AUSTRALIA & NEW ZEALAND BANKING GROUP LTD
Form 20-F
December 23, 2003

Securities and Exchange Commission

Washington, D.C. 20549

Form 20-F

(Mark One)

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

or

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

For the fiscal year ended September 30, 2003

Commission file number 0-18262

Australia and New Zealand Banking Group Limited

(Exact name of registrant as specified in its charter)

Victoria, Australia
(Jurisdiction of incorporation or organization)

100 Queen Street, Melbourne, VICTORIA, 3000, AUSTRALIA
(Address of principal executive offices)

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

Title of each class	**Name of each exchange on which registered**
	The New York Stock Exchange, Inc.

American Depositary Shares
each representing five ordinary shares

American Depositary Receipts each representing four Preference shares	The New York Stock Exchange, Inc.

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

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

US$1,000 Preference Shares	1,100,000	fully paid
Ordinary Shares	1,521,686,560	fully paid
$100 Preference Shares	10,000,000	fully paid

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

Yes ý No o

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

Item 17 o Item 18 ý

Form 20-F Cross Reference Index

Forward-Looking Statements

This Annual Report contains certain forward-looking statements, including statements regarding (i) economic and financial forecasts, (ii) anticipated implementation of certain control systems and programs, (iii) the expected outcomes of legal proceedings, and (iv) strategic priorities. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Australia and New Zealand Banking Group Limited (the Company) (ABN 11 005 357 522), together with its subsidiaries (ANZ , us , we , our , or the Group), which may cause actual results to differ materially from those expresse the forward-looking statements contained in this Annual Report.

For example, the economic and financial forecasts contained in this Annual Report will be affected by movements in exchange rates and interest rates, which may vary significantly from current levels, as well as by general economic conditions in each of ANZ s major markets. Such variations may materially impact ANZ s financial condition and results of operations. The implementation of control systems and programs will be dependent on such factors as ANZ s ability to acquire or develop necessary technology and its ability to attract and retain qualified personnel. The plans, strategies and objectives of management will be subject to, among other things, government regulation, which may change at any time and over which ANZ has no control. In addition, ANZ will continue to be affected by general economic conditions in capital markets, the competitive environment in each of its markets and political and regulatory policies. There can be no assurance that actual outcomes will not differ materially from the forward-looking statements contained in this Annual Report. See Summary of Material Risk Factors on page 8.

Currency of Presentation, Exchange Rates and Certain Definitions

Currency of Presentation

The Company, together with its subsidiaries, publishes consolidated financial statements in Australian dollars. In this Annual Report, unless otherwise stated or the context otherwise requires, references to US$, USD and US dollars are to United States dollars and references to $, AU and A$ are to Australian dollars. For the convenience of the reader, this Annual Report contains translations of certain Australian dollar amounts into US dollars at specified rates. These translations should not be construed as representations that the Australian dollar amounts actually represent such US dollar amounts or could be converted into US dollars at the rate indicated. Unless otherwise stated, the translations of Australian dollars into US dollars have been made at the rate of US$0.6797 = A$1.00, the Noon Buying Rate in New York City for cable transfers in Australian dollars as certified for customs purposes by the Federal Reserve Bank of New York (the Noon Buying Rate) on September 30, 2003.

Exchange Rates

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

		US$ per A$1.00			
Year ended		**High**	**Low**	**Average**	**Close**
1999	September	0.6712	0.5887	0.6390	0.6528
2000	September	0.6687	0.5372	0.6032	0.5415
2001	September	0.5712	0.4828	0.5182	0.4946
2002	September	0.5748	0.4923	0.5329	0.5429
2003	September	0.6823	0.5422	0.6131	0.6797
Month ended	June	0.6729	0.6564	0.6652	0.6713
	July	0.6823	0.6454	0.6607	0.6474
	August	0.6593	0.6390	0.6518	0.6490
	September	0.6810	0.6395	0.6635	0.6797
	October	0.7077	0.6814	0.6948	0.7077
	November	0.7238	0.6986	0.7158	0.7236

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

On December 1, 2003, the Noon Buying Rate was US$0.7265 per A$1.00.

In 2003, 27% (2002: 28%) of our gross revenue was derived from overseas operations and was denominated principally in New Zealand dollars (NZ$ or NZD), US dollars (US$ or USD) and British pounds sterling (£ or GBP). Movements in foreign currencies against the Australia can therefore affect ANZ s earnings through the restatement of overseas profits to Australian dollars. Based on exchange rates applied to convert overseas profits and losses from September 1999 to September 2003, the Australian dollar moved against these currencies as follows (refer also Note 55 to the Financial Report):

Years ended September 30	2003	2002	2001	2000	1999
NZ$	-7%	-4%	-1%	+5%	+4%
US$	+15%	+2%	-14%	-5%	-1%
£	+6%	0%	-7%	0%	0%

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

Certain Definitions

Our fiscal year ends on September 30. As used throughout this Annual Report, unless otherwise stated or the context otherwise requires, the fiscal year ended September 30, 2003 is referred to as 2003, and other fiscal years are referred to in a corresponding manner. References to calendar years are identified as such.

Item 3: Key Information

The summary consolidated balance sheet date as of September 30, 2003 and 2002 and income statement data for the fiscal years ended September 30, 2003, 2002 and 2001 have been derived from the Group s 2003 audited financial statements (the Financial Report). The Financial Report (as included in Item 18) has been audited by our independent auditors. The balance sheet data as of September 30, 2001, 2000 and 1999 and income statement data for the fiscal years ended September 30, 2000 and 1999 have been derived from our audited consolidated financial statements for the fiscal years ended September 30, 2001, 2000 and 1999, which are not included in this document.

The financial statements referred to above have been prepared in accordance with Australian GAAP, which varies in certain respects from US GAAP. See Note 54 to the Financial Report.

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

Amounts reported in US dollars have been translated at the September 30, 2003 Noon Buying Rate (refer to page 4).

