

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED
ABN 11 005 357 522
CONSOLIDATED FINANCIAL REPORT AND DIVIDEND ANNOUNCEMENT
Year Ended 30 September 2001

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All amounts are in Australian dollars unless otherwise stated. The information on which this announcement is based is in the process of being audited by the Group's auditors, KPMG. The Company has a formally constituted Audit Committee of the Board of Directors. This report was approved by resolution of a Committee of the Board of Directors on 25 October 2001.

Media Release



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For Release: 25 October 2001

ANZ earnings growth highlights new momentum

Australia and New Zealand Banking Group Limited (ANZ) today announced a record operating profit after tax of \$1,870 million for the year ended September 2001, up 7% on last year (FY2000 \$1,747m). Earnings on continuing operations were up 18% (FY2000 \$1,597m).

Results Summary

- **Operating profit after tax:**
 - Full year: \$1,870 million, up 7% (up 18% in continuing operations)
 - Second half: \$975 million, up 9% on the first half
- **Earnings per ordinary share up 10% to 117.4 cents**
- **Return on ordinary shareholders' equity of 20.2% up from 19.3%**
- **Final dividend 40 cents, up 5 cents with 100% franking**
- **Full year dividend 73 cents, up 14%**
- **Cost management continues. Cost income ratio down to 48.3%**
- **Provisioning increased but within expectations**
 - Economic loss provision \$531 million up from \$502 million in 2000
 - Net specific provisions \$520 million contained within overall economic loss provision
- **Sale of Grindlays on 31 July 2000 reduced exposure to Middle East and South Asia**

ANZ Chairman, Mr Charles Goode said: "This is a strong result. It is another positive performance, the result of four years hard work in strategically repositioning ANZ. Because of that work we are well placed in a less certain economic environment."

"During the last 12 months, we have achieved 18% earnings growth in our ongoing businesses and, for the first time in 20 years, return on equity is above 20%. Management and staff are to be congratulated on their achievements," Mr Goode said.

Chief Executive Officer, Mr John McFarlane said: "We have created a new momentum at ANZ. This new momentum has come from a consistent focus on improving financial performance, creating a more sustainable business mix, reducing risk and building a new culture."

"We expect the economic and credit environment to remain subdued through 2002 but we believe the situation will be containable. As a result we are taking a more cautious approach to our business."

“Despite the slowing world economy and uncertainty created by September 11, ANZ’s momentum and our distinctive strategy means we are well placed to continue to deliver on our financial targets and to take advantage of the opportunities this market will create.

“Our repositioning means we are accelerating the program to make ANZ more valuable to a broader range of stakeholders, especially to our customers and the community,” Mr McFarlane said.

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ANZ’s 2001 Annual Results are available on www.anz.com



Chief Executive Officer's Review

2001 Annual Results

I am pleased to report a 2001 result that is up 7% on last year (18% excluding discontinued businesses), at the upper end of analysts' expectations, and at a new record level. Our good first half performance was repeated in the second half, despite the more subdued economy and weaker credit environment.

Earnings per share growth of 10% matched our minimum target. Return on equity of 20.2% exceeded our 2003 target of 20% and is the highest level in the last 20 years. As promised, we continued to improve the cost income ratio, achieving 48.3% for the year, and 47.3% for the second half. This is now reaching world-class levels.

In our continuing businesses we achieved good revenue growth of 11%. Costs were again held flat, after adjusting for GST, new acquisitions and foreign exchange movements. Inner tier 1 capital level is above our target level, as is prudent in the light of present external uncertainties. Our strong AA category credit rating was maintained.

All but one of our specialist businesses grew their profits during the year, and all but four had double-digit earnings growth. This demonstrates the robustness of our strategy, our disciplined approach to risk, and the strength and depth of our management team. It emphasises our focus on growing the top line, our caution on risk, our rigour on capital allocation, and our decisiveness on costs.

The last four years has seen a major transformation of ANZ. We now have a more sustainable and balanced business mix, improved positions in a number of growth sectors, industry-leading productivity, and considerably lower risk. The current uncertainties in the Middle East and South Asia provide further affirmation of our decision to sell Grindlays.

All of this has resulted in records for stock price, market capitalisation and shareholder dividend.

We have made good progress with our other stakeholders. The number of customers and market share across most measures has increased. Staff satisfaction has improved substantially. We have also taken a number of steps to earn the trust of the community, including a new ANZ Customer Charter, free transactional banking for those over 60, major concessions for Centrelink and Health cardholders and our moratorium on regional branch closures.

Of course, not everything has worked in our favour, and there are areas where we are not doing as well. Although we have made progress in the areas of customer and community satisfaction, we have a great deal yet to do. It is well known that banks are not held in high regard by personal customers or by the community. Changing this perception of ANZ and contributing to changes in the wider industry is a major priority of ours over the next few years.

Again, while we have made substantial progress in Personal Financial Services, we remain underweight strategically in this area. In particular we need to increase the number of customers in Metrobanking, Regionalbanking and Small to Medium business. We also need a stronger position in Wealth Management.

We are also facing substantial competition for deposit funds that is constraining our ability to grow assets, particularly from alternative investments. Plans are in place to grow deposits, but the real solution lies in diversifying our business by growing alternative revenue streams.

This year we launched the "Breakout" programme to create a sustainable high performance culture at ANZ. One thousand of our top managers have now been through the programme, and we are planning to extend this to 6000 others this year. We believe this initiative will be the foundation for sustainable performance differentiation in future years.

As we predicted in the first half, we have seen deterioration in asset quality in Australia as a result of the recent downturn. This has been evidenced particularly through some large corporate collapses and our specific provisions have therefore risen. To reflect the potential risk arising from global economic uncertainty and the events of September 11th, we increased the ELP for the year by an additional \$41 million. Our specific provisions are now broadly in line with ELP for the year, albeit higher for the half. We have provided for all known problem exposures.

The Australian and New Zealand economies are currently performing relatively well, but it is likely that the higher level of uncertainty will have a tangible effect. We are closely monitoring the situation and are preparing contingency plans to mitigate any adverse impact should the situation deteriorate, and to be in a position to take appropriate action quickly, should this be necessary.

We will continue to invest in selected growth segments and to improve the sustainability of our business mix. We are also paying particular attention to improving customer and staff satisfaction, in building our strategic position in our core businesses, and in earning the trust of the community. We have plans for a major transformation of our branch network domestically over the next few years. Additionally, strategic opportunities at reasonable values are likely to present themselves, and we believe this will play to our advantage. As an example, we recently acquired businesses in four countries in the Pacific.

We expect a slowing in revenue opportunities until such time as the economy rebounds. The credit environment is likely to remain subdued, but barring significant deterioration, losses will be containable. We are accordingly taking a deliberately cautious approach to our business, and will continue to manage costs towards a target cost-income ratio in the mid 40's, and constrain asset growth in economically sensitive areas.

Taking account of all factors, we remain positive about future performance, and are leaving our 2002 and 2003 financial targets unchanged.

**Australia and New Zealand
Banking Group Limited**

ABN 11 005 357 522

**Consolidated Financial Report
Dividend Announcement
and
Appendix 4B**

**Year Ended
30 September 2001**



HIGHLIGHTS



CHIEF EXECUTIVE OFFICER

John McFarlane

Net operating result for year ended 30 September 2001

- Operating profit after tax \$1,870 million up 7% (18% growth in continuing businesses)
- Earnings per ordinary share up 10% to 117.4 cents
- Return on ordinary shareholders' equity 20.2%, achieving target of above 20%
- Full year dividend 73 cents per share, fully franked, compared with previous periods 64 cents (2000) and 56 cents (1999)
- Cost to income ratio down to 48.3%
- Provisioning levels increased in the second half, broadly within expectations:
 - Net specific provisions \$520 million, up from \$383 million in 2000.
 - Increase in economic loss provision
 - Net non-accruals \$770 million, up from \$699 million in 2000; gross non-accruals \$1,260 million down from \$1,391 million
- Grindlays sale (31 July 2000) significantly reduced exposure to Middle East, South Asia

Net operating result for half year ended 30 September 2001

- Operating profit after tax up 9% to \$975 million (7% growth in continuing businesses)
- Return on ordinary shareholders' equity 20.9%
- Operating income up 5%; non interest income up 7%
- Operating expenses increase contained at 1%
- Cost to income ratio 47.3% down from 49.4%

FINANCIAL HIGHLIGHTS

NET OPERATING RESULT

	Half year Sep 01 \$M	Half year Mar 01 \$M	Movt Sep 01 v. Mar 01 %	Full year Sep 01 \$M	Full year Sep 00 \$M	Movt Sep 01 v. Sep 00 %
Net interest income	1,954	1,879	4%	3,833	3,801	1%
Other operating income	1,351	1,261	7%	2,612	2,583	1%
Abnormal income	-	-	n/a	-	1,207	-100%
Operating income	3,305	3,140	5%	6,445	7,591	-15%
Operating expenses	(1,571)	(1,560)	1%	(3,131)	(3,314)	-6%
Abnormal expenses	-	-	n/a	-	(986)	-100%
Profit before debt provision	1,734	1,580	10%	3,314	3,291	1%
Provision for doubtful debts	(290)	(241)	20%	(531)	(502)	6%
Profit before income tax	1,444	1,339	8%	2,783	2,789	-
Income tax expense	(468)	(443)	6%	(911)	(863)	6%
Abnormal tax	-	-	n/a	-	(177)	-100%
Outside equity interests	(1)	(1)	-	(2)	(2)	-
Net profit attributable to members of the Company	975	895	9%	1,870	1,747	7%

NET OPERATING RESULT RECONCILIATION

Continuing operations	975	907	7%	1,882	1,597	18%
Net abnormals	-	-	n/a	-	44	-100%
Discontinued businesses	-	(12)	-100%	(12)	106	n/a
Net profit attributable to members of the Company	975	895	9%	1,870	1,747	7%

CONTINUING OPERATIONS

Net interest income	1,945	1,859	5%	3,804	3,464	10%
Other operating income	1,350	1,280	5%	2,630	2,346	12%
Operating income	3,295	3,139	5%	6,434	5,810	11%
Operating expenses	(1,569)	(1,559)	1%	(3,128)	(3,024)	3%
Profit before debt provision	1,726	1,580	9%	3,306	2,786	19%
Provision for doubtful debts	(283)	(233)	21%	(516)	(440)	17%
Profit before income tax	1,443	1,347	7%	2,790	2,346	19%
Income tax expense	(467)	(439)	6%	(906)	(747)	21%
Outside equity interests	(1)	(1)	-	(2)	(2)	-
Continuing operations	975	907	7%	1,882	1,597	18%



FINANCIAL HIGHLIGHTS (continued)

PERFORMANCE MEASUREMENTS

	Half year Sep 01	Half year Mar 01	Full year Sep 01	Full year Sep 00
Profitability ratios				
Return on:				
Average ordinary shareholders' equity ¹	20.9%	19.6%	20.2%	19.3%
Average assets	1.11%	1.04%	1.07%	1.05%
Average risk weighted assets	1.41%	1.35%	1.39%	1.39%
Total income	14.8%	12.5%	13.6%	11.7%
Net interest average margin	2.77%	2.77%	2.77%	2.87%
Profit per average FTE (\$)	42,575	40,062	82,667	62,783
Efficiency ratios²				
Operating expenses to operating income	47.3%	49.4%	48.3%	56.5%
Operating expenses to operating income - continuing businesses	47.4%	49.4%	48.4%	51.8%
Operating expenses to average assets	1.8%	1.8%	1.8%	2.6%
Debt provisioning				
Economic loss provisioning (\$M)	290	241	531	502
Net specific provisions (\$M)	339	181	520	383
Earnings per ordinary share (cents)				
Earnings per ordinary share (basic)	61.6	55.8	117.4	106.8
Earnings per ordinary share (diluted)	60.9	55.4	116.3	106.3
Ordinary share dividends (cents)				
Interim - 100% franked (Mar 01: 100% franked)	n/a	33	33	29
Final - 100% franked (Sep 00: 100% franked)	40	n/a	40	35
Dividend payout ratio	65.0%	58.7%	62.0%	59.1%
Preference share dividend				
Dividend paid (\$M)	60	59	119	102

¹ Ordinary shareholders' equity excluding outside equity interests

² Exclude goodwill amortisation

FINANCIAL HIGHLIGHTS (continued)

STATEMENT OF FINANCIAL POSITION

	As at Sep 01 \$M	As at Mar 01 \$M	Movt Sep 01 v. Mar 01 %	As at Sep 00 \$M	Movt Sep 01 v. Sep 00 %
Assets					
Liquid assets	7,794	5,113	52%	5,648	38%
Due from other financial institutions	4,829	4,076	18%	5,822	-17%
Trading and investment securities	8,314	8,122	2%	7,132	17%
Net loans and advances including acceptances	137,981	137,439	-	131,797	5%
Other	26,575	26,217	1%	22,068	20%
Total assets	185,493	180,967	3%	172,467	8%
Liabilities					
Due to other financial institutions	12,690	13,376	-5%	12,247	4%
Deposits and other borrowings	104,874	102,046	3%	100,602	4%
Liability for acceptances	14,324	14,532	-1%	15,482	-7%
Bonds and notes	15,340	13,108	17%	9,519	61%
Other	27,714	27,705	-	24,810	12%
Total liabilities	174,942	170,767	2%	162,660	8%
Total shareholders' equity	10,551	10,200	3%	9,807	8%



FINANCIAL HIGHLIGHTS (continued)

ASSETS AND CAPITAL

	As at Sep 01 \$M	As at Mar 01 \$M	Movt Sep 01 v. Mar 01 %	As at Sep 00 \$M	Movt Sep 01 v. Sep 00 %
Total assets (\$M)	185,493	180,967	3%	172,467	8%
Risk weighted assets (\$M)	139,129	137,000	2%	129,688	7%
Shareholders' equity^{1,2} (\$M)	10,538	10,188	3%	9,795	8%
Total advances (\$M)	141,800	140,974	1%	134,888	5%
Specific provisions (\$M)	(500)	(579)	-14%	(709)	-29%
Net advances (\$M)	141,300	140,395	1%	134,179	5%
Net tangible assets per ordinary share (\$)	5.96	5.71	4%	5.49	9%
Net tangible assets attributable to ordinary shareholders (\$M)	8,875	8,492	5%	8,276	7%
Total number of ordinary shares (M)	1,488.3	1,486.8	-	1,506.2	-1%
Capital adequacy ratio (%)					
- Inner Tier 1	6.4%	6.2%	n/a	6.4%	n/a
- Tier 1	7.5%	7.3%	n/a	7.4%	n/a
- Tier 2	3.3%	3.4%	n/a	3.4%	n/a
- Total	10.3%	10.5%	n/a	10.2%	n/a
General provision (\$M)	1,386	1,460	-5%	1,373	1%
General provision as a % of risk weighted assets	1.00%	1.07%	n/a	1.06%	n/a
Non-accrual loans (\$M)					
Non-accrual loans	1,260	1,295	-3%	1,391	-9%
Specific provisions	(490)	(568)	-14%	(692)	-29%
Net non-accrual loans	770	727	6%	699	10%
Specific provision as a % of total non-accrual loans	38.9%	43.9%	n/a	49.7%	n/a
Total provisions ³ as a % of non-accrual loans	148.9%	156.6%	n/a	148.4%	n/a
Net non-accrual loans as a % of net advances	0.5%	0.5%	n/a	0.5%	n/a
Net non-accrual loans as a % of shareholders' equity ⁴	7.3%	7.1%	n/a	7.1%	n/a
Other information					
Full time equivalent staff (FTE's)	22,501	22,815	-1%	23,134	-3%
Assets per FTE (\$M)	8.2	7.9	4%	7.5	10%
Market capitalisation of ordinary shares (\$M)	23,783	20,488	16%	20,002	19%

¹ Excludes outside equity interests

² Includes preference share capital of \$1,526 million (Mar 01: \$1,526 million, Sep 00: \$1,374 million)

³ General provision plus specific provisions on non-accrual loans

⁴ Includes outside equity interests

CHIEF FINANCIAL OFFICER'S REVIEW

OVERVIEW

Australia and New Zealand Banking Group Limited (ANZ) recorded a profit after tax of \$1,870 million for the year ended 30 September 2001. Earnings per ordinary share were 117.4 cents, an increase of 10%. Return on ordinary shareholders' equity was 20.2%, achieving our target of above 20% for the first time in 20 years.

The Group's continuing operations recorded a profit of \$1,882 million, up 18% over the September 2000 year. The Group's divestment of the Grindlays businesses in 2000 has allowed management to focus on growing the core banking franchises in Australia and New Zealand and to explore opportunities in significant trading areas of Asia and the Pacific region. On 8 October 2001, the Group announced the purchase from Bank of Hawaii of operations in PNG, Fiji and Vanuatu, subject to regulatory approval.

Balance sheet growth has been deliberately constrained by limiting growth in corporate lending to focus more on fee income and by securitisation of mortgage assets.

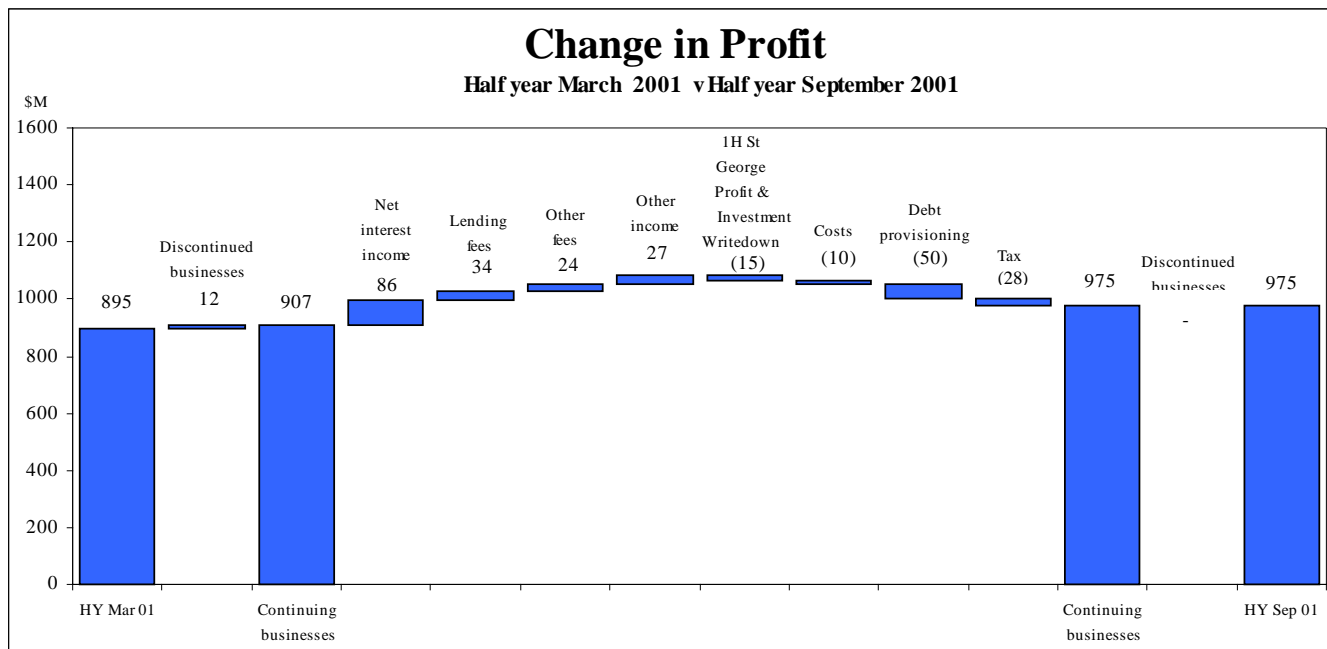
Income from continuing operations grew 11%. Despite salary rises and general price rises in the order of 3% to 4%, costs were flat after deducting GST (\$52 million), expenses incurred by new acquisitions (\$24 million) and the effect of the exchange rate movements (\$33 million).

The cost income ratio from the continuing operations reduced to 48.4% from 51.8%, reflecting income growth and the results of our continuing focus on efficiency initiatives. This result represents further progress towards the Group's aim of a cost income ratio in the mid 40's.

Whilst payments and processing systems were not interrupted by the terrorist attacks in the USA on 11 September 2001, the credit outlook for specific industry segments of the Group's loan portfolio has been adversely impacted. As a result, an additional economic loss provision (ELP) of \$41 million has been charged in the second half in response to the estimated impact on the Group's risk grade profile which is used to derive ELP.

During the year, there were a number of high profile corporate failures in Australia, with new specific provisions of \$153 million attributed to two corporate accounts. The Group has made prudent specific provisions for the potential losses from corporate failures.

Profit after tax benefited by \$36 million from the 2% drop in the Australian corporate tax rate.



CHIEF FINANCIAL OFFICER'S REVIEW (continued)

The following commentary compares the results of continuing operations in the current half-year with the March 2001 half-year (refer table on page 2).

Income

Net interest income at \$1,945 million was 5% higher, through volume growth, with overall net margin stable.

Non-interest income grew by 5% to \$1,350 million. Fee income grew by 6%, continuing the growth achieved in the first half. Other income was 3% higher, with increases in life insurance margin on services operating income, and in income from hedging activities, offset by the absence of several one-off items in the first half.

Expenses

Operating expenses were well contained, being flat after deducting the \$4 million increase in costs from our acquisition of Amerika Samoa Bank, start up operations in East Timor and exchange rate impacts. This reflected the continuing success of our cost management and restructuring initiatives. Our focus is on continuing to reduce the cost income ratio to the mid 40's within two years, whilst selectively investing for growth.

Restructuring Initiatives

Significant infrastructure and technology projects are underway across the Group. These projects generally deliver efficiencies of operation and in some cases also enhance income generating capabilities. Restructuring costs arising as a result of these projects are taken against the provision raised at September 2000. Usage against this provision in the current half year was \$117 million (\$65 million first half). In addition, normal restructuring activities resulted in a charge to profit of \$42 million (\$43 million first half). Progress on projects includes:

- the focus on branch reconfiguration has been slower than expected, as the Group rebalances its focus on cost reduction with an increasing emphasis on revenue growth and customer service through transforming the branch environment as a strategic asset
- progress on our new sales and service platform continues
- the roll-out of chip enabled EFTPOS devices and write off of existing terminals
- Esanda back office processes are progressively moving towards web based platforms and the business finance stream has been restructured
- re-configuration of sales platforms in the Asia and Pacific businesses, with operational enhancements to credit approval and review processes
- outsourcing of trade back office processing to a joint venture operation, giving significant efficiencies and greater customer functionality
- the decommissioning of legacy IT platforms, workflow improvements, the replacement of the older transaction processing systems and hardware upgrades are on schedule. The rollout of the Common Administration Systems platform has commenced with the technical infrastructure, phase 1 of the Human Resources module and the Procurement, Accounts Payable and Fixed Assets modules already implemented. Further phases (the rollout of the General Ledger replacement and Human Resources phase 2) are on schedule for implementation during next financial year
- write off of surplus lease space, fitout and other assets

The benefits of this extensive restructuring program will emerge progressively, but principally in 2002 and beyond. These savings will be used to maintain our philosophy of cost control and to enable investment in growth options, whilst achieving our target of a mid 40's cost income ratio.

Risk

The Group provision for doubtful debts in the second half was \$290 million, compared with \$241 million in the first half. The increase in the economic loss provisioning in the second half reflected a somewhat harsher economic environment, but principally the assessed impact on credit outlook of the terrorist attacks in the USA. Given the close proximity of the terrorist attacks to balance date, the Group has conducted an analysis that estimates the potential 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, which was recognised centrally because of the close proximity to balance date. Risk profiles continue to be closely monitored.

CHIEF FINANCIAL OFFICER'S REVIEW (continued)

Net specific provisions were \$339 million, up from \$181 million in the first half. Tightening credit conditions were also evident in the consumer portfolio and Asset Based Finance. Net non-accrual loans increased from \$727 million at March 2001 to \$770 million at September 2001. Gross non-accrual loans and specific provision balances fell due to significant write-offs and the sale of non-accrual portfolios. The general provision balance at September 2000 was \$1,386 million, compared with \$1,460 million at March 2001.

The Group continues to re-balance its lending portfolio, with consumer lending in Australia and New Zealand moving from 52% of net advances in September 2000 to 55% at 30 September 2001. Single customer concentration limits continue to be set well below APRA guidelines and were reduced between 20% and 40% during the half. These broad portfolio measures, together with the focus on lowering the risk in the portfolio and industry diversification across corporate lending (refer page 58), should place the Group in a sound position in the harsher economic conditions that are expected.

