If required, the foreign currency exposures arising from non-A$ investments in overseas branches and subsidiaries are managed by Group Treasury using foreign exchange forward contracts and cross currency back to back lending. Foreign currency exposures may be matched on a currency by currency basis to hedge the impact of foreign exchange rate changes, provided the hedging can be implemented in a cost effective manner.

Movements arising on these foreign exchange exposures impact reserves (see foreign currency translation reserves on page 5 of the Financial Report). Exposures are reviewed on a regular basis by Group ALCO.

Further key sources of market risk information is also contained in Notes 14, 29, 30, 36, 38 and 39 to the Financial Report and in "Operating and Financial Review and Prospects".

Item 13: Defaults, Dividend Arrearages and Delinquencies

None

Item 14: Material Modifications to the Rights of Security Holders and use of Proceeds

None

Item 15: Controls and Procedures

At September 30, 2002 an evaluation was performed under the supervision and with the participation of the Group's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on that evaluation, the Group's management, including the Chief Executive Officer and Chief Financial Officer, concluded that the Group disclosure controls and procedures were effective at September 30, 2002. There have been no significant changes in the Group's internal controls or (in the Group's knowledge) in other factors that could significantly affect internal controls, subsequent to September 30, 2002.

Item 17: Financial Statements

Not applicable as Item 18 complied with.

Item 18: Financial Statements

See attached for Australia and New Zealand Banking Group Limited Financial Report and Consent of KPMG.

Item 19: Exhibits

Exhibit 1 - Australia and New Zealand Banking Group Limited Constitution (incorporated by reference to ANZ's Annual Report on Form 20-F for the year ended September 30, 2000).

Exhibit 4 - Director and Executive Employment Contracts.
- 4(a) - Mr David Michael Gonski
- 4(b) - Mr Christopher James Cooper

Exhibit 8 - Subsidiaries

Signatures

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

AUSTRALIA AND NEW ZEALAND
BANKING GROUP LIMITED

(Registrant)

By: /s/ P R Marriott

P R MARRIOTT

Chief Financial Officer

Date: December 13, 2002

CERTIFICATION (302)

I, John McFarlane, certify that:

1. I have reviewed this annual report on Form 20-F of Australia and New Zealand Banking Group Limited - the registrant;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
   c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: December 13, 2002

/s/ J McFarlane

J McFarlane

Chief Executive Officer

CERTIFICATION (302)

I, Peter R Marriott, certify that:

1. I have reviewed this annual report on Form 20-F of Australia and New Zealand Banking Group Limited the registrant;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

   c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: December 13, 2002

/s/ P R Marriott
P R Marriott
Chief Financial Officer

Index to Exhibits

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Exhibit 8 - Subsidiaries

RETIREMENT AGREEMENT

DATED 8th February 2002.

BETWEEN

Australia and New Zealand Banking Group Limited A.C.N. 005 357 522 (hereinafter called "ANZ") of Level 6, 100 Queen Street, Melbourne in the State of Victoria

AND

David Michael Gonski of 32/100 Queen Street, Melbourne, Vic 3000
(hereinafter called "the Director")

RECITALS

A. The Director has been invited to be a director of ANZ.

B. It is currently the policy of the Board of ANZ, that any director appointed after 1993 will except in unusual circum stances retire after fifteen years of service as a director of ANZ.

C. In pursuance of the power conferred by Rule 10.5 of the Company's Constitution of ANZ and in consideration of the Director agreeing to act and continue to act as a director of ANZ has agreed to pay the Director upon the termination of his office and in consequence thereof a retirement benefit on the terms and conditions hereinafter contained.

NOW THIS AGREEMENT WITNESSES as follows:

1. The Director acknowledges the policy of ANZ as set out in Recital B.

2. Subject always to the Director having served as a director of ANZ for a period of at least three years from the date hereof, upon the Director ceasing to be a director of ANZ he shall be paid by ANZ a lump sum retirement benefit the amount of which shall be determined in accordance with Clause 4.

3. If the Director ceases to be a director of ANZ by reason of his death in office the said lump sum retirement benefit shall be paid to such one or more of them his widow, dependants and legal personal representatives as the Directors of ANZ may in their absolute discretion decide.

4. Subject to Clause 5, the lump sum retirement benefit payable under Clause 2 shall where the Director has held office for eight years or more be equal to the total emoluments paid or payable to him in respect of the three years immedately preceding his ceasing to be a director and shall where the director has held office for less than eight years be a proportionate part of such emoluments. The proportionate part shall be the same proportion of such emoluments as the number of completed months for which the Director has held office bears to ninety-six months. For the purposes of this clause the word "emoluments" means all fees and other amounts paid or payable directly or indirectly to the Director as a director in connection with the management of the affairs of ANZ or of any holding company or subsidiary of ANZ but does not include amounts paid or payable in reimbursement of out of pocket expenses.

5. There shall be deducted from the amount computed in accordance with Clause 4 the amount of any superannuation benefit paid or payable to the Director which is attributed to contributions made by or on behalf of the Company to the ANZ Staff Superannuation Scheme, including any contributions made in accordance with the Superannuation Guarantee (Administration) Act 1992 or any other relevant Commonwealth, Sate or Territory law.

6. For the purposes of this Agreement the word "month' does not mean calendar month and "completed month" means the period from the relevant day in one calendar month to the corresponding day in the next calendar month or if there shall be no such corresponding day then to the first day after the next calendar month provided however that this provision shall not be applied to lengthen intermediate months in a consecutive series of months and in that case shall only be applied to determine whether there is a "completed month" constituted by the days the Director held office in the calendar months in which he (a) was appointed; and (b) ceased to hold office.

IN WITNESS WHEREOF this Agreement has been duly executed the day and year hereinbefore written.

SIGNED for and on behalf of Australia and)
New Zealand Banking Group Limited)
By Charles Barrington Goode) …………………………………….

SIGNED by the said David Michael Gonski)
in the presence of:) …………………………………….

Signature of Witness

Name of Witness (Print)

December 16 2002

Mr D M Gonski
7 Wolseley Crescent
Point Piper 2027

Dear David

Your Retirement Agreement

I refer to the Retirement Agreement between ANZ and you dated 8 February 2002.

In accordance with the resolution of the Board at its meeting on 22 and 23 October 2002, ANZ hereby waives the three year qualifying period for accrual of benefits as provided for under clause 2 of that Agreement.

Accordingly, the benefits provided for under clause 4 of the Agreement currently accrue and shall be payable to you upon your ceasing to be a director of ANZ, even if at the time of cessation you have served for a period of less than three years.

Yours faithfully

Charles Goode
Chairman

EXHIBIT 4(b)

25 November 2002

Mr Chris Cooper
32/100 Queen Street
Melbourne Vic 3000

Dear Chris

On behalf of Australia and New Zealand Banking Group Limited ("ANZ"), I am pleased to formally advise you of your appointment to the position of Managing Director, Mortgages.

This letter sets out the terms of your employment, and constitutes your employment agreement with ANZ ("employment agreement"). This employment agreement replaces all existing agreements, arrangements, or understandings between you and ANZ. (References to ANZ include any corporation related to ANZ under the Corporations Act 2001.)

1 Position, Reporting Arrangements and Location

Your position is Managing Director Mortgages reporting to John McFarlane, Chief Executive Officer, and located at 100 Queen Street, Melbourne.

Your position is at Management Board level. ANZ may, at its discretion, change your position, reporting arrangements, duties and location on giving you reasonable notice, following consultation with you, and taking into account career considerations and personal circumstances.

2 Operative Date

This employment agreement, and your obligations under it, will commence on 2 December 2002. It does not affect your continuity of service for the purposes of leave entitlements and other employment benefits.

3 Remuneration

The details of your remuneration are set out in the Schedule. The Schedule forms part of this employment agreement.

4 Leave

4.1 Annual Leave

You will receive 4 weeks' contracted hours paid annual leave for each completed year of paid service with ANZ. You are required to take your full annual leave entitlement of 4 weeks over the course of each ANZ financial year (1 October to 30 September), 2 weeks of which must be taken consecutively. (ANZ policy requires that you are absent for at least 10 consecutive business days per annum.)

At the end of each ANZ financial year, ANZ will deem you to have taken your full 4 weeks' annual leave. Accordingly, there will be no accrual of this leave and your annual leave balance at 1 October each year will never be more than your balance at 1 October of the previous year.

4.2 Sick Leave

You may take sick leave in accordance with standard arrangements applicable to all ANZ employees. Any untaken part of this entitlement is cumulative from year to year. In the event of prolonged illness, ANZ may decide at its discretion to provide you with sick leave in excess of your sick leave entitlements. You are not entitled to any payment for unused sick leave when your employment with ANZ ends.

4.3 Parental Leave

You may take parental leave in accordance with standard arrangements applicable to all ANZ employees.

4.4 Long Service Leave

You are eligible for 13 weeks' long service leave after completing 15 years of continuous service, and a further 8.66 weeks' leave for each subsequent 10 completed years of continuous service. You may access long service leave on a pro-rata basis after 10 completed years of continuous service.

5 Ownership of Intellectual Property and Trade Secrets

All inventions, discoveries, computer software processes and improvements made by you during your employment with ANZ remain the property of ANZ.

By signing this employment agreement, you:

- assign to ANZ all proprietary rights including all ownership rights and copyright and the exclusive right to develop, make, use, sell, license or otherwise benefit from any inventions, discoveries, processes and improvements, made by you within the scope of your employment with ANZ; and

- agree to execute any further document that is necessary or desirable to give full effect to your obligations under this clause 5.

6 Values and Ethical Standards

ANZ has developed guiding values and expects you to actively ensure they are an integral part of the way that you, and those who report to you, carry out duties within ANZ.

ANZ expects you to further ANZ's objectives and reputation and faithfully and diligently to perform your duties, exercise your powers, and manage with integrity and respect all matters concerning ANZ employees and customers.

ANZ also has certain ethical standards that you are required to maintain. In particular, you must not in any way, either directly or indirectly, be or become engaged, concerned or interested in any business whether as principal, partner, director, agent, promoter or beneficiary except that of ANZ. This requirement may be waived at ANZ's discretion by a written consent signed by the Chief Executive Officer.

7 Conduct

You must at all times act honestly and in a manner that is consistent with the status of your position with ANZ. You indemnify ANZ against any loss or damage it suffers as a result of any dishonest act by you, or any wilful misconduct in carrying out your duties.

8 Policies and Procedures, Performance Management Plans

8.1 Policies and Procedures

ANZ has policies and procedures that apply to your employment. These policies and procedures may be amended by ANZ from time to time. They are not incorporated into or otherwise included in your contract of employment with ANZ, including this employment agreement.

8.2 Performance Management Plans

Performance management plans will be developed in consultation with you and may be reviewed and varied during the performance period.

9 Confidential Information

You must not disclose or use in any manner (except in the proper course of your employment, by compulsion of law, or on the written direction of an authorised officer of ANZ or its auditors) any information about ANZ, its customers or its affairs which you acquire during your employment with ANZ, unless the information is already legitimately in the public domain. This obligation extends after your employment with ANZ ends.

You must also return to ANZ on request or immediately your employment with ANZ ends:

- all books, papers, documents and other property which belong or relate to ANZ, its customers or its affairs, and any copies of such documents; and

- any vehicle, computer hardware or software, key, security pass or other property that belongs to ANZ.

10 Restraint

You must not at any time, either during your employment with ANZ or for 12 months after your employment with ANZ ends (or for such lesser time as a court may deem reasonable), either on your own account or for or jointly with any other person solicit, interfere with or attempt to entice away from ANZ any person who, at any time within the period of 12 months before the date your employment with ANZ ends, was a customer or employee of, or in the habit of dealing with, ANZ and whom you had direct or indirect contact with, or dealings with or knowledge of, for the purpose of your employment.

11 Disciplinary Action

If you fail to comply with the provisions of your employment agreement or any other ANZ performance requirements, ANZ may take disciplinary action which may include suspension with or without pay and, in certain circumstances, termination of your employment with ANZ (see clause 12).

12 Termination of Employment

12.1 Termination Entitlements

Your termination entitlements will depend upon the circumstances of the termination and are set out in this clause 12 and in the Schedule. These will be the only entitlements paid to you upon the termination of your employment with ANZ.

12.2 Resignation

You may terminate your employment for any reason by giving ANZ 12 months' written notice. You and ANZ may agree on a lesser period of notice, or ANZ may in its discretion waive the notice period or any part of it. If ANZ waives the notice period or any part of it, entitlements on termination will not include any payment in respect of the waived period.

If, however, ANZ elects not to waive the notice period, ANZ may, during the notice period or any part of it, direct you not to perform all or part of the duties of your position, to cease communication with customers, suppliers, employees and contractors of ANZ and/or not to attend your principal place of work.

12.3 Termination by ANZ

(a) Termination on Notice

ANZ may terminate your employment for any reason (other than (b) or (c) below) by giving you 12 months' written notice. ANZ may elect to pay you in lieu of giving you all or part of the notice period based on your TEC. Alternatively, ANZ may, during the notice period or any part of it, direct you not to perform all or part of the duties of your position, to cease communication with customers, suppliers, employees and contractors of ANZ and/or not to attend your principal place of work.

(b) Retrenchment

If ANZ terminates your employment because no suitable position exists for you, you will be entitled to a severance payment equal to 12 months' TEC. If a severance payment is made to you under this clause 12.3(b), you will not be entitled to notice or payment in lieu of notice under clause 12.3(a) above.

(c) Serious Misconduct

ANZ may terminate your employment at any time, without notice, because of your serious misconduct, serious neglect of duty, or serious breach of any of the terms of this employment agreement. In such circumstances, you will only be entitled to payment of TEC up to the date of termination.

13 Variations to Conditions of Employment

Variations to your employment agreement may be necessary for the fair, efficient and effective administration of ANZ's business. Accordingly, this employment agreement may be varied by agreement from time to time. Your consent to such variation must not be unreasonably withheld. If your consent is unreasonably withheld, ANZ may give you one month's written notice that such variation will take effect.

14 Relevant law

This employment agreement takes effect under, is governed by and is to be interpreted according to, the law of Victoria.

ANZ provides a challenging and ever-changing job environment and I trust that it will be possible for you to develop and enhance your capabilities within ANZ. I look forward to your contribution to the opportunities and challenges facing ANZ.

A copy of this employment agreement is enclosed for your records. Please sign and return the original to me to confirm your acceptance of its terms.

Yours sincerely
AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

Shane Freeman
Group General Manager
People Capital

SCHEDULE

REMUNERATION ENTITLEMENTS, INCLUDING PAYMENTS ON TERMINATION

Name:	Chris James Cooper		
Title:	Managing Director Mortgages		
Location:	100 Queen Street, Melbourne		
Reporting To:	John McFarlane, Chief Executive Officer		
Schedule Issued:	25 November 2002	***Effective Date:***	2 December 2002

This Schedule forms part of your employment agreement.

Your remuneration will be a combination of salary, superannuation and benefits as agreed between you and ANZ from time to time using ANZ's total employment cost (TEC) methodology. Essentially, TEC is the fixed component of remuneration. It comprises notional salary (65% of TEC) and mandatory superannuation contributions, with the balance being a flexible component.

Mandatory superannuation contributions are paid in accordance with ANZ's obligations under legislation as varied from time to time. If legislative requirements for the payment of mandatory superannuation contributions change, the flexible component of your TEC will be varied accordingly (so that your TEC package remains the same).

The flexible component of TEC can be directed to benefits that are available at ANZ's discretion in accordance with ANZ's policy as amended from time to time. It can be taken as a cash benefit (also referred to as Cashtec) or non-cash benefits (such as motor vehicles, petrol, parking and, if applicable, concessional lending) or a combination of both cash benefit/Cashtec and non-cash benefits. Any fringe benefits tax that is payable on non-cash benefits will form part of the flexible component of TEC.

Your notional salary, superannuation and cash benefit/Cashtec (if applicable) will be paid fortnightly and non-cash benefits will be provided as applicable. ANZ will review your TEC annually.

Bonus payments are at the discretion of the Board.

1 Total Target Reward

Your Total Target Reward (TTR) is a combination of Fixed Reward - TEC (55% of TTR) plus Variable Reward - Executive Remuneration Scheme (45% of TTR). Your annualised TTR is $909,000.

1.1 Fixed Reward - TEC

Your TEC package on commencement of work in your new position is $500,000 per annum.

You must take a minimum of 65% of TEC as notional salary. The balance, less mandatory superannuation contributions, is a flexible component and can be taken as cash benefit/Cashtec or non-cash benefits or a combination of both.

1.2 Variable Reward - Executive Remuneration Scheme

Bonus payments under the Executive Remuneration Scheme are subject to business unit and individual performance and are at the discretion of the Board.

Bonuses will be paid one-half in cash and one-half in deferred shares. The shares will vest 3 years from the date of issue. The Board may, at its discretion, change the ratio of cash to shares. You must at all times comply with the provisions of ANZ's Share Trading Policy.

2 Superannuation

Your notional salary is used to calculate your superannuation contributions (if any) and the level of mandatory superannuation contributions. It is also used to calculate the insured component of your death and total and permanent disablement benefits. For full details of the ANZ Australian Staff Superannuation Scheme, refer to the member's booklet.

3 Entitlements upon Termination of Employment

Upon termination of employment, you will be entitled to payment for accrued and unused long service leave and annual leave in accordance with the standard arrangements applicable to all ANZ employees. Payments will be on the basis of your notional salary plus cash benefit/Cashtec.

In addition to any notice or payment under clause 12 of your employment agreement, you will have the following entitlements on the termination of your employment:

- On resignation (see clause 12.2), you will not be entitled to:
  - any unvested deferred shares issued to you under the ANZ incentive arrangements;
  - exercise any options.
- On termination for serious misconduct (see clause 12.3(c)), you will not be entitled to:
  - any unvested deferred shares issued to you;
  - exercise any options.
- On termination on notice (see clause 12.3(a)), you will be entitled to:
  - any deferred shares that have already vested, and any that vest during the notice period;
  - exercise any options that have already vested, and any that vest during the notice period, in accordance with the ANZ Share Option Plan Rules (that is, with the Board's approval or otherwise in accordance with the Rules).
- On retrenchment (see clause 12.3(b)), you will be entitled to:
  - any deferred shares issued to you;
  - exercise any options in accordance with the ANZ Share Option Plan Rules (that is, with the Board's approval or otherwise in accordance with the Rules).
- On death or total and permanent disablement, you will be entitled to:
  - a Performance Bonus pro-rata to the date of termination;
  - any deferred shares issued to you;
  - exercise any options in accordance with the ANZ Share Option Plan Rules (that is, with the Board's approval or otherwise in accordance with the Rules).

4 Definitions

For the purposes of this employment agreement:

- total and permanent disablement means:

(a) in circumstances where you are a member of the ANZ Australian Staff Superannuation Scheme (the "Scheme") or an ANZ-sponsored staff superannuation fund, total and permanent disablement as determined by the trustee of the Scheme or fund;

(b) in circumstances where you are not a member of the ANZ Australian Staff Superannuation Scheme or an ANZ-sponsored staff superannuation fund, such state of physical or mental incapacity as renders you unlikely ever to be able to work again in a job for which you are reasonably qualified by education, training or experience. Every question of total and permanent disablement will be decided by ANZ after receipt of reports by two qualified medical practitioners approved by ANZ.

- salary means notional salary, which is 65% of TEC.

ACCEPTANCE

I, Chris James Cooper, have read and understood and agree to the terms of employment set out in this employment agreement (including the Schedule).

Name: ____________________________________

Signature: ____________________________________ ***Date:*** ________________

EXHIBIT 8

Subsidiaries

All controlled entities are 100% owned unless otherwise noted.

The material controlled entities of the Group are	Incorporated in	Nature of Business
Australia and New Zealand Banking Group Limited	Australia	Banking
ANZCover Insurance Pty Ltd	Australia	Self-Insurance
ANZ Executors & Trustee Company Limited	Australia	Trustee/Nominee
ANZ Funds Pty Ltd	Australia	Holding Company
ANZ Holdings (New Zealand) Limited[*]	New Zealand	Holding Company
EFTPOS New Zealand Limited[*]	New Zealand	Eftpos Service Provider
ANZ Banking Group (New Zealand) Limited[*]	New Zealand	Banking
Tui Securities Limited[*]	New Zealand	Investment
UDC Finance Limited[*]	New Zealand	Finance
Endeavour Finance Limited[*]	New Zealand	Finance
Tui Endeavour Limited[*]	New Zealand	Finance
ANZ International Private Limited[*]	Singapore	Finance
ANZ Singapore Limited[*]	Singapore	Merchant Banking
Minerva Holdings Limited[*]	England	Holding Company
ANZEF Limited[*]	England	Export Finance
ANZ Lenders Mortgage Insurance Pty Limited	Australia	Mortgage Insurance
ANZ Holdings Pty Ltd	Australia	Property Owner
ANZ Investment Holdings Pty Ltd	Australia	Investment
530 Collins Street Property Trust	Australia	Investment Activities
ANZ Properties (Australia) Pty Ltd	Australia	Property Owner
ANZ Securities (Holdings) Limited	Australia	Holding Company
Australia and New Zealand Banking Group (PNG) Limited[*]	Papua New Guinea	Banking
Esanda Finance Corporation Limited	Australia	General Finance
Fleet Partners Pty Limited	Australia	Finance
ANZ Capel Court Limited	Australia	Investment Banking
PT ANZ Panin Bank [*1]	Indonesia	Banking
US Distribution Trust I	USA	Investment
US Distribution Trust II	USA	Investment
Alliance Holdings Limited	Australia	Investment
NMRSB Pty Ltd	Australia	Investment
ANZ Financial Products Pty Ltd	Australia	Investment
Orchard Investments Pty Ltd	Australia	Investment

* Audited by overseas KPMG firms

1 Outside equity interests hold ordinary shares or units in the controlled entities listed above as follows:
PT ANZ Panin Bank – 7,500 IDR 1M shares (15%) (2001: 7,500 IDR 1M shares (15%))

Attachment 1

The Board of Directors
Australia and New Zealand Banking Group Limited

Independent Auditor's Consent

We consent to the incorporation, by reference in the registration statements (No. 333-8572 and 333-5456) on Form F-3 of the Australia and New Zealand Banking Group Limited, of our report dated 4 November 2002 with respect to the consolidated statements of financial position of the Australia and New Zealand Banking Group Limited as of 30 September 2002 and 2001, and the related statements of financial performance, changes in shareholders, cashflows and accompanying notes to the financial statements for each of the years in the three year period ended 30 September 2002, which report appears in the 2002 Financial Report of the Australia and New Zealand Banking Group Limited.

KPMG
Melbourne, Australia
9 December 2002

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Statements of Financial Performance for the year ended 30 September 2002

	Note	Consolidated 2002 $m	Consolidated 2001	Consolidated 2000 $m	The Company 2002 $m	The Company 2001 $m
Total Income	2	12,007	12,824	14,031	9,061	10,140
Interest income	2	9,037	10,251	10,241	6,426	7,479
Interest expense	3	(5,019)	(6,418)	(6,440)	(3,813)	(4,828)
Net interest income		4,018	3,833	3,801	2,613	2,651
Proceeds, net of costs, on disposal of investments		566	–	–	780	–
Carrying amount of assets given up		(392)	–	–	(588)	–
Profit from disposal of investments		174	–	–	192	–
Other operating income	2	2,796	2,573	2,583	2,443	2,661
Prior period abnormal income	6	–	–	1,207	–	–
Operating income		6,988	6,406	7,591	5,248	5,312
Operating expenses	3	(2,905)	(3,092)	(3,314)	(2,388)	(2,641)
Prior period abnormal expenses	6	–	–	(986)	–	–
Profit before debt provision		4,083	3,314	3,291	2,860	2,671
Provision for doubtful debts	16	(860)	(531)	(502)	(710)	(414)
Profit before income tax		3,223	2,783	2,789	2,150	2,257
Income tax expense		(898)	(911)	(863)	(643)	(647)
Prior period abnormal tax	6	–	–	(177)	–	–
Total income tax expense	7	(898)	(911)	(1,040)	(643)	(647)
Profit after income tax		2,325	1,872	1,749	1,507	1,610
Net profit attributable to outside equity interests		(3)	(2)	(2)	–	–
Net profit attributable to shareholders of the Company[1]		2,322	1,870	1,747	1,507	1,610
Currency translation adjustments, net of hedges after tax		(98)	197	170	(214)	195
Revaluation of properties		–	–	31	–	–
Total adjustments attributable to shareholders of the company recognised directly into equity		(98)	197	201	(214)	195
Total changes in equity other than those resulting from transactions with shareholders as owners		2,224	2,067	1,948	1,293	1,805
Earnings per ordinary share (cents)	9					
Basic		147.3	117.4	106.8	n/a	n/a
Diluted		146.6	117.0	106.0	n/a	n/a

The notes appearing on pages 6 to 76 form an integral part of these financial statements

1 The results of 2002 include the impact of these significant transactions:
- The sale of businesses to ING joint venture (profit after tax of $170 million);
- National Housing Bank recovery ($159 million profit after tax); and
- Special general provision for doubtful debts ($175 million charge after tax)

Further details on these transactions are shown in notes 2, 3 and 16

Statements of Financial Position as at 30 September 2002

	Note	Consolidated 2002 $m	2001 $m	The Company 2002 $m	2001 $m
Assets					
Liquid assets	10	7,410	7,794	5,994	5,981
Due from other financial institutions	11	3,815	4,829	2,649	4,234
Trading securities[1]	12	5,873	4,827	5,219	4,438
Investment securities	13	3,609	3,487	2,593	2,400
Net loans and advances	14	132,060	123,657	99,900	92,393
Customers' liabilities for acceptances	17	13,796	14,324	13,796	14,324
Due from controlled entities		–	–	6,495	5,031
Life insurance investment assets		–	4,774	–	–
Regulatory deposits	18	178	133	138	98
Shares in controlled entities, associates and joint venture entities	19	1,692	64	6,256	6,101
Deferred tax assets	20	1,218	1,200	835	866
Goodwill	21	180	137	94	87
Other assets	22	11,810	18,906	9,603	16,774
Premises and equipment	23	1,464	1,361	866	731
Total assets		183,105	185,493	154,438	153,458
Liabilities					
Due to other financial institutions	24	10,860	12,690	10,372	11,961
Deposits and other borrowings	25	113,297	104,874	85,258	76,552
Liability for acceptances		13,796	14,324	13,796	14,324
Due to controlled entities		–	–	3,895	5,052
Income tax liabilities	26	1,340	1,335	921	899
Payables and other liabilities	27	12,450	15,948	10,703	13,874
Provisions	28	1,744	2,142	1,611	1,981
Life insurance policy liabilities		–	4,458	–	–
Bonds and notes	29	14,708	15,340	14,536	15,175
Loan capital	30	3,445	3,831	3,186	3,576
Total liabilities		171,640	174,942	144,278	143,394
Net assets		11,465	10,551	10,160	10,064
Shareholders' equity					
Ordinary share capital	31	3,939	3,733	3,939	3,733
Preference share capital	31	1,375	1,526	1,375	1,526
Reserves		534	717	875	1,089
Retained profits		5,600	4,562	3,971	3,716
Share capital and reserves attributable to shareholders of the Company		11,448	10,538	10,160	10,064
Outside equity interests	32	17	13	–	–
Total shareholders' equity		11,465	10,551	10,160	10,064
Derivative financial instruments	39				
Commitments	47				
Contingent liabilities and credit related commitments	48				

The notes appearing on pages 6 to 76 form an integral part of these financial statements

1 Includes bills held in portfolio (September 2002: $1,453 million; September 2001: $1,933 million)

Statements of Changes in Shareholders' Equity for the year ended 30 September 2002

	Note	Consolidated 2002 $m	2001 $m	2000 $m	The Company 2002 $m	2001 $m
Share capital						
Ordinary shares						
Balance at start of year		3,733	4,028	4,770	3,733	4,028
Dividend reinvestment plan		94	86	236	94	86
Group employee share acquisition scheme		55	65	26	55	65
Group share option scheme		57	21	10	57	21
Group share purchase scheme		–	–	#	–	–
Small shareholder voluntary top up scheme		–	12	–	–	12
New Issues		–	16	–	–	16
Share buyback	31	–	(495)	(1,014)	–	(495)
Balance at end of year		3,939	3,733	4,028	3,939	3,733
Preference shares	31					
Balance at start of year		1,526	1,374	1,145	1,526	1,374
Retranslation of preference share issues		(151)	152	229	(151)	152
Balance at end of year		1,375	1,526	1,374	1,375	1,526
Total share capital		5,314	5,259	5,402	5,314	5,259
Asset revaluation reserve [1]						
Balance at start of year		31	31	–	401	401
Revaluation of properties		–	–	31	–	–
Total asset revaluation reserve		31	31	31	401	401
Foreign currency translation reserve [2]						
Balance at start of year		215	18	(152)	633	438
Currency translation adjustments, net of hedges after tax		(98)	197	170	(214)	195
Total foreign currency translation reserve		117	215	18	419	633
General reserve [3]						
Balance at start of year		322	588	539	55	55
Transfers (to) from retained profits		(85)	(266)	49	–	–
Total general reserve		237	322	588	55	55
Capital reserve [3]		149	149	149	–	–
Total reserves		534	717	786	875	1,089
Retained profits						
Balance at start of year		4,562	3,607	2,952	3,716	3,168
Net profit attributable to shareholders of the Company		2,322	1,870	1,747	1,507	1,610
Total available for appropriation		6,884	5,477	4,699	5,223	4,778
Transfers from (to) reserves		85	266	(49)	–	–
Ordinary share dividends provided for or paid	8	(1,252)	(1,062)	(941)	(1,252)	(1,062)
Preference share dividends paid	8	(117)	(119)	(102)	–	–
Retained profits at end of year		5,600	4,562	3,607	3,971	3,716
Total shareholders' equity attributable to shareholders of the Company		11,448	10,538	9,795	10,160	10,064

The notes appearing on pages 6 to 76 form an integral part of these financial statements

Amounts less than $500,000

Nature and purpose of reserves

1 Asset revaluation reserve

Prior to 1 October 2000, the asset revaluation reserve was used to record certain increments and decrements on the revaluation of non-current assets. As the Group has elected to adopt deemed cost in accordance with AASB 1041, the balance of the reserve is not available for future non-current asset write downs while the Group remains on the deemed cost basis

2 Foreign currency translation reserve

Exchange differences arising on translation of foreign self-sustaining operations are taken to the foreign currency translation reserve, as described in accounting policy note 1

3 General reserve and Capital reserve

The balance of these reserves have resulted from prior period allocations of retained profits and may be released to retained profits

Statements of Cash Flows for the year ended 30 September 2002

	Note	Consolidated 2002 $m	2001 $m	2000 $m	The Company 2002 $m	2001 $m
Cash flows from operating activities						
Interest received		10,148	11,054	9,916	6,723	7,683
Dividends received		3	75	192	67	565
Fees and other income received		2,919	2,783	2,460	2,689	2,230
Interest paid		(5,367)	(6,703)	(6,108)	(4,158)	(5,112)
Personnel expenses paid		(1,900)	(1,827)	(1,735)	(1,576)	(1,466)
Premises expenses paid		(268)	(253)	(283)	(249)	(245)
Other operating expenses paid		(1,893)	(1,775)	(1,199)	(913)	(769)
Income taxes paid		(853)	(823)	(754)	(574)	(667)
Goods and services tax (paid) received		(28)	(53)	4	(8)	(18)
Net (increase) in trading securities		(1,030)	(629)	(25)	(782)	(987)
Net cash provided by operating activities	43(a)	1,731	1,849	2,468	1,219	1,214
Cash flows from investing activities						
Net decrease (increase)						
Liquid assets -greater than three months		(442)	983	(1,755)	(416)	(973)
Due from other financial institutions		554	909	(792)	557	263
Regulatory deposits		37	(27)	(90)	(47)	(20)
Loans and advances		(9,441)	(4,829)	(17,633)	(9,216)	(4,064)
Shares in controlled entities and associates		(1)	(36)	(50)	1,023	251
Investment securities						
Purchases		(2,851)	(4,005)	(8,109)	(1,480)	(2,319)
Proceeds from sale or maturity		2,436	3,630	8,553	977	1,802
Controlled entities and associates						
Purchased (net of cash acquired)	43(c)	(1,050)	(36)	(43)	(893)	–
Proceeds from sale (net of cash disposed)		–	–	1,510	–	–
Premises and equipment						
Purchases		(385)	(452)	(275)	(309)	(218)
Proceeds from sale		101	127	249	51	43
Recovery from NHB litigation		248	–	–	248	–
Other		201	(454)	(1,405)	50	794
Net cash (used in) investing activities		(10,593)	(4,190)	(19,840)	(9,455)	(4,441)
Cash flows from financing activities						
Net (decrease) increase						
Due to other financial institutions		(1,211)	(826)	3,111	(917)	(1,228)
Deposits and other borrowings		9,152	890	12,763	9,888	463
Due from/to controlled entities		–	–	–	(2,907)	1,159
Payables and other liabilities		362	581	(843)	875	225
Bonds and notes						
Issue proceeds		4,538	7,542	5,555	4,538	7,542
Redemptions		(3,519)	(2,878)	(1,341)	(3,519)	(2,878)
Loan capital						
Issue proceeds		759	–	152	500	–
Redemptions		(589)	(244)	(147)	(398)	(164)
Decrease in outside equity interests		1	(1)	(19)	–	–
Dividends paid		(1,178)	(1,028)	(749)	(1,061)	(909)
Share capital issues		112	114	36	112	114
Share buyback		–	(495)	(1,014)	–	(495)
Net cash provided by financing activities		8,427	3,655	17,504	7,111	3,829
Net cash provided by operating activities		1,731	1,849	2,468	1,219	1,214
Net cash (used in) investing activities		(10,593)	(4,190)	(19,840)	(9,455)	(4,441)
Net cash provided by financing activities		8,427	3,655	17,504	7,111	3,829
Net (decrease) increase in cash and cash equivalents		(435)	1,314	132	(1,125)	602
Cash and cash equivalents at beginning of year		9,071	6,462	6,634	6,747	4,724
Foreign currency translation on opening balances		(711)	1,295	(304)	(169)	1,421
Cash and cash equivalents at end of year	43(b)	7,925	9,071	6,462	5,453	6,747

The notes appearing on pages 6 to 76 form an integral part of these financial statements

Notes to the Financial Statements

Our critical accounting policies are described on page 79.