Years ended September 30 (1)	2003	2003	2002	2001	2000	1999
	US$M	$M	$M	$M	$M	$M
Summary of Consolidated Statement of Income						
Australian GAAP						
Interest income	6,943	10,215	9,037	10,251	10,241	8,684
Interest expense	(4,013)	(5,904)	(5,019)	(6,418)	(6,440)	(5,029)
Net interest income	2,930	4,311	4,018	3,833	3,801	3,655
Allowance for loan losses (2)	(417)	(614)	(860)	(531)	(502)	(510)
Net interest income after allowance for loan losses	2,513	3,697	3,158	3,302	3,299	3,145
Non-interest income	1,909	2,808	2,970	2,573	3,790	2,377
Other operating expenses	(2,194)	(3,228)	(2,905)	(3,092)	(4,300)	(3,300)
Operating profit before income tax	2,228	3,277	3,223	2,783	2,789	2,222
Income tax expense attributable to operating profit	(629)	(926)	(898)	(911)	(1,040)	(736)
Operating profit after income tax	1,599	2,351	2,325	1,872	1,749	1,486
Outside equity interests	(2)	(3)	(3)	(2)	(2)	(6)
Operating profit after income tax	1,597	2,348	2,322	1,870	1,747	1,480
Non-interest income as a % of operating income(3)	39.4%	39.4%	42.5%	40.5%	49.9%	39.4%
Dividends paid / provided (4)	436	641	1,252	1,062	941	814
Per fully paid ordinary share:						
Operating profit after income tax (5)	$ 1.01	$ 1.48	$ 1.47	$ 1.17	$ 1.07	$ 0.91
Dividends	$ 0.65	$ 0.95	$ 0.85	$ 0.73	$ 0.64	$ 0.56
Dividends - US$		US$ 0.65	US$ 0.46	US$ 0.36	US$ 0.35	US$ 0.37
Dividends per ADR - US$		US$ 3.23	US$ 2.31	US$ 1.80	US$ 1.75	US$ 1.85
Adjusted in accordance with US GAAP:						
Operating profit after income tax	1,618	2,380	2,097	1,796	1,940	1,410
Operating profit after income tax per share (5)	$ 1.02	$ 1.50	$ 1.32	$ 1.12	$ 1.19	$ 0.86
Continuing Operations: (6)						
Total income	8,852	13,023	12,007	12,855	11,883	10,017
Operating profit after income tax	1,597	2,348	2,322	1,882	1,594	1,365
Operating profit after income tax per fully paid ordinary share (5)	$ 1.01	$ 1.48	$ 1.47	$ 1.18	$ 0.97	$ 0.83

---

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

(2) The allowance for loan loss charge represents the economic loss provision charge (refer page 41)

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

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

(5) Amounts are based on weighted average number of ordinary shares outstanding, 2003: 1,514.2 million, 2002: 1,496.9 million, 2001: 1,492.1 million, 2000: 1,540.3 million operating profit after income tax excludes preference share dividends of 2003: $102 million, 2002: $117 million, 2001: $119 million, 2000: $102 million, 1999: $72 million

(6) Operations that will continue to contribute to the results of the ANZ group in future periods

Years ended September 30	2003 US$M	2003 $M	2002 $M	2001 $M	2000 $M	1999 $M
Summary of Consolidated Balance Sheets						
Australian GAAP						
Shareholders equity (1)	9,359	13,770	11,448	10,538	9,795	9,403
Subordinated debt	3,827	5,630	3,445	3,831	3,687	3,221
Bonds and notes	11,264	16,572	14,708	15,340	9,519	4,456
Deposits and other borrowings	84,619	124,494	113,297	104,874	100,602	96,559
Gross loans, advances and acceptances (net of unearned income) (2)	111,920	164,661	147,937	139,867	133,879	121,223
Specific allowance for loan losses	(329)	(484)	(585)	(500)	(709)	(907)
General allowance for loan losses	(1,043)	(1,534)	(1,496)	(1,386)	(1,373)	(1,395)
Net loans, advances and acceptances	110,548	162,643	145,856	137,981	131,797	118,921
Total assets	132,943	195,591	183,105	185,493	172,467	152,801
Net assets	9,371	13,787	11,465	10,551	9,807	9,429
Risk weighted assets	103,426	152,164	141,390	139,129	129,688	118,037
Adjusted in accordance with US GAAP						
Shareholders equity (1)	8,714	12,820	12,139	11,207	10,517	9,889
Total assets	132,698	195,230	183,035	185,573	171,858	152,415
Summary of Consolidated Ratios						
Australian GAAP						
Operating profit after income tax (1) as a percentage of:						
Average total assets		1.2%	1.3%	1.1%	1.1%	1.0%
Average shareholders equity(1)		20.6%	23.2%	20.2%	19.3%	17.6%
Dividends (3) to ordinary shareholders as a percentage of operating profit after income tax		64.2%	57.8%	62.0%	59.1%	62.1%
Average shareholders equity as a percentage of average total assets(4)		5.7%	5.3%	5.0%	5.3%	5.4%
Capital Adequacy ratios:						
Tier 1		7.7%	7.9%	7.5%	7.4%	7.9%
Tier 2		4.0%	2.8%	3.2%	3.4%	3.3%
Deductions (5)		(0.6)%	(1.2)%	(0.4)%	(0.6)%	(0.5)%
Total		11.1%	9.5%	10.3%	10.2%	10.7%
Adjusted in accordance with US GAAP						
Operating profit after income tax (1) as a percentage of:						
Average total assets		1.2%	1.2%	1.0%	1.2%	0.9%
Operating profit (1) after income tax as a percentage of:						
Average shareholders equity (1)		20.8%	20.9%	18.2%	20.6%	15.8%
Dividends (6) to ordinary shareholders as a percentage of operating profit after income tax(5)		62.2%	63.2%	63.3%	51.2%	60.8%
		5.6%	5.3%	6.0%	5.4%	5.6%

Average shareholders equity (1) (5) as a percentage of average total assets

---

(1) Excludes outside equity interest

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

(3) Includes proposed final dividend of $777 million in 2003 not provided at September 30, 2003 following a change in Accounting Standards on recognition of dividends

(4) Excludes preference shares

(5) Deductions represent our investment in life insurance, funds management, securitization activities and other banks of $920 million (2002: $1,703 million, 2001: $604 million, 2000: $787 million, 1999: $584 million). In 2003 the intangible components of investments is deducted from Tier 1 capital rather than from total capital

(6) Excludes dividends taken under the bonus option plan. Includes proposed final dividend of $777 million in 2003 not provided at September 30, 2003 following a change in Accounting Standards on recognition of dividend.