Discontinued businesses

Discontinued businesses comprise principally residual assets from the Grindlays operations sold on 31 July 2000 and the joint venture with OCBC Bank discontinued in March 2001. These businesses broke even in the second half, compared with a loss of \$12 million in the March 2001 half-year.

Securitisation of assets

During the current half-year, \$1.97 billion (USD \$1 billion) mortgage assets were securitised through an issue into the global market. The issue was three times over-subscribed. ANZ retains responsibility for the servicing and management of the loans.

Capital management

Inner Tier 1 and Tier 1 ratios have been maintained at levels similar to those at September 2000. The ratios were managed down in the first half of 2001 through the share buy-back program, the final part of which was completed in May 2001. Both ratios showed a small increase in the second half, to 6.4% and 7.5% respectively. The long term target for Inner Tier 1 remains at 6.0%. The Group's total capital adequacy ratio remains strong at 10.3%.

The Group is managed to maximise value for our shareholders. One measure of shareholder value is EVA™ (Economic Value Added) growth relative to prior periods. EVA™ for the half-year ended 30 September 2001 was \$681 million, up from \$594 million for the half-year ended 31 March 2001.

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 on the risk adjusted or economic capital 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 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 standardised, 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.



CHIEF FINANCIAL OFFICER'S REVIEW (continued)

BUSINESS SEGMENT PERFORMANCE

Under the umbrella of a common vision and over-arching strategy, ANZ is managed as three divisions, which cover a portfolio of 16 specialist businesses. A description of each of these, and of division totals, together with analysis of results is contained on pages 11 to 32.

The Group from time to time modifies the segmentation of its businesses to enhance the focus on delivery of services to customers or specialised products. Prior period numbers are adjusted for such organisational changes to allow comparability.

Operating profit for each business is determined after service transfer pricing and equity standardisation.

	Half year Sep 01 \$M	Half year Mar 01 \$M	Movt Sep 01 v. Mar 01 %	Full year Sep 01 \$M	Full year Sep 00 \$M	Movt Sep 01 v. Sep 00 %
Personal						
Metrobanking	101	93	9%	194	200	-3%
Regionalbanking	86	80	8%	166	160	4%
Small to Medium Business	61	54	13%	115	88	31%
Wealth Management	32	24	33%	56	44	27%
Cards and ePayments	65	55	18%	120	81	48%
Mortgages	116	112	4%	228	138	65%
Segment total	461	418	10%	879	711	24%
Corporate						
Corporate Banking	67	64	5%	131	117	12%
Institutional Banking	105	89	18%	194	141	38%
Global Capital Markets	30	24	25%	54	34	59%
Global Foreign Exchange	43	40	8%	83	66	26%
Global Structured Finance	66	74	-11%	140	139	1%
Global Transaction Services	70	65	8%	135	105	29%
Segment total	381	356	7%	737	602	22%
International and Subsidiaries						
Asset Finance	52	47	11%	99	90	10%
Investment Management	41	34	21%	75	70	7%
Asia	32	31	3%	63	19	large
Pacific	26	21	24%	47	41	15%
Segment total	151	133	14%	284	220	29%
Operating segments total	993	907	9%	1,900	1,533	24%
Operating segments total	993	907	9%	1,900	1,533	24%
Corporate Centre, Technology and Finance	(18)	-	n/a	(18)	64	n/a
Continuing businesses	975	907	7%	1,882	1,597	18%
Net prior period abnormals	-	-	n/a	-	44	n/a
Discontinued businesses	-	(12)	n/a	(12)	106	n/a
Net profit attributable to members of the Company	975	895	9%	1,870	1,747	7%

CHIEF FINANCIAL OFFICER'S REVIEW (continued)

COMPILATION OF SEGMENT RESULTS

The Group uses **service transfer pricing** mechanisms to allocate services that are provided by central areas to each of its business units. The objective of service transfer pricing is to remove cross-subsidies between business units, and ensure each business accounts for the costs of the services it uses. Transfer pricing arrangements are reviewed periodically. Changes in transfer pricing arrangements in current periods are, to the extent possible, reflected in prior period comparatives to assist comparability.

The profit and loss statement of each business unit includes net inter business unit fees and net inter business unit expenses. This treatment is consistent with the Group's strategy of managing along specialist business lines. Net inter business unit fees includes intra-group receipts or payments for sales commissions. A product business (for example, Cards) will pay a distribution channel (for example, Metrobanking) for product sales. Both the payment and receipt are shown as net inter business unit fees. Net inter business unit expenses consist of the charges made to business units for the provision of support services. Examples of services provided include technology and payments, risk management, finance and human resources management. Both payments by business units and receipts by service providers are shown as net inter business unit expenses.

The results for each division (Personal, Corporate and International & Subsidiaries) include the business units and a divisional support unit. The services provided by the divisional support unit are allocated to the business units. As a result of this allocation, the sum of individual profit and loss line items of the business units does not equal the corresponding line item in the profit and loss of the division.

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 economic capital. This enhances comparability of business unit performance. Changes to the methodology for allocating capital to business units will result, from time to time, in restatements of prior period comparatives. Geographic results are not equity standardised.

PERSONAL SEGMENTS

Establishing specialised Personal customer business units has resulted in a transfer of customers between businesses to improve the alignment of customer banking requirements with the services offered by the business. This movement of customers has affected the results of the Metrobanking, Regionalbanking, Small to Medium Business and Wealth Management customer businesses. Prior period results have been restated to give meaningful comparison.



CHIEF FINANCIAL OFFICER'S REVIEW (continued)



PERSONAL

Peter Hawkins

Comprises the Metrobanking, Regionalbanking, Small to Medium Business and Wealth Management customer segment businesses, and Cards and Mortgages specialist product businesses, in Australia and New Zealand

	Half year Sep 01 \$M	Half year Mar 01 \$M	Movt Sep 01 v. Mar 01 %	Full year Sep 01 \$M	Full year Sep 00 \$M	Movt Sep 01 v. Sep 00 %
Net interest income	1,111	1,085	2%	2,196	1,985	11%
Other external operating income	495	456	9%	951	869	9%
Net inter business unit fees	60	58	3%	118	146	-19%
Operating income	1,666	1,599	4%	3,265	3,000	9%
External operating expenses	(683)	(689)	-1%	(1,372)	(1,332)	3%
Net inter business unit expenses	(182)	(177)	3%	(359)	(374)	-4%
Operating expenses	(865)	(866)	-	(1,731)	(1,706)	1%
Profit before debt provision	801	733	9%	1,534	1,294	19%
Provision for doubtful debts	(106)	(99)	7%	(205)	(192)	7%
Income tax expense and outside equity interests	(234)	(216)	8%	(450)	(391)	15%
Net profit attributable to members of the Company	461	418	10%	879	711	24%
Net loans and advances including acceptances	71,677	69,445	3%	71,677	65,918	9%
Other external assets	1,851	1,504	23%	1,851	978	89%
External assets	73,528	70,949	4%	73,528	66,896	10%
Deposits and other borrowings	38,214	35,526	8%	38,214	34,180	12%
Other external liabilities	2,014	1,739	16%	2,014	1,824	10%
External liabilities	40,228	37,265	8%	40,228	36,004	12%
Net interest average margin	3.18%	3.22%	-1%	3.20%	3.29%	-3%
Return on assets	1.29%	1.21%	6%	1.25%	1.15%	8%
Return on risk weighted assets	2.24%	2.10%	7%	2.17%	1.98%	10%
Operating expenses to operating income	51.5%	53.7%	-4%	52.6%	56.6%	-7%
Operating expenses to average assets	2.39%	2.49%	-4%	2.44%	2.75%	-11%
Net specific provisions	117	88	33%	205	202	1%
Net specific provision as a % of average net advances	0.33%	0.26%	28%	0.30%	0.33%	9%
Net non-accrual loans	72	90	-20%	72	69	4%
Net non-accrual loans as a % of net advances	0.10%	0.13%	-22%	0.10%	0.10%	n/a
Total employees	11,474	11,412	1%	11,474	11,608	-1%

Personal contributed \$461 million (47%) to the Group's operating result for the half, a 10% increase over the March 2001 result. The key factors were:

- net interest income growth, particularly driven by higher transaction volumes in Cards and Mortgages and growth in Small to Medium Business lending and deposits
- solid fee growth together with increased revenue from risk product sales in Wealth Management
- external expenses were tightly managed, reflecting significant unit cost reductions from productivity improvements and the increased use of lower cost electronic distribution channels. Staff numbers increased slightly, however are expected to reduce going forward as the Group focuses on end to end process re-engineering and transaction migration

New momentum was developed in focussing on our customer needs with a range of measures including initiatives to assist older Australians and those in the community facing disadvantage. A first step has also been made in addressing some of the protracted service problems customers have with banks with the introduction of the ANZ Customer Charter.

CHIEF FINANCIAL OFFICER'S REVIEW (continued)



METROBANKING Elizabeth Proust

Comprises specialised retail banking sales and servicing devoted to metropolitan customers. Also encompassing retail on-line banking services

	Half year Sep 01 \$M	Half year Mar 01 \$M	Movt Sep 01 v. Mar 01 %	Full year Sep 01 \$M	Full year Sep 00 \$M	Movt Sep 01 v. Sep 00 %
Net interest income	214	220	-3%	434	441	-2%
Other external operating income	122	112	9%	234	228	3%
Net inter business unit fees	109	109	-	218	250	-13%
Operating income	445	441	1%	886	919	-4%
External operating expenses	(211)	(225)	-6%	(436)	(447)	-2%
Net inter business unit expenses	(80)	(74)	8%	(154)	(152)	1%
Operating expenses	(291)	(299)	-3%	(590)	(599)	-2%
Profit before debt provision	154	142	8%	296	320	-8%
Provision for doubtful debts	(3)	(2)	50%	(5)	(4)	25%
Income tax expense and outside equity interests	(50)	(47)	6%	(97)	(116)	-16%
Net profit attributable to members of the Company	101	93	9%	194	200	-3%
Operating expenses to operating income	65.4%	67.8%	-4%	66.6%	65.2%	2%
Net specific provisions	6	2	large	8	5	60%
Net non-accrual loans	3	4	-25%	3	3	-
Total employees	4,300	4,293	-	4,300	4,478	-4%

Metrobanking is refocusing on the branch network as a strategic asset while investing significantly in frontline platforms and staff development as part of a commitment to improving customer service, staff advocacy and sales excellence.

Metrobanking profit increased by 9% to \$101 million in the second half. Key features of the result were:

- a 3% reduction in net interest income, with higher deposit volumes, but lower deposit margins in a falling rate environment
- other external operating income increased by 9% due to higher lending and transactional activity
- external operating expenses continue to decline based on cost savings generated from efficiency gains
- inter business unit expenses increased due to higher technology related charges
- net specific provisions increased, as a result of minor credit deterioration

Two new customer accounts have been introduced to provide low cost banking solutions for customers over 60, and Centrelink recipients and health care cardholders. We have also developed the ANZ Customer Charter to establish benchmarks for the provision of improved service to customers.

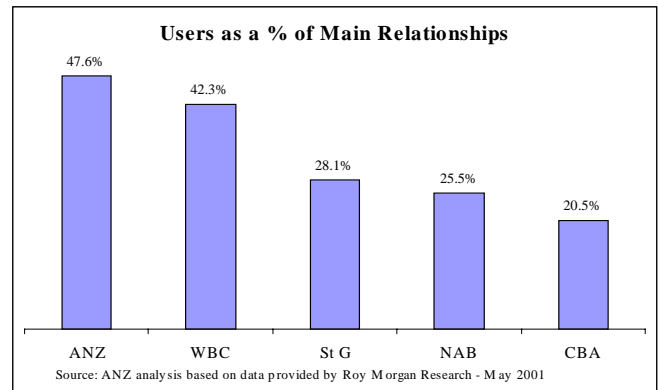
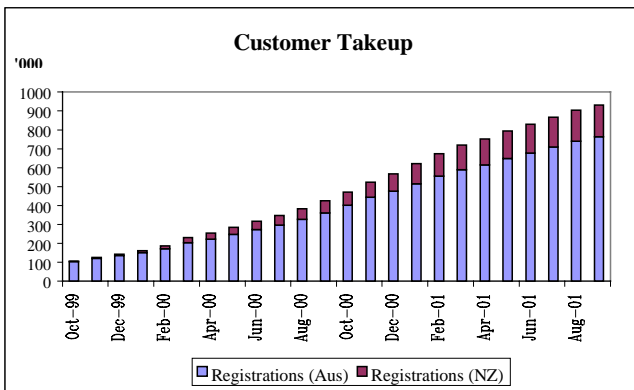


CHIEF FINANCIAL OFFICER'S REVIEW (continued)

B2C eCommerce

Internet banking continues to grow strongly, with over 750,000 registered users in Australia and 170,000 in New Zealand. Registration growth has been matched by transaction growth. Our customers now conduct more funds transfers and BPAY payments over the internet than by Phone Banking. Online product sales are also increasing, for example, credit card applications have exceeded 3,000 per month.

The success of anz.com is illustrated by a higher proportion of ANZ's customers using Internet Banking than any other Australian Bank. In the last three months the service has also been named Online Banker of the Year at the Personal Investor Magazine Awards for Excellence in Financial Services and Best Internet Bank in Australia and New Zealand by leading corporate finance magazine, Global Finance.



CHIEF FINANCIAL OFFICER'S REVIEW (continued)



REGIONALBANKING

Alison Watkins

Provides a full range of banking services for consumer and small business customers in regional and rural communities

	Half year Sep 01 \$M	Half year Mar 01 \$M	Movt Sep 01 v. Mar 01 %	Full year Sep 01 \$M	Full year Sep 00 \$M	Movt Sep 01 v. Sep 00 %
Net interest income	180	182	-1%	362	363	-
Other external operating income	99	88	13%	187	183	2%
Net inter business unit fees	73	71	3%	144	143	1%
Operating income	352	341	3%	693	689	1%
External operating expenses	(156)	(157)	-1%	(313)	(317)	-1%
Net inter business unit expenses	(59)	(54)	9%	(113)	(110)	3%
Operating expenses	(215)	(211)	2%	(426)	(427)	-
Profit before debt provision	137	130	5%	267	262	2%
Provision for doubtful debts	(9)	(9)	-	(18)	(18)	-
Income tax expense and outside equity interests	(42)	(41)	2%	(83)	(84)	-1%
Net profit attributable to members of the Company	86	80	8%	166	160	4%
Operating expenses to operating income	61.1%	61.9%	-1%	61.5%	62.0%	-1%
Net specific provisions	10	8	25%	18	21	-14%
Net non-accrual loans	10	11	-9%	10	13	-23%
Total employees	3,134	3,235	-3%	3,134	3,308	-5%

Regionalbanking is taking steps to realise its vision to be the stand out regional bank. Priorities include improving the performance of its strong branch network; growing revenue through the Regional Reach program and strengthening ANZ's agricultural offer.

Regionalbanking profit increased by 8% to \$86 million in the second half. Key features of the result were:

- net interest income declined 1%, with the falling rate environment adversely impacting the deposit portfolio
- other operating income increased as a result of seasonal gains in lending fees and increases in transaction activity
- net inter business unit fees increased; fees received from higher mortgage sales reflected the growth in the market and a rebound from the impact of GST in the first half
- operating expenses were flat, with external cost savings offset by higher inter business unit technology charges
- net specific provisions increased as a result of minor credit deterioration

The moratorium on rural branch closures has been maintained and focus continues on exploring creative solutions to meet the face-to-face banking needs of the rural communities.



CHIEF FINANCIAL OFFICER'S REVIEW (continued)



SMALL TO MEDIUM BUSINESS

Graham Hodges

Provides a full range of banking services for metropolitan based small to medium businesses with turnover up to \$10 million

	Half year Sep 01 \$M	Half year Mar 01 \$M	Movt Sep 01 v. Mar 01 %	Full year Sep 01 \$M	Full year Sep 00 \$M	Movt Sep 01 v. Sep 00 %
Net interest income	138	134	3%	272	265	3%
Other external operating income	31	31	-	62	63	-2%
Net inter business unit fees	(18)	(16)	13%	(34)	(51)	-33%
Operating income	151	149	1%	300	277	8%
External operating expenses	(49)	(52)	-6%	(101)	(106)	-5%
Net inter business unit expenses	(5)	(7)	-29%	(12)	(23)	-48%
Operating expenses	(54)	(59)	-8%	(113)	(129)	-12%
Profit before debt provision	97	90	8%	187	148	26%
Provision for doubtful debts	(7)	(8)	-13%	(15)	(11)	36%
Income tax expense and outside equity interests	(29)	(28)	4%	(57)	(49)	16%
Net profit attributable to members of the Company	61	54	13%	115	88	31%
Operating expenses to operating income	35.8%	39.6%	-10%	37.7%	46.6%	-19%
Net specific provisions	12	7	71%	19	14	36%
Net non-accrual loans	7	14	-50%	7	14	-50%
Total employees	1,089	1,094	-	1,089	1,107	-2%

Small to Medium Business profit increased by 13% to \$61 million in the second half. Key features of the result were:

- the 3% increase in net interest income reflected modest balance sheet growth and stable margins, following a change in the mix of lending products
- costs were reduced, notwithstanding initiatives to rebuild the sales capabilities of staff
- the weakening economy led to increased net specific provisions, although high risk loans were less than 2% of the portfolio at the year end

Current initiatives in Small to Medium Business include building straight-through processing in loan origination and servicing, simplifying the credit process, delivering critical management MIS and adding new customer delivery channels.

As part of a renewed focus on service to customers, two new business management tools, ANZ Impact and 'runningmybusiness' will be launched later in 2001. ANZ Impact is a web based cash flow modelling tool, available on anz.com, which customers can use to better manage their cash flow position. Runningmybusiness is a new 'portal' for small to medium businesses, which offers in one convenient location a range of banking and other business services regularly used by our customers.

CHIEF FINANCIAL OFFICER'S REVIEW (continued)



WEALTH MANAGEMENT

Craig Coleman

Wealth Management delivers comprehensive financial advisory and distribution services to high net worth customers, covering investment, risk, lending and banking

	Half year Sep 01 \$M	Half year Mar 01 \$M	Movt Sep 01 v. Mar 01 %	Full year Sep 01 \$M	Full year Sep 00 \$M	Movt Sep 01 v. Sep 00 %
Net interest income	71	71	-	142	130	9%
Other external operating income	25	16	56%	41	19	large
Net inter business unit fees	25	16	56%	41	51	-20%
Operating income	121	103	17%	224	200	12%
External operating expenses	(62)	(57)	9%	(119)	(112)	6%
Net inter business unit expenses	(9)	(9)	-	(18)	(16)	13%
Operating expenses	(71)	(66)	8%	(137)	(128)	7%
Profit before debt provision	50	37	35%	87	72	21%
Provision for doubtful debts	(1)	(1)	-	(2)	(4)	-50%
Income tax expense and outside equity interests	(17)	(12)	42%	(29)	(24)	21%
Net profit attributable to members of the Company	32	24	33%	56	44	27%
Operating expenses to operating income	58.7%	64.1%	-8%	61.2%	64.0%	-4%
Net specific provisions	-	1	-100%	1	4	-75%
Net non-accrual loans	1	-	n/a	1	-	n/a
Total employees	906	886	2%	906	856	6%

Wealth Management profit increased by 33% to \$32 million in the September half year. Key features of the result were:

- net interest income was flat overall, with volume and margin growth in Australia offset by reductions in New Zealand
- other external income increased, due to growth in third party investment products, and to the receipt of milestone shares from E*Trade, which resulted in income of \$3 million in the September half year
- the increase in inter business unit fees resulted from higher mortgage sales and a seasonal increase in customer investment before the tax year end
- operating expenses increased by 8% due to investment in growth initiatives, including an increase in financial planner numbers

Wealth Management has 216,000 customers with \$36 billion in funds under advice. Its customers are now serviced by 750 relationship and specialised front line staff, organised into 41 ANZ Private Bank and Financial Advisory practices across Australia and New Zealand.

Wealth Management's service is personalised but scalable, addresses customers' total financial needs, and provides open access to the best solutions available in the market. Momentum has been created in better servicing our customers by reorganising around customer service and developing new specialised products.



CHIEF FINANCIAL OFFICER'S REVIEW (continued)



CARDS AND E-PAYMENTS

Brian Hartzler

Provides consumer and commercial credit cards, personal loans, and merchant payment facilities in Australia, New Zealand, and selected overseas markets

	Half year Sep 01 \$M	Half year Mar 01 \$M	Movt Sep 01 v. Mar 01 %	Full year Sep 01 \$M	Full year Sep 00 \$M	Movt Sep 01 v. Sep 00 %
Net interest income	177	155	14%	332	265	25%
Other external operating income	184	180	2%	364	316	15%
Net inter business unit fees	(23)	(31)	-26%	(54)	(65)	-17%
Operating income	338	304	11%	642	516	24%
External operating expenses	(128)	(119)	8%	(247)	(201)	23%
Net inter business unit expenses	(35)	(32)	9%	(67)	(55)	22%
Operating expenses	(163)	(151)	8%	(314)	(256)	23%
Profit before debt provision	175	153	14%	328	260	26%
Provision for doubtful debts	(74)	(67)	10%	(141)	(133)	6%
Income tax expense and outside equity interests	(36)	(31)	16%	(67)	(46)	46%
Net profit attributable to members of the Company	65	55	18%	120	81	48%
Operating expenses to operating income	47.0%	48.7%	-3%	47.8%	49.2%	-3%
Net specific provisions	74	64	16%	138	140	-1%
Net non-accrual loans	2	2	-	2	3	-33%
Total employees	1,000	950	5%	1,000	805	24%

Cards profit increased by 18% to \$65 million in the second half. Key features of the result were:

- net interest income increased reflecting a 5% increase in card outstandings, an increase in the percentage of customers paying interest, and lags between wholesale and official rates falling
- other external income was 2% higher, with increased business volumes and the introduction of new fees partly offset by seasonal variations in annual card fees
- operating expenses increased by \$12 million, driven by increased business volume and the new business in Hong Kong
- net specific provisions increased by \$10 million mainly on credit card outstandings due to a general deterioration in the Australian economy and higher bankruptcy losses. As part of an ongoing risk management initiative, unproductive personal loans and credit card outstandings with a gross value of \$247 million were sold to a collections agency

Cards continues to focus on leveraging its distinct capabilities in issuing, acquiring and new technology platforms to deliver outstanding revenue and earnings growth. In July, ANZ and Visa announced a strategic program to implement credit card chip technology and to launch a new, secure internet shopping system. This was the first substantial commitment to chip technology in Australia and New Zealand.

CHIEF FINANCIAL OFFICER'S REVIEW (continued)



MORTGAGES

Greg Camm

Provision of mortgage finance secured by residential real estate in Australia and New Zealand

	Half year Sep 01 \$M	Half year Mar 01 \$M	Movt Sep 01 v. Mar 01 %	Full year Sep 01 \$M	Full year Sep 00 \$M	Movt Sep 01 v. Sep 00 %
Net interest income	331	323	2%	654	520	26%
Other external operating income	35	29	21%	64	61	5%
Net inter business unit fees	(106)	(92)	15%	(198)	(193)	3%
Operating income	260	260	-	520	388	34%
External operating expenses	(51)	(56)	-9%	(107)	(101)	6%
Net inter business unit expenses	(21)	(23)	-9%	(44)	(53)	-17%
Operating expenses	(72)	(79)	-9%	(151)	(154)	-2%
Profit before debt provision	188	181	4%	369	234	58%
Provision for doubtful debts	(12)	(12)	-	(24)	(22)	9%
Income tax expense and outside equity interests	(60)	(57)	5%	(117)	(74)	58%
Net profit attributable to members of the Company	116	112	4%	228	138	65%
Operating expenses to operating income	26.2%	29.2%	-11%	27.7%	37.9%	-27%
Net specific provisions	15	6	large	21	18	17%
Net non-accrual loans	50	59	-15%	50	36	39%
Total employees	903	860	5%	903	907	-

Mortgages profit increased by 4% to \$116 million in the second half. Key features of the result were:

- net interest income increased 2% benefiting from lags between the falls in wholesale and official rates; lending volumes increased by \$3.8 billion in the second half, before securitisation of \$2 billion of assets (net growth \$1.8 billion)
- increased fee income reflected higher sales, although this was offset by higher inter business unit fees on strong sales through the retail network
- external operating expenses show a 9% decrease due to traditionally lower marketing spend in the second half
- the increase in net specific provisions during the second half is due to a reassessment of provisions against non-accrual loans in New Zealand. The reduction in net non-accrual loans reflects the increased provisions

Specific achievements in the second half 2001 included:

- Product Quality - for the third consecutive year, ANZ has been named Australia's Home Lender of the Year by Personal Investor magazine. Five star Cannex ratings were also retained in key product categories
- Funding - successfully issued ANZ's first global asset securitisation of US\$1 billion
- ETransformation - introduction of web-site for third party originators and mortgage managers
- Straight Through Processing - implemented all phases of a new origination system

The slowing Australian economy is expected to reduce income growth from new business in 2001/02. In addition, portfolio margins are expected to decrease, due to a less favourable interest rate environment and to the adverse effect of securitisation on interest income. Our response to the slowing economy is an increased focus on customer retention, product and service innovation, risk management, productivity improvements and additional origination and servicing alliances.