1: Accounting Policies

(i) Basis of preparation

This general purpose financial report complies with the accounts provisions of the Banking Act, applicable Australian Accounting Standards, the accounts provisions of the Corporations Act 2001, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board. The accounting policies are consistent with those of the previous year.

Certain disclosures required by the United States Securities and Exchange Commission in respect of foreign registrants have also been included in this report.

The financial report has been prepared in accordance with the historical cost convention as modified by the revaluation of trading instruments, life insurance assets and liabilities and the deemed cost of properties. The preparation of the financial report requires the use of management estimates. Such estimates may require review in future periods.

The Company is a company of the kind referred to in Australian Securities and Investments Commission class order 98/100, dated 10 July 1998. Consequently, amounts in the financial report have been rounded to the nearest million dollars except where otherwise indicated.

All amounts are expressed in Australian dollars, unless otherwise stated. Where necessary, amounts shown for the previous year have been reclassified to facilitate comparison.

(ii) Consolidation

The financial statements consolidate the financial statements of Australia and New Zealand Banking Group Limited (the Company) and its controlled entities.

Shares in controlled entities are stated at deemed cost in the statement of financial position.

Where controlled entities and associates have been sold or acquired during the year, their operating results have been included to the date of disposal or from the date of acquisition.

The Group adopts the equity method of accounting for associates and the Group's interest in joint venture entities. Shares in associates and joint venture entities are stated in the consolidated statement of financial position at cost plus the Group's share of post acquisition net assets. The Group's share of results of associates and joint venture entities is included in the consolidated statement of financial performance.

The Group may invest in or establish special purpose companies, or vehicles, to enable it to undertake specific types of transactions. Where the Group controls such vehicles, they are consolidated into the Group financial results.

(iii) Goodwill

Goodwill, representing the excess of the purchase consideration over the fair value of the identifiable net assets of a controlled entity at the date of gaining control, is recognised as an asset and amortised on a straight line basis over the period during which the benefits are expected to arise, not exceeding 20 years.

The unamortised balance of goodwill and the period of amortisation are reviewed annually. Where the balance exceeds the value of expected future benefits, the difference is charged to the statement of financial performance.

(iv) Foreign currency

Assets and liabilities denominated in foreign currencies are translated into Australian dollars at the rates of exchange ruling at balance date. Revenues and expenses of overseas branches and controlled entities are translated at average exchange rates for the year.

Net translation differences arising from the translation of overseas branches and controlled entities considered to be self-sustaining operations are included in the foreign currency translation reserve, after allowing for those positions hedged by foreign exchange contracts and related currency borrowings.

(v) Fee income

Fee and commission income are brought to account on an accruals basis. Yield-related front-end application fees received are deferred and accrued to income as an adjustment of yield over the period of the loan. Non yield-related application and activation lending fees received are recognised as income no later than when the loan is disbursed or the commitment to lend expires. Fees received on an ongoing basis that represent the recoupment of the costs of providing service (for example, maintaining and administering existing facilities) are taken to income when the fees are receivable.

(vi) Net loans and advances

Net loans and advances include direct finance provided to customers such as bank overdrafts, credit cards, term loans, lease finance, hire purchase finance and commercial bills.

Overdrafts, credit cards and term loans are carried at principal balances outstanding. Interest on amounts outstanding is accounted for on an accruals basis.

Finance leases and hire purchase contracts are accounted for using the finance method whereby income is taken to account progressively over the life of the lease or the contract in proportion to the outstanding investment balance.

Customer financing through redeemable preference shares is included within net loans and advances. Dividends received on redeemable preference shares are taken to the statement of financial performance as part of interest income.

All loans are subject to regular scrutiny and graded according to the level of credit risk. Loans are classified as either productive or non-accrual. The Group has adopted the Australian Prudential Regulation Authority Impaired Assets Guidelines in assessing non-accrual loans. Non-accrual loans include loans where the accrual of interest and fees has ceased due to doubt as to full recovery, and loans that have been restructured with an effective yield below the Group's average cost of funds at the date of restructuring. A specific provision is raised to cover the expected loss, where full recovery of principal is doubtful.

Restructured loans are loans with an effective yield above the Group's cost of funds and below the yield applicable to a customer of equal credit standing.

Cash receipts on non-accrual loans are, in the absence of a contrary agreement with the customer, applied as income or fees in priority to being applied as a reduction in principal, except where the cash receipt relates to proceeds from the sale of security.

(vii) Bad and doubtful debts

Each month the Group recognises an expense for credit losses based on the expected long term loss ratio for each part of the loan portfolio. The monthly charge is transferred to the General Provision which is maintained to cover losses inherent within the Group's existing loan portfolio. The method used by the Group for determining this monthly expense charge is referred to as 'economic loss provisioning' (ELP). The Group uses ELP models to calculate the expected loss by considering:

› the history of credit loss for each type and risk grade of lending; and
› the size, composition and risk profile of the current loan portfolio.

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

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

Specific provisions are maintained to cover identified doubtful debts. All known bad debts are written off in the year in which they are identified. The specific provision requirement (representing new and increased specific provisions less specific provision releases) is transferred from the general provision to the specific provision. Recoveries, representing excess transfers to the specific provision, are credited to the general provision.

Provisions for doubtful debts are deducted from loans and advances in the statement of financial position.

(viii) Acceptances

Commercial bills accepted but not held in portfolio are accounted for and disclosed as a liability with a corresponding contra asset.

The Group's own acceptances discounted are held as part of either the trading securities portfolio or the loan portfolio, depending on whether, at the time of such discount, the intention was to hold the acceptances for resale or until maturity.

(ix) Trading securities

Securities held for trading purposes are recorded at market value. Unrealised gains and losses on revaluation are taken to the statement of financial performance.

(x) Investment securities

Investment securities are those which the Group intends and has the ability to hold until maturity. Such securities are recorded at cost or at cost adjusted for amortisation of premiums or discounts.

Premiums and discounts are capitalised and amortised from the date of purchase to maturity. Interest and dividend income is accrued. Changes in market values of securities are not taken into account unless there is considered to be a permanent diminution in value.

(xi) Repurchase agreements

Securities sold under repurchase agreements are retained in the financial statements and a counterparty liability is disclosed under the classifications of Due to other financial institutions or Deposits and other borrowings. The difference between the sale price and the repurchase price is amortised over the life of the repurchase agreement and charged to interest expense in the statement of financial performance.

Securities purchased under agreements to resell are recorded as Liquid assets, Net loans and advances, or Due from other financial institutions, depending on the term of the agreement and the counterparty.

(xii) Derivative financial instruments

Derivative financial instruments (derivatives) are contracts whose value is derived from one or more underlying financial instruments or indices. They include swaps, forward rate agreements, futures, options and combinations of these instruments.

Trading derivatives, comprising derivatives entered into for customer-related or proprietary reasons or for hedging the trading portfolio, are measured at fair value and all gains and losses are taken to the statement of financial performance. Fair value losses arising from trading derivatives are not offset against fair value gains unless a legal right of set-off exists.

Derivatives designated, and effective, as hedges of underlying non-trading exposures are accounted for on the same basis as the underlying exposures. To be designated as a hedge, the fair value of the hedge must move inversely with changes in the fair value of the underlying exposure.

Gains and losses resulting from the termination of a derivative that was designated as a hedge of non-trading exposures are deferred and amortised over the remaining period of the original term covered by the terminated instrument where the underlying exposure still exists. Where the underlying exposure no longer exists, the gains and losses are recognised in the statement of financial performance.

Gains and losses on derivatives related to hedging exposures arising from anticipated transactions are deferred and recognised in the financial statements when the anticipated transaction occurs.

These gains and losses are deferred only to the extent that there is an offsetting unrecognised (unrealised) gain or loss on the exposures being hedged. Deferred gains and losses are amortised over the expected term of the hedged exposure.

Gains and losses that arise prior to and upon the maturity of transactions entered into under hedge rollover strategies are deferred and included in the measurement of the hedged anticipated transaction if the transaction is still expected to occur. If the forecasted transaction is no longer expected to occur, the gains and losses are recognised immediately in the statement of financial performance.

(xiii) Premises and equipment

Premises and equipment (including computer equipment) are carried at cost less depreciation or amortisation.

Profit or loss on the disposal of premises and equipment is determined as the difference between the carrying amount of the assets at the time of disposal and the proceeds of disposal, and is included in the results of the Group in the year of disposal.

Assets other than freehold land are depreciated at rates based upon their expected useful lives to the Group, using the straight line method. The depreciation rates used for each class of asset are:

Buildings	1%
Building integrals	10%
Furniture & equipment	10%
Computer & office equipment	12.5% to 33%
Software	14% to 33%

Leasehold improvements are amortised on a straight line basis over the remaining period of each lease.

Costs incurred in acquiring and building software and computer systems are capitalised as fixed assets and expensed as depreciation over periods of between 3 and 5 years except for the branch front end applications where 7 years is used. Costs incurred in planning or evaluating software proposals, or in maintaining systems after implementation, are not capitalised.

The carrying values of all non-current assets have been assessed and are not in excess of their recoverable amounts. The expected net cash flows included in determining recoverable amounts of non-current assets are discounted to their present values using a market determined, risk adjusted discount rate. The discount rate used ranged from 9% to 15% depending on the nature of the assets.

(xiv) Income tax

The Group adopts the liability method of tax effect accounting whereby income tax expense is calculated based on accounting profit adjusted for permanent differences. Permanent differences are items of revenue and expense which are recognised in the statement of financial performance but are not part of taxable income or vice versa.

Future tax benefits and deferred tax liabilities relating to timing differences and tax losses are carried forward at tax rates applicable to future periods. These future tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future tax benefits relating to tax losses are only carried forward where realisation of the benefit is considered virtually certain.

Provision for Australian income tax is made where the earnings of overseas controlled entities are subjected to Australian tax under the attribution rules for the taxation of foreign sourced income.

Otherwise, no provision is made for overseas withholding tax or Australian income tax which may arise on repatriation of earnings from overseas controlled entities, where it is expected these earnings will be retained by those entities to finance their ongoing business.

(xv) Employee entitlements

The amounts expected to be paid in respect of employees' entitlements to annual leave are accrued at current salary rates including on-costs. Liability for long service leave is accrued in respect of all applicable employees at the present value of future amounts expected to be paid.

(xvi) Superannuation commitments

Contributions, which are determined on an actuarial basis, to superannuation schemes are charged to personnel expenses in the statement of financial performance.

Any aggregate deficiencies arising from the actuarial valuations of the Group's defined benefit schemes have been provided for in the financial statements.

The assets and liabilities of the schemes have not been consolidated as the Company does not have direct or indirect control of the schemes.

(xvii) Leasing

Leases entered into by the Group as lessee are predominantly operating leases, and the operating lease payments are included in the statement of financial performance in equal instalments over the lease term.

(xviii) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as an other asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(xix) Life insurance

The Group's life insurance business was conducted through ANZ Life Assurance Company Limited until 30 April 2002 and its results consolidated until that date.

Components of life insurance margin on services operating income disclosed are premium revenue and related revenue, investment revenue, claims expense and insurance policy liabilities expense (refer note 41).

Premiums with no due date are recognised as revenue on a cash received basis. Premiums with a regular due date are recognised as revenue on an accruals basis. Unpaid premiums are only recognised as revenue during the days of grace or where secured by the surrender value of the policy and are included as "Other Assets" in the balance sheet.

Claims under investment-linked business are recognised when the policy ceases to participate in the earnings of the fund. Claims on non investment-linked business are recognised when the liability to the policyowner under the policy contract has been established or upon notification of the insured event depending on the type of claim.

Policy liabilities and other liabilities are measured at net present value of estimated future cash flows. Changes in net present values are recognised in the statement of financial performance as revenue or expenses in the financial year in which they occur.

All assets are measured at net market values as at the reporting date. Changes in the net market values are recognised in the statement of financial performance as revenue or expenses in the financial year in which they occur.

On 1 May 2002 the Group's life insurance business was transferred to a joint venture entity, (see note 46) which is accounted for in accordance with the equity method of accounting. The joint venture adopts similar accounting policies to those described here.

(xx) Capitalised expenses

Expenses related to the acquisition of interest earning assets are initially recognised as part of the cost of acquiring the asset and written-off as an adjustment to its yield over its expected life. For assets subject to prepayment, expected life is determined on the basis of the historical behaviour of the asset portfolio, taking into account prepayments.

2: Income

	Consolidated 2002 $m	Consolidated 2001 $m	Consolidated 2000 $m	The Company 2002 $m	The Company 2001 $m
Interest income					
From other financial institutions	121	214	243	83	153
On regulatory deposits	1	1	5	1	1
On trading and investment securities	397	471	573	324	340
On loans and advances	8,245	9,122	8,930	5,733	6,613
Other	273	443	490	192	185
	9,037	10,251	10,241	6,333	7,292
From controlled entities	–	–	–	93	187
Total interest income	9,037	10,251	10,241	6,426	7,479
Other operating income					
(i) Fee income					
Lending	876	787	727	771	686
Other, commissions[1]	1,196	1,105	1,133	861	794
	2,072	1,892	1,860	1,632	1,480
From controlled entities	–	–	–	284	372
Total fee income	2,072	1,892	1,860	1,916	1,852
(ii) Other income					
Significant transaction: Net profit before tax from sale of business to ING Australia joint venture	174	–	–	192	–
Foreign exchange earnings	365	348	342	264	279
Profit on sale of strategic investments	–	99	–	–	–
Hedge of TrUEPrs[2] Cash Flows	72	27	–	72	27
Life insurance margin on services operating income (refer note 41)	99	190	175	–	–
Profit on trading instruments	59	63	87	44	40
Profit on sale of premises[3]	5	3	13	2	3
Rental income	4	5	7	3	4
Share of associates: profit from ING joint venture	2	–	–	–	–
Share of associates profit (net of writeoffs)	29	(25)	3	–	–
Dividend income from strategic investments	–	21	19	–	–
Writedown of equity investments	–	(84)	–	–	(41)
Other	89	34	77	142	497
Total other income	898	681	723	719	809
Total other operating income[4]	2,970	2,573	2,583	2,635	2,661
Items reported as abnormal in prior periods (refer note 6)	–	–	1,207	–	–
Total income[5]	12,007	12,824	14,031	9,061	10,140

1 Includes commissions from funds management business (up to 30 April 2002)
2 Preference shares are issued via the TrUEPrs structure. This income is earnt on a fixed receive/floating pay swap of the fixed dividend commitments
3 Gross proceeds on sale of premises is $42 million (2001: $98 million, 2000: $164 million)
4 The Company's 'other income' include dividends received from controlled entities of $65 million (2001: $516 million)
5 Includes external dividend income of $3 million (2001: $75 million, 2000: $192 million) for the Group and $2 million (2001: $47 million) for the Company

3: Expenses

	Consolidated 2002 $m	Consolidated 2001 $m	Consolidated 2000 $m	The Company 2002 $m	The Company 2001 $m
Interest expense					
To other financial institutions	246	590	577	225	568
On deposits	3,019	3,597	4,082	2,371	2,860
On borrowing corporations' debt	404	454	409	–	–
On commercial paper	251	584	486	46	211
On loan capital, bonds and notes	801	797	596	793	768
Other	298	396	290	210	224
	5,019	6,418	6,440	3,645	4,631
To controlled entities	–	–	–	168	197
Total interest expense	5,019	6,418	6,440	3,813	4,828

3: Expenses (continued)

	Consolidated 2002 $m	2001 $m	2000 $m	The Company 2002 $m	2001 $m
Operating expenses					
(i) Personnel					
Employee taxes					
Payroll	66	60	68	62	57
Fringe benefits tax	31	40	33	26	32
Pension fund	103	93	99	88	79
Provision for employee entitlements	32	31	33	29	30
Salaries and wages	1,134	1,124	1,201	892	893
Other	348	327	324	293	280
Total personnel expenses	1,714	1,675	1,758	1,390	1,371
(ii) Premises					
Amortisation of leasehold improvements	14	15	13	8	8
Depreciation of buildings and integrals	17	18	23	2	3
Rent	161	152	145	131	129
Utilities and other outgoings	92	89	101	70	70
Other	15	11	12	11	10
	299	285	294	222	220
To controlled entities	–	–	–	37	34
Total premises expenses	299	285	294	259	254
(iii) Computer					
Computer contractors	34	44	34	29	50
Data communication	62	49	41	44	37
Depreciation and amortisation	140	108	96	112	62
Rentals and repairs	59	61	71	49	51
Other	129	102	101	99	87
Total computer expenses	424	364	343	333	287
(iv) Other					
Advertising and public relations	98	106	103	71	76
Amortisation of goodwill[2]	20	17	12	8	8
Audit fees (refer note 5)	3	3	3	2	2
Depreciation of furniture and equipment	35	42	42	28	31
Freight and cartage	36	32	28	30	27
Loss on sale of equipment	2	5	6	1	1
Non-lending losses, frauds and forgeries	51	45	55	36	30
Postage	47	42	45	36	32
Professional fees	97	114	136	79	91
Stationery	50	52	63	35	33
Telephone	53	70	79	38	49
Travel	77	79	83	57	58
Other	84	75	157	171	218
Total other expenses	653	682	812	592	656
(v) Restructuring[1]	63	86	107	62	73
Total operating expenses	3,153	3,092	3,314	2,636	2,641
Significant transaction: recovery from NHB litigation	(248)	–	–	(248)	–
Total operating expenses including recovery from NHB litigation	2,905	3,092	3,314	2,388	2,641
Items reported as abnormal in prior periods (refer note 6)	–	–	986	–	–
Total expenses	7,924	9,510	10,740	6,201	7,469

1 In addition, for 2000, restructuring costs of $361 million (Company $276 million) have been treated as abnormal
2 In addition, there is a notional goodwill amortisation charge (2002: $18 million; 2001: nil) included in the calculation of the share of associates income from the ING Australia joint venture

4: Equity Instruments Issued to Employees

Under existing Australian Acounting Standards, equity instruments issued to employees are not required to be expensed. The impact of expensing options[1], and shares issued under the $1,000 employee share plan, have been calculated and are disclosed below.

	Consolidated 2002 $m
Net profit attributable to shareholders of the Company	2,322
Expenses attributable to:	
Options issued to Management Board[1]	(7)
Options issued to general management[1]	(19)
Shares issued under $1,000 employee share plan	(18)
Revised net profit attributable to shareholders of the Company	2,278
Revised earnings per share basic (cents)	144.4

1 Based on fair values estimated at grant date using a modified Black Scholes model. Value of options amortised over vesting period

5: Remuneration of Auditors

	Consolidated 2002 $'000	Consolidated 2001 $'000	Consolidated 2000 $'000	The Company 2002 $'000	The Company 2001 $'000
KPMG Australia					
Audit or review of financial reports of the Company or any entity in the Group	2,065	2,296	2,386	1,586	1,465
Other audit-related services[1,2]	2,793	1,753	1,707	2,685	308
Other assurance services[3]	8,188	2,811	1,745	7,453	2,811
	13,046	6,860	5,838	11,724	4,584
Consulting[4]	–	10,867	9,578	–	10,867
Taxation	1,278	1,681	4,791	1,256	1,681
	1,278	12,548	14,369	1,256	12,548
Total remuneration	14,324	19,408	20,207	12,980	17,132
Overseas Related practices of KPMG Australia					
Audit or review of financial reports of Group entities	1,305	1,024	763	271	343
Other audit-related services[1,2]	1,611	1,755	1,319	861	1,045
Other assurance services[3]	316	937	97	101	167
	3,232	3,716	2,179	1,233	1,555
Consulting[4]	–	–	1,813	–	–
Taxation	200	452	109	111	283
	200	452	1,922	111	283
Total remuneration	3,432	4,168	4,101	1,344	1,838
Other auditors					
Audit or review of financial reports of Group entities	n/a	n/a	12	n/a	n/a
Other services	n/a	n/a	19	n/a	n/a
Total remuneration	n/a	n/a	31	n/a	n/a
Total remuneration of auditors	17,756	23,576	24,339	14,324	18,970

By virtue of an Australian Securities and Investments Commission class order dated 30 September 1998, the auditors of Australia and New Zealand Banking Group Limited and its related bodies corporate, KPMG, have been exempted from compliance with the requirements of Section 324 of the Corporations Act 2001. The class order exemption applies in that partners and associates of KPMG not engaged on the audit of Australia and New Zealand Banking Group Limited and its related bodies corporate may be indebted to the Company, provided that such indebtedness arose upon ordinary commercial terms and conditions.

It is Group policy that KPMG Australia or any of its related practices may provide assurance and other audit-related services that, while outside the scope of the statutory audit, are consistent with the role of auditor. These include regulatory and prudential reviews requested by the Company's regulators such as the Australian Prudential Regulation Authority. KPMG Australia or any of its related practices may not provide services that are perceived to be materially in conflict with the role of auditor. These include consulting advice and subcontracting of operational activities normally undertaken by management, and engagements where the auditor may ultimately be required to express an opinion on its own work. However, non-audit services that are not perceived to be materially in conflict with the role of auditor may be provided by KPMG Australia or any of its related practices subject to the approval of the ANZ Audit Committee.

1 Includes completion accounts review
2 Includes services for the audit or review of financial information other than financial reports including prudential supervision reviews for central banks, prospectus reviews, trust audits and other audits required for local statutory purposes
3 Includes due diligence services principally related to ING joint venture. Under the policy adopted by ANZ in April 2002, due diligence services are no longer provided by the external auditor, unless specifically approved by the Board
4 KPMG sold its consulting business effective 1 September 2001

6: Items Reported as Abnormal in Prior Periods

	Consolidated 2002 $m	2001 $m	2000 $m	The Company 2002 $m	2001 $m
Profit before tax					
Revaluation of properties	–	–	30	–	–
Gain on sale of investment in Colonial	–	–	33	–	–
Income from sale of Grindlays and associated businesses	–	–	1,225	–	–
(Loss) before tax					
Provisions raised on sale of Grindlays and associated businesses	–	–	(575)	–	–
Restructuring provision	–	–	(361)	–	–
Provision for litigation	–	–	(50)	–	–
Writedown of investment in Panin	–	–	(81)	–	–
Total prior period abnormal profit (loss) before tax	–	–	221	–	–
Income tax (expense) benefit applicable to					
Restatement of deferred tax balances	–	–	(64)	–	–
Sale of Grindlays and associated businesses and provisions raised	–	–	(246)	–	–
Restructuring provision	–	–	116	–	–
Provision for litigation	–	–	17	–	–
Total prior period abnormal tax (expense)	–	–	(177)	–	–
Total prior period abnormal profit after tax	–	–	44	–	–

7: Income Tax Expense

	Consolidated 2002 $m	2001 $m	2000 $m	The Company 2002 $m	2001 $m
Reconciliation of the prima facie income tax payable on profit with the income tax expense charged in the statement of financial performance					
Profit before income tax	3,223	2,783	2,789	2,150	2,257
Prima facie income tax at 30% (2001: 34%; 2000: 36%)	967	946	1,004	645	767
Tax effect of permanent differences					
Overseas tax rate differential	24	2	10	15	12
Other non-assessable income	(39)	(36)	(9)	(1)	(1)
Rebateable and non-assessable dividends	(11)	(32)	(70)	(20)	(191)
Application of available capital losses	–	–	(10)	–	–
Life insurance accounting	7	18	17	–	–
Revaluation of properties	–	–	(11)	–	–
Sale of Grindlays and associated business (net permanent difference)	–	–	12	–	–
Impact of corporate tax rate change	–	–	64	–	–
Writedown of investments	–	27	29	–	12
Restructuring provision (composite tax rate)	–	–	15	–	–
Gain on sale of strategic investment	–	–	(12)	–	–
NHB settlement tax rate differential	15	–	–	15	–
Sale of business to ING Australia joint venture	(48)	–	–	(55)	–
Other	(19)	(18)	12	41	32
	896	907	1,051	640	631
Income tax under/(over) provided in prior years	2	4	(11)	3	16
Total income tax expense	898	911	1,040	643	647
Australia	683	716	782	578	591
Overseas	215	195	258	65	56
	898	911	1,040	643	647

8: Dividends

	Consolidated 2002 $m	2001 $m	2000 $m	The Company 2002 $m	2001 $m
Ordinary dividends					
Interim dividend	583	491	445	583	491
Proposed final dividend	692	595	528	692	595
Bonus option plan adjustment	(23)	(24)	(32)	(23)	(24)
Dividends on ordinary shares	1,252	1,062	941	1,252	1,062

A final dividend of 46 cents, fully franked, is proposed to be paid on each fully paid ordinary share on 13 December 2002 (2001: final dividend of 40 cents, paid 14 December 2001, fully franked; 2000: final dividend of 35 cents, paid 15 December 2000, fully franked). The 2002 interim dividend of 39 cents, paid 1 July 2002, was fully franked, (2001: interim dividend of 33 cents, paid 2 July 2001, fully franked; 2000: interim dividend of 29 cents, paid 3 July 2000, fully franked).

The tax rate applicable to the franking credits attached to the interim dividend and to be attached to the proposed final dividend is 30% (2001: 30%, 2000: 34%).

	Consolidated 2002 $m	2001 $m	2000 $m	The Company 2002 $m	2001 $m
Dividends on preference shares	117	119	102	–	–

The Company has issued 124,032,000 preference shares, raising USD 775 million via Trust Securities issues. The Trust Securities carry an entitlement to a distribution of 8% (USD 400 million) or 8.08% (USD 375 million). The amounts are payable quarterly in arrears. Payment dates are the fifteenth days of January, April, July and October in each year.

Dividend Franking Account

The amount of franking credits available to the Company for the subsequent financial year is nil (2001 and 2000: nil), after adjusting for franking credits that will arise from the payment of tax on Australian profits for the 2002 financial year, less franking credits which will be utilised in franking the proposed final dividend and franking credits that may not be accessible by the Company at present.

From 1 July 2002 the franking credits available have been measured in accordance with the New Business Tax System (Imputation) Act 2002 as the amount of income tax paid rather than being based on after-tax profits as in previous periods.

This change in the basis of measurement does not change the value of franking credits to shareholders who may be entitled to franking credit balances.