Years ended September 30	2003 US$M	2003 $M	2002 $M	2001 $M	2000 $M	1999 $M
Summary of credit quality data						
Gross non-accrual loans (1)						
Subject to specific allowance for loan losses	621	913	1,072	940	1,046	1,288
Without specific allowance for loan losses	64	94	131	320	345	255
Total non-accrual loans	**685**	**1,007**	**1,203**	**1,260**	**1,391**	**1,543**
Allowance for loan losses						
Specific allowance (loans)	328	482	575	490	692	886
Specific allowance (off-balance sheet commitments)	1	2	10	10	17	21
General allowance	1,043	1,534	1,496	1,386	1,373	1,395
Total allowance	**1,372**	**2,018**	**2,081**	**1,886**	**2,082**	**2,302**
Gross loans, advances and acceptances (2)						
Gross loans and advances (2) (3)	102,963	151,483	134,141	125,543	118,397	106,365
Acceptances	8,957	13,178	13,796	14,324	15,482	14,858
Total gross loans, advances and acceptances	**111,920**	**164,661**	**147,937**	**139,867**	**133,879**	**121,223**
Gross non-accrual loans as a percentage of gross loans and advances		0.7%	0.9%	1.0%	1.2%	1.4%
Gross non-accrual loans as a percentage of gross loans, advances and acceptances		0.6%	0.8%	0.9%	1.0%	1.3%
Specific allowance for loan losses as a percentage of gross non-accrual loans (1):						
Subject to allowance		52.8%	53.6%	52.1%	66.2%	68.8%
Total non-accrual loans		47.9%	47.8%	38.9%	49.7%	57.4%
Total allowance for loan losses as a percentage of:						
Gross loans and advances (2)		1.3%	1.6%	1.5%	1.8%	2.2%
Gross loans, advances and acceptances (2)		1.2%	1.4%	1.3%	1.6%	1.9%
Risk weighted assets		1.3%	1.5%	1.4%	1.6%	2.0%

(1) Excludes off-balance sheet commitments that have been classified as unproductive of A$37 million (2002: A$44 million, 2001: A$31 million, 2000: A$56 million, 1999: A$70 million) net of an allowance of A$2 million (2002: A$10 million, 2001: A$10 million, 2000: A$17 million, 1999: A$21 million) and restructured loans A$ nil (2002: A$1 million, 2001: A$1 million, 2000: A$1 million, 1999: A$7 million).

(2) Net of unearned income

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

Summary of Material Risk Factors

The following describes some of the significant risks that could affect us. Additionally, some risks may be unknown to us and other risks, currently believed to be immaterial, could turn out to be material. All of these could materially adversely affect our business, profits, assets, liquidity and capital resources. They should be considered in connection with any forward-looking statements in this annual report and the warning regarding forward-looking statements on page 3 of this annual report.

Risks Related to Our Business

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

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

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

As a consequence of the NBNZ acquisition described under Recent Developments-Acquisition of The National Bank of New Zealand , we will have a considerably larger exposure to New Zealand economic conditions than we currently have. In particular, the NBNZ acquisition will significantly increase our exposure to the New Zealand housing market (particularly in Auckland) and the New Zealand rural sector (particularly to the dairy industry).

Changes in fiscal and monetary policies may adversely impact our results

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

Regulatory changes may adversely impact our results

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

The Australian Government and its agencies, including APRA and the Reserve Bank of Australia, have supervisory oversight of us and our failure to comply with laws, regulations or policies could result in sanctions by these regulatory agencies and cause damage to our reputation.

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

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

For example, in August 2002 the Reserve Bank of Australia announced reforms to the Australian credit card market, which include a new interchange standard (effective from the end of October 2003) which will reduce the amount of interchange revenue received by us. Although we estimate, based on current projections, that the negative impact of these particular reforms will not be material, in general it is difficult for us to predict the effect on our financial condition or results of operations or that of our controlled entities of any potential legislation or impending regulations.

There is a risk that New Zealand may introduce similar credit card market reforms, with a New Zealand Commerce Commission inquiry into the market currently under way. Given the uncertainty attached to the outcome of this process, it is not possible to quantify the potential impact on credit card profitability in New Zealand.

Further, the International Monetary Fund is also about to commence an assessment of the New Zealand banking industry, specifically focusing on the supervisory framework and the role of the Reserve Bank of New Zealand. Any regulatory response to the review could impose additional costs on us.

We may also be required to undertake work to meet the principles laid out by the Basel Committee on Banking Supervision in respect of the proposed new Capital Accord (widely known as Basel II). However, at this stage it is not possible to quantify the required implications.

Competition may adversely impact our results

The financial services sector in which we operate is highly competitive and could become even more competitive, particularly in those segments that are considered to provide higher growth prospects. Factors contributing to this include industry deregulation, mergers, changes in customers needs and preferences, entry of new participants, development of new distribution and service methods and increased diversification of products by competitors.

For example, mergers between banks and other types of financial services companies create entities which can offer virtually any type of banking or financial service. Also, technology has lowered barriers to entry and made it possible for non-banks to offer products and services traditionally provided by banks, such as automatic payment systems, mortgages and credit cards. In addition, banks in different jurisdictions are subject to different levels of regulation and some may have lower cost structures.

The effect of the competitive market conditions in which we operate may have a material adverse effect on our financial performance and position.

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

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

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

In July 2002, the Financial Reporting Council of Australia announced its formal support for Australia to adopt standards based on International Financial Reporting Standards (IFRS) for financial years beginning on or after January 1, 2005. As a result, from January 1, 2005, the accounting standards that apply to Australian reporting companies under the Corporations Act, such as us, will be based upon IFRS issued by the International Accounting Standards Board. It is possible that the Australian Accounting Standards Board may allow adoption of accounting standards based on IFRS before that date.

We expect to adopt IFRS from October 1, 2005. It is currently expected that comparatives will be required to be restated on initial adoption of IFRS.

The final version of IFRS that will be applicable to us are not yet available. In particular, the International Accounting Standards Board has yet to finalize the standard on recognition and measurement of financial instruments. Based on exposure drafts of this standard, adoption of IFRS may result in changes to accounting for hedges, changes in the calculation of the allowance for loan losses and the status of the general allowance for loan losses, securitization, recognition of fee income and classification of hybrid equity instruments.

The final version of IFRS is also expected to require impairment testing for goodwill, and to require entities to cease amortization of goodwill.

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

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

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

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

As a financial institution, we are exposed to the risks associated with extending credit to other parties. Less favorable business or economic conditions, whether generally or in a specific industry, could cause customers or counterparties to experience adverse financial consequences, thereby exposing us to the increased risk that those customers or counterparties will fail to honor the terms of their loans or agreements.

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

In addition, in assessing whether to extend credit or enter into other transactions with customers and counterparties, we will rely on information furnished to us by or on behalf of customers and counterparties, including financial statements and other financial information. We also may rely on representations of customers and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. Our financial condition and results of operations could be negatively impacted to the extent we rely on information or financial statements that are inaccurate or materially misleading.

Two areas that recently emerged as credit quality problems for us were the US power industry and the global telecommunications industry. We have been adversely affected by exposure to a small number of single name exposures in the US power industry and in the telecommunications industry. Continued exposure to these and other industries could affect our results and operations.

As a consequence of the NBNZ acquisition, we will have increased exposure to the New Zealand housing market (particularly in Auckland) and to the New Zealand rural sector (particularly the dairy sector).