CHIEF FINANCIAL OFFICER'S REVIEW (continued)



CORPORATE

Roger Davis

Comprises Corporate and Institutional Banking, Global Foreign Exchange, Global Capital Markets, Global Structured Finance and Global Transaction Services

	Half year Sep 01 \$M	Half year Mar 01 \$M	Movt Sep 01 v. Mar 01 %	Full year Sep 01 \$M	Full year Sep 00 \$M	Movt Sep 01 v. Sep 00 %
Net interest income	428	391	9%	819	723	13%
Other external operating income	575	565	2%	1,140	1,004	14%
Net inter business unit fees	(16)	(20)	-20%	(36)	(45)	-20%
Operating income	987	936	5%	1,923	1,682	14%
External operating expenses	(303)	(291)	4%	(594)	(574)	3%
Net inter business unit expenses	(69)	(77)	-10%	(146)	(141)	4%
Operating expenses	(372)	(368)	1%	(740)	(715)	3%
Profit before debt provision	615	568	8%	1,183	967	22%
Provision for doubtful debts	(90)	(88)	2%	(178)	(153)	16%
Income tax expense and outside equity interests	(144)	(124)	16%	(268)	(212)	26%
Net profit attributable to members of the Company	381	356	7%	737	602	22%
Net loans and advances including acceptances	49,695	50,804	-2%	49,695	49,146	1%
Other external assets	18,496	18,744	-1%	18,496	16,015	15%
External assets	68,191	69,548	-2%	68,191	65,161	5%
Deposits and other borrowings	29,476	25,174	17%	29,476	21,681	36%
Other external liabilities	29,342	30,239	-3%	29,342	29,024	1%
External liabilities	58,818	55,413	6%	58,818	50,705	16%
Net interest average margin	1.95%	1.91%	2%	1.93%	1.90%	2%
Return on assets	1.13%	1.05%	8%	1.09%	0.97%	12%
Return on risk weighted assets	1.03%	1.02%	1%	1.03%	0.93%	10%
Operating expenses to operating income	37.7%	39.3%	-4%	38.5%	42.5%	-9%
Operating expenses to average assets	1.11%	1.09%	2%	1.10%	1.16%	-5%
Net specific provisions	166	60	large	226	(19)	n/a
Net specific provision as a % of average net advances	0.62%	0.24%	large	0.43%	(0.04%)	n/a
Net non-accrual loans	530	391	36%	530	314	69%
Net non-accrual loans as a % of net advances	1.01%	0.74%	37%	1.01%	0.62%	63%
Total employees	3,126	3,213	-3%	3,126	3,251	-4%

Corporate contributed \$381 million (39%) to the Group's operating result for the half, a 7% increase over the March 2001 result.

The key factors were:

- increased lending margins resulting from a strong emphasis on pricing for risk
- good cost management, with continued expenditure on technology improvements

Despite weakening economic conditions the result reflects only a minimal deterioration in the risk profile. Increased net non-accrual loans and net specific provisions in the second half largely reflect downgrades and potential losses on a small number of high profile customers.

CHIEF FINANCIAL OFFICER'S REVIEW (continued)



CORPORATE BANKING

Bob Edgar

Managing customer relationships and developing product strategies for medium sized businesses (turnover \$10 million to \$100 million)

	Half year Sep 01 \$M	Half year Mar 01 \$M	Movt Sep 01 v. Mar 01 %	Full year Sep 01 \$M	Full year Sep 00 \$M	Movt Sep 01 v. Sep 00 %
Net interest income	117	122	-4%	239	236	1%
Other external operating income ¹	77	70	10%	147	138	7%
Net inter business unit fees	(3)	(5)	-40%	(8)	(10)	-20%
Operating income	191	187	2%	378	364	4%
External operating expenses	(46)	(45)	2%	(91)	(97)	-6%
Net inter business unit expenses	(18)	(20)	-10%	(38)	(38)	-
Operating expenses	(64)	(65)	-2%	(129)	(135)	-4%
Profit before debt provision	127	122	4%	249	229	9%
Provision for doubtful debts	(25)	(25)	-	(50)	(47)	6%
Income tax expense and outside equity interests	(35)	(33)	6%	(68)	(65)	5%
Net profit attributable to members of the Company	67	64	5%	131	117	12%
Operating expenses to operating income	33.5%	34.8%	-4%	34.1%	37.1%	-8%
Net specific provisions	26	27	-4%	53	18	large
Net non-accrual loans	238	322	-26%	238	215	11%
Total employees	740	781	-5%	740	794	-7%

¹ Includes commercial bill income

Corporate Banking manages its middle market customer base on a geographic basis and has a high proportion of sole bank relationships. A heavy emphasis on cross selling and solution selling has enabled ANZ to build and maintain overall market share at just under one third of all primary bank relationships of middle market companies².

The Corporate Banking profit increased by 5% to \$67 million in the second half. Key features of the result were:

- a 4% reduction in net interest income, with improved lending margins offset by deposit rate cuts. Balance sheet growth was deliberately constrained in a slowing economy
- a 10% increase in other external income, due to strong growth in both lending and non-lending fees, as a result of pricing initiatives
- reduced operating expenses, due to an ongoing focus on technology driven process efficiencies

Economic loss provisioning is within expected levels despite the weakening economic conditions. Specific provisions remained stable. Net non-accrual loans decreased because of a reduction in the volume of new non-accrual loans and good asset realisation rates. Going forward, the economic slowdown may impact some sectors of the corporate market and therefore the continuation of current risk monitoring and mitigation strategies will be key in order to minimise potential losses.

This result reflects the contribution from lending, leasing and deposit products, with revenues from other ANZ products used by corporate clients being booked in other CFS business units (for example, foreign exchange, capital markets and trade services). Approximately 50% of total customer profitability is booked in these other business units.

² Source: Roberts Research



CHIEF FINANCIAL OFFICER'S REVIEW (continued)



INSTITUTIONAL BANKING

Bob Edgar

Managing customer relationships and developing financial services solutions and strategies for large businesses (turnover greater than \$100 million) and specialised industry segments including property lending

	Half year Sep 01 \$M	Half year Mar 01 \$M	Movt Sep 01 v. Mar 01 %	Full year Sep 01 \$M	Full year Sep 00 \$M	Movt Sep 01 v. Sep 00 %
Net interest income	98	93	5%	191	148	29%
Other external operating income ¹	135	117	15%	252	205	23%
Net inter business unit fees	1	-	n/a	1	-	n/a
Operating income	234	210	11%	444	353	26%
External operating expenses	(34)	(32)	6%	(66)	(56)	18%
Net inter business unit expenses	(12)	(12)	-	(24)	(24)	-
Operating expenses	(46)	(44)	5%	(90)	(80)	13%
Profit before debt provision	188	166	13%	354	273	30%
Provision for doubtful debts	(34)	(32)	6%	(66)	(59)	12%
Income tax expense and outside equity interests	(49)	(45)	9%	(94)	(73)	29%
Net profit attributable to members of the Company	105	89	18%	194	141	38%
Operating expenses to operating income	19.7%	21.0%	-6%	20.3%	22.7%	-11%
Net specific provisions	82	11	large	93	-	n/a
Net non-accrual loans	87	21	large	87	57	53%
Total employees	428	422	1%	428	435	-2%

¹ Includes commercial bill income

In addition to its own lending and corporate leasing products, Institutional Banking utilises specialist product offerings from ANZ Investment Bank and Investment Management to ensure complete financial solutions are provided to its customers. The business currently enjoys the largest share (26%) of "lead" institutional banking relationships. Institutional Banking has recently been recognised as having achieved leading industry ratings for overall relationship satisfaction and understanding and knowledge of business².

Institutional Banking profit increased by 18% to \$105 million in the second half. Key features of the result were:

- higher net interest income resulting from increased lending margins, with improving pricing for risk
- a 15% increase in other external income reflecting a strong focus on fee based income, particularly associated with advisory and structuring services
- maintenance of tight cost control

Despite higher provisioning levels in a weakening economy, the risk profile experienced only minimal deterioration over the period with non-performing assets being held to less than 1% of the total book. Net specific provisions and non-accrual loans increased significantly in the second half, relating to potential losses on a small number of high profile customers.

This result reflects the contribution to profit from lending based products, with revenues from other products used by institutional clients being booked in other CFS business units (for example, foreign exchange, capital markets, trade and transaction services).

² Source: Greenwich Associates

CHIEF FINANCIAL OFFICER'S REVIEW (continued)

INVESTMENT BANK

Grahame Miller



ANZ Investment Bank, comprising Global Capital Markets, Global Foreign Exchange, and Global Structured Finance is headed by Grahame Miller



GLOBAL CAPITAL MARKETS

David Hornery

Provision of origination, underwriting, structuring, risk management, advice and sale of credit and derivative products

	Half year Sep 01 \$M	Half year Mar 01 \$M	Movt v. Mar 01 %	Full year Sep 01 \$M	Full year Sep 00 \$M	Movt v. Sep 00 %
Net interest income	41	35	17%	76	53	43%
Other operating income	44	40	10%	84	80	5%
Net inter business unit fees	5	5	-	10	6	67%
Operating income	90	80	13%	170	139	22%
External operating expenses	(21)	(19)	11%	(40)	(37)	8%
Net inter business unit expenses	(22)	(24)	-8%	(46)	(47)	-2%
Operating expenses	(43)	(43)	-	(86)	(84)	2%
Profit before debt provision	47	37	27%	84	55	53%
Provision for doubtful debts	(2)	(1)	100%	(3)	(3)	-
Income tax expense and outside equity interests	(15)	(12)	25%	(27)	(18)	50%
Net profit attributable to members of the Company	30	24	25%	54	34	59%
Operating expenses to operating income	47.8%	53.8%	-11%	50.6%	60.4%	-16%
Net specific provisions	1	-	n/a	1	-	n/a
Total employees	176	176	-	176	183	-4%

Global Capital Markets (GCM) derives and manages its revenue from the mark-to-market of its trading portfolios less holding costs and receipt of fee income. For disclosure purposes, the business separately identifies net interest income, notwithstanding that performance is best assessed on a total revenue basis.

GCM's profit increased by 25% to \$30 million in the second half. Key features of the result were:

- broad based revenue growth with increased revenue contributions from all business segments, strong client penetration and continued product innovation
- a strong focus on cost management, notwithstanding expenditure on system and product development

GCM continues to consolidate market leadership positions across the Australian and New Zealand credit, derivative and primary markets, as evidenced by the following:

- International Financing Review - ANZ ranked 1 in A\$ loan syndication
- Australian Financial Surveys - ANZ ranked 1 in Commercial Paper (Face Value Issuance)
- AsiaRisk - ANZ ranked 1 in Interest Rate Derivatives
- East Coles - ANZ ranked 2 in A\$ debt issues



CHIEF FINANCIAL OFFICER'S REVIEW (continued)



GLOBAL FOREIGN EXCHANGE

Chris Cooper

Provision of foreign exchange and commodity trading and sales related services to corporate and institutional clients globally

	Half year Sep 01 \$M	Half year Mar 01 \$M	Movt Sep 01 v. Mar 01 %	Full year Sep 01 \$M	Full year Sep 00 \$M	Movt Sep 01 v. Sep 00 %
Net interest income	(1)	(5)	-80%	(6)	2	n/a
Other operating income	123	125	-2%	248	209	19%
Net inter business unit fees	1	-	n/a	1	(2)	n/a
Operating income	123	120	3%	243	209	16%
External operating expenses	(24)	(24)	-	(48)	(42)	14%
Net inter business unit expenses	(31)	(33)	-6%	(64)	(61)	5%
Operating expenses	(55)	(57)	-4%	(112)	(103)	9%
Profit before debt provision	68	63	8%	131	106	24%
Provision for doubtful debts	(3)	(3)	-	(6)	(4)	50%
Income tax expense and outside equity interests	(22)	(20)	10%	(42)	(36)	17%
Net profit attributable to members of the Company	43	40	8%	83	66	26%
Operating expenses to operating income	44.7%	47.5%	-6%	46.1%	49.3%	-6%
Net specific provisions	56	1	large	57	-	n/a
Net non-accrual loans	77	-	n/a	77	-	n/a
Total employees	197	197	-	197	199	-1%

Global Foreign Exchange's (GFX's) profit increased by 8% to \$43 million in the second half. Key features of the result were:

- higher operating income flowing from increased sales and trading revenue
- lower costs resulting from further back office efficiencies
- the non-accrual loan and related specific provision booked in the second half relate to the close out of foreign exchange deals in respect of one high profile customer

GFX has maintained its leading market position, being rated:

- Australia number 1 FX Bank of the year (Asia Money 2001)
- Japan number 1 FX Bank (AUD/NZD), seven consecutive years

GFX's investment in anz.com/fxonline continues to support our customer growth strategy and efficiency gains, and has recorded strong growth in the second half, with over 1100 users now registered on the system. The number of transactions written via anz.com/fxonline exceeded 30,000 (23% growth half on half), with transaction values in excess of \$4 billion (39% growth). The application is now used in 10 other countries outside Australia, with installations in seven new sites in the second half.

CHIEF FINANCIAL OFFICER'S REVIEW (continued)



GLOBAL STRUCTURED FINANCE AND OTHER FINANCIAL SERVICES

Gordon Branton

Provision of arranging, underwriting and advisory services, financial engineering solutions, the funding of large structured debt transactions and offshore institutional banking services. This business also includes Investment Bank back office functions

	Half year Sep 01 \$M	Half year Mar 01 \$M	Movt Sep 01 v. Mar 01 %	Full year Sep 01 \$M	Full year Sep 00 \$M	Movt Sep 01 v. Sep 00 %
Net interest income	76	51	49%	127	107	19%
Other external operating income	76	98	-22%	174	154	13%
Net inter business unit fees	(8)	(7)	14%	(15)	(7)	large
Operating income	144	142	1%	286	254	13%
External operating expenses	(118)	(117)	1%	(235)	(231)	2%
Net inter business unit expenses	52	52	-	104	113	-8%
Operating expenses	(66)	(65)	2%	(131)	(118)	11%
Profit before debt provision	78	77	1%	155	136	14%
Provision for doubtful debts	(23)	(23)	-	(46)	(35)	31%
Income tax expense and outside equity interests	11	20	-45%	31	38	-18%
Net profit attributable to members of the Company	66	74	-11%	140	139	1%
Operating expenses to operating income	45.8%	45.8%	-	45.8%	46.5%	-1%
Net specific provisions	3	20	-85%	23	(35)	n/a
Net non-accrual loans	119	39	large	119	32	large
Total employees	704	726	-3%	704	741	-5%

The profit of Global Structured Finance and Other Financial Services (GSF) decreased by 11% to \$66 million in the second half. Key features of the result were:

- a significant increase of \$25 million in net interest income, largely due to lower funding costs associated with the run off of equity swaps
- a decline in other external income of \$22 million due to a lower volume of structuring fees and dividends related to equity swaps. This was partly offset by good non-lending fee growth in the second half
- the rationalisation of back office functions and centralisation of activities contributed to the lower employee levels in the current half. However, external operating expenses increased by \$1 million, reflecting the strengthening of specialist capabilities and higher premises costs
- a re-balancing of the portfolio resulted in a reduction in the level of tax structured transactions in the second half

The increase in non-accrual loans in the second half relates principally to two offshore exposures. Nevertheless, in a difficult market GSF has maintained a sound asset portfolio distribution, with little asset quality deterioration during the period.

Strategic initiatives focus on the selective use of the balance sheet to leverage growth in fee income. Balance sheet growth is directed towards high quality assets and risk mitigated structured project finance activity, as well as selective growth in high quality corporate client loan assets.

The costs of the Investment Bank back office functions, which are managed within GSF, are fully recovered from each investment bank line of business.



CHIEF FINANCIAL OFFICER'S REVIEW (continued)



GLOBAL TRANSACTION SERVICES

Carole Anderson

Provision of cash management, trade finance, international payments, clearing and custodian services principally to institutional and corporate customers, and B2B eCommerce services

	Half year Sep 01 \$M	Half year Mar 01 \$M	Movt Sep 01 v. Mar 01 %	Full year Sep 01 \$M	Full year Sep 00 \$M	Movt Sep 01 v. Sep 00 %
Net interest income	99	93	6%	192	178	8%
Other external operating income	119	117	2%	236	219	8%
Net inter business unit fees	(11)	(13)	-15%	(24)	(32)	-25%
Operating income	207	197	5%	404	365	11%
External operating expenses	(56)	(52)	8%	(108)	(104)	4%
Net inter business unit expenses	(41)	(43)	-5%	(84)	(94)	-11%
Operating expenses	(97)	(95)	2%	(192)	(198)	-3%
Profit before debt provision	110	102	8%	212	167	27%
Provision for doubtful debts	(4)	(4)	-	(8)	(5)	60%
Income tax expense and outside equity interests	(36)	(33)	9%	(69)	(57)	21%
Net profit attributable to members of the Company	70	65	8%	135	105	29%
Operating expenses to operating income	46.9%	48.2%	-3%	47.5%	54.2%	-12%
Net specific provisions	(2)	1	n/a	(1)	(2)	-50%
Net non-accrual loans	9	9	-	9	8	13%
Total employees	866	898	-4%	866	887	-2%

Global Transaction Services' (GTS) profit increased by 8% to \$70 million in the second half. Key features of the result were:

- higher net interest income from growth in deposits and securities lending which was partly offset by continued margin contraction as interest rates fell
- a 2% increase in other operating income, which includes higher structured trade and cash management transaction fees. The introduction of new international payments products contributed to the year on year growth of 8%
- operating expenses increased by 2%, with lower personnel costs from staffing reductions offset by costs associated with establishing a trade processing joint venture, software spend on enhancing eCommerce capabilities and slightly higher non-lending losses

In an annual survey of customer satisfaction by independent consultants, Roberts Research Group, ANZ International Trade Services has been rated as the best of the major Australian banks for the last four years. ANZ Cash Management topped the June 2001 Asiamoney magazine poll as Overall Best Cash Management Bank in Australia. Respondents were drawn from larger corporate and institutional customers.

GTS is well placed to achieve growth objectives, with areas of strong, sustainable competitive advantage in Trade and Cash Management. Our strategy includes the e-enablement of products and delivery channels, and the implementation of new business models, for example wholesale transaction services and the Proponix trade processing joint venture.

B2B eCommerce

Over the course of this year Business eCommerce completed its development agenda including:

- incorporation of Public Key Infrastructure (PKI) into the Secure Access & Authentication System
- development of ANZ Impact, a web-based financial modelling and data capture tool for use by business customers and front line staff
- automation of Commercial Bill drawdowns and rollovers with plans to automate other debt products
- introduction of a customised user interface to the Bank enabling corporate customer staff to tailor the way they access and view information and applications

With completion of these developments, responsibility for commercialising and developing further eCommerce products has been taken up by individual business units.

CHIEF FINANCIAL OFFICER'S REVIEW (continued)



INTERNATIONAL AND SUBSIDIARIES

Elmer Funke Kupper

Comprises the Group's operations in the Asia and Pacific regions together with the Asset Finance and Investment Management businesses

	Half year Sep 01 \$M	Half year Mar 01 \$M	Movt Sep 01 v. Mar 01 %	Full year Sep 01 \$M	Full year Sep 00 \$M	Movt Sep 01 v. Sep 00 %
Net interest income	303	312	-3%	615	613	-
Other external operating income	270	238	13%	508	446	14%
Net inter business unit fees	(46)	(45)	2%	(91)	(92)	-1%
Operating income	527	505	4%	1,032	967	7%
External operating expenses	(200)	(217)	-8%	(417)	(450)	-7%
Net inter business unit expenses	(43)	(40)	8%	(83)	(40)	large
Operating expenses	(243)	(257)	-5%	(500)	(490)	2%
Profit before debt provision	284	248	15%	532	477	12%
Provision for doubtful debts	(46)	(45)	2%	(91)	(87)	5%
Income tax expense and outside equity interests	(87)	(70)	24%	(157)	(170)	-8%
Net profit attributable to members of the Company	151	133	14%	284	220	29%
Net loans and advances including acceptances	16,532	16,784	-2%	16,532	16,072	3%
Other external assets	9,884	8,765	13%	9,884	8,300	19%
External assets	26,416	25,549	3%	26,416	24,372	8%
Deposits and other borrowings	16,740	16,580	1%	16,740	15,312	9%
Other external liabilities	10,238	11,694	-12%	10,238	10,013	2%
External liabilities	26,978	28,274	-5%	26,978	25,325	7%
Net interest average margin	2.36%	2.62%	-10%	2.48%	2.96%	-16%
Return on assets	0.97%	0.91%	6%	0.94%	0.85%	10%
Return on risk weighted assets	1.48%	1.34%	11%	1.41%	1.20%	18%
Operating expenses to operating income	45.7%	50.7%	-10%	48.2%	50.4%	-4%
Operating expenses to average assets	1.54%	1.75%	-12%	1.64%	1.88%	-13%
Net specific provisions	52	29	79%	81	154	-47%
Net specific provision as a % of average net advances	0.62%	0.36%	75%	0.49%	1.01%	-51%
Net non-accrual loans	156	208	-25%	156	248	-37%
Net non-accrual loans as a % of net advances	0.93%	1.22%	-24%	0.93%	1.53%	-39%
Total employees	3,799	3,973	-4%	3,799	4,079	-7%

International and Subsidiaries Division contributed \$151 million (15%) to the Group's operating result for the half, a 14% increase over the March 2001 result. The key factors were:

- a well defined asset writing strategy in Asia, focussing on capturing trade flows in the region as well as maintaining and strengthening relationships with top-end multinational corporate clients
- a re-energised sales platform in the Pacific augmented by a continuous improvement program
- selective acquisitions and start-ups in the Pacific region
- improved Investment Management performance
- introduction of a new technology-enabled operating platform in Asset Finance



CHIEF FINANCIAL OFFICER'S REVIEW (continued)



ASSET FINANCE

Peter McMahon

Provision of asset based finance including leasing and hire purchase; and issues of debentures to investors

	Half year Sep 01 \$M	Half year Mar 01 \$M	Movt Sep 01 v. Mar 01 %	Full year Sep 01 \$M	Full year Sep 00 \$M	Movt Sep 01 v. Sep 00 %
Net interest income	170	177	-4%	347	364	-5%
Other external operating income	32	27	19%	59	50	18%
Net inter business unit fees	(3)	(5)	-40%	(8)	(12)	-33%
Operating income	199	199	-	398	402	-1%
External operating expenses	(77)	(81)	-5%	(158)	(169)	-7%
Net inter business unit expenses	(15)	(15)	-	(30)	(30)	-
Operating expenses	(92)	(96)	-4%	(188)	(199)	-6%
Profit before debt provision	107	103	4%	210	203	3%
Provision for doubtful debts	(33)	(33)	-	(66)	(65)	2%
Income tax expense and outside equity interests	(22)	(23)	-4%	(45)	(48)	-6%
Net profit attributable to members of the Company	52	47	11%	99	90	10%
Operating expenses to operating income	45.7%	47.7%	-4%	46.7%	49.0%	-5%
Net specific provisions	50	36	39%	86	60	43%
Net non-accrual loans	66	80	-18%	66	60	10%
Total employees	1,270	1,378	-8%	1,270	1,491	-15%

Asset Finance operates as Esanda in Australia and as UDC in New Zealand, and as Esanda FleetPartners in Australia and New Zealand. The business also offers debentures to investors, marketed through the customer business units, investment brokers and financial planners.