Restrictions which Limit the Payment of Dividends

There are presently no significant restrictions on the payment of dividends from controlled entities to the Company. Various capital adequacy, liquidity, statutory reserve and other prudential requirements must be observed by certain controlled entities and the impact on these requirements caused by the payment of cash dividends is monitored. In practice however, there are significant tax considerations associated with the receipt of dividends from controlled entities by a company. Payment of dividends from domestic controlled entities constitutes assessable income to a recipient Australian company. Where the dividend is received from a company within the wholly-owned group or, if the payer company is not wholly-owned, (up to 30 June 2002) to the extent that the dividend is franked, the recipient company is generally entitled to a rebate of tax otherwise payable on the assessable dividend. With effect from 1 July 2002, for franked dividends received from non wholly-owned companies a gross up and offset mechanism applies. Should the recipient company's total assessable income be less than the rebateable/grossed up dividend income, or it be in a tax loss position, the rebate/offset will reduce or be eliminated. The Group therefore acts to preserve the availability of rebates/offsets by avoiding the payment of rebateable/grossed up dividends by domestic controlled entities in this situation.

Payments of dividends from overseas controlled entities may attract withholding taxes which have not been provided for in these financial statements.

There are presently no restrictions on payment of dividends by the Company. Reductions of shareholders' equity through payment of cash dividends is monitored having regard to the regulatory requirements to maintain a specified capital adequacy ratio. In particular, the Australian Prudential Regulation Authority has advised Australian banks that a bank under its supervision must consult with it before declaring a dividend if the bank has incurred a loss, or proposes to pay dividends which exceed the level of profits earned.

Dividend Reinvestment Plan

During the year, 2,533,819 ordinary shares were issued at $18.33 per share, and 2,484,694 ordinary shares at $19.24 per share, under the Dividend Reinvestment Plan.

Bonus Option Plan

Dividends paid during the year have been reduced by way of certain shareholders participating in the Bonus Option Plan and forgoing all or part of their right to dividends in return for the receipt of bonus shares.

During the year, 679,408 ordinary shares were issued at $18.33 per share, and 672,437 ordinary shares at $19.24 per share, under the Bonus Option Plan.

	Declared dividend $m	Bonus options exercised $m	Amount paid $m
Final dividend 2001	595	(12)	583
Interim dividend 2002	583	(12)	571
	1,178	(24)	1,154

9: Earnings per Ordinary Share

	Consolidated 2002 $m	2001 $m	2000 $m
Basic earnings per share (cents)	147.3	117.4	106.8
Earnings reconciliation			
Net profit	2,325	1,872	1,749
Less: net profit attributable to outside equity interests	3	2	2
Less: preference share dividend paid	117	119	102
Earnings used in calculating basic earnings per share	2,205	1,751	1,645
Weighted average number of ordinary shares (millions)			
Used in calculating basic earnings per share	1,496.9	1,492.1	1,540.3
Diluted earnings per share (cents)	146.6	117.0	106.0
Earnings reconciliation			
Net profit	2,325	1,872	1,749
Less: net profit attributable to outside equity interests	3	2	2
Less: preference share dividend paid	117	119	102
Earnings used in calculating diluted earnings per share	2,205	1,751	1,645
Weighted average number of ordinary shares (millions)			
Used in calculating basic earnings per share	1,496.9	1,492.1	1,540.3
Add: potential conversion of options to ordinary shares	7.6	4.2	12.1
Used in calculating diluted earnings per share	1,504.5	1,496.3	1,552.4

The weighted average number of converted and lapsed options, weighted with reference to the date of conversion or lapse, and included in the calculation of diluted earnings per share is 1.2 million.

10: Liquid Assets

	Consolidated 2002 $m	2001 $m	The Company 2002 $m	2001 $m
Australia				
Coins, notes and cash at bankers	924	571	894	495
Money at call	112	191	101	86
Securities purchased under agreement to resell less than 90 days	524	753	522	752
Bills receivable and remittances in transit	1,179	269	1,179	269
	2,739	1,784	2,696	1,602
Overseas				
Coins, notes and cash at bankers	293	231	109	82
Money at call	548	483	1	1
Other banks' certificates of deposit	2,725	3,934	2,418	3,637
Securities purchased under agreement to resell less than 90 days		12	326	–
–				
Bills receivable and remittances in transit	1,093	1,036	770	659
	4,671	6,010	3,298	4,379
Total liquid assets	7,410	7,794	5,994	5,981
Maturity analysis based on original term to maturity at 30 September				
Less than 90 days	4,821	5,504	3,432	3,692
More than (and including) 90 days	2,589	2,290	2,562	2,289
Total liquid assets	7,410	7,794	5,994	5,981

11: Due from Other Financial Institutions

	Consolidated 2002 $m	Consolidated 2001 $m	The Company 2002 $m	The Company 2001 $m
Australia	706	951	695	946
Overseas	3,109	3,878	1,954	3,288
Total due from other financial institutions	3,815	4,829	2,649	4,234
Maturity analysis based on remaining term to maturity at 30 September				
Overdraft	275	794	272	792
Less than 3 months	2,805	3,070	1,657	2,561
Between 3 months and 12 months	597	816	586	794
Between 1 year and 5 years	118	121	116	65
After 5 years	20	28	18	22
Total due from other financial institutions	3,815	4,829	2,649	4,234

12: Trading Securities

	Consolidated 2002 $m	Consolidated 2001 $m	The Company 2002 $m	The Company 2001 $m
Trading securities are allocated between Australia and Overseas based on the domicile of the issuer				
Listed – Australia				
Commonwealth securities	149	58	149	58
Local and semi-government securities	1,692	805	1,692	805
	1,841	863	1,841	863
Listed – Overseas				
Equity securities	289	–	–	–
Other non-government securities	–	6	–	–
	289	6	–	–
Total listed	2,130	869	1,841	863
Unlisted – Australia				
Other government securities	828	761	828	761
ANZ accepted bills	1,453	1,933	1,453	1,933
Other securities and equity securities	1,096	875	1,096	875
	3,377	3,569	3,377	3,569
Unlisted – Overseas				
Other government securities	300	198	1	6
Other securities and equity securities	66	191	–	–
	366	389	1	6
Total unlisted	3,743	3,958	3,378	3,575
Total trading securities	5,873	4,827	5,219	4,438

13: Investment Securities

	Consolidated 2002 $m	Consolidated 2001 $m	The Company 2002 $m	The Company 2001 $m
Investment securities are allocated between Australia and Overseas based on the domicile of the issuer				
Listed – Australia				
Other securities and equity investments	23	15	18	13
	23	15	18	13
Listed – Overseas				
Other government securities	63	167	63	167
Other securities and equity investments	–	96	–	43
	63	263	63	210
Total listed	86	278	81	223
Unlisted – Australia				
Commonwealth government securities	–	–	–	–
Local and semi-government securities	756	917	756	903
Other securities and equity investments	252	60	252	46
	1,008	977	1,008	949
Unlisted – Overseas				
New Zealand government securities	488	425	–	–
US government securities	1,322	1,025	1,322	1,025
Other government securities	169	334	149	189
Other securities and equity investments	536	448	33	14
	2,515	2,232	1,504	1,228
Total unlisted	3,523	3,209	2,512	2,177
Total investment securities	3,609	3,487	2,593	2,400
Market value information				
Listed – Australia				
Other securities and equity investments	20	15	15	13
	20	15	15	13
Listed – Overseas				
Other government securities	63	168	63	168
Other securities and equity investments	–	96	–	43
	63	264	63	211
Total market value of listed investment securities	83	279	78	224
Unlisted – Australia				
Commonwealth government securities	–	–	–	–
Local and semi-government securities	756	917	756	903
Other securities and equity investments	252	60	252	46
	1,008	977	1,008	949
Unlisted – Overseas				
New Zealand government securities	488	426	–	–
US government securities	1,322	1,025	1,322	1,025
Other government securities	169	334	149	189
Other securities and equity investments	541	448	28	14
	2,520	2,233	1,499	1,228
Total market value of unlisted investment securities	3,528	3,210	2,507	2,177
Total market value of investment securities	3,611	3,489	2,585	2,401

13: Investment Securities (continued)

Investment Securities by Maturities and Yields

Based on remaining term to maturity at 30 September 2002

At book value	Less than 3 months $m	Between 3 months and 12 months $m	Between 1 year and 5 years $m	Between 5 years and 10 years $m	After 10 years $m	No maturity specified $m	Total $m	Market Value $m
Australia								
Commonwealth securities	–	–	–	–	–	–	–	–
Local and semi-government securities	644	50	62	–	–	–	756	756
Other securities and equity investments	85	–	135	–	–	55	275	275
	729	50	197	–	–	55	1,031	1,031
Overseas								
New Zealand government securities	164	324	–	–	–	–	488	488
US government securities	100	–	1,222	–	–	–	1,322	1,322
Other government securities	126	68	38	–	–	–	232	232
Other securities and equity investments	93	21	414	1	–	7	536	538
	483	413	1,674	1	–	7	2,578	2,580
Total book value	1,212	463	1,871	1	–	62	3,609	n/a
Total market value	1,212	464	1,872	1	–	62	n/a	3,611

	Less than 1 year %	Between 1 year and 5 years %	Between 5 years and 10 years %	After 10 years %
Weighted average yields[1]				
Australia				
Commonwealth securities	–	–	–	–
Local and semi-government securities	5.03	6.34	–	–
Other securities and equity investments	5.22	5.05	–	–
Overseas				
New Zealand government securities	5.89	–	–	–
US government securities	2.19	3.88	–	–
Other government securities	3.54	3.69	–	–
Other securities and equity investments	3.96	2.11	8.00	–

1 Based on effective yields for fixed interest and discounted securities and dividend yield for equity investments at 30 September 2002

13: Investment Securities (continued)

Investment Securities by Maturities and Yields

Based on remaining term to maturity at 30 September 2001

At book value	Less than 3 months $m	Between 3 months and 12 months $m	Between 1 year and 5 years $m	Between 5 years and 10 years $m	After 10 years $m	No maturity specified $m	Total $m	Market Value $m
Australia								
Commonwealth securities	–	–	–	–	–	–	–	–
Local and semi-government securities	814	1	100	2	–	–	917	917
Other securities and equity investments	–	–	30	–	–	45	75	75
	814	1	130	2	–	45	992	992
Overseas								
New Zealand government securities	275	150	–	–	–	–	425	426
US government securities	–	–	1,025	–	–	–	1,025	1,025
Other government securities	354	119	28	–	–	–	501	502
Other securities and equity investments	24	48	267	185	–	20	544	544
	653	317	1,320	185	–	20	2,495	2,497
Total book value	1,467	318	1,450	187	–	65	3,487	n/a
Total market value	1,467	319	1,451	187	–	65	n/a	3,489

	Less than 1 year %	Between 1 year and 5 years %	Between 5 years and 10 years %	After 10 years %
Weighted average yields[1]				
Australia				
Commonwealth securities	–	–	–	–
Local and semi-government securities	5.60	6.57	6.35	–
Other securities and equity investments	–	0.85	–	–
Overseas				
New Zealand government securities	5.52	–	–	–
US government securities	–	6.30	–	–
Other government securities	7.28	8.21	–	–
Other securities and equity investments	7.36	4.03	3.84	–

1 Based on effective yields for fixed interest and discounted securities and dividend yield for equity investments at 30 September 2001

14: Net Loans and Advances

Loans and advances are classified between Australia, New Zealand and Overseas markets based on the domicile of the lending point.

	Consolidated		The Company	
	2002 $m	2001 $m	2002 $m	2001 $m
Australia				
Overdrafts	3,151	2,430	3,151	2,430
Credit card outstandings	3,888	3,352	3,888	3,352
Term loans – housing	52,381	43,969	52,381	43,969
Term loans – non-housing	31,420	31,381	28,688	28,685
Lease finance (refer below)	2,503	2,524	878	767
Hire purchase	8,203	8,075	332	302
Other	992	724	973	724
	102,538	92,455	90,291	80,229
New Zealand				
Overdrafts	619	707	–	–
Credit card outstandings	462	409	–	–
Term loans – housing	9,796	9,394	–	–
Term loans – non-housing	6,460	6,154	–	–
Lease finance (refer below)	375	294	–	–
Hire purchase	477	445	–	–
Other	908	902	–	–
	19,097	18,305	–	–
Overseas markets				
Overdrafts	860	579	722	426
Credit card outstandings	108	70	26	20
Term loans – housing	323	320	239	251
Term loans – non-housing	11,938	14,291	9,983	12,737
Lease finance (refer below)	469	642	449	382
Commercial bills	7	28	7	28
Other	9	–	3	–
	13,714	15,930	11,429	13,844
Total gross loans and advances	135,349	126,690	101,720	94,073
Provisions for doubtful debts (refer note 16)	(2,081)	(1,886)	(1,819)	(1,680)
Income yet to mature	(1,208)	(1,147)	(1)	–
	(3,289)	(3,033)	(1,820)	(1,680)
Total net loans and advances	132,060	123,657	99,900	92,393
Lease finance consists of gross lease receivables				
Current	741	463	103	135
Non-current	2,606	2,997	1,224	1,014
	3,347	3,460	1,327	1,149

14: Net Loans and Advances (continued)

Maturity Distribution and Concentrations of Credit Risk

Based on remaining term
to maturity at 30 September 2002

	Overdraft[1] $m	Less than 3 months $m	Between 3 months and 12 months $m	Between 1 year and 5 years $m	After 5 years $m	Total $m
Australia						
Agriculture, forestry, fishing and mining	398	891	433	575	1,139	3,436
Business service	278	215	396	481	750	2,120
Entertainment, leisure and tourism	98	175	442	893	857	2,465
Financial, investment and insurance	1,467	67	818	2,016	235	4,603
Government and official institutions	3	–	3	22	39	67
Lease finance	–	93	319	1,570	521	2,503
Manufacturing	381	1,483	710	1,011	718	4,303
Personal[2]	3,131	4,208	270	6,723	561	14,893
Real estate – construction	235	29	91	347	450	1,152
Real estate – mortgage[3]	116	969	1,407	9,130	45,427	57,049
Retail and wholesale trade	756	1,748	915	752	1,786	5,957
Other	178	1,443	635	723	1,011	3,990
New Zealand						
Agriculture, forestry, fishing and mining	54	124	91	269	436	974
Business service	15	40	31	109	64	259
Entertainment, leisure and tourism	26	20	17	342	59	464
Financial, investment and insurance	59	69	46	863	5	1,042
Government and official institutions	7	11	6	60	37	121
Lease finance	22	62	57	102	132	375
Manufacturing	91	134	450	688	252	1,615
Personal[2]	41	173	137	296	74	721
Real estate – construction	13	55	39	77	52	236
Real estate – mortgage[3]	619	297	275	1,050	8,704	10,945
Retail and wholesale trade	54	57	108	547	184	950
Other	79	205	160	786	166	1,396
Overseas Markets						
Agriculture, forestry, fishing and mining	18	135	141	714	544	1,552
Business service	11	10	29	121	5	176
Entertainment, leisure and tourism	5	10	6	75	26	122
Financial, investment and insurance	7	26	56	223	207	519
Government and official institutions	18	–	12	52	9	91
Lease finance	–	188	–	188	93	469
Manufacturing	211	549	711	910	705	3,086
Personal[2]	14	84	50	400	579	1,127
Real estate – construction	18	102	27	123	45	315
Real estate – mortgage[3]	41	7	341	360	262	1,011
Retail and wholesale trade	295	166	24	200	13	698
Other	329	439	433	1,778	1,568	4,547
Gross loans and advances	9,088	14,284	9,686	34,576	67,715	135,349
Specific provision for doubtful debts	(585)	–	–	–	–	(585)
Income yet to mature	–	(286)	(272)	(642)	(8)	(1,208)
	(585)	(286)	(272)	(642)	(8)	(1,793)
Loans and advances net of specific provision and income yet to mature	8,503	13,998	9,414	33,934	67,707	133,556
General provision	–	–	–	–	(1,496)	(1,496)
Net loans and advances	8,503	13,998	9,414	33,934	66,211	132,060
Interest rate sensitivity						
Fixed interest rates[4]	938	8,519	6,434	21,481	15,552	52,925
Variable interest rates	8,150	5,765	3,252	13,095	52,163	82,424
	9,088	14,284	9,686	34,576	67,715	135,349

1 Overdraft includes credit cards and unsecured lending
2 Personal includes non-business loans to individuals through overdrafts, personal loans, credit cards and fully drawn advances
3 Real estate mortgage includes residential and commercial property exposure. Loans within this category are for the purchase of such properties and must be secured by property
4 Housing loans and other loans that are capped for an initial period are fixed interest rate loans and their maturities based on the principal repayments due over the term of the loan

14: Net Loans and Advances (continued)

Maturity Distribution and Concentrations of Credit Risk

Based on remaining term
to maturity at 30 September 2001

	Overdraft[1] $m	Less than 3 months $m	Between 3 months and 12 months $m	Between 1 year and 5 years $m	After 5 years $m	Total $m
Australia						
Agriculture, forestry, fishing and mining	345	1,007	649	565	934	3,500
Business service	251	190	328	600	675	2,044
Entertainment, leisure and tourism	96	218	617	542	820	2,293
Financial, investment and insurance	1,282	155	849	1,866	159	4,311
Government and official institutions	4	43	1	28	46	122
Lease finance	–	95	327	1,550	552	2,524
Manufacturing	424	1,164	802	1,025	619	4,034
Personal[2]	2,406	3,690	570	6,269	500	13,435
Real estate – construction	212	39	107	357	483	1,198
Real estate – mortgage[3]	116	1,354	1,321	8,038	38,298	49,127
Retail and wholesale trade	664	1,745	1,005	924	1,679	6,017
Other	157	1,208	931	739	815	3,850
New Zealand						
Agriculture, forestry, fishing and mining	37	54	150	455	274	970
Business service	4	3	8	77	16	108
Entertainment, leisure and tourism	8	4	9	155	44	220
Financial, investment and insurance	45	9	379	287	444	1,164
Government and official institutions	4	2	5	83	16	110
Lease finance	11	4	15	35	229	294
Manufacturing	53	68	70	762	58	1,011
Personal[2]	42	79	252	565	144	1,082
Real estate – construction	9	23	49	120	40	241
Real estate – mortgage[3]	391	92	84	955	8,967	10,489
Retail and wholesale trade	45	387	78	506	143	1,159
Other	57	86	149	647	518	1,457
Overseas markets						
Agriculture, forestry, fishing and mining	92	454	400	648	122	1,716
Business service	9	8	33	52	4	106
Entertainment, leisure and tourism	2	17	5	94	23	141
Financial, investment and insurance	494	170	84	93	271	1,112
Government and official institutions	28	11	61	45	117	262
Lease finance	–	–	11	462	169	642
Manufacturing	112	1,204	1,151	1,259	416	4,142
Personal[2]	21	137	108	201	255	722
Real estate – construction	10	188	36	436	10	680
Real estate – mortgage[3]	8	72	138	575	356	1,149
Retail and wholesale trade	150	479	62	149	22	862
Other	299	698	958	1,286	1,155	4,396
Gross loans and advances	7,888	15,157	11,802	32,450	59,393	126,690
Specific provision for doubtful debts	(500)	–	–	–	–	(500)
Income yet to mature	–	(276)	(287)	(575)	(9)	(1,147)
	(500)	(276)	(287)	(575)	(9)	(1,647)
Loans and advances net of specific provision and income yet to mature	7,388	14,881	11,515	31,875	59,384	125,043
General provision	–	–	–	–	(1,386)	(1,386)
Net loans and advances	7,388	14,881	11,515	31,875	57,998	123,657
Interest rate sensitivity						
Fixed interest rates[4]	589	6,873	7,140	21,744	16,859	53,205
Variable interest rates	7,299	8,284	4,662	10,706	42,534	73,485
	7,888	15,157	11,802	32,450	59,393	126,690

1 Overdraft includes credit cards and unsecured lending
2 Personal includes non-business loans to individuals through overdrafts, personal loans, credit cards and fully drawn advances
3 Real estate mortgage includes residential and commercial property exposure. Loans within this category are for the purchase of such properties and must be secured by property
4 Housing loans and other loans that are capped for an initial period are fixed interest rate loans and their maturities based on the principal repayments due over the term of the loan

15: Impaired Assets

	Consolidated 2002 $m	Consolidated 2001 $m	The Company 2002 $m	The Company 2001 $m
Summary of impaired assets				
Non-accrual loans	1,203	1,260	1,006	961
Restructured loans	1	1	1	1
Unproductive facilities	54	41	52	39
Gross impaired assets	1,258	1,302	1,059	1,001
Specific provisions				
Non-accrual loans	(575)	(490)	(500)	(388)
Unproductive facilities	(10)	(10)	(9)	(9)
Net impaired assets	673	802	550	604
Non-accrual loans				
Non-accrual loans	1,203	1,260	1,006	961
Specific provisions	(575)	(490)	(500)	(388)
Total net non-accrual loans	628	770	506	573
Restructured loans				
For these loans interest and fees are recognised as income on an accrual basis	1	1	1	1
Other real estate owned				
In the event of customer default, any loan security is held as mortgagee in possession and therefore the Group does not hold any other real estate owned assets	–	–	–	–
Unproductive facilities				
Unproductive facilities	54	41	52	39
Specific provisions	(10)	(10)	(9)	(9)
Net unproductive facilities	44	31	43	30
Accruing loans past due 90 days or more				
These amounts, comprising loans less than $100,000 or fully secured, are not classified as impaired assets and therefore are not included within the above summary	216	351	153	265

15: Impaired Assets (continued)

Further analysis of impaired assets at 30 September 2002 and interest and/or other income received during the year under Australian Prudential Regulation Authority guidelines is as follows:

	Consolidated Gross balance outstanding $m	Consolidated Specific provision $m	Consolidated Interest and/or other income received $m	The Company Gross balance outstanding $m	The Company Specific provision $m	The Company Interest and/or other income received $m
Non-accrual loans						
Without provisions						
Australia	78	–	4	75	–	4
New Zealand	7	–	1	–	–	–
Overseas markets	46	–	10	17	–	6
	131	–	15	92	–	10
With provisions and no, or partial performance[1]						
Australia	436	204	5	362	178	5
New Zealand	30	20	2	–	–	–
Overseas markets	353	337	5	307	310	5
	819	561	12	669	488	10
With provisions and full performance[1]						
Australia	9	4	1	6	4	1
New Zealand	–	–	–	–	–	–
Overseas markets	244	10	1	239	8	1
	253	14	2	245	12	2
Total non-accrual loans	1,203	575	29	1,006	500	22
Restructured loans	1	–	–	1	–	–
Unproductive facilities	54	10	–	52	9	–
Total	1,258	585	29	1,059	509	22

1 A loan's performance is assessed against its contractual repayment schedule

Interest and other income forgone on impaired assets

The following table shows the estimated amount of interest and other income that would have been recorded had interest and other income on non-accrual loans and unproductive facilities been accrued to income (or, in the case of restructured loans, had interest and other income been accrued at the original contract rate), and the amount of interest and other income received with respect to such loans.

	Consolidated 2002 $m	Consolidated 2001 $m	The Company 2002 $m	The Company 2001 $m
Gross interest and other income receivable on non-accrual loans, restructured loans and unproductive facilities				
Australia	50	47	42	37
New Zealand	3	12	–	–
Overseas markets	30	67	23	38
Total gross interest and other income receivable on non-accrual loans, restructured loans and unproductive facilities	83	126	65	75
Interest and other income received				
Australia	(10)	(20)	(10)	(18)
New Zealand	(3)	(4)	–	–
Overseas markets	(16)	(14)	(12)	(10)
Total interest and other income received	(29)	(38)	(22)	(28)
Net interest and other income forgone				
Australia	40	27	32	19
New Zealand	–	8	–	–
Overseas markets	14	53	11	28
Total net interest and other income forgone	54	88	43	47

16: Provisions for Doubtful Debts

	Consolidated 2002 $m	2001 $m	2000 $m	The Company 2002 $m	2001 $m
General provision					
Balance at start of year	1,386	1,373	1,395	1,283	1,280
Adjustment for exchange rate fluctuations	(22)	2	(51)	(41)	2
Sale of Grindlays	–	–	(90)	–	–
Charge to statement of financial performance	610	531	502	460	414
Significant transactions: special charge to statement of financial performance[1]	250	–	–	250	–
Transfer to specific provision	(788)	(595)	(429)	(677)	(461)
Recoveries	60	75	46	35	48
Total general provision	1,496	1,386	1,373	1,310	1,283
Specific provision					
Balance at start of year	500	709	907	397	507
Adjustment for exchange rate fluctuations	(6)	30	88	(6)	22
Sale of Grindlays	–	–	(176)	–	–
Bad debts written off	(697)	(834)	(539)	(559)	(593)
Transfer from general provision	788	595	429	677	461
Total specific provision	585	500	709	509	397
Total provisions for doubtful debts	2,081	1,886	2,082	1,819	1,680
Provision movement analysis					
New and increased provisions					
Australia	423	562	319	348	461
New Zealand	54	67	52	–	–
Asia	12	17	98	6	20
Other overseas markets	409	30	79	403	26
	898	676	548	757	507
Provision releases	(110)	(81)	(119)	(81)	(46)
	788	595	429	676	461
Recoveries of amounts previously written off	(60)	(75)	(46)	(35)	(48)
Net specific provision	728	520	383	641	413
Net credit to general provision	132	11	119	69	1
Charge to statement of financial performance	860	531	502	710	414
Ratios					
Provisions[2] as a % of total advances[2]	%	%	%	%	%
Specific	0.4	0.4	0.5	0.4	0.4
General	1.1	1.0	1.0	1.1	1.2
Provisions[2] as a % of risk weighted assets					
Specific	0.4	0.4	0.5	0.5	0.4
General	1.1	1.0	1.1	1.3	1.2
Bad debts written off as a % of total advances[3]	0.5	0.6	0.4	0.5	0.5
Net specific provision as a % of total advances[3]	0.5	0.4	0.2	0.5	0.4

1 Following an assessment of the general provision balance in March 2002, a special provision for doubtful debts of $250 million ($175 million after tax) was charged to restore the provision balance to an appropriate level in the current environment of unexpected investment grade defaults

2 Excludes provisions for unproductive facilities

3 See definitions on page 89

17: Customers' Liabilities for Acceptances

	Consolidated 2002 $m	Consolidated 2001 $m	The Company 2002 $m	The Company 2001 $m
Australia				
Agriculture, forestry, fishing and mining	645	823	645	823
Business service	464	574	464	574
Entertainment, leisure and tourism	474	1,017	474	1,017
Financial, investment and insurance	730	555	730	555
Manufacturing	2,921	3,204	2,921	3,204
Personal[1]	14	144	14	144
Real estate – construction	147	223	147	223
Real estate – mortgage[2]	5,012	4,225	5,012	4,225
Retail and wholesale trade	1,851	2,349	1,851	2,349
Other	1,426	999	1,426	999
	13,684	14,113	13,684	14,113
Overseas				
Agriculture, forestry, fishing and mining	2	7	2	7
Business service	1	1	1	1
Financial, investment and insurance	51	137	51	137
Manufacturing	7	34	7	34
Retail and wholesale trade	18	12	18	12
Other	33	20	33	20
	112	211	112	211
Total customers' liabilities for acceptances	13,796	14,324	13,796	14,324

1 Personal includes non-business acceptances to individuals
2 Real estate mortgage includes residential and commercial property exposure. Acceptances within this category are for the purchase of such properties and must be secured by property

18: Regulatory Deposits

	Consolidated 2002 $m	Consolidated 2001 $m	The Company 2002 $m	The Company 2001 $m
Overseas central banks	178	133	138	98

19: Shares in Controlled Entities, Associates and Joint Venture Entities

Refer notes 44 to 46 for details.

	Consolidated 2002 $m	Consolidated 2001 $m	The Company 2002 $m	The Company 2001 $m
Total shares in controlled entities	–	–	6,238	6,088
Total shares in associates	99	64	18	13
Total shares in joint venture entity	1,593	–	–	–
Total shares in controlled entities, associates and joint venture entities	1,692	64	6,256	6,101

Acquisitions of controlled entities

There were no material controlled entities acquired during the year ended 30 September 2002 and 2001.

Disposals of controlled entities

On 30 April 2002, ANZ formed a joint venture with ING Australia Pty Ltd. ANZ have a 49% equity interest in the joint venture and 49% of the voting rights. ANZ sold a controlling interest in ANZ Life Assurance Company Limited, ANZ Managed Investments Limited, ANZ General Insurance Limited and Investment and Administration Services Limited to the joint venture representing net assets of $392 million (fair value of business $879 million) as well as paying $960 million in cash. ING also contributed net assets of $1,091 million into the joint venture.

ANZ's businesses were sold at fair value to the joint venture and a profit on sale of $170 million (after tax and transaction costs) was recognised.

Subsequent to 30 April 2002 ANZ accounts for its interest in the joint venture using the equity method of accounting. The results of the joint venture have been included in the consolidated financial statements since the date of acquisition.

There were no material controlled entities disposed of during the year ended 30 September 2001.

20: Deferred Tax Assets

	Consolidated 2002 $m	Consolidated 2001 $m	The Company 2002 $m	The Company 2001 $m
Future income tax assets comprises				
General provision for doubtful debts	489	436	413	383
Other	729	764	422	483
Total income tax assets	1,218	1,200	835	866
Future income tax assets				
Australia	883	920	644	714
Overseas	335	280	191	152
	1,218	1,200	835	866

Certain potential future income tax assets within the Group have not been recognised as assets because recovery cannot be regarded as virtually certain. These potential benefits arise from tax losses and timing differences (benefits could amount to $6 million, 2001: $7 million), and from realised capital losses (benefits could amount to $2 million, 2001: nil).

These benefits will only be obtained if

(i) the relevant entities derive future assessable income of a nature and amount sufficient to enable the benefit of the taxation deductions to be realised;

(ii) the relevant entities continue to comply with the conditions for deductibility imposed by law; and

(iii) there are no changes in taxation legislation adversely affecting the benefit of the taxation deductions.