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

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

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

Market risk relates to the risk of loss arising from changes in interest rates, foreign exchange rates, prices of commodities, debt securities and other financial contracts including derivatives. Losses arising from these risks may have a material adverse effect on us.

We are also exposed to liquidity risk, which is the risk that we have insufficient funds and are unable to meet our payment obligations as they fall due, including obligations to repay deposits and maturing wholesale debt.

Litigation and contingent liabilities may adversely impact our results

There are outstanding court proceedings, claims and possible claims against us, the aggregate amount of which cannot readily be quantified. Legal advice has been obtained and, in the light of such advice, provisions as deemed necessary have been made and are disclosed in our consolidated financial statements. If these provisions prove inadequate, this may have a material adverse effect on our financial condition. Known material risks relate to our exposures arising from the sale of ANZ Grindlays Bank Limited and our private banking business in the United Kingdom and Jersey, together with ANZ Grindlays (Jersey) Holdings Limited and its controlled entities, or the Grindlays businesses, and contingent tax liabilities.

As part of the sale in July 2000 of the Grindlays businesses to Standard Chartered Bank, we provided a number of warranties and indemnities. Claims have been made by Standard Chartered Bank under certain of these warranties and indemnities. A number of these claims have been resolved. While we expect that resolution of the residual outstanding matters will occur within existing provisions, we can give no assurance that there will not be an adverse outcome.

In Australia, we are being audited by the Australian Taxation Office. The Australian Taxation Office is considering several issues including the tax treatment of certain lease assignments in 1991 and 1992 and, at our request, the sale of the Grindlays businesses in 2000. Based on external advice, we have assessed the likely outcome of these issues. While we believe that we hold appropriate provisions, we can give no assurance that there will not be an adverse outcome.

Our due diligence inquiries in respect of NBNZ have found that there are also a number of outstanding court proceedings, claims and possible claims against NBNZ, the aggregate amount of which cannot be readily quantified and which may not be covered by warranties and indemnities from Lloyds TSB.

The New Zealand Inland Revenue Department is currently undertaking an audit of all major banks in New Zealand in relation to structured finance arrangements. No assessments against us or NBNZ have been issued or suggested at this stage. The timing and outcome of this audit is uncertain and there is a risk that this may have adverse influences for us.

Acquisition risk may adversely impact our results

We regularly examine a range of corporate opportunities with a view to determining whether those opportunities will enhance our financial performance and position.

Any corporate opportunity that we pursue could, for a variety of reasons, turn out to have a material adverse effect on us. The successful implementation of our corporate strategy will depend on a range of factors including potential funding strategies and challenges associated with integrating and adding value to a business which is acquired.

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

Integration risks resulting from our acquisition of NBNZ, including loss of revenue and customers, loss of key personnel and systems and technology risks, may adversely impact our results

We have undertaken detailed financial analysis of NBNZ and a detailed business analysis in order to determine the attractiveness to us of NBNZ, and the NBNZ acquisition. To the extent that the actual results achieved by NBNZ are lower than those indicated by our analysis, there is a risk that our future results and profitability could be adversely impacted. This may occur for a number of reasons, including for example, if the anticipated combined revenue resulting from the merger of NBNZ with our New Zealand business is lower than expected or growth occurs less quickly than expected.

It may not be possible to successfully integrate our New Zealand business in a timely manner with that of NBNZ or to realize the full cost savings and other economies of scale anticipated. The proposed NBNZ acquisition involves the integration of businesses that have previously operated independently, which will involve, among other things, integrating technology platforms, integrating personnel with diverse business backgrounds and combining different corporate and workplace policies, procedures and cultures.

The process of integrating operations could, among other things, divert management s attention from the activities of one or more of the businesses, as well as interrupting business momentum, and could result in the loss of key personnel, any of which could have an adverse effect on our business, results of operations or financial condition.

Key risks associated with the integration include loss of revenue and customers, loss of key personnel and systems/technology risks.

A key risk of the integration of our New Zealand business with that of NBNZ is revenue and customer loss and our resulting loss of market shares. Some of the factors which may cause customer attrition are product change, including alignment of product features; changes to credit risk assessments; brand changes and customer perceptions; corporate and institutional customer limits on the amount of borrowing from any single financial institution; our ability to meet expected service levels; changes in our business culture, including perceived impact of change of ownership; and increased competition activities. Revenue and customer attrition may have a material adverse effect on our financial performance and operations.

The business and financial performance of NBNZ is dependent upon certain key senior managers. The loss of key senior management could have an adverse effect on our business, results of operations or financial condition. After the completion of the NBNZ acquisition, we can provide no assurance regarding the potential loss of NBNZ senior management.

As part of the NBNZ acquisition, we propose to integrate different information technology platforms and back office functions. Failure to adequately manage this integration could materially and adversely affect our financial condition and results of operations.

It is also possible that we may be unable to successfully communicate the rationale for the acquisition to our customers, investors, employees or suppliers. If any of these groups fail to support the NBNZ acquisition, it could adversely affect our financial condition and results of operations. In particular, management of the customers of NBNZ and our New Zealand business will be extremely important in preserving and enhancing the financial performance of our New Zealand business.

We will incur substantial additional expenses integrating NBNZ with our existing operations. The total amount of the indirect integration costs of the acquisition are difficult to estimate and may be materially different from ANZ s estimates.

See the section entitled Recent Developments-Acquisition of The National Bank of New Zealand for further information on the

integration of our operations with those of NBNZ.

Item 4: Information on the Company

Overview

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

Based on publicly available information as at September 30, 2003, we ranked fourth among Australian banking groups in terms of total assets ($195.6 billion) and fourth in terms of shareholders equity ($13.8 billion) and ranked fourth in terms of market capitalization. At December 1, 2003, following the acquisition of National Bank of New Zealand (NBNZ) we were ranked third among Australian banking groups in each of the above comparatives and, with a market capitalization of $30 billion, ranked as the sixth largest company listed on the Australian Stock Exchange Limited.

We provide a broad range of banking and financial products and services to retail, small business, corporate and institutional clients. We conduct our operations primarily in Australia (approximately 77% of our total assets at September 30, 2003) with significant operations in New Zealand (approximately 13% of total assets at September 30, 2003). The remainder of our operations are conducted in the United Kingdom, the United States and a number of other countries, most of which are located in the Asia Pacific region. At September 30, 2003, we had 1,044 branches and other points of representation worldwide. After the acquisition of NBNZ, we estimate New Zealand will account for approximately 26.5% of our total assets.