Asset Finance's profit increased by 11% to \$52 million in the second half. The key features of the result were:

- operating income remained relatively steady, with new business profitability holding satisfactorily in the face of competitive pressures and the need to focus on maintaining a quality loan book
- a 4% reduction in operating expenses, driven by staff reductions achieved by organisational realignment and business rationalisation. This is consistent with a strategy of focusing on intermediaries and developing excellence in operational processing, coupled with the continued success of technology-driven efficiency initiatives
- an increase in the level of specific provisions mainly in the small business segment of the portfolio, which has been more sensitive to the softening economy over the last 12 months. Net non-accruals decreased due to recoveries and non-provisioned write-offs

CHIEF FINANCIAL OFFICER'S REVIEW (continued)



INVESTMENT MANAGEMENT

Bruce Bonyhady

Sourcing and product development of managed investments and insurance products

	Half year Sep 01 \$M	Half year Mar 01 \$M	Movt Sep 01 v. Mar 01 %	Full year Sep 01 \$M	Full year Sep 00 \$M	Movt Sep 01 v. Sep 00 %
Net interest income	32	28	14%	60	57	5%
Other external operating income	152	134	13%	286	264	8%
Net inter business unit fees	(42)	(40)	5%	(82)	(75)	9%
Operating income	142	122	16%	264	246	7%
External operating expenses	(50)	(56)	-11%	(106)	(94)	13%
Net inter business unit expenses	(8)	(8)	-	(16)	(15)	7%
Operating expenses	(58)	(64)	-9%	(122)	(109)	12%
Profit before debt provision	84	58	45%	142	137	4%
Income tax expense and outside equity interests	(43)	(24)	79%	(67)	(67)	-
Net profit attributable to members of the Company	41	34	21%	75	70	7%
Operating expenses to operating income	40.8%	52.5%	-22%	46.2%	44.3%	4%
Net specific provisions	-	-	n/a	-	-	n/a
Total employees	670	676	-1%	670	627	7%
Retail FUM (\$B)	12.6	12.6	n/a	12.6	11.6	n/a
Net Retail flows	0.3	1.1	n/a	1.4	0.8	n/a
Assirt ranking Flows ¹	14th	4th	n/a	5th	9th	n/a
Wholesale FUM (\$B)	4.6	4.6	n/a	4.6	4.8	n/a
Underlying expenses as a % of total average FUM	0.69%	0.76%	n/a	0.72%	0.71%	n/a

¹ Full year Sep 01 and Full year Sep 00 based on data for year ended 30 June; Half year Sep 01 based on data for quarter ended June 30; Half year March 01 based on data for quarter ended 30 March.

Investment Management operates three businesses: funds management, insurance and trustees. The funds management business manufactures and sources a range of retail and wholesale investment management products for distribution predominantly by ANZ customer businesses. The insurance business sources and underwrites risk products and third party general insurance. The trustee business manages charitable trust assets and private estates for individuals and executors.

The Group has not sought to structure funds management entities in a way that allows the market value of the entities to be recognised in the financial statements, consequently these results do not include any appraisal or embedded value profits. Half on half comparison of the components of the result is complicated by the requirement of AASB 1038 to consolidate the Policyholder income tax and superannuation contributions tax expense along with the corresponding Policyholder income that funds these tax expenses. This gross up of tax expense and operating income was \$14 million higher in the second half due to greater contributions tax (traditional second half seasonality and record corporate superannuation flows), partly offset by lower income tax on investment income due to weak equity markets. Reversing the gross up to focus on the underlying result for shareholders leads to the following key features:

- operating income increased by \$6 million (5%), due to growth in funds under management and higher margins on the V2 Plus cash management product. Notwithstanding both wholesale and retail net inflows during the second half, total FUM remained stable due to the impact of weaker equity markets
- operating expenses decreased by \$6 million, due to higher product development and marketing costs in the first half
- tax expense increased by \$5 million, in line with the increased profit

Investment performance continues to be strong with ANZ Investments being the only fund manager having four funds in the top 25 risk-adjusted returns over the past five years as measured by ASSIRT. A strategic joint venture with a global fund manager is currently being explored in order to achieve the full potential of the Investment Management business.



CHIEF FINANCIAL OFFICER'S REVIEW (continued)



ASIA
John Winders

Provision of primarily corporate and institutional banking services in 11 Asian countries

	Half year Sep 01 \$M	Half year Mar 01 \$M	Movt Sep 01 v. Mar 01 %	Full year Sep 01 \$M	Full year Sep 00 \$M	Movt Sep 01 v. Sep 00 %
Net interest income	58	65	-11%	123	113	9%
Other external operating income	47	43	9%	90	72	25%
Net inter business unit fees	-	-	n/a	-	-	n/a
Operating income	105	108	-3%	213	185	15%
External operating expenses	(44)	(48)	-8%	(92)	(98)	-6%
Net inter business unit expenses	(8)	(8)	-	(16)	(18)	-11%
Operating expenses	(52)	(56)	-7%	(108)	(116)	-7%
Profit before debt provision	53	52	2%	105	69	52%
Provision for doubtful debts	(9)	(8)	13%	(17)	(15)	13%
Income tax expense and outside equity interests	(12)	(13)	-8%	(25)	(35)	-29%
Net profit attributable to members of the Company	32	31	3%	63	19	large
Operating expenses to operating income	48.6%	51.9%	-6%	50.2%	62.2%	-19%
Net specific provisions	(2)	(9)	-78%	(11)	81	n/a
Net non-accrual loans	80	118	-32%	80	178	-55%
Total employees	565	581	-3%	565	592	-5%

The Asia business manufactures and distributes a large range of corporate/institutional and trade finance products together with personal lending, deposits and retail credit card products. Asia's business mix is 85% corporate/institutional and 15% retail. Asia's branches and overseas offices provide a distribution/relationship management network for Asia manufactured products as well as ANZ Investment Bank products.

Asia's profit increased by 3% to \$32 million in the second half. Key features of the result are:

- lower net interest margins in the second half reflecting the focus on attracting high quality assets, partly offset by higher volumes
- higher fee income from structured finance activities and higher foreign exchange revenue, resulting from market volatility were partly offset by reduced other income, due to \$5 million one-off gains in the first half from a property sale and winding up of a pension fund
- operating expenses reduced by \$4 million, reflecting strong cost management

During 2001, there were specific provision recoveries in Hong Kong, Korea and Singapore. Net specific provisions in 2000 included \$81 million provided for two corporate customers.

CHIEF FINANCIAL OFFICER'S REVIEW (continued)



PACIFIC

Bob Lyon

Provision of primarily retail banking services in 10 countries in the Pacific region

	Half year Sep 01 \$M	Half year Mar 01 \$M	Movt Sep 01 v. Mar 01 %	Full year Sep 01 \$M	Full year Sep 00 \$M	Movt Sep 01 v. Sep 00 %
Net interest income	44	41	7%	85	80	6%
Other external operating income	39	34	15%	73	60	22%
Net inter business unit fees	-	-	n/a	-	-	n/a
Operating income	83	75	11%	158	140	13%
External operating expenses	(31)	(31)	-	(62)	(57)	9%
Net inter business unit expenses	(10)	(10)	-	(20)	(15)	33%
Operating expenses	(41)	(41)	-	(82)	(72)	14%
Profit before debt provision	42	34	24%	76	68	12%
Provision for doubtful debts	(5)	(4)	25%	(9)	(7)	29%
Income tax expense and outside equity interests	(11)	(9)	22%	(20)	(20)	-
Net profit attributable to members of the Company	26	21	24%	47	41	15%
Operating expenses to operating income	49.4%	54.7%	-10%	51.9%	51.4%	1%
Net specific provisions	3	2	50%	5	13	-62%
Net non-accrual loans	11	10	10%	11	10	10%
Total employees	1,237	1,281	-3%	1,237	1,297	-5%

ANZ's operations were extended in the September half, following completion of the purchase of the Amerika Samoa Bank and the opening of a branch in East Timor, which is included in Pacific (both effective 1 April 2001). Effective 1 October 2001, the Group acquired 75% of the Bank of Kiribati. An agreement has also been reached to purchase the business activities of Bank of Hawaii in PNG, Fiji, and Vanautu, subject to gaining regulatory approval.

Pacific's profit increased by 24% to \$26 million in the second half. Key features of the result are:

- higher net interest income largely attributable to the new operations
- other income increased by \$5 million emanating from both the new operations and the existing business, with higher foreign exchange revenue, particularly in PNG
- expenses in the new operations were largely absorbed within the existing cost base as efficiencies were achieved elsewhere in the region
- the higher provision for doubtful debts reflects volume growth, with net specific provisions remaining below economic loss provisioning levels

CHIEF FINANCIAL OFFICER'S REVIEW (continued)



CORPORATE CENTRE, TECHNOLOGY AND FINANCE

Peter Marriott

David Boyles



Comprises the results of asset and liability management earnings on central capital, costs relating to hedging capital positions, technology and payments operations and certain central costs

	Half year Sep 01 \$M	Half year Mar 01 \$M	Movt Sep 01 v. Mar 01 %	Full year Sep 01 \$M	Full year Sep 00 \$M	Movt Sep 01 v. Sep 00 %
Net interest income	103	71	45%	174	143	22%
Other external operating income	10	21	-52%	31	27	15%
Net inter business unit fees	2	7	-71%	9	(9)	n/a
Operating income	115	99	16%	214	161	33%
External operating expenses	(384)	(366)	5%	(750)	(709)	6%
Net inter business unit expenses	295	298	-1%	593	596	-1%
Operating expenses	(89)	(68)	31%	(157)	(113)	39%
Profit before debt provision	26	31	-16%	57	48	19%
Provision for doubtful debts	(41)	(1)	large	(42)	(8)	large
Income tax expense and outside equity interests	(3)	(30)	-90%	(33)	24	n/a
Net profit attributable to members of the Company	(18)	-	n/a	(18)	64	n/a
External assets	16,270	13,613	20%	16,270	15,129	8%
Deposits and other borrowings	20,399	23,638	-14%	20,399	28,089	-27%
Other external liabilities	27,551	24,144	14%	27,551	20,353	35%
External liabilities	47,950	47,782	-	47,950	48,442	-1%
Total employees	4,095	4,195	-2%	4,095	4,195	-2%

The operations of Corporate Centre, Technology and Finance resulted in a loss of \$18 million in the second half. Key features of the loss were:

- interest rates in Australia and the USA peaked during the first half and declined significantly during the remainder of the year. This increased net interest earnings in the second half from managing the mismatch between asset and liability interest rates
- losses on foreign currency hedges, offset by gains on other hedging activities
- higher second half expenditure on restructuring and the Perform, Grow & Breakout program, increased brand advertising expenditure and higher non-lending losses
- a \$41 million central allowance to reflect the impact of September 11 on economic loss provisioning (refer page 7)

All functions are currently reviewing their activities and re-engineering processes to deliver greater operating efficiencies. Progress on activity value analysis has assisted in reducing staff numbers. Our innovation in financial reporting was recognised when ANZ won the Investor Relations Magazine 2001 Awards for the Best Results Meetings and Analyst Briefings and for Best Communication of Shareholder Value.

CHIEF FINANCIAL OFFICER'S REVIEW (continued)

DISCONTINUED BUSINESSES

	Half year Sep 01 \$M	Half year Mar 01 \$M	Movt Sep 01 v. Mar 01 %	Full year Sep 01 \$M	Full year Sep 00 \$M	Movt Sep 01 v. Sep 00 %
Net interest income	9	20	-55%	29	337	-91%
Other external operating income	1	(19)	n/a	(18)	237	n/a
Operating income	10	1	large	11	574	-98%
Operating expenses	(2)	(1)	100%	(3)	(290)	-99%
Profit before debt provision	8	-	n/a	8	284	-97%
Provision for doubtful debts	(7)	(8)	-13%	(15)	(62)	-76%
Income tax expense and outside equity interests	(1)	(4)	-75%	(5)	(116)	-96%
Net profit attributable to members of the Company	-	(12)	-100%	(12)	106	n/a
Net loans and advances including acceptances	205	514	-60%	205	795	-74%
Other external assets	883	794	11%	883	114	large
External assets	1,088	1,308	-17%	1,088	909	20%
Deposits and other borrowings	45	1,128	-96%	45	1,340	-97%
Other external liabilities	923	905	2%	923	844	9%
External liabilities	968	2,033	-52%	968	2,184	-56%
Net interest average margin	2.80%	2.30%	22%	2.44%	2.98%	-18%
Return on assets	-	n/a	n/a	(0.73%)	0.87%	n/a
Return on risk weighted assets	-	n/a	n/a	(1.80%)	1.47%	n/a
Operating expenses to operating income	20.0%	n/a	n/a	27.3%	50.5%	-46%
Operating expenses to average assets	0.32%	n/a	n/a	0.18%	2.39%	-92%
Net specific provisions	4	4	-	8	46	-83%
Net specific provision as a % of average net advances	2.00%	1.33%	50%	1.60%	0.89%	n/a
Net non-accrual loans	12	38	-68%	12	68	-82%
Net non-accrual loans as a % of net advances	5.41%	7.18%	-25%	5.41%	9.37%	n/a
Total employees	7	22	-68%	7	1	large

Discontinued businesses include residual asset portfolios that were part of the Grindlays business, but were not purchased by Standard Chartered Bank, and the deposits and provisions associated with NHB (refer contingent liability note on page 76). The Group is making a controlled exit from the residual asset portfolios. Discontinued businesses also includes the joint venture with OCBC to develop a web-led bank in Asia, which was terminated in March 2001. The first half result included an equity accounted loss of \$25 million which was the Group's share of the joint venture loss.

CHIEF FINANCIAL OFFICER'S REVIEW (continued)

GEOGRAPHIC SEGMENT PERFORMANCE

	Full year Sep 01 \$M	%	Full year Sep 00 \$M	Movt Sep 01 v. Sep 00 %
Net profit attributable to members of the Company				
Australia	1,430	76%	1,371	4%
New Zealand	278	15%	210	32%
Overseas Markets	162	9%	166	-2%
	1,870	100%	1,747	7%

	As at Sep 01 \$M	As at Mar 01 \$M	As at Sep 00 \$M	Movt Sep 01 v. Mar 01 %	Movt Sep 01 v. Sep 00 %
Total assets					
Australia	133,035	129,321	127,306	3%	5%
New Zealand	22,337	22,891	20,354	-2%	10%
Overseas Markets	30,121	28,755	24,807	5%	21%
	185,493	180,967	172,467	3%	8%
Risk weighted assets					
Australia	98,236	96,650	93,809	2%	5%
New Zealand	15,147	14,871	13,578	2%	12%
Overseas Markets	25,746	25,479	22,301	1%	15%
	139,129	137,000	129,688	2%	7%

CHIEF FINANCIAL OFFICER'S REVIEW (continued)

GEOGRAPHIC SEGMENT - AUSTRALIA

	Half year Sep 01 \$M	Half year Mar 01 \$M	Movt Sep 01 v. Mar 01 %	Full year Sep 01 \$M	Full year Sep 00 \$M	Movt Sep 01 v. Sep 00 %
Net interest income	1,453	1,414	3%	2,867	2,623	9%
Fee income	722	685	5%	1,407	1,268	11%
Other operating income	271	276	-2%	547	465	18%
Operating income	2,446	2,375	3%	4,821	4,356	11%
Operating expenses	(1,145)	(1,131)	1%	(2,276)	(2,226)	2%
Profit before debt provision	1,301	1,244	5%	2,545	2,130	19%
Provision for doubtful debts	(226)	(177)	28%	(403)	(349)	15%
Income tax expense	(349)	(363)	-4%	(712)	(581)	23%
Net profit after income tax before abnormal items	726	704	3%	1,430	1,200	19%
Net prior period abnormal profit	-	-	n/a	-	171	-100%
Net profit attributable to members of the Company	726	704	3%	1,430	1,371	4%
Ratios exclude abnormal items						
Net interest average margin	2.95%	2.97%	-	2.96%	2.95%	-
Return on risk weighted assets	1.49%	1.49%	-	1.49%	1.39%	7%
Operating expenses to operating income	46.6%	47.5%	-2%	47.0%	50.9%	-8%
Operating expenses to average assets	1.79%	1.79%	-	1.79%	1.89%	-5%
Net specific provision	297	177	68%	474	238	99%
Net specific provision as a % of average net advances	0.55%	0.34%	63%	0.45%	0.25%	82%
Net non-accrual loans	492	430	14%	492	393	25%
Net non-accrual loans as a % of net advances	0.46%	0.41%	13%	0.46%	0.38%	21%
Total employees	16,152	16,309	-1%	16,152	16,570	-3%
Lending growth	1.3%	1.8%	-28%	3.1%	16.0%	-81%
Total assets	133,035	129,321	3%	133,035	127,306	5%
Risk weighted assets	98,236	96,650	2%	98,236	93,809	5%

Profit after tax in Australia increased by 3% to \$726 million in the second half. There was a net positive impact on the first half result from several one-off items, including our strategic investment in St George (profit after tax \$65 million) and write down of various equity investments (loss \$41 million), implying underlying growth of 7% in profit after tax in the half.

The main influences on the result were:

- net interest was up 3% (\$39 million) due to lending growth of 2%, primarily in mortgages, partly offset by a contraction in the average margin
- solid growth in fee income in Institutional Banking and Personal, from transaction volume growth and new fee initiatives
- increase in lending offset by securitisation of \$2 billion of mortgages
- excluding the one-off items described above, other operating income increased 24% (\$53 million), due to an increase in income from hedging activities, increased income resulting from the AASB 1038 accounting impact (refer page 48) and higher income from Wealth Management product sales
- operating expenses increased 1% (\$14 million), partly due to non-lending losses, "Perform, Grow and Breakout" program costs and restructuring costs
- increased economic loss provision charge, reflecting an assessment of the impact of September 11 (refer page 7) and an increase in loss rates in the Personal non-mortgage lending book
- net specific provisions were \$120 million higher reflecting the weakened economy and potential losses on certain larger corporate exposures



CHIEF FINANCIAL OFFICER'S REVIEW (continued)



GEOGRAPHIC SEGMENT - NEW ZEALAND Murray Horn

	Half year Sep 01 \$M	Half year Mar 01 \$M	Movt Sep 01 v. Mar 01 %	Full year Sep 01 \$M	Full year Sep 00 \$M	Movt Sep 01 v. Sep 00 %
Net interest income	274	246	11%	520	477	9%
Fee income	153	143	7%	296	273	8%
Other operating income	40	39	3%	79	63	25%
Operating income	467	428	9%	895	813	10%
Operating expenses	(223)	(232)	-4%	(455)	(450)	1%
Profit before debt provision	244	196	24%	440	363	21%
Provision for doubtful debts	(26)	(19)	37%	(45)	(35)	29%
Income tax expense	(66)	(51)	29%	(117)	(87)	34%
Net profit after income tax before abnormal items	152	126	21%	278	241	15%
Net prior period abnormal profit	-	-	n/a	-	(31)	-100%
Net profit attributable to members of the Company	152	126	21%	278	210	32%
Ratios exclude abnormal items						
Net interest average margin	2.66%	2.60%	2%	2.63%	2.63%	-
Return on risk weighted assets	2.04%	1.76%	16%	1.91%	1.70%	12%
Operating expenses to operating income	46.9%	53.3%	-12%	49.9%	54.9%	-9%
Operating expenses to average assets	1.96%	2.12%	-7%	2.04%	2.19%	-7%
Net specific provision	32	10	large	42	42	-
Net specific provision as a % of average net advances	0.37%	0.12%	large	0.24%	0.25%	-4%
Net non-accrual loans	48	68	-29%	48	33	45%
Net non-accrual loans as a % of net advances	0.27%	0.38%	-30%	0.27%	0.20%	35%
Total employees	3,683	3,831	-4%	3,683	3,918	-6%
Lending growth (including FX impact)	1.4%	9.4%	-85%	11.0%	5.1%	large
Lending growth (excluding FX impact)	1.4%	(0.4%)	n/a	1.0%	11.1%	-91%
Total assets	22,337	22,891	-2%	22,337	20,354	10%
Risk weighted assets	15,147	14,871	2%	15,147	13,578	12%

Profit after tax in New Zealand increased by 21% to \$152 million in the second half.

The main influences on the result were:

- increased net interest income, driven by modest lending growth, with margins benefiting from falling interest rates
- increased fee income, reflecting a strong result from corporate financing activities, higher transaction volumes, and growth in the contribution from the cards business
- operating expenses have been well contained in the second half, and reflect reduced staff numbers
- increased economic loss provisioning charge, reflecting an assessment of the impact of September 11 (refer page 7)
- increased net specific provisions, due mainly to higher provisions in the mortgage portfolio

CHIEF FINANCIAL OFFICER'S REVIEW (continued)

GEOGRAPHIC SEGMENT - OVERSEAS MARKETS

	Half year Sep 01 \$M	Half year Mar 01 \$M	Movt Sep 01 v. Mar 01 %	Full year Sep 01 \$M	Full year Sep 00 \$M	Movt Sep 01 v. Sep 00 %
Net interest income	227	219	4%	446	701	-36%
Fee income	118	110	7%	228	319	-29%
Other operating income	47	8	large	55	195	-72%
Operating income	392	337	16%	729	1,215	-40%
Operating expenses	(203)	(197)	3%	(400)	(638)	-37%
Profit before debt provision	189	140	35%	329	577	-43%
Provision for doubtful debts	(38)	(45)	-16%	(83)	(118)	-30%
Income tax expense	(53)	(29)	83%	(82)	(195)	-58%
Outside equity interests	(1)	(1)	-	(2)	(2)	-
Net profit after income tax before abnormal items	97	65	49%	162	262	-38%
Net prior period abnormal profit	-	-	n/a	-	(96)	-100%
Net profit attributable to members of the Company	97	65	49%	162	166	-2%
Ratios exclude abnormal items						
Net interest average margin	1.27%	1.35%	-6%	1.31%	2.06%	-36%
Return on risk weighted assets	0.77%	0.56%	37%	0.67%	1.04%	-35%
Operating expenses to operating income	51.8%	58.2%	-11%	54.7%	52.5%	4%
Operating expenses to average assets	1.04%	1.08%	-4%	1.05%	1.72%	-39%
Net specific provision	10	(6)	n/a	4	103	-96%
Net specific provision as a % of average net advances	0.13%	(0.08%)	n/a	0.03%	0.61%	-96%
Net non-accrual loans	230	229	-	230	273	-16%
Net non-accrual loans as a % of net advances	1.44%	1.37%	5%	1.44%	1.97%	-27%
Total employees	2,666	2,675	-	2,666	2,646	1%
Lending growth (including FX impact)	(4.4%)	20.6%	n/a	15.2%	(15.4%)	n/a
Lending growth (excluding FX impact)	(5.6%)	11.0%	n/a	4.8%	(24.5%)	n/a
Total assets	30,121	28,755	5%	30,121	24,807	21%
Risk weighted assets	25,746	25,479	1%	25,746	22,301	15%

Profit after tax in Overseas Markets increased by 49% to \$97 million in the second half. The March 2001 half year results were adversely impacted by the loss from the discontinued joint venture with OCBC and the write-down of the investment in Panin, partially offset by a dividend received from Panin and other one off income items.