21: Goodwill

	Consolidated 2002 $m	Consolidated 2001 $m	The Company 2002 $m	The Company 2001 $m
Goodwill – at cost	250	187	126	111
Accumulated amortisation	(70)	(50)	(32)	(24)
Total goodwill[1]	180	137	94	87

1 Excludes notional goodwill related to the ING joint venture of $865 million

22: Other Assets

	Consolidated 2002 $m	Consolidated 2001 $m	The Company 2002 $m	The Company 2001 $m
Property held for resale				
Cost of acquisition	25	18	–	–
Development expenses capitalised	–	20	–	–
	25	38	–	–
Provision for diminution in value	–	–	–	–
	25	38	–	–
Accrued interest/prepaid discounts	941	1,310	750	1,010
Accrued commission	133	118	93	70
Prepaid expenses	373	348	126	129
Treasury instruments revaluations	7,918	13,579	7,044	12,936
Security settlements	305	771	283	593
Operating leases residual value	437	410	–	–
Available for sale emerging markets portfolio	24	44	24	44
Other	1,654	2,288	1,283	1,992
Total other assets	11,810	18,906	9,603	16,774

23: Premises and Equipment

	Consolidated		The Company	
	2002 $m	2001 $m	2002 $m	2001 $m
Freehold and leasehold land and buildings				
At cost[1]	469	494	28	28
Provision for depreciation	(14)	(11)	(1)	(1)
	455	483	27	27
Leasehold improvements				
At cost	154	145	99	96
Provision for amortisation	(110)	(102)	(69)	(68)
	44	43	30	28
Furniture and equipment				
At cost	706	748	477	454
Provision for depreciation	(475)	(505)	(316)	(283)
	231	243	161	171
Computer and office equipment				
At cost	717	768	536	582
Provision for depreciation	(434)	(508)	(301)	(367)
	283	260	235	215
Software				
At cost	515	349	474	314
Provision for amortisation	(96)	(46)	(85)	(42)
	419	303	389	272
Capital works in progress				
At cost	32	29	24	18
Total premises and equipment	1,464	1,361	866	731

1 In accordance with AASB 1041 this represents deemed cost

From 1 October 2000 as allowed by AASB 1041 ‘Revaluation of Non Current Assets’ the Group elected to revert to the cost basis for measuring the class of assets land and building.

All premises over a specific value are subject to external valuation at least once every three years by independent valuers. Valuations are based on the estimated open market value and assume that the premises concerned continue to be used in their existing manner by the Group.

The independent valuation of the Group’s freehold land and buildings carried out as at 30 June 2002 by Jones Lang La Salle Advisory resulted in a valuation of $464 million (The Company: $32 million). As land and buildings are recorded at cost, the valuation has not been brought to account.

24: Due to Other Financial Institutions

	Consolidated 2002 $m	Consolidated 2001 $m	The Company 2002 $m	The Company 2001 $m
Australia	2,340	2,457	2,340	2,457
Overseas	8,520	10,233	8,032	9,504
Total due to other financial institutions	10,860	12,690	10,372	11,961
Maturity analysis based on remaining term to maturity at 30 September				
At call	2,639	2,636	2,338	2,185
Less than 3 months	6,623	7,890	6,453	7,612
Between 3 months and 12 months	694	2,124	677	2,124
Between 1 year and 5 years	904	40	904	40
Total due to other financial institutions	10,860	12,690	10,372	11,961

25: Deposits and Other Borrowings

Deposits and other borrowings are classified between Australia and Overseas based on the location of the deposit taking point.

	Consolidated 2002 $m	Consolidated 2001 $m	The Company 2002 $m	The Company 2001 $m
Australia				
Certificates of deposit	5,340	2,714	5,340	2,714
Term deposits	18,864	15,963	19,240	16,341
Other deposits bearing interest	37,905	33,552	37,890	33,552
Deposits not bearing interest	3,539	3,818	3,539	3,818
Commercial paper	3,963	5,043	2,868	3,265
Borrowing corporations' debt [1]	6,430	5,989	–	–
Securities sold under agreement to repurchase	10	30	10	30
Other borrowings	1,085	574	1,085	574
	77,136	67,683	69,972	60,294
Overseas				
Certificates of deposit	6,333	5,062	4,075	3,472
Term deposits	18,395	19,032	9,870	11,580
Other deposits bearing interest	6,317	6,184	869	827
Deposits not bearing interest	1,710	1,470	472	348
Commercial paper	1,654	4,059	–	–
Borrowing corporations' debt [1]	1,713	1,353	–	–
Other unsecured borrowings	39	31	–	31
	36,161	37,191	15,286	16,258
Total deposits and other borrowings	113,297	104,874	85,258	76,552
Maturity analysis based on remaining term to maturity at 30 September				
At call	46,121	44,263	39,325	37,652
Less than 3 months	49,284	45,225	36,347	30,274
Between 3 months and 12 months	13,615	10,378	8,089	6,289
Between 1 year and 5 years	4,091	4,909	1,404	2,254
After 5 years	186	99	93	83
Total deposits and other borrowings	113,297	104,874	85,258	76,552

1 Included in this balance is debenture stock of controlled entities. The debenture stock is secured by a trust deed and collateral debentures, giving floating charges upon the undertaking and all the assets of the entities involved other than land and buildings. All subsidiaries of the controlled entities (except for some subsidiaries which have been placed or are expected to be placed in voluntary deregistration and have minimal book value) have guaranteed the payment of principal, interest and other monies in relation to all debenture stock and unsecured notes issued by the controlled entity. No subsidiaries have given any charge over their respective assets in support of the above mentioned guarantees

26: Income Tax Liabilities

	Consolidated 2002 $m	Consolidated 2001 $m	The Company 2002 $m	The Company 2001 $m
Australia				
Provision for income tax	538	460	476	357
Provision for deferred income tax	593	615	315	414
	1,131	1,075	791	771
Overseas				
Provision for income tax	37	49	32	65
Provision for deferred income tax	172	211	98	63
	209	260	130	128
Total income tax liabilities	1,340	1,335	921	899
Provision for deferred income tax comprises				
Lease finance	111	209	43	31
Other	654	617	370	446
	765	826	413	477

27: Payables and Other Liabilities

	Consolidated 2002 $m	Consolidated 2001 $m	The Company 2002 $m	The Company 2001 $m
Australia				
Payables	2,174	1,515	2,137	1,349
Accrued interest and unearned discounts	721	865	611	738
Treasury instruments revaluations	4,142	7,598	4,134	7,586
Accrued charges	258	261	237	394
Security settlements	363	–	363	–
Other liabilities	128	444	128	259
	7,786	10,683	7,610	10,326
Overseas				
Payables	124	190	10	11
Accrued interest and unearned discounts	333	561	171	343
Treasury instruments revaluations	3,344	3,202	2,197	2,461
Accrued charges	136	136	52	62
Security settlements	48	327	37	318
Other liabilities	679	849	626	353
	4,664	5,265	3,093	3,548
Total payables and other liabilities	12,450	15,948	10,703	13,874

28: Provisions

	Consolidated 2002 $m	Consolidated 2001 $m	The Company 2002 $m	The Company 2001 $m
Employee entitlements	253	242	222	213
Dividends (refer note 8)	692	595	692	595
Non-lending losses, frauds and forgeries	216	775	184	717
Restructuring costs and surplus leased space	143	280	103	231
Other	440	250	410	225
Total provisions	1,744	2,142	1,611	1,981

29: Bonds and Notes

		Consolidated 2002 $m	Consolidated 2001 $m	The Company 2002 $m	The Company 2001 $m
Bonds and notes by currency					
USD	United States dollars	5,758	8,076	5,758	8,076
GBP	Great British pounds	1,346	1,225	1,346	1,225
AUD	Australian dollars	160	151	160	151
NZD	New Zealand dollars	183	165	11	–
JPY	Japanese yen	83	111	83	111
EUR	Euro dollars	4,550	3,581	4,550	3,581
HKD	Hong Kong dollars	2,188	1,854	2,188	1,854
CHF	Swiss francs	173	177	173	177
CAD	Canadian dollars	14	–	14	–
NOK	Norwegian krone	98	–	98	–
SGD	Singapore dollars	155	–	155	–
Total bonds and notes		14,708	15,340	14,536	15,175
Bonds and notes by maturity					
Maturity analysis based on remaining term to maturity at 30 September					
Less than 3 months		399	995	399	995
Between 3 months and 12 months		3,502	2,856	3,330	2,856
Between 1 year and 5 years		10,807	11,428	10,807	11,263
After 5 years		–	61	–	61
Total bonds and notes		14,708	15,340	14,536	15,175

30: Loan Capital

		Interest Rate %	Consolidated 2002 $m	Consolidated 2001 $m	The Company 2002 $m	The Company 2001 $m
Perpetual subordinated notes						
USD 300m	floating rate notes	LIBOR[1] + 0.15	551	612	551	612
USD 258.7m	fixed rate notes	9.125	476	528	476	528
			1,027	1,140	1,027	1,140
Subordinated notes						
USD 40m[2]	floating rate notes due 2002	LIBOR + 0.70	71	163	71	163
USD 250m	fixed notes due 2004	6.25	459	510	459	510
USD 125m	floating rate notes due 2005	LIBOR + 0.45	–	255	–	–
USD 500m	fixed notes due 2006	7.55	919	1,020	919	1,020
USD 12.5m	floating rate notes due 2007	LIBOR + 0.50	23	25	23	25
JPY 482m	floating rate notes due 2007	LIBOR + 0.50	7	8	7	8
USD 250m	floating rate notes due 2007	LIBOR + 0.25	–	510	–	510
JPY 568.8m	floating rate notes due 2008	LIBOR + 0.55	9	10	9	10
USD 14.3m	floating rate notes due 2008	LIBOR + 0.50	26	29	26	29
USD 79m	floating rate notes due 2008[3]	LIBOR + 0.53	145	161	145	161
AUD 400m	floating rate notes due 2008[4]	BBSW + 0.57	400	–	400	–
AUD 100m	floating rate notes due 2008[4]	BBSW + 0.57	100	–	100	–
NZD 300m	floating rate notes due 2012	bkbm(3) + 0.50	259	–	–	–
			2,418	2,691	2,159	2,436
Total loan capital			3,445	3,831	3,186	3,576
Loan capital by currency						
AUD	Australian dollars		500	–	500	–
NZD	New Zealand dollars		259	–	–	–
USD	United States dollars		2,670	3,813	2,670	3,558
JPY	Japanese yen		16	18	16	18
			3,445	3,831	3,186	3,576
Loan capital by maturity						
Maturity analysis based on remaining term to maturity at 30 September						
Between 3 months and 12 months			71	–	71	–
Between 1 year and 5 years			1,378	1,948	1,378	1,693
After 5 years			969	743	710	743
Perpetual			1,027	1,140	1,027	1,140
			3,445	3,831	3,186	3,576

1 LIBOR is an average of rates offered on loans to leading banks in the London inter-bank market
2 As at 30 September 1998 principal of note outstanding was US$200 million. Note is repayable over 5 years ($40 million (20%) per annum), commencing in October 1998
3 Prior to January 2002, the interest rate was LIBOR+ 1.03
4 After March 2007 rate changes to BBSW+ 1.07

Loan capital is subordinated in right of payment to the claims of depositors and all other creditors of the Company and its controlled entities which have issued the notes, and constitutes tier 2 capital as defined by the Australian Prudential Regulation Authority for capital adequacy purposes

31: Share Capital

Number of issued shares	2002	The Company 2001	2000
Ordinary shares each fully paid	1,503,886,082	1,488,267,146	1,506,210,690
Ordinary shares each paid to 10 cents per share[1]	–	–	73,000
Preference shares each fully paid	124,032,000	124,032,000	124,032,000
Total number of issued shares	1,627,918,082	1,612,299,146	1,630,315,690

1 90 cents outstanding per share.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Number of issued shares	2002	The Company 2001	2000
Balance at start of year	1,488,267,146	1,506,210,690	1,565,428,469
Bonus option plan	1,351,845	1,554,453	2,786,360
Dividend reinvestment plan	5,018,513	5,828,303	20,416,971
ANZ employee share acquisition plan	4,144,988	5,925,928	4,346,635
ANZ share option plan	5,103,590	2,125,120	1,947,138
ANZ share purchase scheme	–	73,000	22,000
Share buy back	–	(34,626,158)	(88,736,883)
Purchase of Amerika Samoa Bank	–	1,175,810	–
Balance at end of year	1,503,886,082	1,488,267,146	1,506,210,690

Preference shares

The preference shares are fully paid non-converting non-cumulative preference shares issued for USD 6.25 per share via Trust Securities Issues in 1998.

The Trust Securities are mandatorily exchangeable for the preference shares issued by the Company, and carry an entitlement to a non-cumulative trust distribution of 8.00% or 8.08% per annum payable quarterly in arrears. The Trust Securities were issued by a non diversified closed end management investment company registered under the US Investment Company Act of 1940. The preference shares themselves carry no present entitlement to dividends. Distribution to investors in the Trust Securities are funded by income distributions made by the Group.

Upon maturity of the Trust Securities in 2048, investors will mandatorily exchange the Trust Securities for the preference shares and thereupon the preference shares will carry an entitlement to non-cumulative dividends of 8.00% or 8.08% per annum payable quarterly in arrears. The mandatory exchange of the Trust Securities for the preference shares may occur earlier at the Company's option or in specified circumstances.

With the prior consent of the Australian Prudential Regulation Authority, the preference shares are redeemable at the Company's option after 5 years, or within 5 years in limited circumstances. The entitlement of investors to distributions on the Trust Securities will cease on redemption of the preference shares.

The transaction costs arising on the issue of these instruments were recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate.

		Consolidated 2002 $m	Consolidated 2001 $m	The Company 2002 $m	The Company 2001 $m
Preference share net proceeds at start and end of year	USD	748	748	748	748
Preference share net proceeds translated to AUD at 30 September rate	AUD	1,375	1,526	1,375	1,526

Share Buybacks

The Company conducted no on-market buybacks during the year ended 30 September 2002.

32: Outside Equity Interests

	Consolidated 2002 $m	Consolidated 2001 $m
Share capital	2	2
Retained Profits	15	11
Total outside equity interests	17	13

33: Capital Adequacy

The Australian Prudential Regulation Authority (APRA) adopts a risk-based capital assessment framework for Australian banks based on internationally accepted capital measurement standards. This risk-based approach requires eligible capital to be divided by total risk weighted assets, with the resultant ratio being used as a measure of a bank's capital adequacy.

Capital is divided into tier 1, or 'core' capital, and tier 2, or 'supplementary' capital. For capital adequacy purposes, eligible tier 2 capital cannot exceed the level of tier 1 capital. Banks are required to deduct from total capital any strategic holdings of other banks' capital instruments and investments in entities engaged in life insurance, funds management and securitisation activities. Under APRA guidelines, banks must maintain a ratio of qualifying capital to risk weighted assets of at least 8 per cent.

The measurement of risk weighted assets is based on: a) A credit risk-based approach wherein risk weightings are applied to statement of financial position assets and to credit converted off balance sheet exposures. Categories of risk weights are assigned based upon the nature of the counterparty and the relative liquidity of the assets concerned and: b) The recognition of risk weighted assets attributable to market risk arising from trading and commodity positions. Trading and commodity balance sheet positions do not attract a risk weighting under the credit risk-based approach.

Qualifying capital	Consolidated 2002 $m	Consolidated 2001 $m
Tier 1		
Total shareholders' equity and outside equity interests	11,465	10,551
Asset revaluation reserve	(31)	(31)
Accumulated retained profits of insurance and funds management entities	(48)	–
Unamortised goodwill	(158)	(115)
Investment in ANZ Lenders Mortgage Insurance	(27)	(18)
Tier 1 capital	11,201	10,387
Tier 2		
Asset revaluation reserve	31	31
Perpetual notes – subordinated	1,027	1,140
General provision for doubtful debts[1]	1,007	950
	2,065	2,121
Subordinated notes[2]	1,872	2,436
Tier 2 capital	3,937	4,557
Deductions		
Investment in Funds Management entities	(43)	(567)
Investment in joint venture with ING	(1,593)	–
Other	(67)	(37)
	(1,703)	(604)
Total qualifying capital	13,435	14,340
Adjusted common equity[3]	8,123	8,257

Statement of financial position	Assets 2002 $m	Assets 2001 $m	Risk weighted assets 2002 $m	Risk weighted assets 2001 $m
Cash, claims on Australian Commonwealth and State Governments, and Territories, claims on OECD central governments, local currency claims on non-OECD governments and other zero weighted assets	21,188	28,173	–	–
Claims on approved banks and local governments	10,827	12,831	2,165	2,567
Advances secured by residential mortgages, approved merchant banks and stockbroking positions	65,575	57,420	32,788	28,710
Other assets – credit risk	82,697	84,283	82,697	84,283
Total statement of financial position assets – credit risk	180,287	182,707	117,650	115,560
Trading assets – market risk	2,818	2,786	n/a	n/a
Total statement of financial position assets	183,105	185,493	117,650	115,560

1 Excluding attributable future income tax benefit
2 Subordinated note issues are reduced by 20% of the original amount during each of the last five years to maturity
3 Tier 1 capital less preference share, less deductions

33: Capital Adequacy (continued)

Off balance sheet exposures	Contract/ notional amount 2002 $m	Contract/ notional amount 2001 $m	Credit equivalent 2002 $m	Credit equivalent 2001 $m	Risk weighted assets 2002 $m	Risk weighted assets 2001 $m
Direct credit substitutes	9,853	8,268	9,853	8,268	8,304	6,503
Trade and performance related items	12,781	10,570	5,905	4,866	5,431	4,479
Commitments	60,409	56,976	7,296	7,241	6,506	7,010
Foreign exchange, interest rate and other market related transactions	470,287	779,830	10,080	16,446	3,126	5,025
Total off balance sheet exposures – credit risk	553,330	855,644	33,134	36,821	23,367	23,017
Total risk weighted assets – credit risk					141,017	138,579
Risk weighted assets – market risk					373	550
Total risk weighted assets					141,390	139,129

Capital adequacy ratios	2002 %	2001 %
Tier 1	7.9	7.5
Tier 2	2.8	3.2
Deductions	(1.2)	(0.4)
Total	9.5	10.3
Adjusted common equity[1]	5.7	5.9

1 Tier 1 capital, less preference shares, less deductions

34: Average Balance Sheet and Related Interest

Averages used in the following table are predominantly daily averages. Interest income figures are presented on a tax-equivalent basis. Non-accrual loans are included under the interest earning asset category "Loans, advances and bills discounted". Intragroup interest earning assets and interest bearing liabilities are treated as external assets and liabilities for the geographic segments.

	2002 Average balance $m	2002 Interest $m	2002 Average rate %	2001 Average balance $m	2001 Interest $m	2001 Average rate %	2000 Average balance $m	2000 Interest $m	2000 Average rate %
Interest earning assets									
Due from other financial institutions									
Australia	653	26	3.9	858	47	5.5	1,134	62	5.4
New Zealand	570	26	4.6	589	34	5.7	344	19	5.6
Overseas markets	2,404	69	2.9	2,326	133	5.7	2,407	162	6.7
Investments in public securities									
Australia	5,384	259	4.8	4,517	254	5.6	4,881	289	5.9
New Zealand	1,253	55	4.4	1,690	103	6.1	1,040	60	5.8
Overseas markets	1,550	82	5.3	1,613	114	7.1	2,234	227	10.1
Loans, advances and bills discounted									
Australia	95,846	6,273	6.5	90,028	6,694	7.4	81,373	6,156	7.6
New Zealand	18,129	1,363	7.5	17,258	1,466	8.5	16,625	1,368	8.2
Overseas markets	14,195	627	4.4	15,087	986	6.5	17,118	1,428	8.3
Other assets									
Australia	1,463	17	1.2	1,475	98	6.7	1,705	98	5.7
New Zealand	1,349	83	6.1	1,109	69	6.3	1,005	81	8.1
Overseas markets	3,124	179	5.7	2,751	276	10.0	3,292	317	9.6
Intragroup assets									
Overseas markets	9,525	211	2.2	12,358	536	4.3	9,042	420	4.6
	155,445	9,270		151,659	10,810		142,200	10,687	
Intragroup elimination	(9,525)	(211)		(12,358)	(536)		(9,042)	(420)	
	145,920	9,059	6.2	139,301	10,274	7.4	133,158	10,267	7.7
Non-interest earning assets									
Acceptances									
Australia	14,556			15,421			15,061		
New Zealand	–			–			–		
Overseas markets	152			249			343		
Premises and equipment	1,349			1,264			1,353		
Other assets	18,189			19,957			18,090		
Provisions for doubtful debts									
Australia	(1,805)			(1,742)			(1,830)		
New Zealand	(176)			(166)			(163)		
Overseas markets	(58)			(156)			(381)		
	32,207			34,827			32,473		
Total assets	178,127			174,128			165,631		
Total average assets									
Australia	130,515			126,530			117,181		
New Zealand	22,607			21,925			20,337		
Overseas markets	34,530			38,031			37,155		
	187,652			186,486			174,673		
Intragroup elimination	(9,525)			(12,358)			(9,042)		
	178,127			174,128			165,631		
% of total average assets attributable to overseas activities	26.7%			27.3%			29.3%		

34: Average Balance Sheet and Related Interest (continued)

	2002 Average balance $m	2002 Interest $m	2002 Average rate %	2001 Average balance $m	2001 Interest $m	2001 Average rate %	2000 Average balance $m	2000 Interest $m	2000 Average rate %
Interest bearing liabilities									
Time deposits									
Australia	20,741	937	4.5	19,395	1,081	5.6	24,750	1,387	5.6
New Zealand	8,894	456	5.1	8,411	519	6.2	8,159	476	5.8
Overseas markets	15,113	417	2.8	13,156	658	5.0	15,234	931	6.1
Savings deposits									
Australia	10,964	245	2.2	9,623	269	2.8	9,181	247	2.7
New Zealand	3,113	76	2.4	2,832	89	3.1	2,894	85	2.9
Overseas markets	449	7	1.5	353	7	2.0	1,359	57	4.2
Other demand deposits									
Australia	23,397	792	3.4	20,456	872	4.3	17,053	781	4.6
New Zealand	1,903	78	4.1	1,621	82	5.0	1,469	66	4.5
Overseas markets	704	11	1.6	809	20	2.5	1,371	52	3.8
Due to other financial institutions									
Australia	942	49	5.2	434	31	7.2	232	15	6.3
New Zealand	514	17	3.3	481	20	4.2	482	20	4.1
Overseas markets	7,399	180	2.4	10,224	539	5.3	8,976	542	6.0
Commercial paper									
Australia	3,888	178	4.6	5,275	310	5.9	5,256	307	5.8
Overseas markets	3,641	73	2.0	5,408	274	5.1	3,079	180	5.8
Borrowing corporations' debt									
Australia	6,097	316	5.2	6,108	365	6.0	5,935	340	5.7
New Zealand	1,472	88	6.0	1,334	88	6.6	1,136	69	6.1
Loan capital, bonds and notes									
Australia	15,639	756	4.8	12,397	733	5.9	8,719	554	6.4
New Zealand	441	30	6.8	399	29	7.2	316	23	7.3
Overseas markets	540	15	2.7	600	35	5.9	276	19	7.0
Other liabilities[1]									
Australia	1,463	165	n/a	1,938	169	n/a	1,454	63	n/a
New Zealand	117	98	n/a	108	160	n/a	116	156	n/a
Overseas markets	37	33	n/a	47	66	n/a	246	70	n/a
Intragroup Liabilities									
Australia	6,778	128	1.9	8,763	395	4.5	5,511	286	5.2
New Zealand	2,747	83	3.0	3,595	141	3.9	3,531	134	3.8
	136,993	5,228		133,767	6,952		126,735	6,860	
Intragroup elimination	(9,525)	(211)		(12,358)	(536)		(9,042)	(420)	
	127,468	5,017	3.9	121,409	6,416	5.3	117,693	6,440	5.5

1 Includes foreign exchange swap costs

34: Average Balance Sheet and Related Interest (continued)

	2002 Average balance $m	2001 Average balance $m	2000 Average balance $m
Non-interest bearing liabilities			
Deposits			
Australia	3,925	3,713	3,636
New Zealand	873	883	794
Overseas markets	597	432	1,280
Acceptances			
Australia	14,556	15,421	15,061
New Zealand	–	–	–
Overseas markets	152	249	343
Other liabilities	19,634	21,917	17,147
	39,737	42,615	38,261
Total liabilities	167,205	164,024	155,954
Total average liabilities			
Australia	123,341	120,416	110,875
New Zealand	21,507	20,988	19,347
Overseas markets	31,882	34,978	34,774
	176,730	176,382	164,996
Intragroup elimination	(9,525)	(12,358)	(9,042)
	167,205	164,024	155,954
Total average shareholders' equity			
Ordinary share capital[1]	9,507	8,666	8,451
Preference share capital	1,415	1,438	1,226
	10,922	10,104	9,677
Total average liabilities and shareholders' equity	178,127	174,128	165,631
% of total average liabilities attributable to overseas activities	30.3%	31.9%	32.4%

1 Includes reserves and retained profits

35: Interest Spreads and Net Interest Average Margins

	2002 $m	2001 $m	2000 $m
Net interest income[1]			
Australia	3,009	2,868	2,625
New Zealand	601	544	499
Overseas markets	432	446	703
	4,042	3,858	3,827
Average interest earning assets			
Australia	103,346	96,878	89,093
New Zealand	21,301	20,646	19,014
Overseas markets	30,798	34,135	34,093
Intragroup elimination	(9,525)	(12,358)	(9,042)
	145,920	139,301	133,158
	%	%	%
Gross earnings rate[2]			
Australia	6.36	7.32	7.41
New Zealand	7.17	8.10	8.04
Overseas markets	3.79	5.99	7.49
Group	6.21	7.38	7.71
Interest spreads and net interest average margins may be analysed as follows			
Australia			
Gross interest spread	2.44	2.35	2.35
Interest forgone on impaired assets[3]	(0.04)	(0.03)	(0.03)
Net interest spread	2.40	2.32	2.32
Interest attributable to net non-interest bearing items	0.51	0.64	0.63
Net interest average margin – Australia	2.91	2.96	2.95
New Zealand			
Gross interest spread	2.34	2.13	2.37
Interest forgone on impaired assets[3]	–	(0.03)	(0.02)
Net interest spread	2.34	2.10	2.35
Interest attributable to net non-interest bearing items	0.48	0.54	0.28
Net interest average margin – New Zealand	2.82	2.64	2.63
Overseas markets			
Gross interest spread	1.20	0.92	1.61
Interest forgone on impaired assets[3]	(0.05)	(0.16)	(0.18)
Net interest spread	1.15	0.76	1.43
Interest attributable to net non-interest bearing items	0.25	0.55	0.63
Net interest average margin – Overseas markets	1.40	1.31	2.06
Group			
Gross interest spread	2.31	2.15	2.31
Interest forgone on impaired assets[3]	(0.04)	(0.06)	(0.07)
Net interest spread	2.27	2.09	2.24
Interest attributable to net non-interest bearing items	0.50	0.68	0.63
Net interest average margin – Group	2.77	2.77	2.87

1 On a tax equivalent basis
2 Average interest rate received on interest earning assets. Overseas markets includes intragroup assets
3 Refer note 15 to the financial report

36: Market Risk

Market risk is the risk to earnings arising from changes in interest rates, currency exchange rates, or from fluctuations in bond, commodity or equity prices.

The Board of Directors through the Risk Management Committee, a Committee of the Board, has responsibility for oversight of market risk within the Group. Routine management of market risk is delegated to two senior management committees chaired by the Chief Financial Officer. The Credit and Trading Risk Committee is responsible for traded market risk, while the Group Asset and Liability Committee is responsible for non-traded market risk (or balance sheet risk).

The Credit and Trading Risk Committee monitors traded market risk exposures (including Value at Risk and Stress Testing) and is responsible for authorising the trading risk limit framework. The Group Asset and Liability Committee reviews balance sheet based risk measures and strategies on a monthly basis.

The Value at Risk (VaR) Measure

A key measure of market risk is Value at Risk (VaR). VaR is a statistical estimate of the likely daily loss and is based on historical market movements. The confidence level is such that there is 97.5% probability that the loss will not exceed the VaR estimate on any given day.

The Group's standard VaR approach for both traded and non-traded risk is historical simulation. The Group calculates VaR using historical changes in market rates and prices over the previous 500 business days.

It should be noted that because VaR is driven by actual historical observations, it is therefore not an estimate of the maximum loss that the Group could experience from an extreme market event. As a result of this limitation, the Group utilises a number of other risk measures (eg stress testing) and associated supplementary limits to measure and manage traded market risk.

Traded and non-traded market risks have been considered separately below.

Traded Market Risks

Trading activities are focused on customer trading, distribution and underwriting of a range of securities and derivative instruments. The principal activities include foreign exchange, interest rate and debt markets. These activities are managed on a global product basis.

Below are aggregate VaR exposures covering both derivative and non-derivative trading positions for the Group's principal trading centres.

	As at Sep 02 $m	High for period Sep 02 $m	Low for period Sep 02 $m	Ave for period Sep 02 $m	As at Sep 01 $m	High for period Sep 01 $m	Low for period Sep 01 $m	Avg for period Sep 01 $m
Value at risk at 97.5% confidence								
Foreign exchange	1.1	2.3	0.5	1.1	1.6	2.8	0.8	1.3
Interest rate	1.0	3.4	0.7	1.5	1.6	4.8	1.5	2.8
Diversification benefit	(0.6)	(1.8)	(0.2)	(0.5)	(0.3)	(2.5)	(0.4)	(0.9)
Total	1.5	3.9	1.0	2.1	2.9	5.1	1.9	3.2

VaR is calculated separately for Foreign Exchange/Commodities and for Interest Rate/Debt Markets businesses as well as Total Group. The diversification benefit reflects the correlation implied by historical rates between Foreign Exchange/Commodities and Interest Rate/Debt Markets.

Non-Traded Market Risks (Balance Sheet Risk)

The principal objectives of balance sheet management are to manage interest income sensitivity while maintaining acceptable levels of interest rate and liquidity risk and to hedge the market value of the Group's capital.

Interest Rate Risk

The objective of balance sheet interest rate risk management is to secure stable and optimal net interest income over both the short (next 12 months) and long term. Non-traded interest rate risk relates to the potential adverse impact of changes in market interest rates on the Group's future net interest income. This risk arises from two principal sources: mismatches between the repricing dates of interest bearing assets and liabilities; and the investment of capital and other non-interest bearing liabilities in interest bearing assets. Interest rate risk is reported as follows using three measures: VaR, scenario analysis (to a 1% shock) and disclosure of the interest rate sensitivity gap (Note 37).

36: Market Risk (continued)

a) VaR Interest Rate Risk

Below are aggregate VaR figures covering non-traded interest rate risk.