ANZ s specialization strategy is executed through a management structure of 11 segments. As at September 30, 2003 we executed our specialization strategy through a management structure of the following 11 segments:

Business segment	**Principal activities**
Personal Banking Australia	Personal Banking Australia provides a range of banking services to personal customers, high net worth individuals and SME rural customers in Australia.
Institutional Financial Services	Institutional Financial Services brings together the institutional customer segment with specialized wholesale product segments to provide a broad range of financial solutions for institutional customers.
Corporate	Corporate provides the principal relationship between ANZ s corporate and SME metropolitan customers and all areas of ANZ, including working capital management, liquidity management and transaction processing.

New Zealand Banking	New Zealand Banking provides a broad range of personal banking services, including wealth management, for personal, small business, rural and corporate clients in New Zealand and is only one part of ANZ s New Zealand business on a geographical basis. The New Zealand Banking segment does not include NBNZ, the operations of the Mortgages, Consumer Finance, Asset Finance, Institutional Financial Services, ING New Zealand Treasury segments in New Zealand.
Mortgages	Mortgages provides mortgage finance secured by residential real estate in Australia and New Zealand.
Consumer Finance	Consumer Finance provides consumer and commercial credit cards, ePayment products, personal loans and merchant payment facilities.
Asset Finance	Asset Finance provides finance and operating leases for vehicles and business equipment. Segment identified as Esanda and UDC in Attachment 1.
ING Australia	ING Australia is a joint venture between ANZ and ING that provides integrated manufacture and distribution of wealth creation, management and protection products and services. This business operates in New Zealand as ING New Zealand.
Asia Pacific	Asia Pacific provides primarily retail banking services in the Asia and Pacific region and includes ANZ s share of PT Panin Bank in Indonesia.

Treasury	Treasury is the banker to all ANZ businesses charged with providing cash flow support, ensuring liquidity, managing interest rate risk and providing capital to the businesses.
Group Center	Group Center provides support to the ANZ Group and includes technology, payments, finance, legal, risk, tax and audit functions.

ANZ s agenda for the next five years is to be:

- the leading bank in Australia
- the sustainable leader in New Zealand and the Pacific
- the leading Australian bank in Asia
- the most respected major Australasian company

Core elements to achieving this agenda:

- bold and different
- easy to do business with
- the best managed, most efficient, and most successful Australian bank
- growing, investing, partnering, making bold moves
- a unique climate of inspiration, leadership, values and opportunities
- trusted by the community, with a sustainable contribution to society

Our Strategic Direction

Gaining Momentum with the ANZ Agenda

At ANZ, we are currently on a journey to create an organization that is both different and sustainable. This is not something that can be achieved overnight or with a simple statement of intent. It requires sustained commitment, persistence and investment over a number of years.

We took the first major step on this through our innovative strategy that created a portfolio of specialist businesses, and embarked on a journey to transform the culture of the whole organization. Specialization has not only brought a sharper financial focus through greater accountability, it has also contributed to a greater sense of ownership and commitment from our people. This has already contributed to improved customer satisfaction across many business units, and in turn, improved results.

13,000 staff have been through our Breakout cultural change programme. We see this as fundamental to the creation of a different organization, with motivated people, satisfied customers and superior returns.

The next step on this journey is to determine how we build an institution that is capable of sustained performance over the long term. It means serving our customers well, with innovative and good value services, and delivering sound profitable growth for shareholders. It means our being committed to creating more jobs, and building a challenging, exciting and caring environment for our people. It means earning and retaining the trust of the communities in which we operate and extends to making an overall contribution to society. It means being bold and different, investing for growth and partnering with world-class organizations where joint capability creates a competitive advantage that we could not achieve on our own. This is the ANZ Agenda, with the overall aim of making ANZ the most respected major company in Australia and New Zealand in the eyes of our stakeholders:

Customers: A bank that is easy to do business with, a human face, and one that values and builds enduring relationships.

People: A great company, with great people, great values and great opportunities.

Shareholders: One of the most efficient, best managed. and most successful banks in the world.

Community: A company that is trusted by the community, and makes a sustainable contribution to society.

Progress on the ANZ Agenda in 2003

People make great companies. At ANZ, we are committed to helping our people continuously to improve their skills and capabilities, and support them in obtaining tertiary and post-graduate qualifications. This year saw the first of our MBA graduates from our online MBA with Charles Sturt University. We now have 100 people on the programme. We continue to be one of the largest private sector recruiters of graduates with a new intake of 240 in Australia and New Zealand alone.

In July, we conducted our annual staff satisfaction survey which reported that satisfaction levels have again risen and are now at 82%. With capable, satisfied and motivated people, we have a strong foundation for the future.

In our retail banking businesses, trained and committed staff acting as advocates for ANZ, are essential to the health of our relationships with customers and the broader community. Over the last two years, staff satisfaction in our network has risen from under 50% to over 80%. We have also maintained high levels of investment to improve customer service, quality and efficiency. In Australia we have invested over $100 million in a new industry-leading technology for our branch network, and the new telling project, MyTell, is now in a number of pilot branches, with full roll out to occur during this financial year.

We are particularly excited about the growth in our rural Australia franchise, through the commitment of our people in the more remote communities.

In our Small and Medium Enterprises business, special focus and investment in specialist relationship managers is yielding above average levels of growth.

Many people in Australia find difficulty in understanding financial information, and this is putting the most vulnerable at considerable potential risk. This year we were proud to launch Australia s first financial literacy survey, and are continuing to take a lead in alleviating this problem. We see this study as a first step towards empowering people with the appropriate financial skills to make informed basic financial decisions.

Our specialized business portfolio provides a strong platform for growth

At ANZ we have an attractive portfolio of businesses. Our specialization strategy is based on the premise that specialists will outperform generalists, and that a portfolio of specialized businesses provides synergistic benefits and also a diversified risk profile.

ANZ s traditional strength is in Institutional Financial Services and Corporate Banking. These businesses, by function of their size and market position should be key drivers of ANZ s future success, as should our developing franchise in Small to Medium Business. We believe the economic outlook now favors an overweight position in these areas as activity shifts from the consumercentric growth of recent years.

We have a strong portfolio of specialized product businesses. Our credit card franchise remains a major strength of ANZ notwithstanding issues in the first half together with the reduced interchange levels from the Reserve Bank of Australia s reforms. The Mortgage business has become a major force in the third-party market and is employing innovative new distribution channels. Esanda in Australia, and UDC in New Zealand, are also leading brands in auto and equipment finance.

We currently are the largest bank in all segments in New Zealand, the leading Australian bank in Asia, and the market leader in key domestic niche markets such as auto-and equipment financing (source: Australian Bureau of Statistics).

Personal Banking and Wealth Management are less traditional areas for ANZ, making it difficult to transform quickly our market position against larger entrenched competitors. Nevertheless we are finding new ways to build these businesses so that we can transform our position over the medium to long term.