The main influences on the result were:

- net interest income increased 4% (\$8 million) primarily in Asia and the UK
- fee income increased 7% (\$8 million) through strong growth in investment bank products in the Americas and Singapore
- operating expenses increased by 3% (\$6 million), mainly due to Pacific acquisitions (\$4 million)



FIVE YEAR SUMMARY

	2001	2000	1999	1998	1997
	\$M	\$M	\$M	\$M	\$M
Statement of Financial Performance¹					
Net interest income	3,833	3,801	3,655	3,547	3,437
Other operating income	2,612	3,790	2,377	2,029	2,255
Operating expenses	(3,131)	(4,300)	(3,300)	(3,470)	(3,829)
Provision for doubtful debts	(531)	(502)	(510)	(487)	(400)
Profit before income tax	2,783	2,789	2,222	1,619	1,463
Income tax expense	(911)	(1,040)	(736)	(504)	(431)
Outside equity interests	(2)	(2)	(6)	(9)	(8)
Net profit attributable to members of the Company	1,870	1,747	1,480	1,106	1,024
Statement of Financial Position					
Assets	185,493	172,467	152,801	153,215	138,241
Net assets	10,551	9,807	9,429	8,391	6,993
Ratios					
Return on average ordinary equity	20.2%	19.3%	17.6%	15.9%	17.2%
Return on average assets	1.1%	1.1%	1.0%	0.7%	0.7%
Tier 1 capital ratio	7.5%	7.4%	7.9%	7.2%	6.6%
Cost to income ²	48.3%	56.5%	54.5%	60.9%	63.1%
Shareholder value - ordinary shares					
Total return to shareholders (share price movement plus dividends)	25.5%	35.3%	19.6%	-15.6%	62.4%
Market capitalisation	23,783	20,002	16,045	13,885	17,017
Dividend	73.0c	64.0c	56.0c	52.0c	48.0c
Franked portion - interim	100%	100%	75%	60%	100%
- final	100%	100%	80%	60%	100%
Share price					
- high	\$17.39	\$13.46	\$12.45	\$11.88	\$11.58
- low	\$13.44	\$9.60	\$8.58	\$8.45	\$7.10
- closing	\$15.98	\$13.28	\$10.25	\$9.02	\$11.28
Share information (per fully paid ordinary share)					
Earnings per share - basic	117.4c	106.8c	90.6c	72.6c	68.6c
Dividend payout ratio	62.0%	59.1%	62.1%	67.8%	61.6%
Net tangible assets	\$5.96	\$5.49	\$5.21	\$4.98	\$4.59
Number of fully paid ordinary shares on issue (millions)					
	1,488.3	1,506.2	1,565.4	1,539.4	1,508.6
Other information					
Permanent employees (FTE's)	21,403	21,774	28,744	30,827	35,926
Temporary employees (FTE's)	1,098	1,360	1,427	1,245	904
Total employees	22,501	23,134	30,171	32,072	36,830
Points of representation	1,056	1,087	1,147	1,205	1,473
Number of shareholders	181,667	200,798	214,151	151,564	132,450

¹ Prior years restated for AASB 1038 gross up from Sep 1998

² Excludes the impact of goodwill amortisation

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

FINANCIAL STATEMENTS

**Year Ended
30 September 2001**

This announcement on the consolidated Group constitutes the Appendix 4B required by the Australian Stock Exchange, and should be read in conjunction with the September 2001 Annual Financial Report.



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CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

	Note	Half year Sep 01 \$M	Half year Mar 01 \$M	Movt Sep 01 v. Mar 01 %	Full year Sep 01 \$M	Full year Sep 00 \$M	Movt Sep 01 v. Sep 00 %
Total income	2	6,184	6,679	-7%	12,863	14,031	-8%
Interest income		4,833	5,418	-11%	10,251	10,241	-
Interest expense		(2,879)	(3,539)	-19%	(6,418)	(6,440)	-
Net interest income		1,954	1,879	4%	3,833	3,801	1%
Other operating income	2	1,351	1,261	7%	2,612	2,583	1%
Prior period abnormal income	4	-	-	n/a	-	1,207	-100%
Operating income		3,305	3,140	5%	6,445	7,591	-15%
Operating expenses	3	(1,571)	(1,560)	1%	(3,131)	(3,314)	-6%
Prior period abnormal expenses	4	-	-	n/a	-	(986)	-100%
Profit before debt provision		1,734	1,580	10%	3,314	3,291	1%
Provision for doubtful debts	11	(290)	(241)	20%	(531)	(502)	6%
Profit before income tax		1,444	1,339	8%	2,783	2,789	-
Income tax expense	5	(468)	(443)	6%	(911)	(863)	6%
Prior period abnormal tax	4	-	-	n/a	-	(177)	-100%
Profit after income tax		976	896	9%	1,872	1,749	7%
Net profit attributable							
to outside equity interests		(1)	(1)	-	(2)	(2)	-
Net profit attributable to members of the Company		975	895	9%	1,870	1,747	7%
Currency translation adjustments, net of hedges after tax		(4)	201	n/a	197	170	16%
Increase in asset revaluation reserve		-	-	n/a	-	31	-100%
Total changes in equity other than those resulting from transactions with shareholders as owners		971	1,096	-11%	2,067	1,948	6%

The notes appearing on pages 44 to 82 form an integral part of these financial statements

Earnings per ordinary share (cents)							
Basic	7	61.6	55.8	10%	117.4	106.8	10%
Diluted	7	60.9	55.4	10%	116.3	106.3	9%
Dividend per ordinary share (cents)		40	33	21%	73	64	14%
Net tangible assets per ordinary share (\$)		5.96	5.71	4%	5.96	5.49	9%



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at Sep 01 \$M	As at Mar 01 \$M	As at Sep 00 \$M	Movt Sep 01 v. Mar 01 %	Movt Sep 01 v. Sep 00 %
Assets						
Liquid assets		7,794	5,113	5,648	52%	38%
Due from other financial institutions		4,829	4,076	5,822	18%	-17%
Trading securities ¹		4,827	4,670	4,126	3%	17%
Investment securities	8	3,487	3,452	3,006	1%	16%
Net loans and advances	9	123,657	122,907	116,315	1%	6%
Customers' liability for acceptances		14,324	14,532	15,482	-1%	-7%
Life insurance investment assets		4,774	4,786	4,739	-	1%
Regulatory deposits		133	162	103	-18%	29%
Shares in associates		64	24	29	large	large
Deferred tax assets		1,200	1,206	1,227	-	-2%
Other assets ²		19,043	18,690	14,711	2%	29%
Premises and equipment		1,361	1,349	1,259	1%	8%
Total assets		185,493	180,967	172,467	3%	8%
Liabilities						
Due to other financial institutions		12,690	13,376	12,247	-5%	4%
Deposits and other borrowings		104,874	102,046	100,602	3%	4%
Liability for acceptances		14,324	14,532	15,482	-1%	-7%
Income tax liabilities		1,335	1,213	1,303	10%	2%
Creditors and other liabilities		15,948	15,943	13,371	-	19%
Provisions		2,142	2,126	2,089	1%	3%
Life insurance policy liabilities		4,458	4,418	4,360	1%	2%
Bonds and notes		15,340	13,108	9,519	17%	61%
Loan capital		3,831	4,005	3,687	-4%	4%
Total liabilities		174,942	170,767	162,660	2%	8%
Net assets		10,551	10,200	9,807	3%	8%
Shareholders' equity						
Ordinary share capital		3,733	3,711	4,028	1%	-7%
Preference share capital		1,526	1,526	1,374	-	11%
Reserves		717	1,011	786	-29%	-9%
Retained profits		4,562	3,940	3,607	16%	26%
Share capital and reserves attributable to members of the Company		10,538	10,188	9,795	3%	8%
Outside equity interests		13	12	12	8%	8%
Total shareholders' equity		10,551	10,200	9,807	3%	8%
Derivative financial instruments	16					
Contingent liabilities	17					

¹ Includes bills held in portfolio (Sep 2001: \$1,933 million, Mar 2001: \$1,496 million, Sep 2000: \$1,009 million) which are part of net advances

² Includes interest revenue receivable (Sep 2001: \$1,310 million, Mar 2001: \$1,566 million, Sep 2000: \$1,368 million)

The notes appearing on pages 44 to 82 form an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

	Half year Sep 01 \$M	Half year Mar 01 \$M	Movt Sep 01 v. Mar 01 %	Full year Sep 01 \$M	Full year Sep 00 \$M	Movt Sep 01 v. Sep 00 %
Share capital						
Balance at start of period	5,237	5,402	-3%	5,402	5,915	-9%
Ordinary share						
Dividend reinvestment plan	43	43	-	86	236	-64%
Group employee share acquisition scheme	28	37	-24%	65	26	large
Group share option scheme	17	4	large	21	10	large
Small shareholder voluntary top up scheme	-	12	-100%	12	-	n/a
New issues	16	-	n/a	16	-	n/a
Share buyback	(82)	(413)	-80%	(495)	(1,014)	-51%
Retranslation of preference shares	-	152	-100%	152	229	-34%
Total share capital	5,259	5,237	-	5,259	5,402	-3%
Foreign currency translation reserve						
Balance at start of period	219	18	large	18	(152)	n/a
Currency translation adjustments, net of hedges after tax	(4)	201	n/a	197	170	16%
	215	219	-2%	215	18	large
Asset revaluation reserve						
Balance at start of period	31	31	-	31	-	n/a
Revaluation of properties	-	-	n/a	-	31	-100%
	31	31	-	31	31	-
General reserve						
Balance at start of period	612	588	4%	588	539	9%
Transfers (to) from retained profits	(290)	24	n/a	(266)	49	n/a
	322	612	-47%	322	588	-45%
Capital reserve	149	149	-	149	149	-
Total reserves	717	1,011	-29%	717	786	-9%
Retained profits						
Balance at start of period	3,940	3,607	9%	3,607	2,952	22%
Net profit attributable to members of the Company	975	895	9%	1,870	1,747	7%
Total available for appropriation	4,915	4,502	9%	5,477	4,699	17%
Transfers from (to) reserves	290	(24)	n/a	266	(49)	n/a
Ordinary share dividends provided for or paid	(583)	(479)	22%	(1,062)	(941)	13%
Preference share dividends paid	(60)	(59)	2%	(119)	(102)	17%
Retained profits at end of period	4,562	3,940	16%	4,562	3,607	26%
Total shareholders' equity attributable to members of the Company	10,538	10,188	3%	10,538	9,795	8%

The notes appearing on pages 44 to 82 form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

	Half year Sep 01 Inflows (Outflows) \$M	Half year Mar 01 Inflows (Outflows) \$M	Full year Sep 01 Inflows (Outflows) \$M	Full year Sep 00 Inflows (Outflows) \$M
Cash flows from operating activities				
Interest received	5,469	5,585	11,054	9,916
Dividends received	17	58	75	192
Fees and other income received	1,393	1,390	2,783	2,460
Interest paid	(3,182)	(3,521)	(6,703)	(6,108)
Personnel expenses paid	(936)	(891)	(1,827)	(1,735)
Premises expenses paid	(126)	(127)	(253)	(283)
Other operating expenses paid	(939)	(836)	(1,775)	(1,199)
Income taxes paid				
Australia	(258)	(355)	(613)	(443)
Overseas	(124)	(86)	(210)	(311)
Goods and services tax (paid) received	(8)	(45)	(53)	4
Net (increase) decrease in trading securities	(151)	(478)	(629)	(25)
Net cash provided by operating activities	18	1,155	1,849	2,468
Cash flows from investing activities				
Net decrease (increase)				
Due from other financial institutions	(17)	926	909	(792)
Regulatory deposits	28	(55)	(27)	(90)
Loans and advances	(764)	(4,065)	(4,829)	(17,633)
Shares in controlled entities and associates	(32)	(4)	(36)	(50)
Investment securities				
Purchases	(870)	(3,135)	(4,005)	(8,109)
Proceeds from sale or maturity	945	2,685	3,630	8,553
Controlled entities and associates				
Purchased (net of cash acquired)	(36)	-	(36)	(43)
Proceeds from sale (net of cash disposed)	-	-	-	1,510
Premises and equipment				
Purchases	(213)	(239)	(452)	(275)
Proceeds from sale	52	75	127	249
Other	(896)	1,425	529	(3,160)
Net cash (used in) investing activities	(1,803)	(2,387)	(4,190)	(19,840)
Cash flows from financing activities				
Net (decrease) increase				
Due to other financial institutions	(898)	72	(826)	3,111
Deposits and other borrowings	2,497	(1,607)	890	12,763
Creditors and other liabilities	915	(334)	581	(843)
Bonds and notes				
Issue proceeds	4,349	3,193	7,542	5,555
Redemptions	(2,250)	(628)	(2,878)	(1,341)
Loan capital				
Issue proceeds	-	-	-	152
Redemptions	(164)	(80)	(244)	(147)
Decrease in outside equity interests	(1)	-	(1)	(19)
Dividends paid	(496)	(532)	(1,028)	(749)
Share capital issues	61	53	114	36
Share buyback	(82)	(413)	(495)	(1,014)
Net cash provided by (used in) financing activities	3,931	(276)	3,655	17,504
Net cash provided by operating activities	1,155	694	1,849	2,468
Net cash provided by (used in) investing activities	(1,803)	(2,387)	(4,190)	(19,840)
Net cash provided by (used in) financing activities	3,931	(276)	3,655	17,504
Net increase (decrease) in cash and cash equivalents	3,283	(1,969)	1,314	132
Cash and cash equivalents at beginning of period	5,671	6,462	6,462	6,634
Foreign currency translation on opening balances	117	1,178	1,295	(304)
Cash and cash equivalents at end of period	18	9,071	9,071	6,462

The notes appearing on pages 44 to 82 form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

This report should be read in conjunction with the Annual Financial Report of the Group as at 30 September 2001 and with any public announcements made by the Group and its controlled entities during the year ended 30 September 2001 in accordance with the continuous disclosure obligations under the Corporations Act 2001.

These consolidated financial statements are made out in accordance with the Corporations Act 2001, applicable Accounting Standards, Urgent Issues Group Consensus Views and other mandatory reporting requirements. This report does not include all notes of the type normally included in the annual financial report.

This report has been prepared in accordance with the historical cost convention, as modified by the revaluation of trading instruments and life insurance assets and liabilities and the deemed cost of properties.

Where necessary, amounts shown for previous periods have been reclassified to facilitate comparison.

The accounting policies followed in this report are the same as those applied in the 30 September 2000 Annual Financial Report, except as noted below.

CHANGES IN ACCOUNTING STANDARDS AND POLICY

The directors have elected to adopt early the revised Accounting standard AASB 1005, Segment Reporting.

A new accounting standard AASB 1041: Revaluation of Non-Current Assets was applied from 1 October 2000.

On applying AASB 1041, the Group has elected to revert to the cost basis for measuring the class of assets land and buildings.

In changing from a revaluation to a cost policy, the carrying amount of the class of assets land and buildings at the date of first applying the standard is deemed to be their cost. Write downs of previously revalued assets may no longer be made through the asset revaluation reserve. This change in accounting policy had no impact for the year ended 30 September 2001.

NOTES TO THE FINANCIAL STATEMENTS

2. INCOME

	Half year Sep 01 \$M	Half year Mar 01 \$M	Movt Sep 01 v. Mar 01 %	Full year Sep 01 \$M	Full year Sep 00 \$M	Movt Sep 01 v. Sep 00 %
Interest income	4,833	5,418	-11%	10,251	10,241	-
Interest expense	(2,879)	(3,539)	-19%	(6,418)	(6,440)	-
Net interest income	1,954	1,879	4%	3,833	3,801	1%

Interest spread and net interest average margin (%)

Gross interest spread	2.19	2.14	n/a	2.15	2.31	n/a
Interest forgone on impaired assets	(0.07)	(0.06)	n/a	(0.06)	(0.07)	n/a
Net interest spread	2.12	2.08	n/a	2.09	2.24	n/a
Interest attributable to net non-interest bearing items	0.65	0.69	n/a	0.68	0.63	n/a
Net interest average margin	2.77	2.77	n/a	2.77	2.87	n/a
Average interest earning assets (\$M)	141,503	137,087	3%	139,301	133,158	5%

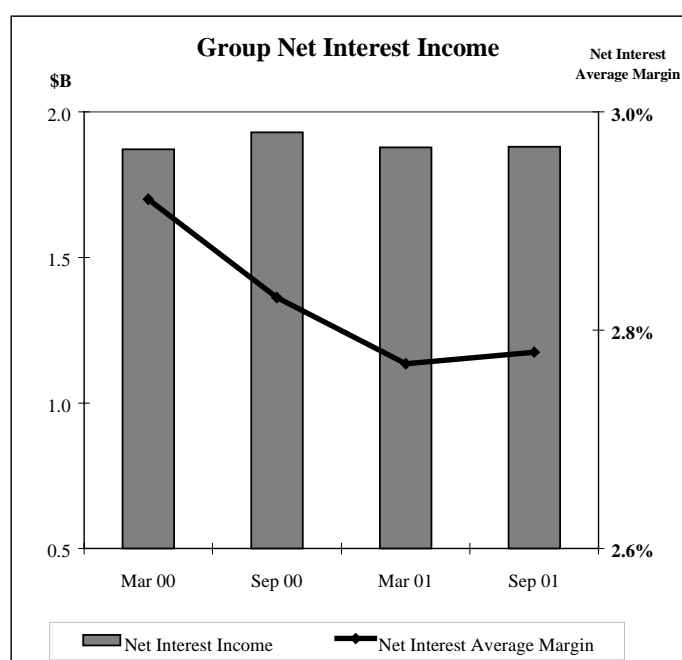
Net interest income increased 4% compared to the March 2001 half year result, with an overall increase of 10% for the year on continuing businesses following the sale of Grindlays on 31 July 2000.

The Group's achievement of a 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 payment option
- re-pricing for risk of Corporate & Institutional banking products
- increases 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
- 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
- margin contraction in the Mortgage portfolio partially tempered by the positive influence of the product mix change between variable and fixed rate mortgages in the September 2001 half year
- lower return on non-interest bearing items in a lower rate environment despite reduced non-interest bearing assets.



NOTES TO THE FINANCIAL STATEMENTS

2. INCOME (continued)

Continuing businesses

	Half year Sep 01 \$M	Half year Mar 01 \$M	Movt Sep 01 v. Mar 01 %	Full year Sep 01 \$M	Full year Sep 00 \$M	Movt Sep 01 v. Sep 00 %
Interest income	4,819	5,406	-11%	10,225	9,537	7%
Other operating income						
Fee income						
Lending	406	372	9%	778	702	11%
Other, commissions ¹	584	560	4%	1,144	1,025	12%
Total fee income	990	932	6%	1,922	1,727	11%
Other income						
Foreign exchange earnings	175	173	1%	348	287	21%
Profit on trading instruments	31	32	-3%	63	81	-22%
Life insurance margin on services operating income (page 48)	104	86	21%	190	175	9%
Profit on sale of strategic investment	-	99	-100%	99	-	n/a
Writedown of equity investments	-	(84)	-100%	(84)	-	n/a
Other	50	42	19%	92	76	21%
Total other income	360	348	3%	708	619	14%
Total other operating income	1,350	1,280	5%	2,630	2,346	12%
Total income - continuing businesses	6,169	6,686	-8%	12,855	11,883	8%

¹ Includes commissions from funds management business

Other operating income in the continuing businesses, at \$1,350 million, was 5% (\$70 million) higher than the March 2001 half year. Movements in exchange rates contributed \$7 million of the increase.

Total fee income was 6% (\$58 million) higher than the March 2001 half year, continuing the growth experienced in the first half of this year. Key drivers include:

- lending fee income increased 9% due to increased focus on fee income from lending based products within Institutional Banking and an increase in lending activity coupled with the introduction of a new transactional fee structure within Personal
- non-lending fees increased 4%, 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

Other income was 3% (\$12 million) higher. Key features of the result were:

- the net positive impact on the first half of several one-offs including our strategic investment in St George (profit \$99 million and dividend income), offsetting the write down of various equity investments (loss \$84 million)
- increase in income from hedging activities
- increase in life insurance margin on services operating income, primarily from stronger inflows from the tax year end, and corporate superannuation inflows



NOTES TO THE FINANCIAL STATEMENTS

2. INCOME (continued)

	Half year Sep 01 \$M	Half year Mar 01 \$M	Movt Sep 01 v. Mar 01 %	Full year Sep 01 \$M	Full year Sep 00 \$M	Movt Sep 01 v. Sep 00 %
Interest income						
Continuing businesses	4,819	5,406	-11%	10,225	9,537	7%
Discontinued businesses	14	12	17%	26	704	-96%
Total interest income	4,833	5,418	-11%	10,251	10,241	-
Fee income						
Continuing businesses	990	932	6%	1,922	1,727	11%
Discontinued businesses	3	6	-50%	9	133	-93%
Total fee income	993	938	6%	1,931	1,860	4%
Other income						
Continuing businesses	360	348	3%	708	619	14%
Prior period abnormal income	-	-	n/a	-	1,207	-100%
Discontinued businesses	(2)	(25)	-92%	(27)	104	n/a
Total other income	358	323	11%	681	1,930	-65%
Total income¹	6,184	6,679	-7%	12,863	14,031	-8%
Operating profit before tax as a % of interest income	29.9%	24.7%	n/a	27.1%	27.2%	n/a

¹ Includes dividend income of \$75 million (Mar 2001 Half year: \$72 million; Sep 2000 Full year: \$192 million)

Discontinued businesses income in 2001 includes the following:

- the Group's share of the loss from the joint venture with OCBC during the March 2001 half year (\$25 million)
- income from residual "exited" portfolios relating to the sale of Grindlays
- interest on National Housing Bank monies prior to lodgement with the Court (refer note 17)

Prior year discontinued business income relates mainly to the Grindlays and related businesses sold in July 2000. Prior period abnormal income is analysed at note 4 to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

2. INCOME (continued)

Margin on Services

	Half year Sep 01 \$M	Half year Mar 01 \$M	Movt Sep 01 v. Mar 01 %	Full year Sep 01 \$M	Full year Sep 00 \$M	Movt Sep 01 v. Sep 00 %
Life insurance margin on services operating income						
Premium and related revenue	921	679	36%	1,600	1,689	-5%
Investment revenue	(103)	123	n/a	20	369	-95%
Claims expense	(682)	(648)	5%	(1,330)	(1,249)	6%
Insurance policy liabilities expense	(32)	(68)	-53%	(100)	(634)	-84%
	104	86	21%	190	175	9%

Life insurance profit after tax arose from

Movement in policy liabilities separated between

Planned margin of revenues over expenses released	18	18	-	36	36	-
Difference between actual and assumed experience	(7)	(4)	75%	(11)	(4)	large
Investment earnings of assets in excess of policy liabilities	3	10	-70%	13	17	-24%
Operating profit after income tax	14	24	-42%	38	49	-22%

Premium and related revenue showed strong growth, arising from increases in gross inflows to Life investment products. Inflows are traditionally stronger in the second half, which includes the traditional tax year end, and were further aided by record corporate superannuation flows.

Investment revenue declined markedly, adversely impacted by recent global downturns in equity markets.

Claims expense includes redemptions from investment products, and claims from risk products. Redemptions of superannuation business investment products was higher, as expected, in the second half.



NOTES TO THE FINANCIAL STATEMENTS

3. OPERATING EXPENSES

Continuing businesses

	Half year Sep 01 \$M	Half year Mar 01 \$M	Movt Sep 01 v. Mar 01 %	Full year Sep 01 \$M	Full year Sep 00 \$M	Movt Sep 01 v. Sep 00 %
Personnel						
Employee taxes						
Fringe benefits tax	20	20	-	40	33	21%
Payroll tax	29	31	-6%	60	68	-12%
Pension fund	47	46	2%	93	91	2%
Provision for employee entitlements	19	12	58%	31	33	-6%
Salaries and wages	558	566	-1%	1,124	1,106	2%
Other	166	161	3%	327	301	9%
Total personnel expenses	839	836	-	1,675	1,632	3%
Premises						
Amortisation of leasehold improvements	9	6	50%	15	13	15%
Depreciation of buildings and integrals	9	9	-	18	19	-5%
Rent	74	78	-5%	152	133	14%
Utilities and other outgoings	45	44	2%	89	89	-
Other	4	7	-43%	11	9	22%
Total premises expenses	141	144	-2%	285	263	8%
Computer						
Computer contractors	26	27	-4%	53	34	56%
Data communications	28	21	33%	49	38	29%
Depreciation and amortisation	44	42	5%	86	87	-1%
Rentals and repairs	31	30	3%	61	67	-9%
Other	56	59	-5%	115	99	16%
Total computer expenses	185	179	3%	364	325	12%
Other						
Advertising and public relations	52	54	-4%	106	96	10%
Amortisation of goodwill	8	9	-11%	17	12	42%
Audit fees	1	2	-50%	3	3	-
Depreciation of furniture and equipment	22	20	10%	42	39	8%
Freight and cartage	17	15	13%	32	27	19%
Loss on disposal of premises and equipment	4	1	large	5	5	-
Non-lending losses, frauds and forgeries	28	17	65%	45	50	-10%
Postage	22	20	10%	42	42	-
Professional fees	60	54	11%	114	128	-11%
Stationery	27	25	8%	52	58	-10%
Telephone	33	37	-11%	70	74	-5%
Travel	41	38	8%	79	73	8%
Other	47	65	-27%	112	97	16%
Total other expenses	362	357	1%	719	704	2%
Restructuring	42	43	-2%	85	100	-15%
Total operating expenses - continuing businesses	1,569	1,559	1%	3,128	3,024	3%

NOTES TO THE FINANCIAL STATEMENTS

3. OPERATING EXPENSES (continued)

Compared with the first half, operating expenses in the continuing businesses, as shown in the table on page 49, increased by 1% (\$10 million). Of this, \$4 million additional costs were incurred by new acquisitions and expenses increased by \$8 million due to exchange rate movements.