	As at Sep 02 $m	High for period Sep 02 $m	Low for period Sep 02 $m	Ave for period Sep 02 $m	As at Sep 01 $m	High for period Sep 01 $m
Value at risk at 97.5% confidence						
ANZ	56.9	56.9	45.0	49.7	44.7	48.0
Diversification impact	–	–	–	–	–	–
Total	56.9	56.9	45.0	49.7	44.7	48.0

b) Scenario Analysis – A 1% Shock on the Next 12 Months' Net Interest Income

A 1% overnight parallel positive shift in the yield curve is modelled to determine the potential impact on net interest income over the immediate forward period of 12 months. This is a standard risk quantification tool.

The figures in the table below indicate the outcome of this risk measure for the current and previous financial years – expressed as a percentage of reported net interest income. The sign indicates the nature of the rate sensitivity with a positive number signifying that a rate increase is positive for net interest income over the next 12 months. Conversely, a negative number signifies that a rate increase is negative for the next 12 months' net interest income.

	Impact of 1% Rate Shock Consolidated Group Position 2002	2001
As at 30 September	0.43%	(0.01%)
Maximum exposure (in absolute terms)	0.63%	1.47%
Minimum exposure (in absolute terms)	0.04%	0.01%
Average exposure (in absolute terms)	0.25%	0.50%

The extent of mismatching between the repricing characteristics and timing of interest bearing assets and liabilities at any point has implications for future net interest income. On a global basis, the Group quantifies the potential variation in future net interest income as a result of these repricing mismatches each month using a static gap model.

The repricing gaps themselves are constructed based on contractual repricing information. However, for those assets and liabilities where the contractual term to repricing is not considered to be reflective of the actual interest rate sensitivity (for example, products priced at the Group's discretion), a profile based on historically observed and/or anticipated rate sensitivity is used. This treatment excludes the effect of basis risk between customer pricing and wholesale market pricing. For example, when wholesale market rates are anticipating an official rate increase the Group does not reprice certain customer business until the first repricing date after the official rate rise.

The majority of the Group's non-traded interest exposure exists in Australia and New Zealand. In these centres, a sophisticated balance sheet simulation process supplements this static gap information. This allows the net interest income outcomes of a number of different scenarios – with different market interest rate environments and future balance sheet structures – to be identified. This better enables the Group to accurately quantify the interest rate risks associated with the balance sheet, and to formulate strategies to manage current and future risk profiles.

Foreign Currency Related Risks

The Group's investment of capital in non-Australian operations generates an exposure to changes in the relative value of individual currencies against the Australian Dollar. Variations in the value of these foreign currency investments are reflected in the Foreign Currency Translation Reserve.

The Group incurs some non-traded foreign currency risk related to the potential repatriation of profits from non-Australian business units. This risk is routinely monitored and hedging is conducted where it is likely to add shareholder value.

The risk relating to mismatching of non-traded foreign currency assets and liabilities has not been presented, as this type of risk is minimal for the Group.

37: Interest Sensitivity Gap

The following table represents the interest rate sensitivity as at 30 September 2002 of the Group's assets, liabilities and off balance sheet instruments repricing (that is, when interest rates applicable to each asset or liability can be changed) in the periods shown.

Repricing gaps are based upon contractual repricing information except where the contractual terms are not considered to be reflective of actual interest rate sensitivity, for example, those assets and liabilities priced at the Group's discretion. In such cases, the rate sensitivity is based upon historically observed and/or anticipated rate sensitivity.

Sensitivity to interest rates arises from mismatches in the period to repricing of assets and that of the corresponding liability funding. These mismatches are managed within policy guidelines for mismatch positions.

At 30 September 2002	Less than 3 months $m	Between 3 months and 6 months $m	Between 6 months and 12 months $m	Between 1 year and 5 years $m	After 5 years $m	Not bearing interest $m	Total $m
Liquid assets and due from other financial institutions	8,071	893	11	44	32	2,174	11,225
Trading and investment securities	6,339	717	646	1,247	365	168	9,482
Net loans and advances	99,459	6,918	7,130	19,028	545	(1,020)	132,060
Other assets	86	56	73	245	104	29,774	30,338
Total assets	113,955	8,584	7,860	20,564	1,046	31,096	183,105
Certificates of deposit and term deposits	38,231	5,183	3,638	1,869	11	–	48,932
Other deposits	38,073	820	984	4,283	–	5,312	49,472
Other borrowings and due to other financial institutions	16,494	2,694	2,589	2,014	25	1,937	25,753
Other liabilities	124	2	–	1	22	29,181	29,330
Bonds, notes and loan capital	8,646	1,087	486	7,458	476	–	18,153
Total liabilities	101,568	9,786	7,697	15,625	534	36,430	171,640
Shareholders' equity and outside equity interests						11,465	11,465
Off balance sheet items affecting interest rate sensitivity	(7,873)	(1,859)	(2,189)	12,289	(368)	–	–
Interest sensitivity gap							
– net	4,514	(3,061)	(2,026)	17,228	144	(16,799)	–
– cumulative	4,514	1,453	(573)	16,655	16,799	–	–

The bulk of the Group's loan/deposit business is conducted in the domestic balance sheets of Australia and New Zealand and is priced on a floating rate basis. The mix of repricing maturities in these books is influenced by the underlying financial needs of customers.

Offshore operations, which are generally wholesale in nature, are able to minimise interest rate sensitivity through closely matching the maturity of loans and deposits. Given both the size and nature of their business, the interest rate sensitivities of these balance sheets contribute little to the aggregate risk exposure, which is primarily a reflection of the positions in Australia and New Zealand.

In Australia and New Zealand, a combination of pricing initiatives and off-balance sheet instruments are used in the management of interest rate risk. For example, where a strong medium to long term rate view is held, hedging and pricing strategies are used to modify the profile's rate sensitivity so that it is positioned to take advantage of the expected movement in interest rates. However, such positions are taken within the overall risk limits specified by policy.

37: Interest Sensitivity Gap (continued)

The following table represents the interest rate sensitivity as at 30 September 2001 of the Group's assets, liabilities and off balance sheet instruments repricing (that is, when interest rates applicable to each asset or liability can be changed) in the periods shown.

At 30 September 2001	Less than 3 months $m	Between 3 months and 6 months $m	Between 6 months and 12 months $m	Between 1 year and 5 years $m	After 5 years $m	Not bearing interest $m	Total $m
Liquid assets and due from other financial institutions	9,343	1,264	217	3	23	1,773	12,623
Trading and investment securities	5,531	815	343	1,484	23	118	8,314
Net loans and advances	89,803	8,045	7,774	18,666	594	(1,225)	123,657
Other assets	699	106	78	265	72	39,679	40,899
Total assets	105,376	10,230	8,412	20,418	712	40,345	185,493
Certificates of deposit and term deposits	33,270	3,856	3,163	2,467	15	–	42,771
Other deposits	35,167	728	874	3,966	17	4,272	45,024
Other borrowings and due to other financial institutions	19,683	3,609	2,510	1,780	–	2,187	29,769
Other liabilities	170	1	1	21	71	37,943	38,207
Bonds, notes and loan capital	11,576	1,151	474	5,381	589	–	19,171
Total liabilities	99,866	9,345	7,022	13,615	692	44,402	174,942
Shareholders' equity and outside equity interests	–	–	–	–	–	10,551	10,551
Off balance sheet items affecting interest rate sensitivity	(2,005)	(7,218)	(23)	9,848	(602)	–	–
Interest sensitivity gap							
– net	3,505	(6,333)	1,367	16,651	(582)	(14,608)	–
– cumulative	3,505	(2,828)	(1,461)	15,190	14,608	–	–

38: Net Fair Value of Financial Instruments

Australian Accounting Standard AASB 1033: Presentation and Disclosure of Financial Instruments (AASB 1033) requires disclosure of the net fair value of on and off balance sheet financial instruments. The disclosures exclude all non-financial instruments, such as income taxes and regulatory deposits, and specified financial instruments, such as interests in controlled entities. The aggregate net fair value amounts do not represent the underlying value of the Group.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Net fair value is the fair value adjusted for transaction costs.

Quoted market prices, where available, are adjusted for material transaction costs and used as the measure of net fair value. In cases where quoted market values are not available, net fair values are based on present value estimates or other valuation techniques. For the majority of short-term financial instruments, defined as those which reprice or mature in 90 days or less, with no significant change in credit risk, the net fair value was assumed to equate to the carrying amount in the Group's statement of financial position.

The fair values are based on relevant information available as at 30 September 2002. While judgement is used in obtaining the net fair value of financial instruments, there are inherent weaknesses in any estimation technique. Many of the estimates involve uncertainties and matters of significant judgement, and changes in underlying assumptions could significantly affect these estimates. Furthermore, market prices or rates of discount are not available for many of the financial instruments valued and surrogates have been used which may not reflect the price that would apply in an actual sale.

The net fair value amounts have not been updated for the purposes of these financial statements since 30 September 2002, and therefore the net fair value of the financial instruments subsequent to 30 September 2002 may be different from the amounts reported.

Financial Assets	Net fair value 2002 $m	Net fair value 2001 $m	Carrying value 2002 $m	Carrying value 2001 $m
Liquid assets	7,410	7,794	7,410	7,794
Due from other financial institutions	3,815	4,829	3,815	4,829
Trading securities	5,873	4,827	5,873	4,827
Investment securities, shares in associates and joint venture entities	5,389	3,595	5,301	3,551
Loans and advances	133,793	125,687	132,060	123,657
Customers' liabilities for acceptances	13,796	14,324	13,796	14,324
Other financial assets	12,114	24,061	11,413	23,305

Liquid assets and Due from other financial institutions

The carrying values of these financial instruments are considered to approximate their net fair values as they are short-term in nature or are receivable on demand.

Trading securities

Trading securities are carried at market value. Market value is generally based on quoted market prices, broker or dealer price quotations, or prices for securities with similar credit risk, maturity and yield characteristics.

Shares in associates and Joint venture entities

Net fair value is based on quoted market prices or broker or dealer price quotations. If this information is not available net fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristics, or by reference to the net tangible asset backing of the investee.

Investment securities

Net fair value is based on quoted market prices or broker or dealer price quotations. If this information is not available, net fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

Loans, advances and Customers' liabilities for acceptances

The carrying value of loans, advances and acceptances is net of specific and general provisions for doubtful debts and income yet to mature. The estimated net fair value of loans, advances and acceptances is based on the discounted amount of estimated future cash flows and accordingly has not been adjusted for either specific or general provisions for doubtful debts.

Estimated contractual cash flows for performing loans are discounted at estimated current bank credit spreads to determine fair value. For loans with doubt as to collection, expected cash flows (inclusive of the value of security) are discounted using a rate which includes a premium for the uncertainty of the flows.

The difference between estimated net fair values of loans, advances and acceptances and carrying value reflects changes in interest rates and the credit worthiness of borrowers since loan origination.

Net lease receivables, with a carrying value of $3,151 million (2001: $3,249 million) and a net fair value of $3,155 million (2001: $3,259 million), are included in loans and advances.

38: Net Fair Value of Financial Instruments (continued)

Other financial assets

Included in this category are accrued interest, fees receivable and derivative financial instruments. The carrying values of accrued interest and fees receivable are considered to approximate their net fair values as they are short term in nature or are receivable on demand.

The fair values of derivative financial instruments such as interest rate swaps and currency swaps were calculated using discounted cash flow models based on current market yields for similar types of instruments and the maturity of each instrument. Foreign exchange contracts and interest rate option contracts were valued using market prices and option valuation models as appropriate.

Properties held for resale, deferred tax assets and prepaid expenses are not considered financial assets.

	Net fair value		Carrying value	
Financial Liabilities	2002 $m	2001 $m	2002 $m	2001 $m
Due to other financial institutions	10,860	12,690	10,860	12,690
Deposits and other borrowings	113,380	105,041	113,297	104,874
Liability for acceptances	13,796	14,324	13,796	14,324
Bonds and notes	14,999	15,525	14,708	15,340
Loan capital	3,505	3,888	3,445	3,831
Other financial liabilities	12,194	15,755	11,975	15,513

Due to other financial institutions

The carrying value of amounts due to other financial institutions is considered to approximate the net fair value.

Deposits and other borrowings

The net fair value of a deposit liability without a specified maturity or at call is deemed by AASB 1033 to be the amount payable on demand at the reporting date. The fair value is not adjusted for any value expected to be derived from retaining the deposit for a future period of time.

For interest bearing fixed maturity deposits and other borrowings and acceptances without quoted market prices, market borrowing rates of interest for debt with a similar maturity are used to discount contractual cash flows.

Bonds and notes and Loan capital

The aggregate net fair value of bonds and notes and loan capital at 30 September 2002 was calculated based on quoted market prices. For those debt issues where quoted market prices were not available, a discounted cash flow model using a yield curve appropriate for the remaining term to maturity of the instrument was used.

Other financial liabilities

This category includes accrued interest and fees payable for which the carrying amount is considered to approximate the fair value. Also included are derivative financial instruments, where fair value is determined on the basis described under “Other financial assets”.

Income tax liabilities, other provisions and accrued charges are not considered financial instruments.

Commitments and contingencies

As outlined in note 48, the Group has various credit related commitments. Based upon the level of fees currently charged for granting such commitments, taking into account maturity and interest rates, together with any changes in the creditworthiness of counterparties since origination of the commitments, their estimated replacement or net fair value is not material.

Transaction costs

The fair value of financial instruments required to be disclosed under US accounting standard, Statement of Financial Accounting Standards No. 107 “Disclosures about Fair Value of Financial Instruments” (SFAS 107) is calculated without regard to estimated transaction costs. Such transaction costs are not material, and accordingly the fair values shown above would not differ materially from fair values calculated in accordance with SFAS 107.

39: Derivative Financial Instruments

Derivatives

Derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices. They include swaps, forward rate agreements, futures, options and combinations of these instruments. The use of derivatives and their sale to customers as risk management products is an integral part of the Group's trading activities. Derivatives are also used to manage the Group's own exposure to fluctuations in exchange and interest rates as part of its asset and liability management activities and are classified as other than trading. Derivatives are subject to the same types of credit and market risk as other financial instruments, and the Group manages these risks in a consistent manner.

The principal exchange rate contracts used by the Group are forward foreign exchange contracts, currency swaps and currency options. Forward foreign exchange contracts are agreements to buy or sell a specified quantity of foreign currency on a specified future date at an agreed rate. A currency swap generally involves the exchange, or notional exchange, of equivalent amounts of two currencies and a commitment to exchange interest periodically until the principal amounts are re-exchanged on a future date. Currency options provide the buyer with the right, but not the obligation, either to purchase or sell a fixed amount of a currency at a specified rate on or before a future date. As compensation for assuming the option risk, the option writer generally receives a premium at the start of the option period.

The principal interest rate contracts used by the Group are forward rate agreements, interest rate futures, interest rate swaps and options. Forward rate agreements are contracts for the payment of the difference between a specified interest rate and a reference rate on a notional deposit at a future settlement date. There is no exchange of principal. An interest rate future is an exchange traded contract for the delivery of a standardised amount of a fixed income security or time deposit at a future date. Interest rate swap transactions generally involve the exchange of fixed and floating interest payment obligations without the exchange of the underlying principal amounts.

Derivative transactions generate income for the Group from buy sell spreads and from trading positions taken by the Group. Income from these transactions is taken to net interest income, foreign exchange earnings or profit on trading instruments. Income or expense on derivatives entered into for balance sheet and revenue hedging purposes is accrued and recorded as an adjustment to the interest income or expense of the related hedged item.

39: Derivative Financial Instruments (continued)

Credit risk

The credit risk of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligation. Credit risk arises when market movements are such that the derivative has a positive value to the Group. It is the cost of replacing the contract in the event of counterparty default. The Group limits its credit risk within a conservative framework by dealing with creditworthy counterparties, setting credit limits on exposures to counterparties, and obtaining collateral where appropriate.

The following table provides an overview of the Group's exchange rate, credit, commodity and interest rate derivatives. It includes all trading and other than trading contracts. Notional principal amounts measure the amount of the underlying physical or financial commodity and represent the volume of outstanding transactions. They are not a measure of the risk associated with a derivative.

The credit equivalent amount is calculated in accordance with the Australian Prudential Regulation Authority's Capital Adequacy guidelines. It combines the aggregate gross replacement cost with an allowance for the potential increase in value over the remaining term of the transaction should market conditions change.

The fair value of a derivative represents the aggregate net present value of the cash inflows and outflows required to extinguish the rights and obligations arising from the derivative in an orderly market as at the reporting date. Fair value does not indicate future gains or losses, but rather the unrealised gains and losses from marking to market all derivatives at a particular point in time.

Consolidated	Notional principal amount 2002 $m	Credit equivalent amount 2002 $m	Fair value 2002 $m	Notional principal amount 2001 $m	Credit equivalent amount 2001 $m	Fair value 2001 $m
Foreign exchange contracts						
Spot and forward contracts	140,867	3,390	815	274,880	7,312	2,171
Swap agreements	23,834	1,807	(13)	34,507	3,519	959
Futures contracts[1]	337	n/a	–	–	n/a	–
Options purchased	8,779	435	272	13,586	1,068	834
Options sold[2]	11,741	n/a	(216)	13,481	n/a	(614)
Other contracts	3,046	623	456	3,776	580	363
	188,604	6,255	1,314	340,230	12,479	3,713
Interest rate contracts						
Forward rate agreements	35,890	18	5	68,997	84	13
Swap agreements	212,765	3,491	634	278,152	3,814	519
Futures contracts[1]	26,934	n/a	(4)	97,825	n/a	(9)
Options purchased	16,118	127	88	8,067	65	76
Options sold[2]	9,244	n/a	(65)	11,766	n/a	(89)
	300,951	3,636	658	464,807	3,963	510
Credit contracts						
Credit default swaps[3]	5,722	3,277	(13)	507	4	–
	495,277	13,168	1,959	805,544	16,446	4,223

1 Credit equivalent amounts have not been included as there is minimal credit risk associated with exchange traded futures where the clearing house is the counterparty
2 Options sold have no credit exposure, as they represent obligations rather than assets
3 The Group has entered structured financing transactions that expose it to the performance of certain assets under credit default swaps. The total investment of the Group in these transactions is USD 750 million

39: Derivative Financial Instruments (continued)

The maturity structure of derivative activity is a primary component of potential credit exposure. The table below shows the remaining maturity profile by class of derivatives, based on notional principal amounts. The table also shows the notional principal amounts of the derivatives held for trading and other than trading purposes.

Consolidated At 30 September 2002	Remaining life Less than 1 year $m	Remaining life 1 to 5 years $m	Remaining life Greater than 5 years $m	Total $m	Trading $m	Other than Trading $m
Foreign exchange contracts						
Spot and forward contracts	132,923	7,480	464	140,867	130,940	9,927
Swap agreements	5,315	13,448	5,071	23,834	6,534	17,300
Future contracts	325	12	–	337	337	–
Options purchased	7,019	1,498	262	8,779	8,779	–
Options sold	9,658	1,918	165	11,741	11,741	–
Other contracts	955	1,789	302	3,046	2,959	87
	156,195	26,145	6,264	188,604	161,290	27,314
Interest rate contracts						
Forward rate agreements	35,608	282	–	35,890	32,681	3,209
Swap agreements	95,830	86,697	30,238	212,765	173,199	39,566
Futures contracts	18,087	8,847	–	26,934	26,705	229
Options purchased	9,012	6,554	552	16,118	16,118	–
Options sold	8,959	280	5	9,244	9,244	–
	167,496	102,660	30,795	300,951	257,947	43,004
Credit contracts						
Credit default swaps	1,520	4,156	46	5,722	1,718	4,004
Total	325,211	132,961	37,105	495,277	420,955	74,322

Consolidated At 30 September 2001	Remaining life Less than 1 year $m	Remaining life 1 to 5 years $m	Remaining life Greater than 5 years $m	Total $m	Trading $m	Other than Trading $m
Foreign exchange contracts						
Spot and forward contracts	261,717	12,664	499	274,880	267,332	7,548
Swap agreements	10,581	18,090	5,836	34,507	11,123	23,384
Options purchased	11,294	2,029	263	13,586	13,586	–
Options sold	11,597	1,590	294	13,481	13,481	–
Other contracts	897	2,439	440	3,776	3,776	–
	296,086	36,812	7,332	340,230	309,298	30,932
Interest rate contracts						
Forward rate agreements	62,237	6,760	–	68,997	67,006	1,991
Swap agreements	126,912	114,655	36,585	278,152	242,042	36,110
Futures contracts	86,079	11,746	–	97,825	97,825	–
Options purchased	3,453	4,460	154	8,067	8,067	–
Options sold	11,319	442	5	11,766	11,766	–
	290,000	138,063	36,744	464,807	426,706	38,101
Credit contracts						
Credit default swaps	467	40	–	507	40	467
Total	586,553	174,915	44,076	805,544	736,044	69,500

39: Derivative Financial Instruments (continued)

Concentrations of credit risk exist for groups of counterparties when they have similar economic characteristics. Major concentrations of credit risk arise by location and type of customer.

The following table shows the concentrations of credit risk, by class of counterparty and by geographic location, measured by credit equivalent amount. In excess of 40% (2001: 55%) of the Group's exposures are with counterparties which are either Australian banks or banks based in other OECD countries.

Consolidated At 30 September 2002	OECD governments $m	Australian and OECD banks $m	Corporations, non-OECD banks and others $m	Total $m
Australia	402	3,113	6,351	9,866
New Zealand	17	378	333	728
Overseas markets	1	2,206	367	2,574
	420	5,697	7,051	13,168

Consolidated At 30 September 2001	OECD governments $m	Australian and OECD banks $m	Corporations, non-OECD banks and others $m	Total $m
Australia	566	5,662	5,372	11,600
New Zealand	17	600	374	991
Overseas markets	2	3,425	428	3,855
	585	9,687	6,174	16,446

39: Derivative Financial Instruments (continued)

The next table shows the fair values of the Group's derivatives by product type, disaggregated into gross unrealised gains and gross unrealised losses. The fair value of a derivative represents the aggregate net present value of the cash inflows and outflows required to extinguish the rights and obligations arising from the derivative in an orderly market as at the reporting date. Fair value does not indicate future gains or losses, but rather the unrealised gains and losses from marking to market all derivatives at a particular point in time.

	Other than Trading		Trading		Trading	
Consolidated	Fair value as at 2002 $m	Fair value as at 2001 $m	Fair value as at 2002 $m	Fair value as at 2001 $m	Fair value Average 2002 $m	Fair value Average 2001 $m
Foreign exchange contracts						
Spot and forward contracts						
Gross unrealised gains	1,452	1,514	553	2,964	2,187	4,679
Gross unrealised losses	(349)	(41)	(841)	(2,266)	(1,689)	(4,252)
Swap agreements						
Gross unrealised gains	333	1,821	436	249	354	540
Gross unrealised losses	(96)	(33)	(686)	(1,077)	(728)	(1,063)
Options purchased	–	–	272	834	348	896
Options sold	–	–	(216)	(614)	(412)	(529)
Other contracts						
Gross unrealised gains	–	–	501	416	459	204
Gross unrealised losses	–	–	(45)	(54)	(45)	(142)
	1,340	3,261	(26)	452	474	333
Interest rate contracts						
Forward rate agreements						
Gross unrealised gains	–	6	16	44	19	34
Gross unrealised losses	–	(19)	(11)	(18)	(11)	(34)
Swap agreements						
Gross unrealised gains	605	470	2,013	2,379	2,181	2,339
Gross unrealised losses	(267)	(217)	(1,717)	(2,113)	(1,911)	(2,086)
Futures contracts						
Gross unrealised gains	–	–	36	84	51	80
Gross unrealised losses	–	–	(40)	(93)	(56)	(82)
Options purchased	–	–	88	76	81	50
Options sold	–	–	(65)	(89)	(71)	(56)
	338	240	320	270	283	245
Credit contracts						
Credit default swaps						
Gross unrealised gains	–	–	75	–	42	–
Gross unrealised losses	(15)	–	(73)	–	(33)	–
	(15)	–	2	–	9	–
Total	1,663	3,501	296	722	766	578

The fair values of derivatives vary over time depending on movements in interest and exchange rates and the trading or hedging strategies used.

39: Derivative Financial Instruments (continued)

In addition to customer and trading activities, the Group uses, inter alia, derivatives to manage the risk associated with its balance sheet and future revenue streams. The principal objectives of asset and liability management are to hedge the market value of the Group's capital and to manage and control the sensitivity of the Group's income while maintaining acceptable levels of interest rate and liquidity risk. The Group also uses a variety of foreign exchange derivatives to hedge against adverse movements in the value of foreign currency denominated assets and liabilities and future revenue streams.

The table below shows the notional principal amount, credit equivalent amount and fair value of derivatives held by the Group, split between those entered into for customer-related and trading purposes, and those entered into for other than trading purposes.

Consolidated	Notional principal amount 2002 $m	Credit equivalent amount 2002 $m	Fair value 2002 $m	Notional principal amount 2001 $m	Credit equivalent amount 2001 $m	Fair value 2001 $m
Foreign exchange and commodity contracts						
Customer-related and trading purposes	161,290	3,689	(26)	309,298	8,366	452
Other than trading purposes	27,314	2,566	1,340	30,932	4,113	3,261
	188,604	6,255	1,314	340,230	12,479	3,713
Interest rate contracts						
Customer-related and trading purposes	257,947	2,992	320	426,706	3,391	270
Other than trading purposes	43,004	644	338	38,101	572	240
	300,951	3,636	658	464,807	3,963	510
Credit contracts						
Customer - related and trading purposes	1,718	189	2	40	4	–
Other than trading purposes	4,004	3,088	(15)	467	–	–
	5,722	3,277	(13)	507	4	–
Total	495,277	13,168	1,959	805,544	16,446	4,223

Detailed below are the net deferred realised and unrealised gains and losses arising from other than trading contracts used to hedge interest rate exposure or to hedge anticipated transactions. These gains and losses are deferred only to the extent that there is an offsetting unrecognised gain or loss on the exposure being hedged. Deferred gains or losses are generally amortised over the expected term of the hedged exposure.

Consolidated	Foreign Exchange Contracts 2002 $m	Foreign Exchange Contracts 2001 $m	Interest Rate and Credit Contracts 2002 $m	Interest Rate and Credit Contracts 2001 $m	Total 2002 $m	Total 2001 $m
Expected recognition in income						
Within one year	(10)	(22)	165	183	155	161
One to two years	(7)	(36)	130	143	123	107
Two to five years	(3)	(46)	105	190	102	144
Greater than five years	–	–	102	101	102	101
	(20)	(104)	502	617	482	513

40: Securitisation

During the year ended 30 September 2002, the Group securitised residential mortgage loans amounting to $nil (2001: $2,470 million) and commercial loans amounting to $66 million (2001: $190 million).

These loans have been removed from the Group's balance sheet and transferred to third party special purpose entities (SPEs).

The Group retains servicing and (for some loans) custodian responsibilities for the loans sold. Following a securitisation, the Group receives fees for servicing the loans, custodian fees, fees for facilities provided and any excess income derived by the SPE after interest has been paid to investors and net credit losses and expenses absorbed.

The Group does not hold any material retained interest in the loans that have been sold. There is no recourse against the Group if cash flows from the securitised loans are inadequate to service the obligations of the SPE except to the limited extent provided in the transaction documents through the provision of arms length services and facilities.

The securities issued by the SPEs do not represent deposits or other liabilities of the Company or the Group. Neither the Company nor the Group in any way stands behind the capital value and/or performance of the securities or the assets of the SPEs except to the limited extent provided in the transaction documents through the provision of arms length services and facilities.

The Group may also provide liquidity facilities and other forms of credit enhancement to ensure adequate funds are available to the SPEs. The facilities are undrawn and are classified as contingent liabilities. The Group also provides hedging facilities to the SPEs to mitigate interest rate and currency risks. All these transactions are completed on an arms length basis.

The following table summarises the cash flows between the Group and the SPEs in respect of securitisation activities.

	2002 $m	2001 $m
Proceeds from securitising loans	66	2,660
Servicing fees received	6	2
Other cash inflows	17	6

41: Life Insurance

	Consolidated 2002[1] $m	2001 $m	2000 $m
Reconciliation of Life Insurance margin on services operating income to profit after income tax:			
Premium and related revenue	701	1,600	1,689
Investment revenue	238	20	369
Claims expense	(636)	(1,330)	(1,249)
Insurance policy liabilities expense	(204)	(100)	(634)
Life insurance margin on services operating income	99	190	175
Operating expenses	(54)	(105)	(73)
Profit before income tax	45	85	102
Income tax expense	(20)	(47)	(53)
Profit after income tax	25	38	49

	2002[1] $m	2001 $m	2000 $m
Profit after income tax arose from:			
Movements in policy liabilities separated between:			
Planned margin of revenues over expenses released	18	36	36
Difference between actual and assumed experience	(1)	(11)	(4)
Investment earnings on assets in excess of policy liabilities	8	13	17
Profit after income tax	25	38	49

1 ANZ Life Assurance Company Limited was sold into a joint venture with ING Australia in April 2002. Accordingly the results shown only include profits to 30 April 2002

42: Segment Analysis

For management purposes the Group is organised into seven major business segments including Personal Banking and Wealth, Corporate Banking, Investment Banking, Consumer Finance, Mortgages, Asset Finance and Small to Medium Business.
A description of each segment is shown below:

Personal Banking and Wealth	Provides a full range of banking and wealth management services for consumers.
Corporate Businesses	Comprises corporate banking, global institutional banking and global transaction services.
Investment Banking	Comprises global foreign exchange, global capital markets, global structured finance and corporate financing and advisory.
Consumer Finance	Provides consumer and commercial credit cards, ePayment products, personal loans and merchant payment facilities.
Mortgages	Provides mortgage finance secured by residential real estate.
Asset Finance	Provides secured financing for motor vehicles and other assets, fleet management and vendor financing facilities, and fixed interest securities through the issue of debentures.
Small to Medium Business	Provides a full range of banking services for metropolitan-based small to medium businesses.

As the composition of segments has changed over time, September 2001 comparatives have been adjusted to be consistent with the 2002 segment definitions. Comparatives for the year ended 30 September 2000 have not been provided because data could not reasonably be disaggregated into the changed segments.

The following analysis details financial information by business segment.