Building a future

Specialization creates a demonstrably more agile operation, able to respond rapidly to the opportunities presented within each business segment. Our efficiency levels enable us to provide highly competitive customer value, such as in personal transaction accounts. We are targeting further productivity gains through technology-based process improvements.

We will consider enhancing our capabilities, growth opportunities, scale benefits and other synergies through selective acquisitions. In order to proceed, any proposed acquisitions must demonstrate a capacity to add value for shareholders and pass a rigorous investment review.

We will also enter commercial arrangements and partnerships where these provide a strategic fit with our existing businesses. Our recently announced agreement with Diners Club Australia is an example of this approach. In response to the regulatory regime for credit cards, we have provided a different solution that enhances our prospective performance whilst continuing to service our customers needs.

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

Our institutional business across Australasia, Asia, Europe and North America, are focused on Trade and Project finance, and financial markets.

Finally, our regional international strategy is disciplined and long-term. We have no pressing sense of urgency and if a proposed investment does not meet our requirements, we will not proceed.

Subsidiaries, Associates and Joint Venture

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

Organization Structure Changes

The Group from time to time modifies the organization of its businesses to enhance the focus on delivery of specialized products or services to customers. Prior period numbers are adjusted for such organizational changes to allow comparability. The significant changes for the current period were:

The re-organization within Personal Banking Australia, effective from April 1, 2003. This segment consists of:

Personal Distribution which provides a full range of banking services, including the distribution of Wealth Management products, to personal customers and small to medium rural customers in Australia through branches, call centers, ATMs and on-line banking.

Banking Products manufactures deposit, transaction accounts and Margin Lending products. In addition, the businesses manage ANZ s direct channels covering Phone Banking, ATMs and Internet Banking.

In addition, there have been a number of function transfers including the transfer of the Contact Center to Personal Banking Australia, further customer segmentation between Institutional Banking, Structured Finance International and Corporate, and a number of relatively minor methodology changes to revenue and cost allocations.

ANZ has increased the allocation of economic capital to business units carrying goodwill on investments. Business units carrying goodwill will show increased earnings on capital in the equity standardized statement of financial performance.

Property

We have a sizeable holding of freehold and leasehold land and buildings (largely within Australia) for our business purposes. These premises, which include branches, administration centers and residential accommodation for employees, had a carrying value at September 30, 2003 of $426 million (market value of $464 million as at June 30, 2002). (2002 carrying value: $455 million).

The Group last valued this class of assets, based on independent valuations, as at June 30, 2002. There were no material movements in property values in the period to September 30, 2003.

Whilst the overall number of properties has decreased as a result of the Group s continued divestment strategy through sales and sale and leasebacks of non core property assets, the increase in individual property carrying values from September 30, 2002 to September 30, 2003 is a reflection of the substantial upgrade works undertaken on the primary and secondary data centers (to improve their redundancy capacity), together with numerous branch refurbishments works completed as part of the Restoring Customer Faith Program .

Recent Developments

Acquisition of National Bank of New Zealand

On October 24, 2003, ANZ announced it had reached agreement with Lloyds TSB to acquire The National Bank of New Zealand for £2,043.8 million, approximately $4.915 billion at exchange rates on October 23, 2003.

This transaction, which closed on December 1, 2003, was funded by the process of a Rights offer (A$3,570 million net of the proceeds of transaction costs) and the proceeds of a Hybrid tier 1 offering (A$1,618 million equivalent as at September 30, 2003 noon buying rate) with the balance raised via a subordinated debt offering.

The National Bank of New Zealand is one of New Zealand s leading banks with net loans and advances of NZ$35 billion (as at June 30, 2003) representing around 23% of industry lending. It has strong market share in personal, rural, and small business banking including a national network of 160 retail branches and 260 ATMs.

The National Bank of New Zealand also enjoys consistently high customer and staff satisfaction levels. In the year to September 2003, The National Bank of New Zealand maintained its top position in the AC Nielsen Consumer Finance Monitor with 71% of personal customers rating its service as excellent or very good. This is coupled with leading levels of staff satisfaction (85%).

The National Bank of New Zealand s track record of value creation is based on an efficient operating model, strong revenue growth with sound credit quality and high levels of staff and customer satisfaction driven by a strong and experienced management team.

ANZ had a strong existing business in New Zealand that dates back to 1840. Prior to the NBNZ acquisition, ANZ was among the top five banks in New Zealand with over one million personal customers and a leading position in corporate banking.

We have taken a number of steps to invigorate this existing business in New Zealand including more autonomy for New Zealand management and a series of initiatives to improve customer satisfaction, including introducing new products, opening branches and re-organizing our approach to personal banking.

The NBNZ acquisition is a significant strategic milestone for ANZ. It is part of ANZ s strategy to develop leading positions in growth businesses in its home markets and clearly establishes ANZ as New Zealand s largest bank. It also reflects our long-term confidence in New Zealand s economic prospects.

Following completion of the acquisition of NBNZ in December 2003, our combined business in New Zealand will contribute as much as 30% of earnings in future years. Naturally, the significance of our business and of our presence in New Zealand will necessitate a very different approach to thinking about our business in New Zealand, our customers, staff and our role in New Zealand as the largest provider of banking services.

ANZ intends that both the ANZ and The National Bank of New Zealand brands, names and branch networks will be retained for the foreseeable future. By working together with The National Bank of New Zealand and focusing on the interests of our customers, staff and the community we can create a better organization in the future for New Zealand and for shareholders.

ANZ Stapled Exchange Preference Securities

On August 14, 2003 ANZ announced an offer of up to $750 million of ANZ Stapled Exchangeable Preferred Securities (ANZ StEPS), with the ability to accept over subscriptions of up to $250 million.

The $1 billion raised through the offer strengthened our balance sheet and increased our financial flexibility.

Key features of the offer included:

- a quarterly floating distribution rate, calculated as the 90 day bank bill rate plus a margin;
- distributions are payable in preference to any dividends on ANZ s ordinary shares;
- the ability for ANZ to change certain terms on reset dates, the first reset date is September 15, 2008;
- the ability for ANZ or investors to exchange ANZ StEPS for cash or ordinary shares in certain circumstances; and
- quotation on the Australian Stock Exchange.

ANZ s US$1.1 billion hybrid capital raising

On November 26, 2003, the company issued 1.1 million fully paid preference shares with a liquidation preference of US$1,000. The preference shares were issued as part of a two tranche, structured hybrid raising under two offering memorandums dated November 19, 2003. The two tranches involve US$350 million with an initial call date of January 15, 2010 at US Treasuries plus 100 basis points (equivalent to 4.484%) and US$750 million with an initial call date of December 15, 2013 at US Treasuries plus 118 basis points (equivalent to 5.36%).