Personnel costs were flat with salary increases from the EBA agreement during the second half contained by a 1% reduction in staff numbers. Training expenses increased reflecting the Group's commitment to provide employees with a range of opportunities to develop their skill base.

Premises costs and computer costs showed small variances of -2% and 3% respectively. The increase in computer costs was due to higher depreciation and software amortisation charges.

Other expenses were 1% higher with an increase in non-lending losses and minor increases across several categories offset by a reduction in other expenses.

	Half year Sep 01 \$M	Half year Mar 01 \$M	Movt Sep 01 v. Mar 01 %	Full year Sep 01 \$M	Full year Sep 00 \$M	Movt Sep 01 v. Sep 00 %
Discontinued businesses						
Personnel	1	-	n/a	1	126	-99%
Premises	-	-	n/a	-	31	-100%
Computer	-	-	n/a	-	18	-100%
Other	1	1	-	2	108	-98%
Restructuring	-	-	n/a	-	7	-100%
Total discontinued businesses	2	1	100%	3	290	-99%
Prior period abnormal expenses						
Other	-	-	n/a	-	625	-100%
Restructuring	-	-	n/a	-	361	-100%
Total prior period abnormal expenses	-	-	n/a	-	986	-100%
Continuing businesses	1,569	1,559	1%	3,128	3,024	3%
Total operating expenses	1,571	1,560	1%	3,131	4,300	-27%

Employee Numbers

Employees (FTE) - Permanent	21,403	21,617	-1%	21,403	21,774	-2%
Employees (FTE) - Temporary	1,098	1,198	-8%	1,098	1,360	-19%
Total employees	22,501	22,815	-1%	22,501	23,134	-3%



NOTES TO THE FINANCIAL STATEMENTS

4. ITEMS REPORTED AS ABNORMALS IN PRIOR PERIODS

	Full year Sep 01 \$M	Full year Sep 00 \$M	Movt Sep 01 v. Sep 00 %
Profit before tax			
Revaluation of properties	-	30	-100%
Gain on sale of investment in Colonial	-	33	-100%
Income from sale of Grindlays and associated businesses	-	1,225	-100%
(Loss) before tax			
Provisions raised on sale of Grindlays and associated businesses	-	(575)	-100%
Restructuring provision	-	(361)	-100%
Provision for litigation	-	(50)	-100%
Writedown of investment in Panin	-	(81)	-100%
Total prior period abnormal profit	-	221	-100%
Income tax (expense)benefit applicable to			
Restatement of deferred tax balances	-	(64)	-100%
Sale of Grindlays and associated businesses and provision raised	-	(246)	-100%
Restructuring provision	-	116	-100%
Provision for litigation	-	17	-100%
Total prior period abnormal income tax expense	-	(177)	-100%
Net prior period abnormals	-	44	-100%

The September 2000 Consolidated Results and Dividend Announcement provides further details of prior year abnormals. Provisions for contingent liabilities relating to Grindlays are further discussed at note 17.

NOTES TO THE FINANCIAL STATEMENTS

5. INCOME TAX EXPENSE

Reconciliation of the prima facie income tax payable on operating profit with the income tax expense charged in the statement of financial performance.

	Half year Sep 01 \$M	Half year Mar 01 \$M	Movt Sep 01 v. Mar 01 %	Full year Sep 01 \$M	Full year Sep 00 \$M	Movt Sep 01 v. Sep 00 %
Operating profit before income tax	1,444	1,339	8%	2,783	2,789	-
Prima facie income tax at 34% (2000: 36%)	491	455	8%	946	1,004	-6%
Tax effect of permanent differences						
Overseas tax rate differential	1	1	-	2	10	-80%
Rebateable and non-assessable dividends	(5)	(27)	-81%	(32)	(70)	-54%
Other non-assessable income	(22)	(14)	57%	(36)	(9)	large
Life insurance accounting	14	4	large	18	17	6%
Application of available capital losses	-	-	n/a	-	(10)	-100%
Sale of Grindlays (net permanent difference)	-	-	n/a	-	12	-100%
Impact of corporate tax rate change	-	-	n/a	-	64	-100%
Property revaluations	-	-	n/a	-	(11)	-100%
Restructuring (composite tax rate)	-	-	n/a	-	15	-100%
Writedown of investments	(1)	28	n/a	27	29	-7%
Profit on sale of strategic investment	-	-	n/a	-	(12)	-100%
Other	(9)	(9)	-	(18)	12	n/a
	469	438	7%	907	1,051	-14%
Income tax (over) under provided in prior years	(1)	5	n/a	4	(11)	n/a
Total income tax expense on profit	468	443	6%	911	1,040	-12%
Australia	349	363	-4%	712	782	-9%
Overseas	119	80	49%	199	258	-23%
	468	443	6%	911	1,040	-12%
Effective tax rate	32.4%	33.1%	-2%	32.7%	37.3%	-12%

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 unfavourable 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 1 October 2001, and no further adjustment has been required.

NOTES TO THE FINANCIAL STATEMENTS

6. DIVIDENDS

	Half year Sep 01	Half year Mar 01	Full year Sep 01	Full year Sep 00
Dividend per ordinary share¹ (cents)				
Interim (fully franked)	n/a	33	33	29
Final (fully franked)	40	n/a	40	35

Ordinary share dividend¹ (\$M)				
Interim dividend	n/a	491	491	445
Proposed final dividend	595	n/a	595	528
Bonus option plan adjustment	(12)	(12)	(24)	(32)
Total	583	479	1,062	941

Ordinary share dividend payout ratio (%)	65.0%	58.7%	62.0%	59.1%
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¹ Excludes preference share dividend

The directors propose that a final dividend of 40 cents per share be paid on each fully paid ordinary share. The dividend will be fully franked.

The Group has a Dividend Reinvestment Plan and a Bonus Option Plan in operation. Participation in these plans is limited to 50,000 shares per holder in each plan. Election notices for these plans must be received by 8 November 2001.

The proposed final dividend will be payable on 14 December 2001 to shareholders registered in the books of the Company at close of business on 8 November 2001. Dividends payable to shareholders resident in the United Kingdom and New Zealand will be converted to local currency at ANZ's daily forward exchange rate on 8 November 2001.

In 1998 the Company issued 124,032,000 preference shares of USD 6.25 each which raised USD775 million (net USD748 million after costs) via Trust Securities issues. The Trust Securities carry an entitlement to a distribution of 8% p.a. (USD400 million) or 8.08% p.a. (USD375 million). The amounts are payable quarterly in arrears.

	Half year Sep 01	Half year Mar 01	Full year Sep 01	Full year Sep 00
Preference share dividend				
Dividend paid (\$M)	60	59	119	102
Dividend per preference share (USD cents)	25.1	25.1	50.2	50.2

NOTES TO THE FINANCIAL STATEMENTS

7. EARNINGS PER ORDINARY SHARE

	Half year Sep 01	Half year Mar 01	Full year Sep 01	Full year Sep 00
Basic				
Net profit attributable to members of the Company ¹ (\$M)	915	836	1,751	1,645
Weighted average number of ordinary shares (M)	1,486.1	1,498.1	1,492.1	1,540.3
Basic earnings per share (cents)	61.6	55.8	117.4	106.8
Diluted				
Adjustment to profit for interest on options (\$M)	6	4	10	5
Weighted average number of shares - diluted (M)	1,512.3	1,515.5	1,513.9	1,552.4
Diluted earnings per share (cents)	60.9	55.4	116.3	106.3
Number of fully paid ordinary shares on issue (M)	1,488.3	1,486.8	1,488.3	1,506.2

¹ Excludes preference share dividend



NOTES TO THE FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

Total Group assets increased by \$13.0 billion (8%) over September 2000 (3% over March 2001). The increase for the year included \$4.5 billion due to exchange rate movements. The closing exchange rates at 30 September 2001 were similar to those at 31 March 2001, so there was little exchange rate impact in the second half.

Liquid assets increased \$2.1 billion (\$2.7 billion over March 2001). In the latter part of the year significant increases were seen in cash balances, certificates of deposits and acceptances, primarily to boost liquidity given the uncertain economic climate post the September 11 terrorist attacks. These increases were partly offset by a decrease of \$1 billion in Due from other Financial Institutions mainly due to the introduction of the APRA certified Interbank Deposit Agreement.

Trading and investment securities increased \$1.2 billion including an increase of \$0.9 billion in bills held in portfolio.

Net loans and advances grew by \$7.3 billion, comprising an increase of \$6.6 billion in the first half and an increase of \$0.7 billion in the second half. Growth was mainly in Mortgages, helped by falling interest rates and the government "First Home Buyer Incentives".

Key features for each half were as follows:

- first half Mortgages growth was \$3.6 billion, reduced to \$3.1 billion by the securitisation of \$0.5 billion loans in a domestic market issue. Other significant increases in the first half were in Global Structured Finance (\$1.4 billion) and Corporate and Institutional Banking (\$0.8 billion)
- in the second half, Mortgages growth was \$3.8 billion, reduced to \$1.8 billion by a global market securitisation of USD 1 billion. This increase was partly offset by decreases due to volatility in corporate outstandings around the balance date

Customers liability for acceptances decreased by \$1.1 billion as a number of corporate customers exited commercial bills in favour of alternative sources of debt.

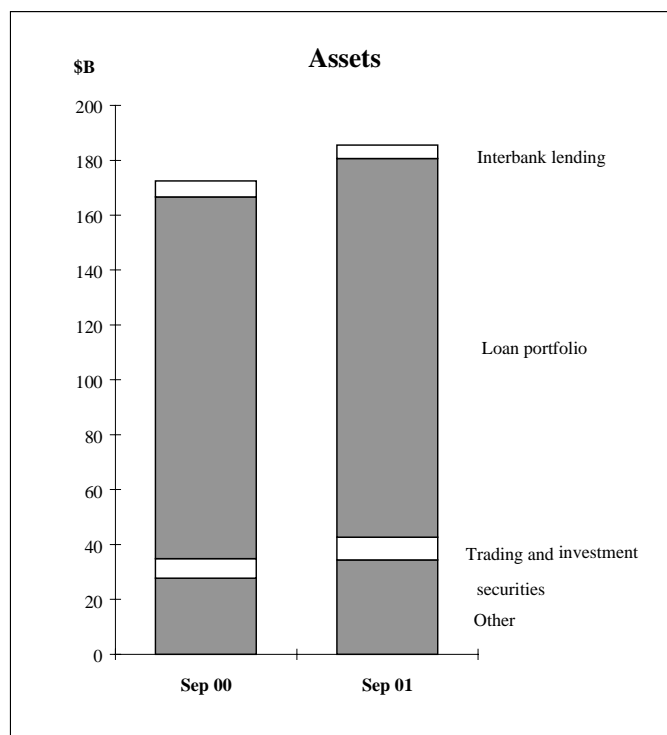
Other assets increased \$4.3 billion (\$0.3 billion over March 2001) largely from the revaluation of off balance sheet derivative instruments including hedges of USD borrowings. Higher volumes arose from customer activity in foreign exchange and interest rate products, and the significant depreciation of the Australian dollar increased closing market values.

Total Group liabilities increased by \$12.3 billion (8%) over September 2000 (2% over March 2001). After excluding the foreign exchange impact of \$5.1 billion, growth was 4% or \$7.2 billion.

Deposits and other borrowings increased \$4.3 billion (\$2.8 billion over March 2001). Significant growth in customer sourced current account and term deposit volumes in both Australia and New Zealand was partly offset by a decrease in wholesale certificates of deposit and commercial paper as the Group shifted to alternative sources of funding.

Bonds and notes and loan capital increased \$5.8 billion (\$2.2 billion over March 2001) with the Group accessing new sources of term funding, primarily term bond and Euro debt issues.

Creditors and other liabilities increased \$2.6 billion largely due to the revaluation of off balance sheet instruments impacted by the devaluation of the Australian dollar.



NOTES TO THE FINANCIAL STATEMENTS

8. INVESTMENT SECURITIES

	As at Sep 01 \$M	As at Mar 01 \$M	Movt Sep 01 v. Mar 01 %	As at Sep 00 \$M	Movt Sep 01 v. Sep 00 %
Total book value	3,487	3,452	1%	3,006	16%
Total market value	3,489	3,450	1%	2,982	17%

9. NET LOANS AND ADVANCES

	As at Sep 01 \$M	As at Mar 01 \$M	As at Sep 00 \$M
Australia			
Term loans - housing	43,969	42,495	40,571
Term loans - non housing	31,381	31,294	31,446
Lease finance/hire purchase	10,599	10,891	10,779
Overdrafts	2,430	2,992	2,877
Credit card outstandings	3,352	3,215	2,837
Other	724	484	510
	92,455	91,371	89,020
New Zealand			
Term loans - housing	9,394	9,333	8,487
Term loans - non housing	6,154	5,893	5,688
Lease finance/hire purchase	739	700	595
Overdrafts	707	686	569
Credit card outstandings	409	397	311
Other	902	1,028	838
	18,305	18,037	16,488
Overseas markets			
Term loans - housing	320	367	370
Term loans - non housing	14,291	15,177	12,708
Lease finance/hire purchase	642	521	303
Overdrafts	579	634	655
Credit card outstandings	70	38	27
Other	28	17	61
	15,930	16,754	14,124
Total gross loans and advances¹	126,690	126,162	119,632
Less:			
Provisions for doubtful debts	(1,886)	(2,039)	(2,082)
Income yet to mature	(1,147)	(1,216)	(1,235)
Total net loans and advances¹	123,657	122,907	116,315

¹ Bills held in portfolio, \$1,933 million (Mar 2001: \$1,496 million, Sep 2000: \$1,009 million) are included in trading securities

Securitised mortgages outstanding were \$2,649 million at 30 September 2001 (March 2001: \$944 million, September 2000: \$495 million).



NOTES TO THE FINANCIAL STATEMENTS

10. IMPAIRED ASSETS

Asset quality

The charge for doubtful debts was determined under economic loss provisioning principles (ELP) and represents the expected average annual loss on principal over the economic cycle for the current risk profile of the lending portfolio. The ELP charge increased from \$502 million for the year to September 2000 to \$531 million for the year to September 2001. The ELP charge for the second half was \$290 million compared to \$241 million for the first half of 2001. While year on year on a basis point perspective ELP 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 potential 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.

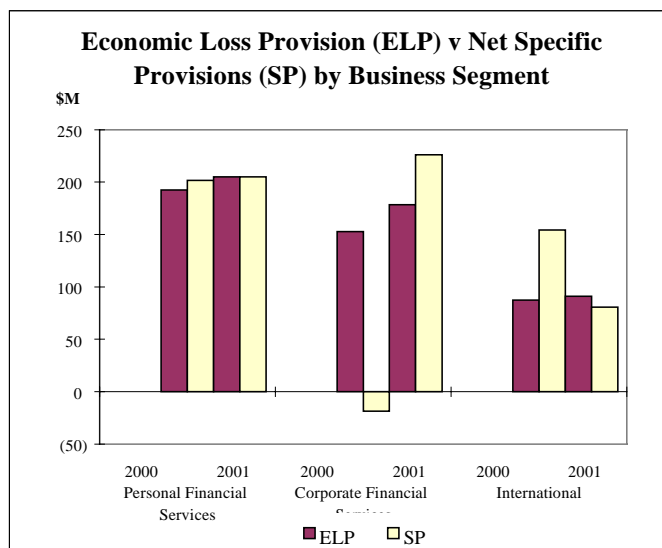
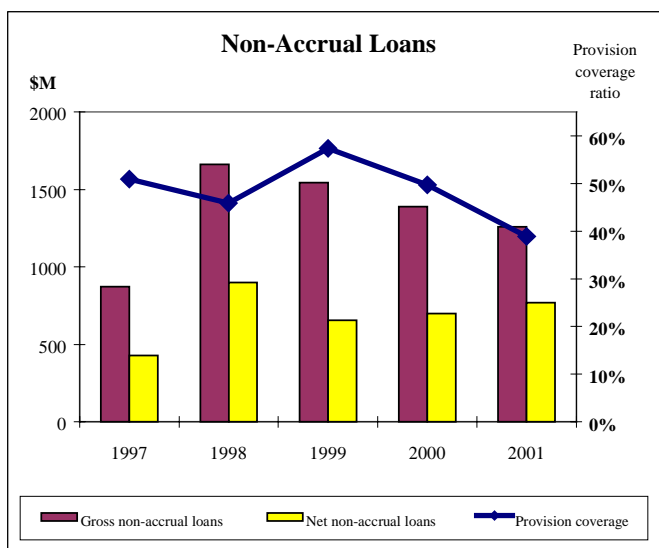
Actual loss experience or net specific provisions during the year totalled \$520 million, an increase of \$137 million for the year, reflecting the deteriorating economic conditions and a small number of higher profile corporate defaults. Net specific provisions increased in Australia in response to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

At 30 September 2001, the general provision 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.

Non-accrual loans

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 only 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.

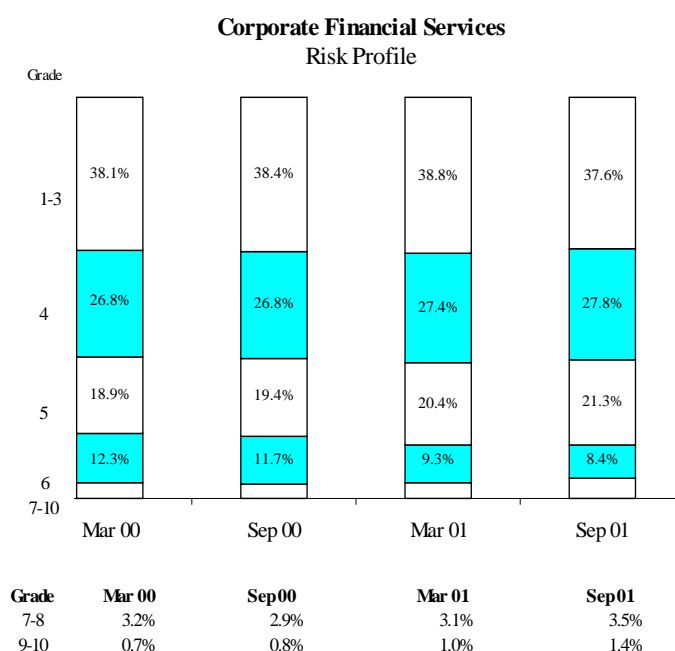


NOTES TO THE FINANCIAL STATEMENTS

10. IMPAIRED ASSETS (continued)

Corporate risk profile

The Group applies a risk rating scale of 1 to 10 to its lending portfolios, based on the probability of default, with grades 9 and 10 representing non-accrual loans. Outstandings (as opposed to limits) are graphed as this is the best reflection of the risk profile of the amounts at risk. Compared with September 2000, there has been some slight deterioration in the risk grade profile of the overall Corporate portfolio. This has been exacerbated by a small number of large exposures relating to recent corporate collapses. Further deterioration is expected over the next 6 to 12 months, as the effects of the economic downturn and uncertainty continue to impact upon overall credit quality. However, the Group remains well diversified across all industries, and economic loss provisions have been increased which should help to insulate against deterioration and losses.



Australian and New Zealand Industry Exposure

Industry	As at Sep 01	As at Mar 01	As at Sep 00	As at Mar 00
Real Estate Operators and Developers	8.2%	8.1%	8.7%	9.1%
Manufacturing	7.4%	7.2%	7.3%	7.7%
Retail Trade	4.2%	4.1%	4.3%	4.4%
Wholesale Trade	3.5%	3.3%	3.5%	3.2%
Agriculture	2.8%	2.8%	2.9%	3.1%
Business Services	2.6%	2.5%	2.6%	2.3%
Finance - Other	2.2%	2.2%	1.7%	2.0%
Finance Banks, Building Societies, Authorised Money Markets	2.2%	2.9%	3.6%	2.6%
Transport & Storage	2.1%	2.0%	2.1%	2.1%
Accommodation, Clubs, Pubs, Cafes & Restaurants	1.9%	1.9%	2.1%	2.3%
Utilities	1.6%	1.7%	2.0%	1.6%
Construction	1.3%	1.4%	1.5%	1.7%
Health & Community Services	1.2%	1.1%	1.0%	1.1%
Mining	1.3%	1.5%	1.5%	1.5%
Cultural & Recreational Services	1.0%	1.4%	1.1%	1.3%
Personal & Other Services	0.5%	0.3%	0.3%	0.3%
Forestry & Fishing	0.4%	0.4%	0.4%	0.5%
Communication Services	0.3%	0.4%	0.2%	0.5%
Education	0.2%	0.2%	0.2%	0.2%
Finance - Insurance & Superannuation	0.2%	0.4%	0.6%	0.8%
Government Administration & Defence	0.2%	0.1%	0.3%	0.3%
Consumer	54.7%	54.1%	52.1%	51.4%
Total 100%	100%	100%	100%	100%



NOTES TO THE FINANCIAL STATEMENTS

10. IMPAIRED ASSETS (continued)

	As at Sep 01 \$M	As at Mar 01 \$M	As at Sep 00 \$M
Summary of impaired assets			
Non-accrual loans	1,260	1,295	1,391
Restructured loans	1	1	1
Unproductive facilities	41	30	73
Gross impaired assets	1,302	1,326	1,465
Less specific provisions:			
Non-accrual loans	(490)	(568)	(692)
Unproductive facilities	(10)	(11)	(17)
Net impaired assets	802	747	756
Non-accrual loans			
Non-accrual loans	1,260	1,295	1,391
Specific provisions	(490)	(568)	(692)
Total net non-accrual loans	770	727	699
Before specific provisions			
Australia	792	749	651
New Zealand	80	89	59
Overseas markets	388	457	681
Total non-accrual loans	1,260	1,295	1,391
After specific provisions			
Australia	492	430	393
New Zealand	48	68	33
Overseas markets	230	229	273
Total net non-accrual loans	770	727	699

NOTES TO THE FINANCIAL STATEMENTS

10. IMPAIRED ASSETS (continued)

	As at Sep 01 \$M	As at Mar 01 \$M	As at Sep 00 \$M
Restructured loans			
Australia	1	1	1
New Zealand	-	-	-
Overseas markets	-	-	-
	1	1	1
Other real estate owned (OREO)	-	-	-

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

Australia	34	21	48
New Zealand	1	1	5
Overseas markets	6	8	20
Gross unproductive facilities	41	30	73
Specific provision			
Australia	3	3	2
New Zealand	1	1	-
Overseas markets	6	7	15
Specific provision	10	11	17
Net unproductive facilities	31	19	56

The following amounts are not classified as impaired assets and therefore are not included within the summary on page 59.

Accruing loans past due 90 days or more

	As at Sep 01 \$M	As at Mar 01 \$M	As at Sep 00 \$M
Australia	277	352	335
New Zealand	63	38	51
Overseas markets	11	1	20
	351	391	406

Past due items decreased to \$351 million at September 2001 following improved collection activity and enhanced procedures to identify and manage high risk assets.



NOTES TO THE FINANCIAL STATEMENTS

10. IMPAIRED ASSETS (continued)

Further analysis of non-accrual loans at 30 September 2001 and interest and/or other income received during the period is as follows:

	Gross balance outstanding \$M	Specific provision \$M	Interest and/or other income received \$M
Non-accrual loans			
Without provisions			
Australia	195	-	9
New Zealand	6	-	3
Overseas markets	119	-	1
	320	-	13
With provisions and no, or partial, performance ¹			
Australia	582	292	8
New Zealand	74	32	1
Overseas markets	236	149	10
	892	473	19
With provisions and full performance ¹			
Australia	15	8	3
New Zealand	-	-	-
Overseas markets	33	9	3
	48	17	6
Total non-accrual loans	1,260	490	38
Restructured loans	1	-	-
Unproductive facilities	41	10	-
Total	1,302	500	38

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 forgone, net of interest recoveries, on average impaired assets during the period.