Business Segment Analysis[1,2]

Consolidated Total 30 September 2002	Personal Banking & Wealth $m	Corporate Businesses $m	Investment Banking $m	Consumer Finance $m	Mortgages $m	Asset Finance $m	Small to Medium Business $m	Other[3,4] $m	Consolidated Total $m
External interest income	555	1,421	989	598	3,671	967	423	413	9,037
External interest expense	(1,011)	(744)	(1,433)	(1)	(159)	(472)	(191)	(1,008)	(5,019)
Net intersegment interest	1,533	(12)	706	(208)	(2,830)	(159)	87	883	–
Net interest income	1,077	665	262	389	682	336	319	288	4,018
Other external operating income	789	720	536	393	89	69	80	263	2,939
Net intersegment income	306	(36)	(4)	(86)	(230)	(8)	(33)	91	–
Operating income	2,172	1,349	794	696	541	397	366	642	6,957
Other external expenses	(1,056)	(306)	(335)	(234)	(119)	(150)	(124)	(581)	(2,905)
Net intersegment expenses	(284)	(139)	(27)	(74)	(42)	(29)	–	595	–
Operating expenses	(1,340)	(445)	(362)	(308)	(161)	(179)	(124)	14	(2,905)
Share of net profit/loss of equity accounted investments	32	–	2	(5)	–	–	–	2	31
Charge for doubtful debts	(38)	(144)	(68)	(161)	(28)	(69)	(16)	(336)	(860)
Income tax expense	(253)	(231)	(54)	(73)	(106)	(47)	(69)	(65)	(898)
Outside equity interests	–	(2)	(1)	–	–	–	–	–	(3)
Profit after income tax	573	527	311	149	246	102	157	257	2,322
Non-Cash Expenses									
Depreciation	59	8	11	20	6	11	1	90	206
Amortisation of goodwill	3	1	–	7	7	2	–	–	20
Financial Position									
Total external assets	10,635	42,822	25,669	5,551	64,826	12,410	6,764	14,428	183,105
Associate investments	1,661	–	24	4	–	1	–	2	1,692
Total external liabilities	39,342	40,373	20,654	249	3,551	9,704	7,589	50,178	171,640

1 Results are equity standardised
2 Intersegment transfers are accounted for and determined on an arm's length or cost recovery basis
3 Includes Treasury; Operations, Technology & Shared Services; Corporate Centre, Risk & Finance
4 Includes net profit from disposal of investments

42: Segment Analysis (continued)

Business Segment Analysis[1,2]

Consolidated 30 September 2001	Personal Banking & Wealth $m	Corporate Businesses $m	Investment Banking $m	Consumer Finance $m	Mortgages $m	Asset Finance $m	Small to Medium Business $m	Other[3,4] $m	Consolidated Total $m
External interest income	626	1,802	1,761	567	3,768	1,012	405	310	10,251
External interest expense	(1,162)	(865)	(2,043)	–	(154)	(552)	(185)	(1,457)	(6,418)
Net intersegment interest	1,632	(268)	491	(233)	(2,959)	(122)	83	1,376	–
Net interest income	1,096	669	209	334	655	338	303	229	3,833
Other external operating income	816	665	547	329	78	59	68	36	2,598
Net intersegment income	272	(38)	(8)	(70)	(203)	(9)	(38)	94	–
Operating income	2,184	1,296	748	593	530	388	333	359	6,431
Other external expenses	(1,038)	(303)	(331)	(205)	(108)	(158)	(113)	(836)	(3,092)
Net intersegment expenses	(292)	(147)	(23)	(61)	(42)	(30)	(8)	603	–
Operating expenses	(1,330)	(450)	(354)	(266)	(150)	(188)	(121)	(233)	(3,092)
Share of net profit/loss of equity accounted investments	(2)	–	1	–	–	–	–	(24)	(25)
Charge for doubtful debts	(38)	(149)	(64)	(171)	(24)	(65)	(17)	(3)	(531)
Income tax expense	(288)	(229)	(43)	(57)	(120)	(43)	(65)	(66)	(911)
Outside equity interests	–	(2)	–	–	–	–	–	–	(2)
Profit after income tax	526	466	288	99	236	92	130	33	1,870
Non-Cash Expenses									
Depreciation	48	7	9	17	1	9	1	91	183
Amortisation of goodwill	–	1	–	7	7	2	–	–	17
Financial Position									
Total external assets	13,597	44,245	29,851	4,881	55,901	12,013	6,013	18,992	185,493
Associate investments	37	–	12	10	–	–	–	5	64
Total external liabilities	39,998	37,133	26,112	313	3,014	9,566	6,873	51,933	174,942

1 Results are equity standardised
2 Intersegment transfers are accounted for and determined on an arms length or cost recovery basis
3 Includes Treasury; Operations, Technology & Shared Services; Corporate Centre, Risk & Finance
4 Includes net profit from disposal of investments

The following analysis details financial information by geographic location.

Geographic Segment Analysis[5,6] Consolidated	2002 $m	2002 %	2001 $m	2001 %	2000 $m	2000 %
Income[7]						
Australia	8,697	72	9,012	70	7,991	57
New Zealand	1,917	16	2,011	16	1,843	13
Overseas markets	1,393	12	1,801	14	4,197	30
	12,007	100	12,824	100	14,031	100
Total assets						
Australia	135,050	74	133,057	72	127,306	74
New Zealand	23,799	13	22,337	12	20,354	12
Overseas markets	24,256	13	30,099	16	24,807	14
	183,105	100	185,493	100	172,467	100

5 Intersegment transfers are accounted for and determined on an arm's length or cost recovery basis
6 The geographic segments represent the locations in which the transaction was booked
7 2000 includes abnormal items

43: Notes to the Statements of Cash Flows

	Consolidated 2002 $m	Consolidated 2001 $m	Consolidated 2000 $m	The Company 2002 $m	The Company 2001 $m
a) Reconciliation of net profit after income tax to net cash provided by operating activities		Inflows (Outflows)		Inflows (Outflows)	
Net profit after income tax	2,322	1,870	1,747	1,507	1,610
Adjustments to reconcile net profit after income tax to net cash provided by operating activities					
Provision for doubtful debts	860	531	502	710	414
Depreciation and amortisation	226	181	186	113	111
Provision for employee entitlements, restructuring and other provisions	248	300	1,354	224	221
Payments from provisions	(436)	(288)	(297)	(299)	(179)
(Profit) on sale of premises and equipment	(5)	(1)	(17)	(1)	(2)
Provision for surplus lease space	1	–	(7)	1	–
(Profit) on sale of controlled entities and associates	(170)	–	(1,239)	–	–
Recovery from NHB litigation	(248)	–	–	(248)	–
Profit on sale of investment securities	(4)	–	–	–	–
Net decrease (increase)					
Trading securities	(1,030)	(629)	(25)	(782)	(987)
Interest receivable	328	137	(325)	230	254
Accrued income	(16)	(34)	23	(25)	(31)
Net debit tax balances	46	88	286	69	(20)
Amortisation of discounts/premiums included in interest income	(30)	(52)	(67)	(6)	(5)
Net increase (decrease)					
Interest payable	(348)	(285)	332	(272)	(283)
Accrued expenses	(1)	(42)	89	(2)	117
Other	(12)	73	(74)	–	(6)
Total adjustments	(591)	(21)	721	(288)	(396)
Net cash provided by operating activities	1,731	1,849	2,468	1,219	1,214

b) Reconciliation of cash and cash equivalents[1]

Cash and cash equivalents include liquid assets and amounts due from other financial institutions with an original term to maturity of less than 90 days. Cash and cash equivalents at the end of the financial year as shown in the statements of cash flows are reconciled to the related items in the statements of financial position as follows

	Consolidated 2002 $m	Consolidated 2001 $m	Consolidated 2000 $m	The Company 2002 $m	The Company 2001 $m
Liquid assets – less than 90 days	4,821	5,504	2,662	3,432	3,692
Due from other financial institutions – less than 90 days	3,104	3,567	3,800	2,021	3,055
	7,925	9,071	6,462	5,453	6,747

1 At 30 September 2002, cash and cash equivalents totalling nil (2001: nil; 2000: $2 million) were not available for use outside the local operations due to exchange control regulations

43: Notes to the Statements of Cash Flows (continued)

c) Acquisitions and disposals[1]

	Consolidated 2002 $m	2001 $m	2000 $m
Details of aggregate assets and liabilities of controlled entities and branches acquired, and disposed of, by the Group are as follows:			
Fair value of net assets acquired			
Net loans and advances	141	408	–
Trading securities	–	4	–
Other assets	106	30	4
Premises and equipment	5	5	14
Payables and other liabilities	(7)	(11)	(6)
Deposits and other borrowings	(230)	(348)	(9)
Income tax liability	–	(42)	(2)
Fair value of net assets acquired	14	46	1
Goodwill on acquisition	53	5	42
Consideration paid	67	51	43
Cash consideration paid	67	36	43
Fair value of net assets disposed			
Liquid assets	8	99	520
Due from other financial institutions	–	–	338
Trading securities	–	–	107
Investment securities	36	–	1,592
Net loans and advances	–	–	6,028
Customers' liabilities for acceptances	–	–	250
Regulatory deposits	–	–	661
Life insurance investment assets	5,090	–	–
Shares in controlled entities and associates	–	–	60
Other assets	38	–	3,333
Premises and equipment	4	–	272
Due to other financial institutions	–	–	(808)
Deposits and other borrowings	–	–	(10,589)
Liability for acceptances	–	–	(250)
Income tax liability	–	–	11
Payables and other liabilities	(22)	–	(295)
Life insurance policy liabilities	(4,798)	–	–
Provisions	36	–	(25)
Loan capital	–	–	(76)
Fair value of net assets disposed	392	99	1,129
Profit on disposal net of transaction costs	174	–	1,239
Net consideration received/receivable	566	99	2,368
Cash consideration received	–	99	2,368

1 For details on acquisitions and disposals refer to Note 19

d) Non-cash financing and investing activities

	Consolidated 2002 $m	2001 $m	2000 $m	The Company 2002 $m	2001 $m
Share capital issues					
Dividend reinvestment plan	94	86	236	94	86

43: Notes to the Statements of Cash Flows (continued)

	2002 Available $m	2002 Unused $m	2001 Available $m	2001 Unused $m
e) Financing arrangements				
Financing arrangements which are available under normal financial arrangements				
Credit standby arrangements				
Standby lines	1,197	551	1,048	188
Other financing arrangements				
Overdrafts and other financing arrangements	1,124	68	1,273	64
Total finance available	2,321	619	2,321	252

44: Controlled Entities

All controlled entities are 100% owned unless otherwise noted.

The material controlled entities of the Group are	Incorporated in	Nature of Business
Australia and New Zealand Banking Group Limited	Australia	Banking
ANZCover Insurance Pty Ltd	Australia	Self-Insurance
ANZ Executors & Trustee Company Limited	Australia	Trustee/Nominee
ANZ Funds Pty Ltd	Australia	Holding Company
ANZ Holdings (New Zealand) Limited*	New Zealand	Holding Company
EFTPOS New Zealand Limited*	New Zealand	Eftpos Service Provider
ANZ Banking Group (New Zealand) Limited*	New Zealand	Banking
Tui Securities Limited*	New Zealand	Investment
UDC Finance Limited*	New Zealand	Finance
Endeavour Finance Limited*	New Zealand	Finance
Tui Endeavour Limited*	New Zealand	Finance
ANZ International Private Limited*	Singapore	Finance
ANZ Singapore Limited*	Singapore	Merchant Banking
Minerva Holdings Limited*	England	Holding Company
ANZEF Limited*	England	Export Finance
ANZ Lenders Mortgage Insurance Pty Limited	Australia	Mortgage Insurance
ANZ Holdings Pty Ltd	Australia	Property Owner
ANZ Investment Holdings Pty Ltd	Australia	Investment
530 Collins Street Property Trust	Australia	Investment Activities
ANZ Properties (Australia) Pty Ltd	Australia	Property Owner
ANZ Securities (Holdings) Limited	Australia	Holding Company
Australia and New Zealand Banking Group (PNG) Limited*	Papua New Guinea	Banking
Esanda Finance Corporation Limited	Australia	General Finance
Fleet Partners Pty Limited	Australia	Finance
ANZ Capel Court Limited	Australia	Investment Banking
PT ANZ Panin Bank *1	Indonesia	Banking
US Distribution Trust I	USA	Investment
US Distribution Trust II	USA	Investment
Alliance Holdings Limited	Australia	Investment
NMRSB Pty Ltd	Australia	Investment
ANZ Financial Products Pty Ltd	Australia	Investment
Orchard Investments Pty Ltd	Australia	Investment

* Audited by overseas KPMG firms

1 Outside equity interests hold ordinary shares or units in the controlled entities listed above as follows:
PT ANZ Panin Bank – 7,500 IDR 1M shares (15%) (2001: 7,500 IDR 1M shares (15%))

45: Associates

Significant associates of the Group are as follows:

	Ownership Interest held	Voting Interest	Incorporated in	Carrying Value $m	Reporting date	Principal activity
PT Panin Indonesia Bank[1]	11%	11%	Indonesia	67	31 December	Banking
ECard Pty Ltd[2]	20%	20%	Australia	4	30 June	Smart Cards
Alto Plastics Limited[3]	68%	25%	New Zealand	7	31 March	Manufacturing
Motion Industries Limited[4]	81%	25%	New Zealand	6	31 March	Manufacturing
Australian Convenience Foods Pty Ltd[5]	46%	20%	Australia	7	30 June	Manufacturing
Other associates				8		
Total shares in associates				99		

1 An associate from 1 April 2001. In addition, the Group holds options over a further 18% of PT Panin Indonesia Bank
2 An associate from 1 June 2000
3 An associate from 31 October 2000
4 An associate from 1 April 2001
5 An associate from 20 August 2002

46: Interests in Joint Venture Entities

The Group has an interest in a joint venture entity as follows:

	Interest held	Voting Interest[2]	Incorporated in	Carrying Value $m	Reporting date	Principal activity
ING Australia Ltd[1]	49%	49%	Australia	1,593	31 December	Funds Management and Insurance

1 A joint venture entity from 1 May 2002
2 The Group has right of veto on certain decisions

	2002 $m
Retained profits attributable to the joint venture entity	
At the beginning of the financial year	–
At the end of the financial year	2
Movement in the carrying amount of the joint venture entity	
Carrying amount at the commencement of the joint venture entity	1,591
Share of net profit	2
Distributions received	–
Carrying amount at the end of the financial year	1,593
Share of assets and liabilities[1]	
Investments	9,140
Other assets	732
Total assets	9,872
Policy holder liabilities	8,508
Other liabilities	373
Total liabilities	8,881
Net assets	991
Share of revenues, expenses and results	
Revenues	195
Expenses	169
Profit from ordinary activities before income tax	26
Income tax	6
Profit from ordinary activities after income tax	20
Amortisation of notional goodwill	(18)
Net equity accounted profit	2
Share of commitments	
Lease commitments	163
Other commitments	166
Total expenditure commitments	329

1 This represents the Group's share of the assets and liabilities of ING Australia, less outside equity interests and including goodwill on acquisition of ANZ Funds Management entities

47: Commitments

	Consolidated 2002 $m	Consolidated 2001 $m	The Company 2002 $m	The Company 2001 $m
Capital expenditure				
Contracts for outstanding capital expenditure				
Not later than 1 year	75	32	38	9
Later than 1 year but not later than 5 years	–	1	–	–
Total capital expenditure commitments	75	33	38	9
Lease rentals				
Future rentals in respect of leases				
Land and buildings				
Not later than 1 year	163	133	133	110
Later than 1 year but not later than 5 years	426	359	347	290
Later than 5 years	450	471	427	450
	1,039	963	907	850
Furniture and equipment				
Not later than 1 year	16	9	10	4
Later than 1 year but not later than 5 years	7	17	3	14
	23	26	13	18
Total lease rental commitments	1,062	989	920	868
Total commitments	1,137	1,022	958	877

The Group leases land and buildings under operating leases expiring from one to five years. Leases generally provide the Group with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either movements in the Consumer Price Index or operating criteria.

48: Contingent Liabilities and Credit Related Commitments

Credit related commitments

The credit risk of the following facilities may be less than the contract amount, but as it cannot be accurately determined, the credit risk has been taken to be the contract amount.

	Consolidated		The Company		Controlled Entities	
	2002 Contract amount $m	2001 Contract amount $m	2002 Contract amount $m	2001 Contract amount $m	2002 Contract amount $m	2001 Contract amount $m
Undrawn facilities	60,373	56,766	54,271	49,751	6,102	7,014
Underwriting facilities	36	210	36	54	–	156
	60,409	56,976	54,307	49,805	6,102	7,170

Contingent liabilities

The Group guarantees the performance of customers by issuing standby letters of credit and guarantees to third parties. The risk involved is essentially the same as the credit risk involved in extending loan facilities to customers, therefore these transactions are subjected to the same credit origination, portfolio management and collateral requirements for customers applying for loans. As the facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements.

The credit risk of these facilities may be less than the contract amount, but as it cannot be accurately determined, the credit risk has been taken to be the contract amount.

	Consolidated		The Company		Controlled Entities	
	2002 Contract amount $m	2001 Contract amount $m	2002 Contract amount $m	2001 Contract amount $m	2002 Contract amount $m	2001 Contract amount $m
Guarantees	3,580	4,496	3,526	4,417	54	79
Credit derivatives - sold	3,088	–	3,088	–	–	–
Standby letters of credit	1,952	1,412	1,932	1,329	20	83
Bill endorsements	298	430	298	430	–	–
Documentary letters of credit	1,620	1,396	1,505	1,274	115	122
Performance related contingents	11,161	9,174	10,907	9,049	254	125
Other[1]	935	1,930	552	1,874	383	56
Total contingent liabilities	22,634	18,838	21,808	18,373	826	465

1 In addition the Group had no equity underwriting commitments at 30 September 2002 (2001: nil) which are classified as market risk exposures

The details and estimated maximum amount of contingent liabilities that may become payable are set out below.

(i) Clearing and Settlement Obiligations

In accordance with the clearing and settlement arrangements set out in the Australian Payments Clearing Association Limited (APCA) Regulations for the Australian Paper Clearing System, the Bulk Electronic Clearing System and the High Value Clearing System (HVCS) and in the Austraclear System Regulations, the Company has a commitment to participate in loss-sharing arrangements in the event of a failure to settle by a member institution. For both the APCA HVCS and Austraclear, the obligation arises only in limited circumstances.

(ii) The Group will indemnify each customer of controlled entities engaged in nominee activities against loss suffered by reason of such entities failing to perform any obligation undertaken by them to a customer.

(iii) Interbank Deposit Agreement

ANZ has entered into an Interbank Deposit Agreement with the major banks in the payments system. This agreement is a payment system support facility certified by the Australian Prudential Regulatory Authority, where the terms are such that if any bank is experiencing liquidity problems, the other participants are required to deposit equal amounts of up to $2 billion for a period of 30 days. At the end of 30 days the deposit holder has the option to repay the deposit in cash or by way of assignment of mortgages to the value of the deposit.

(iv) Tax Audit

ANZ in Australia is being audited by the Australian Taxation Office (ATO). There are several major issues that the ATO is considering, including:

› Lease assignments in 1991 and 1992. Tax assessments have been received and are being contested in the Federal Court. Profit after tax of approximately $50 million was earned from these transactions.

› During the years 1996 - 2002 ANZ was involved in securities lending, equity swaps, and other similar kinds of transactions in the normal course of its business of banking. Total profit after tax from these transactions was less than $200 million. The ATO is reviewing these transactions. ANZ received external advice in support of the taxation treatment of these transactions prior to commencing them. This advice was based on the taxation law as understood at the time these transactions were undertaken, and strongly supports ANZ's position.

› Sale of Grindlays in 2000. At ANZ's request the ATO is reviewing the taxation treatment of this transaction. ANZ's profit after tax from this transaction was $404 million.

Based on external advice, ANZ has assessed the likely progress of these issues, and believes that it holds appropriate provisions.

48: Contingent Liabilities and Credit Related Commitments (continued)

(v) Sale of Grindlays businesses

As part of the sale on 31 July 2000 of ANZ Grindlays Bank Limited and the private banking business of ANZ in the United Kingdom and Jersey, together with ANZ Grindlays (Jersey) Holdings Limited and its subsidiaries (the Grindlays businesses), to Standard Chartered Bank (SCB), ANZ provided warranties relating to those businesses. Where it is anticipated that payments are likely under these warranties, provisions have been made to cover the anticipated liability.

In addition, ANZ provided SCB and/or Grindlays with certain indemnities. Those indemnities under which ANZ remains exposed as at 30 September 2002 are:

› an indemnity relating to liabilities Grindlays may incur as a result of certain claims made against Grindlays and its officers in India (the Indian Indemnity). Details of this indemnity are set out below;

› an indemnity in relation to certain customer accounts written by Grindlays prior to 31 July 2000. This indemnity covers 80% of losses emerging on accounts totalling up to USD 64 million at 30 September 2002; and

› an indemnity relating to tax liabilities of Grindlays (and its subsidiaries) and the Jersey Sub-Group to the extent to which such liabilities have not been provided for in the Grindlays accounts as at 31 July 2000.

Claims have been made under the above indemnities and also in relation to certain warranties made by ANZ at the time of sale. Discussions are continuing on the outstanding claims; at present the Group is confident that they will have no material impact on the Group.

The Indian Indemnity requires ANZ to pay SCB for losses that Grindlays incurs as a result of certain claims that have been or may be made against Grindlays and its officers in India. Under the terms of the Indian Indemnity, ANZ will have control of matters for which it is potentially liable. No settlement offer can be made or paid by Grindlays without the prior agreement of ANZ. ANZ will continue to manage these matters in the best interests of the shareholders taking into account its legal obligations.

On 19 January 2002 Grindlays completed the settlement of its long running dispute with India's National Housing Bank (NHB). The dispute originated in 1992. Since January 2001 the amount in dispute had been deposited with the Supreme Court of India. Of this amount (including interest) of Rupees 16.45 billion (AUD 661 million at 19 January 2002 rates), Grindlays recovered under the terms of the settlement Indian Rupees 6.20 billion (AUD 248 million), with NHB receiving the balance. ANZ in turn received a payment of USD 124 million from SCB under the terms of the Indian Indemnity.

ANZ remains liable for other claims under the Indian Indemnity, including in relation to the following two matters that are the subject of current proceedings involving Grindlays or its officers:

› In 1991, certain amounts were transferred from non-convertible Indian Rupee accounts maintained with Grindlays in India. In making these transactions it would appear that the provisions of the Foreign Exchange Regulation Act 1973 were inadvertently not complied with. Grindlays on its own initiative, brought these transactions to the attention of the Reserve Bank of India. The Indian authorities have served notices on Grindlays and certain of its officers in India that could lead to possible penalties. Grindlays has commenced proceedings in the courts contesting the validity of these notices.

› In July 2002, Grindlays was ordered to repay, with interest, two payments it received from a stockbroker in 1991 in connection with securities transactions. Grindlays has commenced proceedings challenging the validity of these orders, which direct repayment of Indian Rupees 24 million (AUD $0.9 million at 30 September 2002 rates, plus interest accruing at 24% since 1991). Since July Grindlays has been given notice of hearings in relation to a further six payments received by it in 1991 in similar circumstances totalling Indian Rupees 31 million (AUD 1.2 million at 30 September 2002 rates).

(vi) Pursuant to class order 98/1418 dated 13 August 1998, relief was granted to a number of wholly owned controlled entities from the Corporations Act 2001 requirements for preparation, audit, and publication of financial statements. The entities to which relief was granted are

ANZ Properties (Australia) Pty Ltd[1]	Binnstone Traders Pty Limited[1]
Alliance Holdings Pty Ltd[1]	Deori Pty Ltd[1]
ANZ Capital Hedging Pty Ltd[1]	E S & A Holdings Pty Ltd[1]
ANZ Funds Pty Ltd[1]	NMRSB Pty Ltd[1]
ANZ Nominees Limited[1]	Jikk Pty Ltd[1]
Orchard Investments Pty Ltd[2]	LFD Limited[1]
	Votraint No. 1103 Pty Limited[2]

1 Relief granted on 21 August 2001
2 Relief granted on 13 August 2002

48: Contingent Liabilities and Credit Related Commitments (continued)

It is the condition of the class order that the Company and each of the above controlled entities enter into a Deed of Cross Guarantee. A Deed of Cross Guarantee under the class order was lodged and approved by the Australian Securities and Investments Commission. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up any of the controlled entities under certain provisions of the Corporations Act 2001. The Company will only be liable in the event that after six months any creditor has not been paid in full. The controlled entities have also given similar guarantees in the event that the Company is wound up. The consolidated statement of financial performance and consolidated statement of financial position of the Company and its wholly owned controlled entities which have entered into the Deed of Cross Guarantee are:

	Consolidated 2002 $m	Consolidated 2001 $m
Profit before tax	1,955	2,841
Income tax expense	(654)	(674)
Profit after income tax	1,301	2,167
Retained profits at start of year [1]	4,348	3,363
Total available for appropriation	5,649	5,530
Ordinary share dividends provided for or paid	(882)	(1,062)
Retained profits at end of year	4,767	4,468
Assets		
Liquid assets	5,998	6,032
Investment securities	2,606	2,512
Net loans and advances	100,999	93,482
Other assets	40,520	47,396
Premises and equipment	1,189	1,070
Total assets	151,312	150,492
Liabilities		
Deposits and other borrowings	85,258	76,552
Income tax liability	1,064	989
Payables and other liabilities	53,218	61,004
Provisions	1,611	1,981
Total liabilities	141,151	140,526
Net assets	10,161	9,966
Shareholders' equity	10,161	9,966

1 The Companies included in the class order have changed, accordingly retained profits have not carried forward

(vii) The Company has guaranteed payment on maturity of the principal and accrued interest of commercial paper notes issued by ANZ (Delaware) Inc. of $1,654 million (2001: $4,059 million).

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

(ix) The Company is party to an underpinning agreement with Australia and New Zealand Banking Group (PNG) Limited whereby the Company undertakes to assume risk in relation to credit facilities extended by Australia and New Zealand Banking Group (PNG) Limited to individual customers which exceed 50% of Australia and New Zealand Banking Group (PNG) Limited's capital base.

General

There are outstanding court proceedings, claims and possible claims against the Group, the aggregate amount of which cannot readily be quantified. Appropriate legal advice has been obtained and, in the light of such advice, provisions have been made as deemed necessary.

49: Superannuation Commitments

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

Country	Scheme	Scheme type	Contribution levels Employee	Employer
Australia	ANZ Australian Staff Superannuation Scheme[1,2]	Defined Contribution Scheme Section C	optional	Balance of cost[3]
		or		
		Defined Contribution Scheme Section A	optional	9% of salary[4]
		or		
		Defined Benefit Scheme Pension Section Account	nil	Balance of cost
New Zealand	ANZGROUP (New Zealand) Staff Superannuation Scheme[1,2]	Defined Benefit Scheme[5]	nil	Balance of cost
		or		
		Defined Contribution Scheme	2.5% min	7.5% of salaries
England	ANZ UK Staff Pension Scheme[1]	Defined Benefit Scheme	nil	Balance of cost

Balance of cost: the Group's contribution is assessed by the actuary after taking account of members' contributions and the value of the schemes' assets
1 These schemes provide for pension benefits
2 These schemes provide for lump sum benefits
3 As recommended by the actuary, currently 9% of members' superannuation salaries
4 From 1 October 2001 to 30 June 2002 the contribution rate was 8% of salary
5 Closed to new members on 31 March 1990. Operates to make pension payments to retirees who were members of that section of the scheme

The details of major defined benefit schemes with assets in excess of $25 million are as follows:

2002 Schemes	Employer's contribution $m	Accrued benefits $m	Net market value of assets held by scheme $m	Excess of net market value of assets over accrued benefits $m	Vested benefits $m
ANZ Australian Staff Superannuation Scheme					
Pension Section Account[1]	–	46	47	1	46
ANZ UK Staff Pension Scheme[1]	–	998	1,053	55	963

2001 Schemes	Employer's contribution $m	Accrued benefits $m	Net market value of assets held by scheme $m	Excess of net market value of assets over accrued benefits $m	Vested benefits $m
ANZ Australian Staff Superannuation Scheme					
Pension Section Account[2]	–	48	50	2	48
ANZ UK Staff Pension Scheme[2]	–	943	1,228	285	904

1 Amounts were measured at 31 December 2001
2 Amounts were measured at 31 December 2000

50: Fiduciary Activities

The Group conducts investment fiduciary activities for trusts, including deceased estates. These trusts have not been consolidated as the Company does not have direct or indirect control.

Where the Company or its controlled entities incur liabilities in respect of these operations as trustee, a right of indemnity exists against the assets of the applicable funds or trusts. As these assets are sufficient to cover the liabilities and it is therefore not probable that the Company or its controlled entities will be required to settle the liabilities, the liabilities are not included in the financial statements.

The aggregate amounts of funds concerned are as follows:

	2002 $m	2001 $m
Funds managed[1]	–	15,810
Trusteeships	1,849	3,240
	1,849	19,050

1 As at 30 September 2002, the ANZ/INGA joint venture had funds under management of $26,642 million

51: Employee Share and Option Plans

The Company has five share purchase and option incentive plans available for employees and directors of the Group: the ANZ Employee Share Acquisition Plan; the ANZ Share Purchase Scheme; the ANZ Employee Share Save Scheme[1]; the ANZ Share Option Plan and the ANZ Directors' Share Plan. Shareholders of the Company have approved the implementation of each of the current plans. Fully paid ordinary shares issued under these plans rank equally with other existing fully paid ordinary shares.

Each option granted under the ANZ Share Option Plan entitles a holder to purchase one ordinary share subject to any terms and conditions imposed on issue.

An offer to employees and directors cannot be made under any of the schemes if an issue pursuant to that offer will result in the aggregate of shares issued and options granted over unissued shares held for employees under various employee share and option incentive schemes exceeding 7% of the issued capital (and unexercised options) of the Company.

Amounts received from the ANZ Employee Share Acquisition Plan and the ANZ Share Purchase Scheme, on fully paid and partly paid shares, are recognised as share capital.

The closing market price of one ordinary share at 30 September 2002 was $17.65.

Amounts received from exercising options under the ANZ Share Option Plan during the financial year, excluding calls on partly paid shares issued in prior financial years, were recognised as follows:

	The Company 2002 $	The Company 2001 $
Share capital	57,131,915	21,426,988
General reserve	(26)	(12,113)

ANZ Employee Share Acquisition Plan

All permanent employees who have had continuous service for one year with the Company or any of its controlled entities may be eligible to participate in a scheme enabling the issue of up to $1,000 of shares to an employee in each financial year. During the financial year, 1,070,986 shares with an average issue price of $17.21 were issued under the $1,000 scheme.