Assets and Gross Revenue by Line of Business

Years ended September 30 (1)	2003		2002		2001	
	$M		$M		$M	
Line Of Business (2)						
External Assets						
Personal Banking Australia	6,696	3%	5,832	3%	n/a	n/a
Institutional Financial Services	56,529	29%	59,155	32%	n/a	n/a
Corporate	16,085	8%	13,538	7%	n/a	n/a
New Zealand Banking	4,225	2%	3,797	2%	n/a	n/a
Mortgages	77,586	40%	64,826	35%	n/a	n/a
Consumer Finance	6,135	3%	5,551	3%	n/a	n/a
Asset Finance	13,460	7%	12,410	7%	n/a	n/a
ING Australia	1,736	1%	1,638	1%	n/a	n/a
Asia Pacific	1,949	1%	1,932	1%	n/a	n/a
Treasury	9,085	5%	11,692	6%	n/a	n/a
Group Center	2,105	1%	2,734	1%	n/a	n/a
Total Assets	195,591	100%	183,105	100%	n/a	n/a

Line Of Business (2)

As published in the September 2002 Company Profile

	2002		2001	
	$M		$M	
External Assets				
Personal Banking and Wealth Management	10,635	6%	13,597	7%
Corporate Businesses	42,822	23%	44,245	24%

Investment Banking	25,669	14%	29,851	16%
Consumer Finance	5,551	3%	4,881	3%
Mortgages	64,826	35%	55,901	30%
Asset Finance	12,410	7%	12,013	7%
Small to Medium Business	6,764	4%	6,013	3%
Other	14,428	8%	18,992	10%
	183,105	100%	185,493	100%

(1) Comparative Line of Business information for 2001 cannot be provided without unreasonable effort or expense, refer table below for line of business in 2002 and 2001 under previous business structure. Refer 2002 20-F for discussion of these businesses

(2) For discussion of operating results by Line of Business see Operating and Financial Review and Prospects - Results by Line of Business

Years ended September 30 (1)	**2003**		**2002**		**2001**	
	$M		**$M**		**$M**	
Gross Revenue (2) (equity standardized)(3)						
Personal Banking Australia	737	6%	728	6%	n/a	n/a
Institutional Financial Services	3,342	26%	3,147	26%	n/a	n/a
Corporate	932	7%	827	7%	n/a	n/a
New Zealand Banking	480	4%	417	3%	n/a	n/a
Mortgages	4,487	34%	3,760	31%	n/a	n/a
Consumer Finance	1,052	8%	992	8%	n/a	n/a
Asset Finance	1,091	8%	1,036	9%	n/a	n/a
ING Australia	46	0%	142	1%	n/a	n/a
Asia Pacific	326	3%	281	2%	n/a	n/a
Treasury	455	3%	473	4%	n/a	n/a
Group Center	75	1%	204	2%	n/a	n/a
Total Income	13,023	100%	12,007	100%	n/a	n/a

As published in the September 2002 Company Profile.

Gross Revenue (2) (equity standardized) (3)				
Personal Banking and Wealth				
Management	1,376	11%	1,440	11%
Corporate Businesses	2,141	18%	2,467	19%
Investment Banking	1,527	13%	2,309	18%
Consumer Finance	986	8%	896	7%
Mortgages	3,760	31%	3,846	30%
Asset Finance	1,036	9%	1,071	8%
Small to Medium Business	503	4%	473	4%
Other	678	6%	322	3%
Total Income	12,007	100%	12,824	100%

(1) Comparative Line of Business information for 2001 cannot be provided without unreasonable effort or expense, refer table below for line of business for 2002 and 2001 under previous business structure

(2) Gross revenue comprises interest income, non-interest income and share of equity accounted investments (refer Note 41 of the Financial Report)

(3) Economic Value Added EVA(TM) principles are in use throughout the Group, whereby risk adjusted capital is allocated and charged against business units. Equity standardized profit is determined by eliminating the impact of earnings on each business unit s book capital and attributing earnings on the business units risk adjusted capital. This enhances comparability of business unit performance. Geographic results are not equity standardized

Assets and Gross Revenue by Region

Years ended September 30	2003		2002		2001	
	$M		$M		$M	
Region (1)						
Assets						
Australia	151,538	77%	135,050	74%	133,057	72%
New Zealand	25,696	14%	23,799	13%	22,337	12%
Overseas Markets	18,357	9%	24,256	13%	30,099	16%
	195,591	100%	183,105	100%	185,493	100%
Gross Revenue (2)						
Australia	9,508	73%	8,697	72%	9,012	70%
New Zealand	2,149	17%	1,917	16%	2,011	16%
Overseas Markets	1,366	10%	1,393	12%	1,801	14%
	13,023	100%	12,007	100%	12,824	100%
Net profit before tax						
Australia	2,371	72%	2,391	74%	2,160	78%
New Zealand	495	15%	456	14%	395	14%
Overseas Markets	411	13%	376	12%	228	8%
	3,277	100%	3,223	100%	2,783	100%

(1) For discussion of operating results by region see Operating and Financial Review and Prospects - Results by Region

(2) Gross revenue comprises interest income and non-interest income

Supervision and Regulation

Australia

Our operations are regulated in each country in which we operate. The supervisory framework in Australia covering Australian banks is largely compliant with the Basel core principles for effective banking supervision. The Australian Prudential Regulation Authority (APRA) has responsibility for the prudential and regulatory supervision of Australian banks, Credit Unions, Building Societies, other Authorized Deposit-Taking Institutions (ADI s), Insurance Companies and Superannuation Funds. The Reserve Bank of Australia (RBA) has the responsibility for the supervision of the payments system in Australia. The RBA has the power to inject liquidity into the financial system, in the event of financial disruption, whatever the cause. On advice from APRA, the RBA can provide a lender of last resort facility to a solvent bank that has encountered liquidity constraints.

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

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

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

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

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

Bank Liquidity

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

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

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

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

Associations with Related Entities

APRA requires that ADI s are to take account of risks associated with the related parties in the group of which they are a member and are not exposed to excessive risk as a result of their associations with related entities.