	Half year Sep 01 \$M	Half year Mar 01 \$M	Full year Sep 01 \$M	Full year Sep 00 \$M
Gross interest and other income receivable on non-accrual loans, restructured loans and unproductive facilities				
Australia	24	23	47	48
New Zealand	8	4	12	6
Overseas markets	30	37	67	92
Total gross interest and other income receivable on impaired assets	62	64	126	146
Interest and other income received				
Australia	(8)	(12)	(20)	(20)
New Zealand	(2)	(2)	(4)	(2)
Overseas markets	(4)	(10)	(14)	(32)
Total interest income and other income received	(14)	(24)	(38)	(54)
Net interest and other income forgone				
Australia	16	11	27	28
New Zealand	6	2	8	4
Overseas markets	26	27	53	60
Total net interest and other income forgone	48	40	88	92

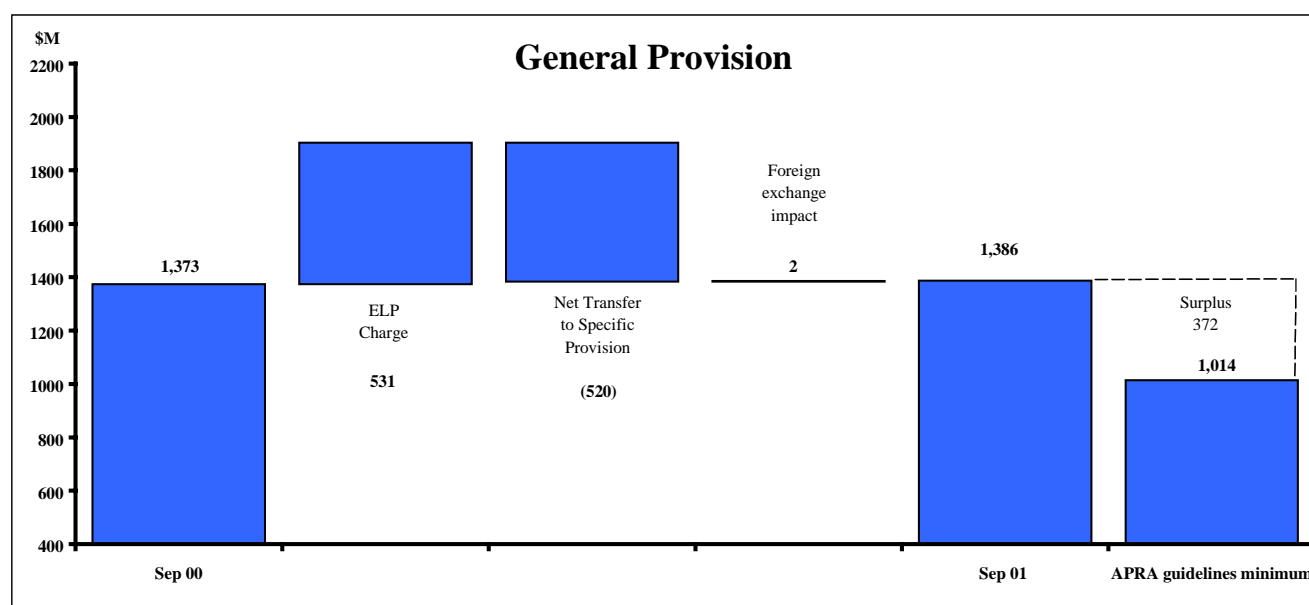
NOTES TO THE FINANCIAL STATEMENTS

11. PROVISIONS FOR DOUBTFUL DEBTS

	Half year Sep 01 \$M	Half year Mar 01 \$M	Movt Sep 01 v. Mar 01 %	Full year Sep 01 \$M	Full year Sep 00 \$M	Movt Sep 01 v. Sep 00 %
General provision						
Balance at start of period	1,460	1,373	6%	1,373	1,395	-2%
Adjustment for exchange rate fluctuations	(25)	27	n/a	2	(51)	n/a
Sale of Grindlays	-	-	n/a	-	(90)	-100%
Charge to profit and loss	290	241	20%	531	502	6%
Transfer to specific provision	(384)	(211)	82%	(595)	(429)	39%
Recoveries	45	30	50%	75	46	63%
Total general provision	1,386	1,460	-5%	1,386	1,373	1%
Specific provision						
Balance at start of period	579	709	-18%	709	907	-22%
Adjustment for exchange rate fluctuations	(6)	36	n/a	30	88	-66%
Sale of Grindlays	-	-	n/a	-	(176)	-100%
Bad debts written off	(457)	(377)	21%	(834)	(539)	55%
Transfer from general provision	384	211	82%	595	429	39%
Total specific provision	500	579	-14%	500	709	-29%
Total provisions for doubtful debts	1,886	2,039	-8%	1,886	2,082	-9%

Bad debts written off were 55% higher than in 2000, reflecting:

- continued realisations of non-accruals in Asia, which had above-average levels of specific provisions, as work out of problem loans approaches completion
- review of non-accruals in Australia to write off all amounts where recovery was highly unlikely. As a consequence of this approach, cover ratios have reduced.



NOTES TO THE FINANCIAL STATEMENTS

11. PROVISIONS FOR DOUBTFUL DEBTS (continued)

	As at Sep 01 \$M	As at Mar 01 \$M	As at Sep 00 \$M
Specific provision balance			
Australia	303	322	260
New Zealand	33	22	26
Domestic markets	336	344	286
Overseas markets	164	235	423
Total specific provision	500	579	709
General provision	1,386	1,460	1,373
Total provisions for doubtful debts	1,886	2,039	2,082

	Half year Sep 01 \$M	Half year Mar 01 \$M	Movt Sep 01 v. Mar 01 %	Full year Sep 01 \$M	Full year Sep 00 \$M	Movt Sep 01 v. Sep 00 %
Provision movement analysis						
New and increased provisions (by exposure)						
Australia	347	215	61%	562	319	76%
New Zealand	41	26	58%	67	52	29%
Asia	16	1	large	17	98	-83%
Other overseas markets	15	15	-	30	79	-62%
	419	257	63%	676	548	23%
Provision releases	(35)	(46)	-24%	(81)	(119)	-32%
	384	211	82%	595	429	39%
Recoveries of amounts previously written off	(45)	(30)	50%	(75)	(46)	63%
Net specific provisions	339	181	87%	520	383	36%
Net credit to general provision	(49)	60	n/a	11	119	-91%
Charge to profit and loss	290	241	20%	531	502	6%

NOTES TO THE FINANCIAL STATEMENTS

12. CAPITAL ADEQUACY

	As at Sep 01 \$M	As at Mar 01 \$M	As at Sep 00 \$M	Movt Sep 01 v. Sep 00 %
Qualifying capital				
Tier 1				
Total shareholders' equity and outside equity interests ¹	10,520	10,169	9,776	8%
Less: unamortised goodwill	(115)	(113)	(118)	-3%
investment in ANZ Lenders Mortgage Insurance	(18)	(18)	(18)	-
Tier 1 capital	10,387	10,038	9,640	8%
Tier 2				
Asset revaluation reserve	31	31	31	-
Perpetual subordinated notes	1,140	1,140	1,026	11%
General provision for doubtful debts ²	950	988	919	3%
	2,121	2,159	1,976	7%
Subordinated notes ³	2,436	2,514	2,432	-
Tier 2 capital	4,557	4,673	4,408	3%
Deductions				
Investment in Funds Management entities	567	298	298	90%
Other	37	32	489	-92%
Total deductions	604	330	787	-23%
Total qualifying capital	14,340	14,381	13,261	8%
Ratios (%)				
Inner Tier 1	6.4%	6.2%	6.4%	n/a
Tier 1	7.5%	7.3%	7.4%	n/a
Tier 2	3.3%	3.4%	3.4%	n/a
	10.7%	10.7%	10.8%	n/a
Less: deductions	(0.4%)	(0.2%)	(0.6%)	n/a
Total	10.3%	10.5%	10.2%	n/a
Risk weighted assets	139,129	137,000	129,688	7%

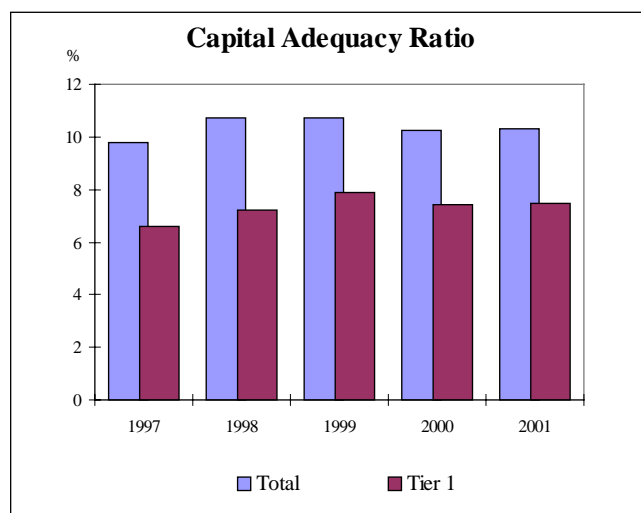
¹ Excluding asset revaluation reserve which is included within tier 2 capital

² Excluding attributable future income tax benefit

³ For capital adequacy calculation purposes, subordinated note issues are reduced each year by 20% of the original amount during the last five years to maturity

The Group's capital position continues to be strong. Inner Tier 1 and Tier 1 ratios increased during the second half through growth in retained earnings, having been managed down in the first half by the share buy-back program, which was completed in April 2001.

The increase in the second half deduction is due to a capital injection into funds management companies. The prior year deduction included investments in St George Bank and Colonial Bank which have since been sold.



NOTES TO THE FINANCIAL STATEMENTS

13. SHARE CAPITAL AND OPTIONS

The Company has conducted the following on-market buybacks during the year to 30 September 2001.

Date of announcement^{1,2}	Number of ordinary shares bought back	Average price per share	Total consideration²
			\$M
27 April 2000	34.6m	\$14.30	495

¹ Date of the directors' resolution approving the buyback

² Consideration is allocated to share capital

Issued and quoted securities

	Total number	Number quoted	Issue price per share	Amount paid up per share
Ordinary shares				
Total at 30 September 2001	1,488,267,146	1,488,267,146	\$1.00	\$1.00
Issued during current year	16,609,614	16,609,614		
Bought back during current year	34,626,158	34,626,158		
Preference shares				
Total at 30 September 2001	124,032,000	-	US\$6.25	US\$6.25

	Half year Sep 01	Half year Mar 01	Full year Sep 01	Full year Sep 00
Operating profit as a % of shareholders' equity (including preference shares) at end of period	18.5%	17.6%	17.7%	17.8%

NOTES TO THE FINANCIAL STATEMENTS

13. SHARE CAPITAL AND OPTIONS (continued)

Options	Number issued	Exercise price	Expiry date
On issue	12,114	\$8.76	30/01/2002
	9,635	\$8.76	13/02/2002
	150,000	\$8.76	01/06/2002
	500,000	\$11.40	01/10/2002
	500,000	\$12.12	01/10/2002
	39,524	\$11.45	22/01/2003
	925,000	\$9.51	23/02/2003
	50,000	\$10.64	21/06/2003
	150,000	\$8.93	01/10/2003
	875,000	\$8.97	27/10/2003
	505,000	\$10.34	10/12/2003
	10,000	\$10.41	27/01/2004
	150,000	\$10.44	23/02/2004
	155,000	\$11.44	24/03/2004
	2,722,500	\$11.20	01/06/2004
	2,500	\$11.26	06/06/2004
	25,000	\$11.29	04/07/2004
	150,000	\$11.30	11/07/2004
	900,000	\$9.94	26/10/2004
	750,000	\$11.49	31/12/2004
	750,000	\$14.78	31/12/2004
	100,000	\$10.63	30/01/2005
	1,170,000	\$10.11	22/02/2007
	350,000	\$10.20	07/03/2007
	650,000	\$11.81	22/05/2007
	60,000	\$11.64	25/05/2007
	200,000	\$12.23	06/06/2007
	85,000	\$12.75	25/09/2007
	2,510,258	\$14.34	21/11/2007
	2,991,000	\$14.63	07/02/2008
	4,887,775	\$14.92	20/02/2008
	75,000	\$15.47	26/02/2008
	50,000	\$15.66	06/03/2008
	3,856,252	\$13.70	24/04/2008
	206,850	\$13.70	06/05/2008
	486,500	\$15.33	31/05/2008
	76,000	\$16.49	20/08/2008
	93,750	\$16.81	26/08/2008
Issued during current year	25,000	\$10.76	31/12/2000
	750,000	\$14.78	31/12/2004
	2,619,258	\$14.34	21/11/2007
	3,108,750	\$14.63	07/02/2008
	4,977,775	\$14.92	20/02/2008
	75,000	\$15.47	26/02/2008
	50,000	\$15.66	06/03/2008
	3,884,477	\$13.70	24/04/2008
	206,850	\$13.70	06/05/2008
	499,000	\$15.33	31/05/2008
	76,000	\$16.49	20/08/2008
	93,750	\$16.81	26/08/2008

NOTES TO THE FINANCIAL STATEMENTS

13. SHARE CAPITAL AND OPTIONS (continued)

Options	Number issued	Exercise price	Expiry date
Exercised during current year	25,000	\$10.76	31/12/2000
	86,428	\$8.76	30/01/2002
	10,467	\$8.76	13/02/2002
	350,000	\$8.76	01/06/2002
	43,020	\$11.45	22/01/2003
	10,480	\$11.45	17/02/2003
	525,000	\$9.51	23/02/2003
	50,000	\$8.93	01/10/2003
	100,000	\$8.97	27/10/2003
	155,000	\$10.34	10/12/2003
	345,000	\$11.20	01/06/2004
	5,000	\$11.26	06/06/2004
	100,000	\$9.94	26/10/2004
	40,000	\$10.63	30/01/2005
	151,000	\$10.11	22/02/2007
	10,000	\$11.81	22/05/2007
	96,000	\$14.34	21/11/2007
	7,500	\$14.63	07/02/2008
	10,250	\$14.92	20/02/2008
	375	\$13.70	24/04/2008
4,600	\$13.70	24/04/2008	
Lapsed during current year	862	\$8.76	30/01/2002
	2,597	\$8.76	13/02/2002
	347	\$11.45	22/01/2003
	50,000	\$10.64	21/06/2003
	50,000	\$8.97	27/10/2003
	10,000	\$11.44	24/03/2004
	107,500	\$11.20	01/06/2004
	20,000	\$10.11	22/02/2007
	20,000	\$11.81	22/05/2007
	5,000	\$12.75	25/09/2007
	13,000	\$14.34	21/11/2007
	110,250	\$14.63	07/02/2008
	79,750	\$14.92	20/02/2008
	23,250	\$13.70	24/04/2008
	12,500	\$15.33	31/05/2008

NOTES TO THE FINANCIAL STATEMENTS

14. AVERAGE BALANCE SHEET AND RELATED INTEREST

Averages used in the following tables 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.

FULL YEAR AVERAGE BALANCE SHEET

	Full year Sep 01			Full year Sep 00		
	Ave bal \$M	Int \$M	Rate %	Ave bal \$M	Int \$M	Rate %
Interest earning assets						
Due from other financial institutions						
Australia	858	47	5.5%	1,134	62	5.4%
New Zealand	589	34	5.7%	344	19	5.6%
Overseas markets	2,326	133	5.7%	2,407	162	6.7%
Investments in public securities						
Australia	4,517	254	5.6%	4,881	289	5.9%
New Zealand	1,690	103	6.1%	1,040	60	5.8%
Overseas markets	1,613	114	7.1%	2,234	227	10.1%
Loans, advances and bills discounted						
Australia	90,028	6,694	7.4%	81,373	6,156	7.6%
New Zealand	17,258	1,466	8.5%	16,625	1,368	8.2%
Overseas markets	15,087	986	6.5%	17,118	1,428	8.3%
Other assets						
Australia	1,475	98	6.7%	1,705	98	5.7%
New Zealand	1,109	69	6.3%	1,005	81	8.1%
Overseas markets	2,751	276	10.0%	3,292	317	9.6%
Intragroup assets						
Overseas markets	12,358	536	4.3%	9,042	420	4.6%
	151,659	10,810		142,200	10,687	
Intragroup elimination	(12,358)	(536)		(9,042)	(420)	
	139,301	10,274	7.4%	133,158	10,267	7.7%
Non-interest earning assets						
Acceptances						
Australia	15,421			15,061		
Overseas markets	249			343		
Premises and equipment	1,264			1,353		
Other assets	19,957			18,090		
Provisions for doubtful debts						
Australia	(1,742)			(1,830)		
New Zealand	(166)			(163)		
Overseas markets	(156)			(381)		
	34,827			32,473		
Total assets	174,128			165,631		



NOTES TO THE FINANCIAL STATEMENTS

14. AVERAGE BALANCE SHEET AND RELATED INTEREST (continued)

	Full year Sep 01			Full year Sep 00		
	Ave bal \$M	Int \$M	Rate %	Ave bal \$M	Int \$M	Rate %
Interest bearing liabilities						
Time deposits						
Australia	19,395	1,081	5.6%	24,750	1,387	5.6%
New Zealand	8,411	519	6.2%	8,159	476	5.8%
Overseas markets	13,156	658	5.0%	15,234	931	6.1%
Savings deposits						
Australia	9,623	269	2.8%	9,181	247	2.7%
New Zealand	2,832	89	3.1%	2,894	85	2.9%
Overseas markets	353	7	2.0%	1,359	57	4.2%
Other demand deposits						
Australia	20,456	872	4.3%	17,053	781	4.6%
New Zealand	1,621	82	5.0%	1,469	66	4.5%
Overseas markets	809	20	2.5%	1,371	52	3.8%
Due to other financial institutions						
Australia	434	31	7.2%	232	15	6.3%
New Zealand	481	20	4.2%	482	20	4.1%
Overseas markets	10,224	539	5.3%	8,976	542	6.0%
Commercial paper						
Australia	5,275	310	5.9%	5,256	307	5.8%
Overseas markets	5,408	274	5.1%	3,079	180	5.8%
Borrowing corporations' debt						
Australia	6,108	365	6.0%	5,935	340	5.7%
New Zealand	1,334	88	6.6%	1,136	69	6.1%
Loan capital, bonds and notes						
Australia	12,397	733	5.9%	8,719	554	6.4%
New Zealand	399	29	7.2%	316	23	7.3%
Overseas markets	600	35	5.9%	276	19	7.0%
Other liabilities ¹						
Australia	1,938	169	n/a	1,454	63	n/a
New Zealand	108	160	n/a	116	156	n/a
Overseas markets	47	66	n/a	246	70	n/a
Intragroup Liabilities						
Australia	8,763	395	4.5%	5,511	286	5.2%
New Zealand	3,595	141	3.9%	3,531	134	3.8%
	133,767	6,952		126,735	6,860	
Intragroup elimination	(12,358)	(536)		(9,042)	(420)	
	121,409	6,416	5.3%	117,693	6,440	5.5%
Non-interest bearing liabilities						
Deposits						
Australia	3,713			3,636		
New Zealand	883			794		
Overseas markets	432			1,280		
Acceptances						
Australia	15,421			15,061		
Overseas markets	249			343		
Other liabilities	21,917			17,147		
	42,615			38,261		
Total liabilities	164,024			155,954		

¹ Includes foreign exchange swap costs

NOTES TO THE FINANCIAL STATEMENTS

14. AVERAGE BALANCE SHEET AND RELATED INTEREST (continued)

HALF YEAR AVERAGE BALANCE SHEET

	Half year Sep 01			Half year Mar 01		
	Ave bal \$M	Int \$M	Rate %	Ave bal \$M	Int \$M	Rate %
Interest earning assets						
Due from other financial institutions						
Australia	791	20	5.0%	925	27	5.9%
New Zealand	651	18	5.5%	527	16	6.1%
Overseas markets	2,465	59	4.8%	2,186	74	6.8%
Investments in public securities						
Australia	4,764	122	5.1%	4,269	132	6.2%
New Zealand	1,996	58	5.8%	1,382	45	6.5%
Overseas markets	1,730	61	7.0%	1,495	53	7.1%
Loans, advances and bills discounted						
Australia	91,196	3,176	7.0%	88,854	3,518	7.9%
New Zealand	17,501	710	8.1%	17,014	756	8.9%
Overseas markets	15,400	449	5.8%	14,772	537	7.3%
Other assets						
Australia	1,389	43	6.2%	1,561	55	7.1%
New Zealand	1,119	36	6.4%	1,099	33	6.0%
Overseas markets	2,500	91	7.3%	3,003	185	12.4%
Intragroup assets						
Overseas markets	13,541	270	4.0%	11,169	266	4.8%
	155,043	5,113		148,256	5,697	
Intragroup elimination	(13,541)	(270)		(11,169)	(266)	
	141,502	4,843	6.8%	137,087	5,431	8.0%
Non-interest earning assets						
Acceptances						
Australia	15,313			15,530		
Overseas markets	291			207		
Premises and equipment	1,308			1,220		
Other assets	19,138			20,780		
Provisions for doubtful debts						
Australia	(1,771)			(1,713)		
New Zealand	(170)			(162)		
Overseas markets	(144)			(168)		
	33,965			35,694		
Total assets	175,467			172,781		

NOTES TO THE FINANCIAL STATEMENTS

14. AVERAGE BALANCE SHEET AND RELATED INTEREST (continued)

	Half year Sep 01			Half year Mar 01		
	Ave bal \$M	Int \$M	Rate %	Ave bal \$M	Int \$M	Rate %
Interest bearing liabilities						
Time deposits						
Australia	18,496	447	4.8%	20,299	634	6.3%
New Zealand	8,682	255	5.9%	8,138	264	6.5%
Overseas markets	13,923	306	4.4%	12,385	352	5.7%
Savings deposits						
Australia	9,834	125	2.5%	9,411	144	3.1%
New Zealand	2,889	43	3.0%	2,775	46	3.3%
Overseas markets	365	3	1.6%	341	4	2.4%
Other demand deposits						
Australia	21,155	378	3.6%	19,753	494	5.0%
New Zealand	1,706	41	4.8%	1,535	41	5.4%
Overseas markets	811	5	1.2%	807	15	3.7%
Due to other financial institutions						
Australia	504	15	5.9%	364	16	8.8%
New Zealand	565	12	4.2%	396	8	4.0%
Overseas markets	9,922	221	4.4%	10,528	318	6.1%
Commercial paper						
Australia	3,975	101	5.1%	6,582	209	6.4%
Overseas markets	5,657	116	4.1%	5,158	158	6.1%
Borrowing corporations' debt						
Australia	6,000	174	5.8%	6,217	191	6.2%
New Zealand	1,348	43	6.4%	1,320	45	6.8%
Loan capital, bonds and notes						
Australia	12,900	342	5.3%	11,891	391	6.6%
New Zealand	406	14	6.9%	392	15	7.7%
Overseas markets	595	15	5.0%	605	20	6.6%
Other liabilities						
Australia	1,919	119	n/a	1,957	50	n/a
New Zealand	97	65	n/a	119	95	n/a
Overseas markets	3	37	n/a	91	29	n/a
Intragroup Liabilities						
Australia	10,098	191	3.8%	7,421	188	5.1%
New Zealand	3,443	63	3.7%	3,748	78	4.2%
	135,293	3,131		132,233	3,805	
Intragroup elimination	(13,541)	(254)		(11,169)	(266)	
	121,752	2,877	4.7%	121,064	3,539	5.9%
Non-interest bearing liabilities						
Deposits						
Australia	3,710			3,716		
New Zealand	930			836		
Overseas markets	469			395		
Acceptances						
Australia	15,313			15,530		
Overseas markets	291			207		
Other liabilities	22,780			21,048		
	43,493			41,732		
Total liabilities	165,245			162,796		

NOTES TO THE FINANCIAL STATEMENTS

14. AVERAGE BALANCE SHEET AND RELATED INTEREST (continued)

	Half year Sep 01 \$M	Half year Mar 01 \$M	Full year Sep 01 \$M	Full year Sep 00 \$M
Total average assets				
Australia	127,243	125,813	126,530	117,181
New Zealand	22,275	21,573	21,925	20,337
Overseas markets	39,490	36,564	38,031	37,155
less intragroup elimination	(13,541)	(11,169)	(12,358)	(9,042)
	175,467	172,781	174,128	165,631
% of total average assets attributable to overseas activities	27.5%	27.2%	27.3%	29.3%
Total average liabilities				
Australia	121,268	119,559	120,416	110,875
New Zealand	21,408	20,566	20,988	19,347
Overseas markets	36,110	33,840	34,978	34,774
less intragroup elimination	(13,541)	(11,169)	(12,358)	(9,042)
	165,245	162,796	164,024	155,954
Total average shareholders' equity				
Ordinary share capital	8,752	8,580	8,666	8,451
Preference share capital	1,470	1,405	1,438	1,226
	10,222	9,985	10,104	9,677
Total average liabilities and shareholders' equity	175,467	172,781	174,128	165,631
% of total average liabilities attributable to overseas activities	32.7%	31.1%	31.9%	32.4%
Average interest earning assets				
Australia	98,140	95,609	96,878	89,093
New Zealand	21,267	20,022	20,646	19,014
Overseas markets	35,636	32,625	34,135	34,093
less intragroup elimination	(13,541)	(11,169)	(12,358)	(9,042)
	141,502	137,087	139,301	133,158

NOTES TO THE FINANCIAL STATEMENTS

15. INTEREST SPREADS AND NET INTEREST AVERAGE MARGINS

Intragroup interest earning assets and interest bearing liabilities are treated as external assets and liabilities for the geographic segments.