Selected employees may also be issued deferred shares which vest in the employee after a qualifying period. Ordinary shares acquired under this plan are held in trust and have restrictions on their disposal. During the financial year, 3,074,002 (2001: 4,756,024, 2000: 2,565,559) deferred shares were issued under this Plan.

1 The ANZ Employee Share Save Scheme is a scheme which operates under the ANZ Employee Share Acquisition Plan

51: Employee Share and Option Plans (continued)

ANZ Share Purchase Scheme

Officers eligible to participate in this scheme may be offered fully paid ordinary shares. During the financial year, no fully paid ordinary shares were issued under the scheme.

At 30 September 2002, 1,272,500 fully paid ordinary shares remained subject to the rules of this scheme.

ANZ Employee Share Save Scheme

Employees have the opportunity to request that a proportion of their income be directed to the purchase of ANZ shares. The amount they elect to contribute is deducted fortnightly and shares are purchased on market quarterly in arrears. The Company contributes 5% of the purchase price and pays for brokers fees and (prior to 1 July 2001) stamp duty. During the financial year 1,831 employees participated in the scheme and 288,324 shares were purchased. The number of shares acquired since the commencement of the scheme is 472,442. Senior executives are not eligible to receive the 5% discount.

ANZ Share Option Plan

Selected employees may be granted options which entitle them to purchase ordinary fully paid shares in the Company at a price fixed at the time when the options are issued.

11,119,785 options with a weighted average grant date fair value of $3.21 were issued during the financial year and 760,506 options lapsed during the financial year.

At 30 September 2002, 32,435,347 options were outstanding under this scheme.

No. of options outstanding at 30 September 2002	Exercise price	Earliest exercise date	Expiry date
2,565	$11.45	23 Mar 2001	22 Jan 2003[2]
325,000	$9.51	24 Feb 2001	23 Feb 2003[1,2]
71,501	$0.00	24 Oct 2002	27 Oct 2003[1]
250,000	$8.97	28 Oct 2001	27 Oct 2003[1,2]
195,000	$10.34	11 Dec 2001	10 Dec 2003[1,2]
500,000	$17.52	31 Dec 2003	31 Dec 2007[1]
10,000	$10.41	28 Jan 2002	27 Jan 2004[1,2]
82,000	$11.44	25 Mar 2002	24 Mar 2004[1,2]
23,421	$0.00	24 Oct 2003	24 Apr 2004
1,852,500	$11.20	2 Jun 2002	1 Jun 2004[1,2]
2,500	$11.26	7 Jun 2002	6 Jun 2004[2]
150,000	$11.30	12 July 2002	11 Jul 2004[1,2]
900,000	$9.94	27 Oct 2002	26 Oct 2004[1]
750,000	$11.49	31 Dec 2002	31 Dec 2004[1]
750,000	$14.78	31 Dec 2003	31 Dec 2004[1]
100,000	$10.63	31 Jan 2003	30 Jan 2005[1]
500,000	$17.20	31 Dec 2004	31 Dec 2006[1]
1,050,000	$10.11	23 Feb 2003	22 Feb 2007[1]
350,000	$10.20	8 Mar 2003	7 Mar 2007[1]
447,500	$11.81	23 May 2003	23 May 2007[1]
200,000	$12.23	7 Jun 2003	6 Jun 2007[1]
75,000	$12.75	26 Sep 2003	25 Sept 2007
2,373,258	$14.34	22 Nov 2003	21 Nov 2007[1]
2,676,000	$14.63	25 Oct 2003	7 Feb 2008
4,510,025	$14.92	21 Feb 2004	20 Feb 2008
75,000	$15.47	27 Feb 2004	26 Feb 2008[1]
50,000	$15.66	7 Mar 2004	6 Mar 2008[1]
3,604,752	$13.70	25 Apr 2004	24 Apr 2008[1]
194,800	$13.70	7 May 2004	6 May 2008
453,500	$15.33	1 Jun 2004	31 May 2008
76,000	$16.49	21 Aug 2004	20 Aug 2008[1]
84,000	$16.81	27 Aug 2004	26 Aug 2008
50,000	$17.05	24 Oct 2004	23 Oct 2008[1]
4,399,250	$17.05	25 Oct 2004	24 Oct 2008[1]
20,000	$18.21	26 Feb 2005	25 Feb 2009[1]
4,821,805	$18.75	24 Apr 2005	24 Apr 2009
145,000	$19.27	14 May 2005	13 May 2009
297,970	$19.27	28 Jun 2005	27 Jun 2009
17,000	$17.90	27 July 2005	21 Jul 2009[1]

1 subject to performance condition
2 options exercisable as at 30 September 2002

51: Employee Share and Option Plans (continued)

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

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

171,550	options exercised at $ 8.76 per share	36,959	options exercised at $11.45 per share
100,000	options exercised at $ 8.93 per share	60,000	options exercised at $11.64 per share
625,000	options exercised at $ 8.97 per share	195,000	options exercised at $11.81 per share
600,000	options exercised at $ 9.51 per share	500,000	options exercised at $12.11 per share
120,000	options exercised at $10.11 per share	160,450	options exercised at $13.70 per share
310,000	options exercised at $10.34 per share	121,000	options exercised at $14.34 per share
150,000	options exercised at $10.44 per share	172,500	options exercised at $14.63 per share
50,000	options exercised at $10.64 per share	213,750	options exercised at $14.92 per share
812,500	options exercised at $11.20 per share	16,500	options exercised at $15.33 per share
25,000	options exercised at $11.29 per share	6,750	options exercised at $16.81 per share
500,000	options exercised at $11.39 per share	81,375	options exercised at $17.05 per share
63,000	options exercised at $11.44 per share	12,256	options exercised at $18.75 per share

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

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

As at the date of the Directors' Report, unexercised options over ordinary shares are as per the table above, adjusted for the exercise of the following options which were exercised by employees and former employees since the end of the financial year:

11,727	options exercised at $ 0.00 per share	38,725	options exercised at $13.70 per share
100,000	options exercised at $ 8.97 per share	38,000	options exercised at $14.34 per share
150,000	options exercised at $ 9.94 per share	28,400	options exercised at $14.63 per share
40,000	options exercised at $10.11 per share	46,700	options exercised at $14.92 per share
25,000	options exercised at $10.34 per share	13,000	options exercised at $15.33 per share
785,000	options exercised at $11.20 per share	2,250	options exercised at $16.81 per share
20,000	options exercised at $11.44 per share	37,850	options exercised at $17.05 per share
2,500	options exercised at $11.81 per share	202	options exercised at $18.75 per share

For options granted in the current year the valuation is based on a numerical pricing method which takes into account the probability of achieving the performance hurdle required for these options to vest. The following significant assumptions were adopted to determine the fair value of options:

Weighted Average	2002	2001	2000
Risk free interest rate	6.14%	6.33%	5.98%
Life of options	6.8 years	6.9 years	6.2 years
Volatility of share price	22.00%	24.96%	24.88%
Dividend rate	4.45%	4.66%	6.03%

The following table provides information in respect of movements in the number of options and the weighted average exercise price:

	2002 Number	Weighted Average Exercise Price $	2001 Number	Weighted Average Exercise Price $	2000 Number	Weighted Average Exercise Price $
Options outstanding at the start of the year	27,179,658	12.91	13,443,974	10.53	10,018,633	10.35
Options granted during the year	11,119,785	17.73	16,365,860	14.49	4,671,000	10.73
Options expired during the year	760,506	13.99	505,056	12.54	230,563	10.76
Options exercised during the year	5,103,590	11.19	2,125,120	10.08	1,015,096	9.54
Options outstanding at the end of the year	32,435,347	14.81	27,179,658	12.91	13,443,974	10.53

51: Employee Share and Option Plans (continued)

ANZ Directors' Share Plan

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

The shares are purchased on market and are held upon trust for periods ranging from 1 to 10 years. The director selects the period. The shares may also be subject to forfeiture for serious misconduct. All costs associated with the Plan are met by the Company.

At 30 September 2002 344,843 shares were held under this Plan. During the year, 128,044 shares were issued under this Plan.

52: Related Party Disclosures

The directors during the year were:

C B Goode (Chairman)	M A Jackson
J C Dahlsen	J McFarlane
R S Deane	B W Scott
J K Ellis	G K Toomey (resigned 8 October 2001)
D M Gonski (appointed 7 February 2002)	

Australian banks, parent entities of Australian banks and controlled entities of Australian banks have been exempted, subject to certain conditions, by an Australian Securities and Investments Commission (ASIC) class order, 98/110 dated 10 July 1998, from making disclosures of loans made, guaranteed or secured by a bank to related parties (other than specified categories of directors) and financial instrument transactions (other than shares and share options) of a bank where a director of the relevant entity is not a party to the transaction and where the loan or financial instrument transaction is lawfully made and occurs in the course of ordinary banking business either at arm's length or with the approval of a general meeting of the relevant entity and its ultimate chief entity (if any).

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

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

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

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

(a) Transactions with directors and director-related entities

Shares and Share Options

The aggregate number of shares issued to, acquired for, disposed or no longer held by directors, and share options granted to directors of the Company and their director-related entities by the Company during the financial year were as follows:

	The Company 2002 No.	2001 No.
Fully paid ordinary shares in the Company acquired	1,127,098	258,333
Fully paid ordinary shares in the Company disposed of or no longer held by directors	605,864	–
Options granted under the ANZ Share Option Plan	1,000,000	750,000

Aggregate number of shares and share options held directly, indirectly or beneficially by directors of the Company and their director-related entities, as at balance date, were as follows:

	2002 No.	2001 No.
Fully paid ordinary shares in the Company	1,561,350	1,040,116
Fully paid deferred shares in the Company issued under previous employee Plan	87,190	87,190
Share options over ordinary shares in the Company	2,500,000	2,500,000

Directors of the Company and their director-related entities receive normal dividends on these shares.

52: Related Party Disclosures (continued)

Loans made to Directors

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

Under the Australian Securities and Investments Commission class order referred to above, disclosure is limited to the aggregate amount of loans made, guaranteed or secured by:
(i) the Company to its directors;
(ii) any controlled entity to the directors of the Company;
(iii) banking corporation controlled entities to their directors; and
(iv) non-banking corporation controlled entities to directors of controlled entities and to parties related to any one of them or the directors of the Company.

The directors involved were:

S Armstrong[2]
P Cromby[1,2,3,4]
D Gonski[2]
C B Goode[2]
D Hannam[1,2]
D Hornery[1,2]
M A Jackson[1,2]
M Kalangis[1,2]
J McFarlane[1,2,3,4]
N Merrick[1,2,3,4]
B Poedijirahard[1,2,3,4]
M Rostian[1,2,3,4]
M Tilbrook[1,2]
J Todd[1,2]
G Tunstall[1,2,3,4]

1 Repayments made during the year
2 Loans made or outstanding during the year
3 Repayments made during the prior year
4 Loans made during the prior year

The aggregate amount of such loans outstanding at 30 September 2002 were:

	Consolidated		The Company	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000
Balance outstanding at 30 September	12,663	4,790	11,984	4,379
Total interest received	843	300	775	292
The aggregate amount of repayments received from directors and their director-related entities during the financial year was:				
Normal terms and conditions	6,518	516	6,518	516
Employee terms and conditions	106	27	–	–
The aggregate amount of loans made during the financial year was:				
Normal terms and conditions	11,518	879	11,518	879
Employee terms and conditions	36	68	–	–

Other transactions of Directors and Director-Related Entities

(i) Financial instrument transactions

Under the Australian Securities and Investments Commission class order referred to above, disclosure of financial instrument transactions regularly made by a bank is limited to disclosure of such transactions with a director of the entity concerned. Financial instrument transactions which have occurred on arm's length terms and conditions, and are deemed trivial or domestic in nature are required to be disclosed by general description.

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

(ii) Transactions other than financial instrument transactions of banks

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

All other transactions with director-related entities occur within a normal customer or supplier relationship and are on arms length terms.

52: Related Party Disclosures (continued)

(b) Transactions with associates and joint venture entities

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

	Consolidated 2002 $'000	Consolidated 2001 $'000	The Company 2002 $'000	The Company 2001 $'000
Aggregate				
Amounts receivable from associates and joint venture entities	26,097	12,412	–	–
Interest revenue	–	896	–	–
Dividend revenue	760	12,400	760	–
Commissions received from joint venture	32,019	–	32,019	–
Costs recovered from joint venture	12,213	–	12,213	–

53: Remuneration of Directors

Remuneration includes income from salaries, bonuses, other benefits (including non-cash benefits), retirement benefits and superannuation contributions. The maximum total remuneration for non-executive directors of the Company was set at the Annual General Meeting held on 21 January 1998 at $1.5 million. Total fees paid to non-executive directors by the Company for the year were $1.1 million (2000: $1.0 million). Retirement benefits paid to directors of the Company are detailed in the Directors' Report.

The number of directors of the Company with total income in each of the following bands was:

	The Company 2002	The Company 2001
$90,001 to $100,000	2	1
$110,001 to $120,000	–	4
$120,001 to $130,000	1	–
$130,001 to $140,000	3	–
$190,001 to $200,000	–	1
$210,001 to $220,000	1	–
$320,001 to $330,000	–	1
$350,001 to $360,000	1	–
$2,890,001 to $2,900,000	1	–
$3,090,001 to $3,100,000	–	1
Total number of directors	9	8

	Consolidated 2002 $'000	Consolidated 2001 $'000	The Company 2002 $'000	The Company 2001 $'000
Total income paid or payable to directors of the Company and controlled entities from the Company or related entity[1]	42,606	42,503	4,194	4,163

1 Including the total income of executive directors, excluding directors of controlled entities who are executives of the Company

54: Remuneration of Executives

Executives are defined as members of the Chief Executive's Group. The membership of this Group was expanded in 2002. Remuneration includes salaries, bonuses, other benefits (including non-cash benefits), and superannuation contributions. The remuneration of executives who work wholly or mainly outside Australia are excluded from this disclosure. Executive emoluments disclosed in the Directors' Report include the emoluments of the five highest paid executives, calculated to include the fair value of options issued in 2002. For the purposes of this note, options are valued at intrinsic value (nil).

The number of executives with total remuneration exceeding $100,000 in each of the following bands was:

	Consolidated		The Company	
	2002	2001	2002	2001
$130,001 to $140,000	–	1	–	1
$190,001 to $200,000	1	1	1	1
$250,001 to $260,000	1	–	1	–
$260,001 to $270,000	1	–	1	–
$280,001 to $290,000	1	–	1	–
$290,001 to $300,000	–	1	–	1
$330,001 to $340,000	–	1	–	1
$340,001 to $350,000	1	–	1	–
$350,001 to $360,000	1	–	1	–
$360,001 to $370,000	1	1	1	1
$370,001 to $380,000	1	–	1	–
$390,001 to $400,000	2	–	2	–
$400,001 to $410,000	1	–	1	–
$420,001 to $430,000	1	–	1	–
$430,001 to $440,000	1	–	1	–
$440,001 to $450,000	1	–	1	–
$460,001 to $470,000	3	–	3	–
$470,001 to $480,000	1	–	1	–
$530,001 to $540,000	1	–	1	–
$550,001 to $560,000	–	1	–	1
$560,001 to $570,000	2	–	2	–
$570,001 to $580,000	4	–	4	–
$590,001 to $600,000	1	–	1	–
$600,001 to $610,000	1	1	1	1
$610,001 to $620,000	1	–	1	–
$620,001 to $630,000	1	–	1	–
$640,001 to $650,000	–	1	–	1
$670,001 to $680,000	1	–	1	–
$680,001 to $690,000	–	1	–	1
$690,001 to $700,000	–	1	–	1
$740,001 to $750,000	1	–	1	–
$760,001 to $770,000	1	–	1	–
$770,001 to $780,000	1	–	1	–
$790,001 to $800,000	1	–	1	–
$810,001 to $820,000	1	–	1	–
$820,001 to $830,000	1	–	1	–
$830,001 to $840,000	–	1	–	1
$860,001 to $870,000	2	–	2	–
$910,001 to $920,000	1	–	1	–
$920,001 to $930,000	1	1	1	1
$930,001 to $940,000	–	1	–	1
$950,001 to $960,000	–	1	–	1
$970,001 to $980,000	1	–	1	–
$980,001 to $990,000	–	1	–	1
$1,030,001 to $1,040,000	–	1	–	1
$1,101,001 to $1,110,000	–	1	–	1
$1,110,001 to $1,120,000	2	–	2	–
$1,120,001 to $1,130,000	–	1	–	1
$1,140,001 to $1,150,000	–	1	–	1
$1,160,001 to $1,170,000	1	–	1	–
$1,190,001 to $1,200,000	1	–	1	–
$1,200,001 to $1,210,000	1	–	1	–
$1,240,001 to $1,250,000	1	–	1	–
$1,290,001 to $1,300,000	–	1	–	1
$1,340,001 to $1,350,000	1	–	1	–
$1,430,001 to $1,440,000	2	–	2	–
$1,470,001 to $1,480,000	–	1	–	1
$1,480,001 to $1,490,000	–	1	–	1
$1,490,001 to $1,500,000	1	1	1	1

54: Remuneration of Executives (continued)

$1,500,001 to $1,510,000	–	1	–	1
$1,540,001 to $1,550,000	1	–	1	–
$1,550,001 to $1,560,000	1	–	1	–
$1,580,001 to $1,590,000	1	–	1	–
$1,590,001 to $1,600,000	–	1	–	1
$2,890,000 to $2,900,000	1	–	1	–
$3,090,001 to $3,100,000	–	1	–	1
Total number of executives	55	26	55	26
Total remuneration received or due and receivable directly or indirectly by executives of the Company and controlled entities ($'000)	43,477	25,500	43,477	25,500

55: US GAAP Reconciliation

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

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

	Note	2002 $m	2001 $m	2000 $m
Net profit reported under Australian GAAP[1]		2,322	1,870	1,747
Items having the effect of increasing (decreasing) reported income (total tax impact of adjustments shown separately):				
Employee share issue and options	(xviii)	(40)	(49)	(54)
Depreciation charged on the difference between revaluation amount and historical cost of buildings	(i)	2	2	3
Difference in gain or loss on disposal of properties revalued under historical cost	(i)	5	17	168
Revaluation of properties	(i)	–	–	(72)
Deferred profit on sale and leaseback transactions over the lease term	(iii)	(9)	–	(80)
Amortisation of goodwill not recognised for Australian GAAP	(ii)	(6)	(28)	(48)
Amortisation of deferred profit on sale and leaseback transactions over the lease term	(iii)	25	23	19
Pension expense adjustment	(vi)	18	20	8
Provisions	(xvi)	–	(361)	361
Transition adjustment related to the initial application of SFAS 133	(xv)	–	11	–
Derivatives and hedging activities	(xv)	(17)	284	–
Adjustment on entering joint venture	(xvii)	(205)	–	–
Total tax impact of adjustments		2	7	(112)
Net income according to US GAAP		2,097	1,796	1,940
Earnings per share (cents) according to US GAAP	(xiv)			
Basic		132.3	112.4	119.3
Diluted		131.6	110.8	118.4
Adjustments to determine other comprehensive income for US GAAP				
Net income according to US GAAP		2,097	1,796	1,940
Currency translation adjustments (net of tax)		(98)	197	170
Unrealised profit (loss) on available for sale securities (net of tax)	(ix)	3	15	(23)
Transition adjustment related to the initial application of SFAS 133 (net of tax)	(xv)	–	(52)	–
Derivatives and hedging activities (net of tax)	(xv)	60	(66)	–
Total comprehensive income according to US GAAP		2,062	1,890	2,087

1 2000 after abnormal items

55: US GAAP Reconciliation (continued)

	Note	2002 $m	2001 $m	2000 $m
Shareholders' equity reported under Australian GAAP[1]		11,448	10,538	9,795
Elimination of gross asset incremental revaluations	(i)	(266)	(287)	(330)
Unrealised profit (loss) on available for sale securities	(ix)	3	–	(16)
Adjustment to accumulated depreciation on buildings revalued	(i)	48	46	44
Restoration of previously deducted goodwill	(ii)	714	692	692
Accumulated amortisation of goodwill	(ii)	(533)	(505)	(477)
Deferred profit on sale and leaseback transactions	(iii)	(14)	(12)	(12)
Provision for final cash dividend	(iv)	681	583	514
Provisions	(xvi)	–	–	245
Pension expense adjustment	(vi)	88	75	62
Derivatives and hedging activities	(xv)	173	77	–
Adjustment on entering joint venture	(xvii)	(203)	–	–
Shareholders' equity according to US GAAP		12,139	11,207	10,517
Total assets reported under Australian GAAP		183,105	185,493	172,467
Elimination of gross incremental revaluations	(i)	(205)	(210)	(227)
Unrealised profit (loss) on available for sale securities	(ix)	3	(1)	(24)
Adjustment to accumulated depreciation on buildings revalued	(i)	48	46	44
Restoration of previously deducted goodwill	(ii)	714	692	692
Accumulated amortisation of goodwill	(ii)	(533)	(505)	(477)
Prepaid pension adjustment	(vi)	67	58	45
Reclassification of deferred tax assets against deferred tax liabilities	(v)	(462)	(552)	(662)
Revaluation of hedges	(xv)	501	552	–
Adjustment to carrying value of the ING joint venture	(xvii)	(203)	–	–
Total assets according to US GAAP		183,035	185,573	171,858

1 Excluding outside equity interests

55: US GAAP Reconciliation (continued)

(i) Premises and equipment

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

Decrements in excess of any previous revaluation increments were charged to the statement of financial performance. The ARR forms part of Shareholders' equity and is not available for future property writedowns while properties are measured at deemed cost.

Under US GAAP, upward revaluation of properties is not permitted except for decrements which are regarded as other than temporary. Any such decrements are recorded in the statement of financial performance. Subsequent recoveries to the statement of financial performance are not allowed.

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

(ii) Goodwill

The Group changed its accounting policy in respect of goodwill in the financial year ended 30 September 1993. Previously, goodwill on acquisition was charged in full to the Group's statement of financial performance in the year of acquisition.

Historically, under US GAAP, goodwill has been capitalised and amortised over the period of time during which the benefits are expected to arise, such period not exceeding 20 years. For goodwill acquired during the year ended 30 September 2002 and for all goodwill balances after 30 September 2002 a recoverable amount test will apply rather than systematic goodwill amortisation.

Adjustments have been made in the US GAAP reconciliation statement to restore goodwill written-off in full under Australian GAAP and to amortise such goodwill over the period of the expected benefits. Additionally, to the extent that periodic reviews of the carrying amount of goodwill lead to a write-down of goodwill previously capitalised for US purposes, this is adjusted in the US GAAP reconciliation.

In accordance with the revision of US GAAP rules dealing with goodwill, goodwill acquired during the year has not been amortised in the calculation of these adjustments as it is considered recoverable.

(iii) Sale-leaseback transactions

Under Australian GAAP for operating leases, gains on disposal under sale-leaseback transactions can be recognised in the period of sale. Under US GAAP, the gain is amortised over the remaining lease term. This difference in treatment has been adjusted in the US GAAP reconciliation.

(iv) Dividends

Under Australian GAAP, dividends are shown in the statement of financial performance in the period to which they relate rather than in the period when they are declared as required by US GAAP. This difference in treatment has been adjusted in the US GAAP shareholders' equity reconciliation.

(v) Income taxes

Under Australian GAAP, tax benefits relating to carry forward tax losses must be "virtually certain" of being realised before being booked. Realisations of benefits relating to other timing differences must be "beyond reasonable doubt" before they may be booked. These tests are more stringent than those applied under US GAAP. However no material adjustment to future tax benefits for US GAAP is required.

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

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

(vi) Pension commitments

Under Australian GAAP, contributions in respect of defined benefit schemes are recorded in the income statement and are made at levels necessary to ensure that these schemes are maintained with sufficient assets to meet their actuarially assessed liabilities. Any net deficiency arising from the aggregation of assets and liabilities of the Group's defined benefit schemes is provided for in the Group's financial statements (refer note 49 in the Financial Statements).

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

(vii) Post retirement and post employment benefits

Post retirement and post employment benefits other than pension payments are not material and no adjustment is required in the US GAAP reconciliation.

(viii) Trading securities

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

The residual emerging markets portfolio had been classified as available for sale with the market value write down taken through the statement of financial performance for both Australian GAAP and US GAAP purposes.

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

(ix) Investment Securities

US GAAP requires that investments not classified as trading securities or as held to maturity securities shall be classified as available for sale securities and be recorded at market value in accordance with SFAS 115 "Accounting for Certain Investments in Debt and Equity Securities". An adjustment is made in the US GAAP reconciliation to reflect available for sale securities which are carried at market value with unrealised profits and losses in respect of market value adjustments being reported as other comprehensive income in shareholders' equity.

(x) Accounting for the impairment of loans

SFAS 114 "Accounting by Creditors for Impairment of a Loan", as amended by SFAS 118 "Accounting by Creditors for Impairment of a Loan – Income Recognition and Disclosures", requires the value of an impaired loan to be measured as the present value of future cash flows discounted at the loan's initial effective interest rate, the loan's observable market price or the fair value of the collateral, if the loan is collateral dependent.

There is no requirement under Australian GAAP to discount the expected future cash flows attributable to impaired loans in assessing the level of specific provision for doubtful debts.

No adjustment is required in the US GAAP reconciliation as the estimated fair value of impaired loans is not materially different from the carrying value.

(xi) Accounting for the impairment of long lived assets and for long-lived assets to be disposed of

SFAS 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of", requires that where an event or a change in circumstance indicates that the carrying value of an asset that is expected to be held and used may not be recoverable, an impairment loss should be recognised. The standard also requires that where there is a committed plan to dispose of an asset, the asset should be reported at the lower of the carrying value or fair value less selling costs.

The Group has assessed the carrying values of all non-current assets and determined that they are not in excess of their recoverable amounts.

(xii) Accounting for transfers and servicing of financial assets and extinguishments of liabilities

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

No adjustment is required in the US GAAP reconciliation as the effect of adopting the provisions of SFAS 140 on total assets is not material. Refer to Note 40 in the Financial Statements for the required disclosures.

(xiii) Comprehensive Income

SFAS 130 "Reporting Comprehensive Income" establishes standards for reporting and display of comprehensive income and its components. Comprehensive income is defined as all changes in shareholders' equity during a period excluding those resulting from investments by shareholders and distributions to shareholders.

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

(xiv) Earnings per share ("EPS")

Under US GAAP, EPS is computed in accordance with SFAS 128 "Earnings Per Share". This standard is similar to Australian GAAP. One area of difference relates to the calculation of diluted EPS. Under US GAAP, assumed proceeds from potentially dilutive stock options are assumed to be used to repurchase outstanding shares at the average market price during the period.

(xv) Accounting for derivative instruments and hedging activities

The Group has adopted SFAS 133 "Accounting for Derivative Instruments and Hedging Activities" as amended by SFAS 138 "Accounting for Certain Derivative Instruments and Certain Hedging Activities" in its US GAAP reconciliation from 1 October 2000. SFAS 133 requires all derivatives to be recognised on balance sheet at fair value. Movements in the fair value of derivatives are taken to the statement of financial performance, unless the derivatives meet the criteria prescribed in SFAS 133 for fair value, cash flow, or foreign currency hedges. If certain criteria are met derivatives can be designated as hedges. Under SFAS 133 normal banking hedging practices may not qualify for hedge accounting, notwithstanding their ability to hedge existing balance sheet positions from an economic perspective.

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

Further information on the results of the Group's hedging activities, and the effectiveness of the risk management policies, can be assessed better by considering the information provided on interest rate risk in note 36, and the information on hedging derivatives provided in note 39: Derivative Financial Instruments, of the Financial Report.

Under SFAS 133, movements in the value of derivatives designated as fair value hedges are taken to the statement of financial performance, along with the movement in the fair value of the underlying exposure that is being hedged to the extent the hedge is effective. These amounts largely offset each other with any ineffectiveness recognised in the US GAAP statement of financial performance. Movements in the effective portion of the fair value of derivatives designated as cash flow hedges are taken to other comprehensive income. Any ineffectiveness is recognised in US GAAP statement of financial performance immediately. Amounts are subsequently reclassified out of other comprehensive income into earnings as the hedged transaction impacts earnings.

The impact on adoption of SFAS 133 and SFAS 138 at 1 October 2000 was a transitional adjustment to increase US GAAP profit by \$11 million, and a transitional adjustment to decrease other comprehensive income by \$52 million. Changes in market conditions and the Group's hedging policies may result in volatility in these US GAAP adjustments going forward.

(xvi) Provisions

At 30 September 2000, the Group recorded a provision for restructuring in accordance with Australian GAAP amounting to \$361 million before tax with an associated taxation credit of \$116 million. US GAAP requires certain criteria to be met before a restructuring provision is recognised. These criteria, which are more detailed than the Australian recognition criteria, include public announcement of many details of the programs prior to balance date. Accordingly, the provision and associated taxation effect were recognised for US GAAP during the year ended 30 September 2001.

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

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

Under US GAAP the gain may not be recognised as it occured as a result of a non-monetary transaction, which involved transferring ownership of controlled entities in exchange for a non-controlling ownership interest in the joint venture.

(xviii) Accounting for stock - compensation plans

Under Australian GAAP an expense is not recognised for share options issued to employees or for shares issued at a discount.

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

For US GAAP disclosure the Group measures share-based employee compensation cost using the intrinsic value based method. US GAAP compensation cost relating to share options is attributable to the impact of the increase in the market price of the Group's shares on those share option plans defined as variable under APB 25.

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

Share issues to employees under the ANZ Employee Share Acquisition Plan are recognised at intrinsic value under US GAAP.

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

55: US GAAP Reconciliation (continued)

(xviii) Accounting for stock-compensation plans (continued)

	2002		2001		2000	
	As Reported	Pro Forma	As Reported	Pro Forma	As Reported	Pro Forma
Net income according to US GAAP ($m)	2,097	2,093	1,796	1,813	1,940	1,970
- Basic earnings per share (cents)	132.3	132.0	112.4	113.5	119.3	121.3
- Diluted earnings per share (cents)	131.6	131.3	110.8	111.9	118.4	120.3

Details of the share-based compensation plans are included in Note 51 to the Financial Statements.