	Half year Sep 01 %	Half year Mar 01 %	Full year Sep 01 %	Full year Sep 00 %
Gross earnings rate¹				
Australia	6.83	7.83	7.32	7.41
New Zealand	7.71	8.53	8.10	8.04
Overseas markets	5.21	6.86	5.99	7.49
Total Group	6.83	7.95	7.38	7.71

Interest spread and net interest average margin may be analysed as follows:

Australia

Gross interest spread	2.41	2.31	2.35	2.35
Interest forgone on impaired assets	(0.03)	(0.02)	(0.03)	(0.03)
Net interest spread	2.38	2.29	2.32	2.32
Interest attributable to net non-interest bearing items	0.61	0.68	0.64	0.63
Net interest average margin - Australia	2.99	2.97	2.96	2.95

New Zealand

Gross interest spread	2.18	2.12	2.13	2.37
Interest forgone on impaired assets	(0.06)	(0.03)	(0.03)	(0.02)
Net interest spread	2.12	2.09	2.10	2.35
Interest attributable to net non-interest bearing items	0.56	0.51	0.54	0.28
Net interest average margin - New Zealand	2.68	2.60	2.64	2.63

Overseas markets

Gross interest spread	0.88	1.02	0.92	1.61
Interest forgone on impaired assets	(0.15)	(0.17)	(0.16)	(0.18)
Net interest spread	0.73	0.85	0.76	1.43
Interest attributable to net non-interest bearing items	0.54	0.50	0.55	0.63
Net interest average margin - Overseas markets	1.27	1.35	1.31	2.06

Group

Gross interest spread	2.19	2.14	2.15	2.31
Interest forgone on impaired assets	(0.07)	(0.06)	(0.06)	(0.07)
Net interest spread	2.12	2.08	2.09	2.24
Interest attributable to net non-interest bearing items	0.65	0.69	0.68	0.63
Net interest average margin - Group	2.77	2.77	2.77	2.87

¹ Average interest rate received on interest earning asset

NOTES TO THE FINANCIAL STATEMENTS

16. 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. 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 following table provides an overview of the Group's exchange rate and interest rate derivatives. It includes all contracts, both trading and other than trading.

	30 September 2001			30 September 2000		
	Notional Principal Amount \$M	Credit Equivalent Amount \$M	Fair Value \$M	Notional Principal Amount \$M	Credit Equivalent Amount \$M	Fair Value \$M
Foreign exchange contracts						
Spot and forward contracts	274,880	7,312	2,171	170,328	6,731	507
Swap agreements	34,507	3,519	959	28,106	3,073	1,222
Options purchased	13,586	1,068	834	12,661	1,037	904
Options sold ¹	13,481	n/a	(614)	12,956	n/a	(457)
Other contracts	3,776	580	363	4,368	411	90
	340,230	12,479	3,713	228,419	11,252	2,266
Interest rate contracts						
Forward rate agreements	68,997	84	13	51,817	36	5
Swap agreements	278,192	3,818	519	230,885	2,674	(247)
Futures contracts ²	97,825	n/a	(9)	52,127	n/a	(7)
Options purchased	8,067	65	76	8,857	46	31
Options sold ¹	11,766	n/a	(89)	6,789	n/a	(4)
	464,847	3,967	510	350,475	2,756	(222)
	805,077	16,446	4,223	578,894	14,008	2,044

¹ Options sold have no credit exposures as they represent obligations rather than assets

² 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

Notional principal amount is the face value of the contract and represents the volume of outstanding transactions. Credit equivalent amount is calculated in accordance with the APRA capital adequacy guidelines and combines the aggregate value of all contracts in a positive market position plus an allowance for the potential increase in value over the remaining term of the transaction. Fair value is the net position of contracts with positive market values and negative market values.

NOTES TO THE FINANCIAL STATEMENTS

16. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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 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, which is based on historical market movements. The confidence level is such that there is 97.5% probability that the loss will not exceed the Value at Risk estimate on any given day.

The Bank's standard VaR approach is historical simulation. The bank 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, the methodology is not an estimate of the maximum loss that the Bank could experience from an extreme market event.

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 capital markets. These activities are well diversified and managed on a global product basis.

Below are aggregate VaR exposures covering both physical and derivatives trading positions for the Bank's principal trading centres.

	As at Sep 01 \$M	Max for period Sep 01 \$M	Min for period Sep 01 \$M	Avg for period Sep 01 \$M	As at Sep 00 \$M	Max for period Sep 00 \$M	Min for period Sep 00 \$M	Avg for period Sep 00 \$M
Value at risk at 97.5% confidence								
Foreign exchange	1.6	2.8	0.8	1.3	0.9	2.2	0.7	1.2
Interest rate	1.6	4.8	1.5	2.8	2.9	5.1	2.1	3.4
Diversification benefit	(0.3)	(2.5)	(0.4)	(0.9)	(1.1)	(1.3)	(0.1)	(0.2)
Total VaR	2.9	5.1	1.9	3.2	2.7	6.0	2.7	4.4

Hedging

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 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.

	30 September 2001			30 September 2000		
	Notional Principal Amount \$M	Credit Equiv. Amount \$M	Fair Value \$M	Notional Principal Amount \$M	Credit Equiv. Amount \$M	Fair Value \$M
Foreign exchange contracts						
Customer-related and trading purposes	309,298	8,366	452	204,889	8,265	122
Other than trading purposes	30,932	4,113	3,261	23,530	2,987	2,144
	340,230	12,479	3,713	228,419	11,252	2,266
Interest rate contracts						
Customer-related and trading purposes	426,746	3,395	270	315,502	2,446	(379)
Other than trading purposes	38,101	572	240	34,973	310	157
	464,847	3,967	510	350,475	2,756	(222)
Total	805,077	16,446	4,223	578,894	14,008	2,044

NOTES TO THE FINANCIAL STATEMENTS

17. CONTINGENT LIABILITIES

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 as deemed necessary have been made.

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 2001 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 currently totalling up to USD144 million; 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.

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 taking into account its legal obligations in the best interests of shareholders.

Details of the main claims for which ANZ is liable under the Indian Indemnity are set out below.

(a) National Housing Bank Litigation

In 1992 Grindlays in India received a claim, aggregating approximately Indian Rupees 5.06 billion (\$216 million at 30 September 2001 rates) from the National Housing Bank (NHB) in that country. The claim arose out of certain cheques drawn by NHB in favour of Grindlays, the proceeds of which were credited into the account of one of the customers of Grindlays.

On 29 March 1997, pursuant to an Arbitration Agreement entered into on 4 November 1992, the Arbitrators made an award on this dispute in favour of Grindlays. Accordingly on 17 April 1997 NHB paid to Grindlays the principal and interest due under the award (aggregating Indian Rupees 9.12 billion (\$389 million at 30 September 2001 rates)). Subsequently, NHB had the award reviewed by the Special Court at Mumbai, which on 4 February 1998 ordered that the award be set aside. Grindlays has filed an appeal with the Supreme Court of India seeking that the Special Court's order be set aside. ANZ expects the hearing of this appeal to commence during November 2001.

Pursuant to an application filed by Grindlays, on 3 January 2001, the Supreme Court directed that Grindlays be permitted to deposit the sum of Indian Rupees 9.12 billion, plus interest at 18% from 17 April 1997 until the date of deposit, in a term deposit with the State Bank of India in the name of the Registrar of the Court. Accordingly on 19 January 2001 Grindlays deposited the sum of Indian Rupees 15.3 billion (\$596 million at 19 January 2001 rates), thus stopping any interest accruing on the amount in dispute from that date. In response to a claim under the Indian Indemnity ANZ provided to SCB funds equivalent to the deposit with the State Bank of India. ANZ has made adequate provision for potential liabilities arising from this litigation.



NOTES TO THE FINANCIAL STATEMENTS

17. CONTINGENT LIABILITIES (continued)

(b) Foreign Exchange Regulation Act

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 prosecutions and possible penalties. Grindlays has commenced proceedings in the courts contesting the validity of these notices.

Provisions of \$575 million (at rates at date of sale) were made out of the proceeds of the sale of Grindlays in the 2000 year, to cover all estimated liabilities under the indemnities and warranties and other costs. In addition tax provisions of \$246 million, which include the provision for capital gains tax, were raised.

Tax audit

ANZ in Australia is being audited by the Australian Taxation Office (ATO) as part of normal ATO procedure. The Group has received various assessments that are being contested. Based on external advice, the Group is confident that the subject of the assessments can be resolved within normal provisioning arrangements.

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.

NOTES TO THE FINANCIAL STATEMENTS

18. NOTES TO THE STATEMENT OF CASH FLOWS

	Half year Sep 01 Inflows (Outflows) \$M	Half year Mar 01 Inflows (Outflows) \$M	Full year Sep 01 Inflows (Outflows) \$M	Full year Sep 00 Inflows (Outflows) \$M
Reconciliation of net profit attributable to members of the Company to net cash provided by operating activities				
Net profit attributable to members of the Company	975	895	1,870	1,747
Adjustments to reconcile net profit attributable to members of the Company to net cash provided by operating activities				
Provision for doubtful debts	290	241	531	502
Depreciation and amortisation	95	86	181	186
Provision for restructuring and other provisions	165	135	300	1,354
Payments from provisions	(206)	(82)	(288)	(297)
Provision for surplus lease space	-	-	-	(7)
(Profit) loss on property disposals	2	(3)	(1)	(17)
(Increase) decrease in interest receivable	265	(128)	137	(325)
Increase (decrease) in interest payable	(303)	18	(285)	332
(Increase) decrease in trading securities	(151)	(478)	(629)	(25)
Decrease in net tax assets	86	2	88	286
Other	(63)	8	(55)	(1,268)
Net cash provided by operating activities	1,155	694	1,849	2,468
Reconciliation of cash and cash equivalents				
Cash at the end of the period as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows				
Liquid assets - less than 3 months	5,504	2,834	5,504	2,662
Due from other financial institutions - less than 3 months	3,567	2,837	3,567	3,800
	9,071	5,671	9,071	6,462
Non-cash financing and investment activities				
Share capital issues				
Dividend reinvestment plan	43	43	86	236

NOTES TO THE FINANCIAL STATEMENTS

19. CHANGES IN COMPOSITION OF THE GROUP

Acquisition and disposal of controlled entities

There were no material controlled entities acquired or disposed of during the year.

20. ASSOCIATED ENTITIES AND INVESTMENTS

	Half year Sep 01 \$M	Half year Mar 01 \$M	Movt Sep 01 v. Mar 01 %	Full year Sep 01 \$M	Full year Sep 00 \$M	Movt Sep 01 v. Sep 00 %
Aggregate associated entities						
Operating profit(loss)	3	(28)	n/a	(25)	3	n/a
Income tax (expense)benefit	-	-	n/a	-	-	n/a
Profit(loss) after income tax	3	(28)	n/a	(25)	3	n/a

	Contribution to Group profit		Ownership interest held by Group	
	Full year Sep 01 \$M	Full year Sep 00 \$M	As at Sep 01 %	As at Sep 00 %
Investments				
Panin Bank ¹	(32)	(81)	11	11
E*Trade	(18)	26	31	10
St George Bank	75	10	-	8

¹ In addition the Group holds options over a further 18% of Panin Bank. The Group has adopted equity accounting for Panin Bank, which has an immaterial net impact on the second half.

NOTES TO THE FINANCIAL STATEMENTS

21. 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 profit from ordinary activities after income tax, equity and total assets, applying US GAAP instead of Australian GAAP.

	Half year Sep 01 \$M	Half year Mar 01 \$M	Full year Sep 01 \$M	Full year Sep 00 \$M
Operating profit after income tax according to Australian GAAP	975	895	1,870	1,747
Items having the effect of increasing(decreasing) reported income:				
Employee share issue and options	(26)	(23)	(49)	(54)
Revaluation of properties	-	-	-	(72)
Depreciation charged on the difference between revaluation amount and historical cost of buildings	1	1	2	3
Difference in gain or loss on disposal of properties revalued under historical cost	14	3	17	168
Deferred profit on sale and leaseback transactions	-	-	-	(80)
Amortisation of sale and leaseback gain over lease term	11	12	23	19
Amortisation of goodwill	(14)	(14)	(28)	(48)
Pension expense adjustment	16	4	20	8
Provisions	-	(361)	(361)	361
Effect of the initial application of SFAS 133	-	11	11	-
Mark to market of non compliant derivative hedges (under SFAS 133)	44	240	284	-
Taxation on the above adjustments	(20)	27	7	(112)
Net income according to US GAAP	1,001	795	1,796	1,940
Other comprehensive income				
Currency translation adjustments, net of hedges after tax	(4)	201	197	170
Unrealised profit(loss) on available for sale securities	(1)	16	15	(23)
Effect of the initial application of SFAS 133	-	(52)	(52)	-
Mark to market of cash flow hedges (under SFAS 133)	10	(76)	(66)	-
Total comprehensive income according to US GAAP	1,006	884	1,890	2,087

NOTES TO THE FINANCIAL STATEMENTS

21. US GAAP RECONCILIATION (continued)

	As at Sep 01 \$M	As at Mar 01 \$M	As at Sep 00 \$M
Shareholders' equity according to Australian GAAP¹	10,538	10,188	9,795
Elimination of gross asset revaluation reserves	(287)	(327)	(330)
Unrealised profit(loss) on available for sale securities	-	1	(16)
Adjustment to accumulated depreciation on buildings revalued	46	45	44
Restoration of previously deducted goodwill	692	692	692
Accumulated amortisation and write-off of goodwill	(505)	(491)	(477)
Deferred profit on sale and leaseback transactions	(12)	(9)	(12)
Provision for dividend	583	479	514
Provisions	-	-	245
Pension expense adjustment	75	66	62
Mark to market of derivative hedges (under SFAS 133)	77	38	-
Shareholders' equity according to US GAAP	11,207	10,682	10,517

1 Excluding outside equity interests

	As at Sep 01 \$M	As at Mar 01 \$M	As at Sep 00 \$M
Total assets according to Australian GAAP	185,493	180,967	172,467
Elimination of gross asset revaluation reserves	(210)	(224)	(227)
Unrealised profit(loss) on available for sale securities	(1)	1	(24)
Adjustment to accumulated depreciation on buildings revalued	46	45	44
Restoration of previously deducted goodwill	692	692	692
Accumulated amortisation and write-off of goodwill	(505)	(491)	(477)
Prepaid pension adjustment	59	48	45
Reclassification of deferred tax assets against deferred tax liabilities	(552)	(684)	(662)
Revaluation of hedges (under SFAS 133)	552	363	-
Total assets according to US GAAP	185,574	180,717	171,858

NOTES TO THE FINANCIAL STATEMENTS

22. EXCHANGE RATES

Major exchange rates used in translation of results of offshore controlled entities and branches into the Group accounts for each reporting period were as follows:

	Balance Sheet			Profit and Loss Average			
	As at Sep 01	As at Mar 01	As at Sep 00	Half year Sep 01	Half year Mar 01	Full year Sep 01	Full year Sep 00
Great British pound	0.3331	0.3434	0.3720	0.3592	0.3662	0.3627	0.3903
United States dollar	0.4903	0.4903	0.5444	0.5135	0.5326	0.5230	0.6101
New Zealand dollar	1.2127	1.2136	1.3324	1.2317	1.2630	1.2473	1.2647

23. SIGNIFICANT EVENTS SINCE BALANCE DATE

On 8 October 2001, ANZ announced, subject to regulatory approval, the acquisition of operations in Papua New Guinea, Fiji and Vanuatu for approximately USD 50 million. The acquisitions comprise the operations of the Bank of Hawaii in those countries.

APPENDIX 4B STATEMENT

The directors of Australia and New Zealand Banking Group Limited:

- declare that the financial statements and notes of the consolidated entity set out on pages 40 to 82 are in accordance with the Corporations Act 2001, including:
 - (a) complying with applicable Australian Accounting Standards and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the financial position of the consolidated entity as at 30 September 2001 and of its performance as represented by the results of its operations and its cash flows, for the year ended on that date.
- confirm that the financial statements and notes of the consolidated entity set out on pages 40 to 82 are in the process of being audited.
- confirm that Australia and New Zealand Banking Group Limited has a formally constituted Audit Committee.

Signed in accordance with a resolution of the directors.



Charles Goode
Chairman



John McFarlane
Chief Executive Officer

25 October 2001



RISK MANAGEMENT

ANZ's Risk Management Vision

Risk management at ANZ is directed to achieve strong risk control, resulting in no 'surprises' for management and the market and a distinctive risk management capability, which enables ANZ business units to meet their performance, growth and 'breakout' objectives.

The identification and effective management of risk is an essential part of banking. Overall, our risk 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 further strengthen the Group's risk capabilities and culture to ensure that ANZ remains at the forefront of risk management capability within the banking sector.

Strategic Context

The overall strategy of an organisation fundamentally impacts the level of risk that it takes. Therefore, some of the most important decisions influencing the underlying risk of an organisation are those which determine the activities, businesses and regions in which the organisation engages. Those decisions and all risk management policies are approved by the Board, with the Board Risk Management Committee supervising implementation and adherence to policy.

In recent years, ANZ has made substantial changes to its strategy and activities in order to reduce risk and enhance the sustainability of earnings growth. Examples of these changes include:

- Sale of Grindlays businesses to Standard Chartered Bank
- Exiting emerging markets bond trading and retail stockbroking activities
- Restrictions on corporate balance sheet growth – focus on higher quality assets and fee income
- Strong growth in the residential mortgage portfolio
- Increased emphasis on lower risk Personal Financial Services businesses
- Reducing the risk profile of the remaining international businesses

These changes have been accompanied by significant enhancement of the Group's internal risk management systems and processes and more open, transparent disclosure of risk.

Three Key Areas of Risk:

1. Credit Risk

The potential financial loss resulting from the failure of a counterparty to honour fully the terms of a loan or contract.

- Policy controls aimed at developing and maintaining a well diversified credit portfolio are supervised by the Risk Management Committee. During the year the Group's peak exposure limits to all categories of corporate customers were reduced to support this objective
- Major lending decisions require sign-off from an independent credit risk function as well as the business unit. Larger transactions require approval by the Credit and Trading Risk Committee of management and, for the largest transactions, the Risk Management Committee
- The Group has continued to rebalance its lending portfolio towards lower risk consumer lending, particularly mortgages. This trend has been supported by the introduction of advanced behavioural and other credit scoring technology in Personal Financial Services.

RISK MANAGEMENT (continued)

2. Market Risk

Risk to earnings arising from movements in interest and exchange rates and bond, equity and commodity prices.

- The Group Asset and Liability Committee oversees the Group's balance sheet risk – trading risk is monitored by the Credit and Trading Risk Committee. Further oversight is provided by the Risk Management Committee
- There have been no significant structural changes to the Group's market risk exposures over the last twelve months. Market risk continues to be managed within conservative bounds

3. Operating Risk

Operating risk arises from the potential breakdown of day-to-day processes.

- ANZ has spent significant time and effort during the past two years developing advanced operational risk measurement and management capabilities, with the Group's operational risk economic capital framework acknowledged as an example of leading practice globally
- The Operating Risk Executive Committee is responsible for development and oversight of operating risk policies
- A prime responsibility of Business Units is to ensure compliance with policies, regulations and laws
- Key focus areas over the past year have included fraud prevention, payments risk management and remote banking security

SUPPLEMENTARY FINANCIAL INFORMATION

COUNTRY EXPOSURES

The exposure definitions in the following tables are consistent with the ones used by Standard & Poor's in their assessment of regional risk published in February 1998.

Both local currency and cross border exposures are included.

Trade finance is captured at 100% of face value.

All cross border exposure is recorded on the basis of the Country where the asset is booked.

Treasury funded exposures includes predominantly bank Money Market lines and Certificates of Deposit.

Treasury unfunded exposure includes Foreign Exchange and Interest Rate contracts (forwards, options and swaps). The exposure is calculated using a conservative "mark to market plus potential exposure" methodology. This methodology calculates the market value of a contract and adds a factor for the potential change in value from the valuation date to maturity. The mark to market of off balance sheet exposures is netted by counterparty where the Group holds a valid legally enforceable netting agreement with that counterparty.

Financial guarantees represents lending to entities outside of Asia (typically Australia) where there is a relationship with the parent entity through a guarantee standby letter of credit.

Term lending is split into three categories: exposure to multinationals covers lending in countries to international or global companies, frequently involving US, UK, European or Australian parents of joint venture partners, term lending in local currency which is principally franchise countries, and cross border term lending (mostly USD).

Project finance includes a mix of products and is net of Political Risk Insurance (PRI) cover provided by either a large Government Multi Lateral Agency or a large Global Private Insurance company.

Securities include traded debt instruments and are measured at assessed market value (mark to market).

SUPPLEMENTARY FINANCIAL INFORMATION

COUNTRY EXPOSURES (continued)

PRODUCT DISCLOSURE BY SELECTED REGIONS

As at 30 September 2001 in USD millions (net exposures)

Countries	CROSS BORDER RISK & LOCAL CURRENCY RISK											Combined Total	Movement from Mar 01 increase (decrease)	
	Trade	Treasury On B/Sht	Treasury Off B/Sht	Performance Bonds	Financial Guarantees Securing Regional Lending In Countries not detailed	Export Credit Agency	Term Lending MNC's	Term Lending XBR	Term Lending LCY	Underwriting and Project Risk	Securities Investment At Market Value			
ASIA														
China	279	34	1	3	62		54	15	19	41		508	1	
Hong Kong	60	115	219	33	214		43	88	197			969	30	
Indonesia	63	16	3	7	8		51	16	13	63	5	245	(37)	
Japan	11	45	339	99	116	99	74	11	6			800	(436)	
Laos										1		1	0	
Macau			2					3				5	3	
Malaysia	85	12	3	2	31					21		154	(51)	
Philippines	29	169	4				10	18	29	36		295	(50)	
Singapore	42	274	485	26	83		232	109	12			1,263	527	
South Korea	708	4	3	13	15			13	1			757	(90)	
Taiwan	97	24	12	83	9		40	7	181	9		462	40	
Thailand	10	24	1		2							37	(10)	
Vietnam	57			3	6		23	34	53			176	(18)	
Total	1,441	717	1,072	269	546	99	527	314	511	171	5	5,672	(91)	
SOUTH ASIA														
Bangladesh	47									38		85	(41)	
India	40	6	6	1	6			147		61	16	283	(115)	
Sri Lanka	1		11	5								17	11	
Total	88	6	17	6	6			147		99	16	385	(145)	
LATIN AMERICA														
Argentina	61	1	9					34		23		128	(31)	
Brazil	246		2					5		39		292	87	
Chile	9	34						61		51		155	(4)	
Colombia								5				5	0	
Mexico	51		4					14		85		154	(52)	
Peru										17		17	0	
Venezuela								1		51		52	(6)	
Total	367	35	15					120		266		803	(6)	
MIDDLE EAST														
Bahrain	11		1					10				22	9	
Egypt	23											23	(1)	
Greece								31				31	(48)	
Iran	27									5		32	(29)	
Israel	3		9	18	71							101	25	
Jordan/West Bank													(1)	
Kuwait	19											19	10	
Oman	5		14							61		80	34	
Pakistan	57		46					20		15		138	11	
Qatar	1									59		60	(37)	
Saudi Arabia	8		5		9					144		166	(9)	
U.A.E.	166		3					12		144		325	(67)	
Total	320		78	18	80			73		428		997	(103)	
EASTERN EUROPE														
Hungary	1											1	1	
Total	1											1	1	
Total Countries externally rated A or better												3,952	128	
Total countries externally rated below A												3,906	(472)	
Total all countries												7,858	(344)	



DEFINITIONS

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.

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.

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.

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).

Unproductive facilities comprise standby letters of credit, bill endorsements, documentary letters of credit, guarantees to third parties, undrawn facilities to which the Group is irrevocably committed and market related exposures.

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