(xix) Details of Pension Schemes and Pension Expense

Reconciliations of the funded status of major defined benefit schemes as at 30 June 2002 are summarised below.
Details of the funding of the schemes are set out in note 49.

	Australian Scheme		
	2002 $m	2001 $m	2000 $m
Change in benefit obligation			
Balance at start of year	54	54	58
Interest costs	3	3	4
Benefits paid	(6)	(6)	(7)
Actuarial gains (losses)	–	3	(1)
Benefit obligation, 30 June	51	54	54
Change in plan assets			
Fair value at start of year	49	52	53
Actual return on plan assets	–	3	6
Employer contribution	–	–	–
Benefits paid	(6)	(6)	(7)
Total fair value of plan assets, 30 June	43	49	52
Funded status	(8)	(5)	(2)
Unrecognised net transition loss	2	3	4
Unrecognised net loss	10	7	4
Adjustment required to recognise minimum unfunded projected benefit obligation	(12)	(10)	(8)
Net amount recognised	(8)	(5)	(2)
Amounts recognised in the consolidated statement of financial position consist of:			
Prepaid benefits costs	–	–	–
Accrued benefit liabilities	(8)	(5)	(2)
The assumptions used in the actuarial calculations are as follows:			
Discount rate used in determining present values – pensioners	6.0%	6.0%	6.5%
Annual increase in future compensation levels – pensions	3%	3%	3%
Expected long-term rate of return on assets	7.5%	7.5%	7.5%

55: US GAAP Reconciliation (continued)

(xix) Details of Pension Schemes and Pension Expense (continued)

	UK Scheme 2002 $m	2001 $m	2000 $m
Change in benefit obligation			
Balance at start of year	1,038	923	818
Service cost	15	17	9
Interest cost	62	55	24
Plan amendment	–	–	–
Benefits paid	(62)	(50)	(45)
Actuarial gains (losses)	27	(15)	26
Foreign currency exchange rate fluctuations	(46)	108	91
Benefit obligation, 30 June	1,034	1,038	923
Change in plan assets			
Fair value at start of year	1,152	1,120	1,004
Actual return on plan assets	(69)	(43)	89
Employer contribution	(2)	2	2
Benefits paid	(62)	(50)	(45)
Foreign currency exchange rate fluctuations	(37)	123	70
Total fair value of plan assets, 30 June	982	1,152	1,120
Funded status	(51)	114	197
Unrecognised net transition gain	(19)	(28)	(33)
Unrecognised net gain	91	(81)	(171)
Unrecognised prior service cost	46	53	52
Net amount recognised	67	58	45
Amounts recognised in the consolidated statement of financial position consist of:			
Prepaid benefits costs	67	58	45
Accrued benefit liabilities	–	–	–
The assumptions used in the actuarial calculations are as follows:			
Discount rate used in determining present values			
– active members	5.75%	6.0%	6.0%
– pensioners	5.75%	6.0%	6.0%
Annual increase in future compensation levels			
– salary	4.5%	4.75%	4.75%
– pensions	2.5%	2.9%	2.9%
Expected long-term rate of return on assets	6.75%	7.0%	7.0%

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

	2002 $m	2001 $m	2000 $m
Service cost	13	17	17
Interest cost	59	55	52
Expected return on schemes' assets	(77)	(74)	(68)
Amortisation net transition asset	(7)	(7)	(6)
Recognised prior service cost	4	4	4
Net periodic pension cost	(8)	(5)	(1)

The Group also sponsors defined contribution schemes. The Group's contributions to major defined contribution schemes amounted to $80 million for the year (2001: $83 million).

56: Exchange Rates

The exchange rates used in the translation of the results and the assets and liabilities of major overseas branches and controlled entities are:

	2002 Closing	2002 Average	2001 Closing	2001 Average	2000 Closing	2000 Average
Great British pound	0.3477	0.3621	0.3331	0.3627	0.3720	0.3903
United States dollar	0.5441	0.5323	0.4903	0.5230	0.5444	0.6101
New Zealand dollar	1.1585	1.2001	1.2127	1.2473	1.3324	1.2647

57: Events Since the End of the Financial Year

There have been no significant events since 30 September 2002 to the date of this report.

Directors' Declaration

The directors of Australia and New Zealand Banking Group Limited declare that the financial statements and notes of the Company and the consolidated entity:

(a) are in accordance with the Corporations Act 2001, including:

  (i) complying with applicable Australian Accounting Standards and other mandatory professional reporting requirements; and

  (ii) giving a true and fair view of the financial position of the Company and of the consolidated entity as at 30 September 2002 and of their performance as represented by the results of their operations and their cash flows, for the year ended on that date; and

(b) in the directors' opinion at the date of this declaration there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Company and some of its wholly owned controlled entities listed in note 48 executed a Deed of Cross Guarantee enabling them to take advantage of the accounting and audit relief offered by class order 98/1418, dated 13 August 1998 issued by the Australian Securities and Investments Commission.

The nature of the Deed of Cross Guarantee is to guarantee each creditor payment in full of any debt in accordance with the terms of the Deed of Cross Guarantee.

At the date of this declaration, there are reasonable grounds to believe that the Company and its controlled entities to which the class order applies, are able, as an economic entity, to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee.

Signed in accordance with a resolution of the directors

John Dahlsen
Director
4 November 2002

John McFarlane
Chief Executive Officer

Auditors' Report

Independent audit report to the members of Australia and New Zealand Banking Group Limited

Scope

We have audited the financial report of Australia and New Zealand Banking Group Limited for the financial year ended 30 September 2002, consisting of the statements of financial performance, statements of financial position, statements of changes in shareholders' equity, statements of cash flows, accompanying notes 1 to 57 and the directors' declaration set out on pages 2 to 77. The financial report includes the consolidated financial statements of the consolidated entity, comprising the Company and the entities it controlled at the end of the year or from time to time during the financial year. The Company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Auditing Standards of Australia and the United States of America to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

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

Audit Opinion

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

(a) the Corporations Act 2001, including:

  (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 September 2002 and of their performance for the financial year ended on that date; and

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

(b) other mandatory professional reporting requirements in Australia.

Accounting principles generally accepted in Australia vary in certain respects from accounting principles generally accepted in the United States of America. An explanation of the major differences between the two sets of principles is presented in note 55 to the financial statements.

The application of the United States principles would have affected the determination of consolidated net profit for each of the three years in the period ended 30 September 2002 and the determination of the consolidated financial position as of 30 September 2002, 2001 and 2000 to the extent summarised in note 55 to the financial statements.

KPMG
Chartered Accountants
Melbourne
4 November 2002

Peter Nash
Partner

Critical Accounting Policies

The Group prepares its consolidated financial statements in accordance with Australian Accounting Standards and other authoritative accounting pronouncements. However, notwithstanding the existence of relevant accounting standards, there are a number of critical accounting treatments, which include complex or subjective decisions or assessments. The Group requires all such applications of judgement to be reviewed and agreed by Group Finance, and where the impact is material, the accounting treatment be reviewed during the audit process by the Group's external auditors. All material changes to accounting policy are approved by the Audit Committee of the Board.

Historical changes
No change has been made to any of the critical accounting policies or their related methodologies over the last 3 years.
A brief discussion of critical accounting policies, and their impact on the Group, follows:

(a) Economic Loss Provisioning

Description and Significance

Each month the Group recognises an expense for credit losses based on the expected long term loss ratio for each part of the loan portfolio. The monthly charge is transferred to the General Provision which is maintained to cover losses inherent within the Group's existing loan portfolio.

The method used by the Group for determining this monthly expense charge is referred to as 'economic loss provisioning' (ELP). The Group uses ELP models to calculate the expected loss by considering:

› the history of credit loss for each type and risk grade of lending; and

› the size, composition and risk profile of the current loan portfolio.

Ongoing reviews

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

To the extent that credit losses are not consistent with previous loss patterns used to develop the assumptions within the ELP methodology, the existing General Provision may be determined to be either in excess of or insufficient to cover credit losses not yet specifically identified. As a result of the reassessments, ELP charge levels may be periodically increased or decreased with a direct impact on profitability.

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

Quantification of Sensitivity

For 2002, the balance of the General Provision of $1,496 million (Sep 2001: $1,386 million) represents 1.1% (Sep 2001: 1.0%) of risk weighted assets.

Specifically identified credit losses net of recoveries during the year were $728 million (Sep 2001: $520 million). During the same period, the average charge to profit for ELP was 0.43% of average net lending assets (Sep 2001: 0.38%).

During the year an additional provision for bad debts of $250 million, identified as part of the regular review process, was added to the general provision to restore its balance to an appropriate level. Also, recognising the unexpected default experience on international exposures, an additional ELP charge of $72 million has been recognised at the Group level.

(b) Specific Provisioning

Description and Significance

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

The Group's ELP provisioning methodology is used to estimate the extent of losses inherent within the loan book. Once a specific doubtful debt loss is identified as being probable, its value is transferred from the General Provision to the Specific Provision. Specific provisioning methodology applies when the full recovery of one of the Group's exposures is identified as being doubtful resulting in the creation of a specific provision equal to the full amount of the expected loss plus any enforcement/recovery expenses.

Recoveries resulting from excess specific provisions arising when actual losses are determined to be less than the amount provided for within the specific provision are transferred back to the General Provision.

Critical Accounting Policies (continued)

Quantification of Sensitivity

The recognition of losses has an impact on the size of the General Provision rather than directly impacting profit. However, to the extent that the General Provision is drawn down beyond a prudent amount it will be restored through a transfer from the current year's earnings. Recoveries of amounts previously specifically provided against are applied to the restoration of the General Provision balance. The amount of draw down from the General Provision to the Specific Provision, net of recoveries, during the year was $728 million (Sep 2001: $520 million).

(c) Deferred acquisition costs, software assets and deferred income

Description and Significance

The Group recognises assets and liabilities that represent:

› Capitalised expenses - direct costs from the acquisition of interest earning assets;

› Software assets - direct costs incurred in developing software systems; and

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

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

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

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

Quantification of Sensitivity

Deferred acquisition costs - At 30 September, the Group's assets included $289 million (Sep 2001: $258 million) in relation to costs incurred in acquiring interest earning assets. During the year, amortisation of $132 million (Sep 2001: $121 million) was recognised as an adjustment to the yield earned on interest earning assets.

Software assets - At 30 September, the Group's fixed assets included $419 million (Sep 2001: $303 million) in relation to costs incurred in acquiring and developing software. During the year, depreciation expense of $50 million (Sep 2001: $22 million) was recognised and $24 million (Sep 2001: $14 million) was written off in relation to software assets. The software depreciation expense will increase going forward, as projects are completed following a period of above average project activity which has replaced significant parts of the Group's core infrastructure. The Group anticipates that software depreciation will exceed $90 million in 2003. Consistent with US accounting rules on software capitalisation only costs incurred during configuration, coding and installation stages are capitalised. Administrative, preliminary project and post implementation costs including determining performance requirements, vendor selection and training costs are expensed as incurred.

Deferred income - At 30 September, the Group's liabilities included $128 million (Sep 2001: $131 million) in relation to income received in advance. This income is comprised of 2 components: (1) fees received for services not yet completed; and (2) profit made on an interest rate swap that was hedging future payments (years 2004 and forward) on the Group's preference shares. Under Australian Accounting Standards, this profit is deferred and recognised when the hedged transaction occurs, or immediately if the hedged transaction is no longer expected to occur. As the Group presently plans to retain the preference shares, recognition of the income from the hedging transaction is deferred.
The balances of deferred assets at 30 September were:

	Deferred acquisition costs		Software Assets		Deferred Income	
	2002	2001	2002	2001	2002	2001
	$m	$m	$m	$m	$m	$m
Personal Banking & Wealth	–	–	177	142	–	1
Corporate Businesses	–	–	17	16	4	5
Investment Banking	27	39	–	–	11	11
Consumer Finance	–	–	45	30	–	–
Mortgages	73	57	27	17	–	–
Asset Finance	189	162	29	31	–	1
Small to Medium Business	–	–	6	3	–	–
Other	–	–	118	64	113	113
Total	289	258	419	303	128	131

(d) Derivatives and Hedging

Description and Significance

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

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

Accounting treatment - In accordance with the requirements of Australian Accounting Standards, derivative instruments entered into for the purpose of hedging are accounted for on the same basis as the underlying exposures or risks.

Derivative instruments entered into to hedge exposures that are not recorded at fair value do not have their fair values recorded in the Group's Statement of Financial Position (in accordance with Australian Accounting Standards).

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

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

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

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

Fair value determination - Derivatives entered into as part of the Group's trading operations are carried at their fair values with any change in fair value being immediately recognised as part of trading income. Where liquid markets exist, fair value is based on quoted market prices. For certain complex or illiquid derivative instruments, it may be necessary to use projections, estimates and models to determine fair value. In addition, judgemental factors such as the need for credit adjustments, liquidity and other valuation adjustments affect the reported fair value amountsof derivatives.

(e) Special purpose and off balance sheet vehicles

The Group may invest in or establish special purpose companies, or vehicles (SPVs), to enable it to undertake specific types of transactions. Where the Group controls such vehicles, they are consolidated into the Group financial results.

Certain SPVs may be set up by the Group to facilitate Group strategic aims, or to assist with structured transactions for clients. The accounting treatment of each SPV is assessed using existing Australian guidance, with reference also to International and US accounting standards where specific issues are yet to be addressed in Australia. The table below summarises the main types of SPVs that are not consolidated into the Group, the reason for their establishment, and the key risks associated with them.

Type of Special Purpose Vehcile (SPV)	Reason for establishment	Key Risks	SPV Assets $m
Securitisation vehicles	Assets are transferred to a SPV, which funds the purchase by issuing securities. Enables ANZ or customers to increase diversity of funding sources.	ANZ may manage securitisation vehicles, service assets in a vehicle and provide liquidity support, and retains the risks associated with the provision of these services. Credit and market risks associated with the underlying assets are not retained by ANZ. ANZ may also provide other services (eg. swaps, credit guarantees), for which ANZ earns a fee at commercial rates.	6,992
Structured finance entities	These entities are set up to assist with the structuring of client financing.	ANZ may retain liquidity risk, if it provides liquidity support to the vehicle. ANZ may also manage these vehicles.	1,968
Managed funds	These funds invest in specified investments on behalf of clients.	The ANZ/ING Australia joint venture, as manager of the funds, exposes ANZ to operational risk and reputational risk.	26,642

1: Cross Border Outstandings

Cross border outstandings of the Group to countries which individually represented in excess of 0.75% of the Group's total assets are shown below. There were no cross border outstandings to any other country exceeding 0.75% of total assets.

Cross border foreign outstandings are based on the country of domicile of the borrower or guarantor of the ultimate risk and comprise loans (including accrued interest), placements with banks, acceptances and other monetary assets denominated in currencies other than the borrower's local currency. For certain countries, local currency obligations are also included. Cross border foreign outstandings are before specific and general provisions.

	Governments and other official institutions $m	Banks and other financial institutions $m	Other commercial and industrial $m	Total $m	% of Group assets
At 30 September 2002					
United Kingdom	273	1,079	4,581	5,933	3.2
USA	29	2,456	1,705	4,190	2.3
South Korea[1]	245	1,305	171	1,721	0.9
Singapore[1]	603	388	629	1,620	0.9
France	358	349	890	1,597	0.9
Germany	370	345	797	1,512	0.8
At 30 September 2001					
United Kingdom	394	2,238	3,976	6,608	3.6
USA	31	3,981	2,355	6,367	3.4
Germany	598	696	1,025	2,319	1.3
New Zealand	–	21	2,093	2,114	1.1
France	252	193	1,613	2,058	1.1
Singapore[1]	476	369	951	1,796	1.0
South Korea[1]	1	1,120	428	1,549	0.8

1 Includes local lending in local currency

2: Certificates of Deposit and Term Deposit Maturities

The following table shows the maturity profile of the Group's certificates of deposit and term deposits in excess of $100,000 issued at 30 September 2002.

	Less than 3 months $m	Between 3 months and 6 months $m	Between 6 months and 12 months $m	After 1 year $m	Total $m
Australia					
Certificates of deposit	3,650	528	350	812	5,340
Term deposits	11,886	1,275	792	379	14,332
	15,536	1,803	1,142	1,191	19,672
Overseas					
Certificates of deposit	4,098	709	1,218	284	6,309
Term deposits	15,065	961	689	346	17,061
	19,163	1,670	1,907	630	23,370
Total	34,699	3,473	3,049	1,821	43,042

3: Volume and Rate Analysis

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

	2002 over 2001			2001 over 2000		
	Change due to			Change due to		
	Volume $m	Rate $m	Total $m	Volume $m	Rate $m	Total $m
Interest earning assets						
Due from other financial institutions						
Australia	(10)	(11)	(21)	(15)	–	(15)
New Zealand	(1)	(7)	(8)	14	1	15
Overseas markets	4	(68)	(64)	(5)	(24)	(29)
Regulatory deposits with						
Reserve Bank of Australia	–	–	–	–	–	–
Investments in public securities						
Australia	45	(40)	5	(21)	(14)	(35)
New Zealand	(23)	(25)	(48)	39	4	43
Overseas markets	(4)	(28)	(32)	(54)	(59)	(113)
Loans, advances and bills discounted						
Australia	414	(835)	(421)	645	(107)	538
New Zealand	71	(174)	(103)	53	45	98
Overseas markets	(55)	(304)	(359)	(156)	(286)	(442)
Other assets						
Australia	(1)	(80)	(81)	(14)	14	–
New Zealand	15	(1)	14	8	(20)	(12)
Overseas markets	34	(131)	(97)	(54)	13	(41)
Intragroup assets						
Overseas markets	(104)	(221)	(325)	145	(29)	116
Change in interest income	385	(1,925)	(1,540)	585	(462)	123
Intragroup elimination	104	221	325	(145)	29	(116)
	489	(1,704)	(1,215)	440	(433)	7

3: Volume and Rate Analysis (continued)

	2002 over 2001			2001 over 2000		
		Change due to			Change due to	
	Volume $m	Rate $m	Total $m	Volume $m	Rate $m	Total $m
Interest bearing liabilities						
Time deposits						
Australia	71	(215)	(144)	(299)	(7)	(306)
New Zealand	29	(92)	(63)	15	28	43
Overseas markets	87	(328)	(241)	(117)	(156)	(273)
Savings deposits						
Australia	34	(58)	(24)	12	10	22
New Zealand	8	(21)	(13)	(2)	6	4
Overseas markets	2	(2)	–	(29)	(21)	(50)
Other demand deposits						
Australia	115	(195)	(80)	148	(57)	91
New Zealand	13	(17)	(4)	7	9	16
Overseas markets	(2)	(7)	(9)	(17)	(15)	(32)
Due to other financial institutions						
Australia	28	(10)	18	14	2	16
New Zealand	1	(4)	(3)	–	–	–
Overseas markets	(122)	(237)	(359)	70	(73)	(3)
Commercial paper						
Australia	(72)	(60)	(132)	1	2	3
Overseas markets	(71)	(130)	(201)	121	(27)	94
Borrowing corporations' debt						
Australia	(1)	(48)	(49)	10	15	25
New Zealand	9	(9)	–	13	6	19
Loan capital, bonds and notes						
Australia	171	(148)	23	220	(41)	179
New Zealand	3	(2)	1	6	–	6
Overseas markets	(3)	(17)	(20)	19	(3)	16
Other liabilities						
Australia	(47)	43	(4)	26	80	106
New Zealand	12	(74)	(62)	(11)	15	4
Overseas markets	(12)	(21)	(33)	(95)	91	(4)
Intragroup liabilities						
Australia	(75)	(192)	(267)	151	(42)	109
New Zealand	(29)	(29)	(58)	2	5	7
Change in interest expense	149	(1,873)	(1,724)	265	(173)	92
Intragroup elimination	104	221	325	(153)	37	(116)
	253	(1,652)	(1,399)	112	(136)	(24)
Change in net interest income	236	(52)	184	328	(297)	31

4: Concentrations of Credit Risk

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

	2002		2001		2000	
	Loans and advances[1] $m	Specific provision $m	Loans and advances[1] $m	Specific provision $m	Loans and advances[1] $m	Specific provision $m
Australia						
Agriculture, forestry, fishing and mining	3,436	16	3,500	104	4,157	34
Business service	2,120	5	2,044	7	2,206	6
Entertainment, leisure and tourism	2,465	28	2,293	27	2,062	4
Financial, investment and insurance	4,603	13	4,311	3	5,532	1
Government and official institutions	67	–	122	–	103	–
Lease finance	2,503	2	2,524	5	2,821	8
Manufacturing	4,303	7	4,034	11	4,236	19
Personal[2]	14,893	27	13,435	36	12,728	131
Real estate – construction	1,152	5	1,198	11	1,376	7
Real estate – mortgage[3]	57,049	32	49,127	13	43,912	9
Retail and wholesale trade	5,957	15	6,017	16	5,691	24
Other	3,990	61	3,850	70	4,196	17
	102,538	211	92,455	303	89,020	260
Overseas						
Agriculture, forestry, fishing and mining	2,526	3	2,686	8	2,429	12
Business service	435	1	214	1	274	1
Entertainment, leisure and tourism	586	4	361	1	505	6
Financial, investment and insurance	1,561	21	2,276	26	1,952	128
Government and official institutions	212	–	372	27	627	25
Lease finance	844	1	936	4	504	–
Manufacturing	4,701	34	5,153	30	4,781	118
Personal[2]	1,848	7	1,804	18	1,876	16
Real estate – construction	551	1	921	9	820	36
Real estate – mortgage[3]	11,956	5	11,638	12	10,628	16
Retail and wholesale trade	1,648	15	2,021	18	1,950	35
Other	5,943	282	5,853	43	4,266	56
	32,811	374	34,235	197	30,612	449
Total portfolio	135,349	585	126,690	500	119,632	709

1 Loans and advances exclude acceptances
2 Personal includes non-business loans to individuals through overdrafts, personal loans, credit cards and fully drawn advances
3 Real estate mortgage includes residential and commercial property exposure. Loans within this category are for the purchase of such properties and must be secured by property

4: Concentrations of Credit Risk (continued)

	1999 Loans and advances[1] $m	1999 Specific provision $m	1998 Loans and advances[1] $m	1998 Specific provision $m
Australia				
Agriculture, forestry, fishing and mining	4,288	12	3,648	11
Business service	1,717	5	2,632	3
Entertainment, leisure and tourism	2,007	25	1,952	19
Financial, investment and insurance	4,438	5	4,501	3
Government and official institutions	106	–	63	–
Lease finance	3,585	5	3,505	4
Manufacturing	3,815	19	2,586	24
Personal[2]	9,280	94	7,112	96
Real estate – construction	1,376	6	1,293	6
Real estate – mortgage[3]	35,862	48	28,924	64
Retail and wholesale trade	4,946	23	4,860	19
Other	3,835	39	3,599	48
	75,255	281	64,675	297
Overseas				
Agriculture, forestry, fishing and mining	2,131	17	2,118	27
Business service	550	7	536	8
Entertainment, leisure and tourism	665	4	657	3
Financial, investment and insurance	2,214	156	2,843	66
Government and official institutions	750	–	821	30
Lease finance	405	1	115	–
Manufacturing	6,493	213	6,733	193
Personal[2]	2,304	35	3,509	20
Real estate – construction	753	32	799	41
Real estate – mortgage[3]	9,645	25	8,825	19
Retail and wholesale trade	2,010	72	2,180	37
Other	4,376	64	4,100	78
	32,296	626	33,236	522
Total portfolio	107,551	907	97,911	819

1 Loans and advances exclude acceptances
2 Personal includes non-business loans to individuals through overdrafts, personal loans, credit cards and fully drawn advances
3 Real estate mortgage includes residential and commercial property exposure. Loans within this category are for the purchase of such properties and must be secured by property

5: Doubtful Debts – Industry Analysis

	2002 $m	2001 $m	2000 $m	1999 $m	1998 $m
Balance at start of year	1,886	2,082	2,302	2,220	1,883
Adjustment for exchange rate fluctuations	(28)	32	37	(79)	34
Bad debts written off (refer (i) below)	(697)	(834)	(539)	(382)	(221)
Charge to statement of financial performance	860	531	502	510	487
Recoveries (refer (ii) below)	60	75	46	33	37
Other[1]	–	–	(266)	–	–
Total provisions for doubtful debts	2,081	1,886	2,082	2,302	2,220
(i) Total write-offs by industry					
Australia					
Agriculture, forestry, fishing and mining	(72)	(14)	(12)	(6)	(4)
Business service	(8)	(6)	(5)	(4)	(4)
Entertainment, leisure and tourism	(4)	(5)	(10)	(3)	(3)
Financial, investment and insurance	(8)	(7)	(3)	(28)	(3)
Lease finance	(7)	(11)	(9)	(5)	(5)
Manufacturing	(17)	(22)	(11)	(18)	(11)
Personal[2]	(237)	(292)	(133)	(67)	(81)
Real estate – construction	(12)	(13)	(5)	(8)	(5)
Real estate – mortgage[3]	(19)	(13)	(51)	(16)	(40)
Retail and wholesale trade	(47)	(97)	(28)	(19)	(14)
Other	(37)	(28)	(8)	(48)	(4)
Overseas					
Other	(229)	(326)	(264)	(160)	(47)
Total write-offs	(697)	(834)	(539)	(382)	(221)
(ii) Total recoveries by industry					
Australia					
Agriculture, forestry, fishing and mining	3	5	4	–	–
Business service	1	1	–	–	3
Entertainment, leisure and tourism	2	1	1	–	1
Financial, investment and insurance	–	2	4	3	1
Lease finance	2	1	2	2	3
Manufacturing	3	2	5	1	4
Personal[2]	27	30	9	8	10
Real estate – construction	2	1	1	–	1
Real estate – mortgage[3]	4	3	4	1	2
Retail and wholesale trade	3	2	2	–	1
Other	1	1	2	2	1
Overseas					
Other	12	26	12	16	10
Total recoveries	60	75	46	33	37
Net write-offs	(637)	(759)	(493)	(349)	(184)
Ratio of net write-offs to average loans and acceptances	0.4%	0.5%	0.4%	0.3%	0.2%

1 2000 includes $266 million reduction from the sale of Grindlays
2 Personal includes non-business loans to individuals through overdrafts, personal loans, credit cards and fully drawn advances
3 Real estate mortgage includes residential and commercial property exposure. Loans within this category are for the purchase of such properties and must be secured by property

6: Short Term Borrowings

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

	2002 $m	2001 $m	2000 $m
Balance at end of year			
Commercial paper – ANZ (Delaware) Inc.	1,654	4,059	4,416
Commercial paper – other	3,963	5,043	6,098
Unsecured notes	12	28	98
Weighted average interest rate at end of year			
Commercial paper – ANZ (Delaware) Inc.	1.85%	4.67%	6.50%
Commercial paper – other	4.92%	3.78%	6.20%
Unsecured notes	6.22%	5.69%	5.57%
Maximum amount outstanding at any month end during year			
Commercial paper – ANZ (Delaware) Inc.	5,541	7,096	5,503
Commercial paper – other	5,647	7,193	6,209
Unsecured notes	29	99	742
Average amount outstanding during year			
Commercial paper – ANZ (Delaware) Inc.	3,641	5,408	3,079
Commercial paper – other	3,888	5,275	5,256
Unsecured notes	14	53	504
Weighted average interest rate during year			
Commercial paper – ANZ (Delaware) Inc.	2.00%	5.07%	5.84%
Commercial paper – other	4.57%	5.87%	5.83%
Unsecured notes	5.54%	5.73%	4.86%

Asset Finance operating under the Esanda and UDC brands, ANZ Asset Finance provides secured financing for motor vehicles and other assets, fleet management and vendor financing facilities, and fixed interest securities through the issue of debentures.

Consumer Finance provides consumer and commercial credit cards, ePayment products, personal loans, and merchant payment facilities in Australia, New Zealand and selected overseas markets.

Corporate Banking provides financial products and develops product strategies for medium sized businesses (turnover $10 million to $100 million) in Australasia.

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

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

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

Investment Banking comprises Global Foreign Exchange, Global Capital Markets, Global Structured Finance and Corporate Financing & Advisory.

Mortgages provision of mortgage finance secured by residential real estate in Australia and New Zealand.

Net advances include gross loans and advances, acceptances and ANZ accepted bills held as part of trading securities less income yet to mature and specific provisions (for both as at and average volumes).

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

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

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

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

Operating expenses exclude charge for doubtful debts.

Operations, Technology & Shared Services comprises technology and payments operations, central support units and costs relating to hedging overseas revenue and capital positions. Also includes the residual results of discontinued businesses.

Overseas geographic segment includes the results of all operations outside Australia and New Zealand.

Overseas markets includes the results of operations in the UK and Europe, Asia, Pacific and Americas. The Group's geographic segments are Australia, New Zealand and Overseas markets.

Personal Banking and Wealth comprises Personal Banking Australia, New Zealand and Pacific Asia and Wealth Management and the INGA joint venture. Personal Banking Australia provides a full range of banking services for personal and rural small business customers in Australia through branches, call centres and on line banking. Personal Banking New Zealand provides a full range of banking and wealth management services for consumers across New Zealand. Personal Banking Pacific Asia provides retail banking services in the Pacific Region and Asia, including ANZ's share of PT Panin Bank in Indonesia. Wealth Management delivers comprehensive financial advisory and distribution services to high net worth customers in Australia covering investment, risk, lending and banking. ING Australia, the joint venture between ANZ and the ING Group, provides integrated manufacture and distribution of wealth creation, management and protection products and services aligned to ANZ distribution and the open market.

Service transfer pricing is in use throughout the Group, whereby business and support units recover the cost of services provided to other units. The basis of pricing for internal services varies from cost recovery, to market equivalent. There are some head office costs which are not recharged.

Small to Medium Business provides a full range of banking services for metropolitan based small to medium business in Australia and New Zealand with turnover up to $10 million.

Total advances include gross loans and advances, acceptances and ANZ accepted bills held as part of trading securities less income yet to mature (for both as at and average volumes).

Group Treasury is the banker to all ANZ businesses. Charged with providing cash flow support, ensuring liquidity, managing interest rate risk and providing capital to the businesses.

Unproductive facilities comprises standby letters of credit, bill endorsements, documentary letters of credit and guarantees to third parties, undrawn facilities to which the Group is irrevocably committed and market related exposures.

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