Associations and dealings by an ADI with their related entities may give rise to contagion risk, or the possibility that problems arising in other group members may compromise the financial and operational position of the ADI. To this end, an ADI is required to manage and monitor the level of contagion risk so that this is kept at a modest level. Various rules are imposed by APRA to ensure contagion risk is controlled including:

comprehensive policies and procedures for managing and monitoring risk are in place (this must also be advised to APRA, with the ADI s Chief Executive attesting to the identification, adequacy and operating effectiveness of risk management policies, systems and procedures);

dealings with related entities are transparent and controlled with prudent exposure limits in place (APRA has set specific prudential limits on intra-group exposures). Unlimited exposures and cross default clauses triggering a possible default of the ADI in its obligations are not to be held. Effectively the ADI s dealings with the related entities should not be for the prime purpose of supporting the related entities business;

separation and disclosure rules covering badging and product distribution arrangements to ensure the ADI is not linked to the fortunes of other entities in the group; and

participation by the ADI and related entities in common group operations.

The APRA prescribed specific prudential limits on intra-group exposures are set on the exposures of an ADI to related parties or, where applicable, of an Extended Licensed Entity (ELE) to related parties which do not form part of the ELE. An ELE is defined as consisting of the ADI and all APRA approved ADI subsidiaries which are effectively operated as a division of the ADI, though the subsidiaries are separate legal entities. The limits are as follows:

Exposures of an ADI or ELE to related ADI s (including overseas based equivalents) being limited to:

50% of the ADI s Level 1 capital base on an individual related ADI exposures basis; and

150% of the ADI s Level 1 capital base on an aggregate exposure basis to all related ADI s.

Exposures of an ADI or ELE to other related parties (ie non-related ADI s captured above) being limited to:

25% of the ADI s Level 1 capital base where the exposure is to any other regulated related entity (ie any related entity other than an ADI or overseas based equivalent directly regulated by APRA or by a foreign equivalent) not captured above;

15% of the ADI s Level 1 capital base where the exposure is to an unregulated related entity; and

35% of the ADI s Level 1 capital base on an aggregate exposure basis to all other related parties.

Any proposed exposures in excess of the APRA prescribed prudential limits on intra-group exposures, are subject to APRA approval. ADI s are subject to reporting requirements covering intra-group exposures.

ANZ reports on an ELE basis and manages and complies with all requirements above.

Capital Adequacy

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

APRA assesses an ADI s financial strength by measuring its capital adequacy on both a stand-alone and a group basis. The stand-alone, or Level 1, basis only includes the ADI. The group, or Level 2, basis includes the ADI and all its consolidated subsidiaries. Level 1 and 2 assessments are applicable to all ADI s and the capital adequacy measurement is based on the Basel Capital Accord. APRA also requires a capital adequacy measurement at a third level if an ADI is part of a conglomerate group. APRA has defined a conglomerate group as a group of companies containing one or more locally incorporated ADI s and may include non-financial as well as financial entities. Level 3 assessments apply only to ADI s prescribed by APRA and the capital adequacy measurement is based on a methodology agreed with APRA.

APRA has prescribed that ANZ is not required to measure its capital adequacy at Level 3.

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

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

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

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

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

Tier 1 or core capital, consists of paid up ordinary share capital, general reserves, retained earnings, current year s earnings net of expected dividends and tax expenses, non-cumulative preference shares not redeemable at the holders option (as approved by APRA) together with minority interests but excludes retained earnings and reserves of subsidiaries and associates that are not consolidated for capital adequacy purposes. Tier 1 must constitute at least 50% of the capital base requirements. In June 1999, APRA expanded the definition of Tier 1 capital to include innovative equity instruments (as approved by APRA). Innovative equity instruments include capital instruments which are a permanent and unrestricted commitment of funds, are available to absorb losses, have no fixed servicing obligations and are subordinated to the interests of depositors and other creditors. The maximum innovative equity instruments allowed to be included in Tier 1 capital is 25% of the sum of paid up capital, general reserves, retained earnings, current year s earnings net of expected dividends and tax expenses and minority interests. Any excess amount is eligible as Upper Tier 2 capital. Provision has also been made so that capital instruments issued via special purpose vehicles may be eligible for inclusion in Tier 1 capital.

ANZ also reports Adjusted Common Equity as a percentage of risk weighted assets. Adjusted Common Equity is defined as Tier 1 capital less preference shares translated at current rates and deductions from total capital (see below).

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

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

Deductions from Capital (as required by APRA)

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

Future income tax benefits (other than those associated with general allowance for loan losses), net of any provision for deferred income tax;

Unamortized goodwill and any other intangible assets, including the intangible component of investments;

Investments in and any other forms of credit support provided to associated lenders mortgage insurers;

Retained earnings and reserves of subsidiaries and associates that are not consolidated for capital adequacy purposes (ie funds management and insurance entities).

Deductions from total capital comprise:

ADI s tangible investments in non-consolidated financial entities, and tangible investments in entities involved in funds management, insurance and securitization activities;

Strategic cross-ADI shareholdings (including those strategic shareholdings in equivalent deposit taking institutions in overseas countries);

Any non repayable loans advanced by an ADI under APRA s certified industry support arrangements; and

Any undertakings by an ADI to absorb designated first level of losses on claims supported by it (eg; first loss facilities associated with funds management and the securitization of assets).

ANZ s capital adequacy ratio was 11.1% (including 7.7% of Tier 1 Capital) at September 30, 2003, compared with 9.5% at September 30, 2002, and 10.3% at September 30, 2001.

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

Equity Holdings

Individual equity investments by ADI s are subject to the following requirements:

(i) ADI s must consult with APRA prior to:

Committing to any proposal to acquire more than 10% equity interest in an entity that operates in the field of finance:

Establishing or acquiring a subsidiary (other than an entity which is purely used as a special purpose financing vehicle for the ADI):

Taking up an equity interest in an entity arising from the work-out of a problem exposure which:

Exceeds 0.25% of the consolidated ADI s Tier 1 capital; or

Results in the ADI acquiring more than 10% equity interest in the entity; or

Results in the ADI s aggregate investment in non-subsidiary entities which are not operating in the field of finance to exceed more than 5% of the consolidated ADI s Tier 1 capital.

(ii) ADI s must report all other equity investments to APRA not subject to (i) retrospectively.

(iii) For equity investments by an ADI in non-subsidiary entities that are not operating in the field of finance exceeding

0.25% the consolidated ADI s Tier 1 capital for an individual investment or

5% of the consolidated ADI s Tier 1 capital in aggregate the excess above these limits must be deducted from the ADI and consolidated ADI s Tier 1 capital for capital adequacy calculation purposes.

These restrictions do not apply to equity holdings held within a trading portfolio.

Large Credit Exposures

APRA requires banks to report large credit exposures in terms of the consolidated group (ie the bank and its subsidiaries). Banks must consult with APRA before committing to any exposure (includes claims and commitments recorded on and off balance sheet) to any individual counterparty or group of related counterparties which will exceed 10% (subject to exceptions) of the capital base of the consolidated group. Banks are required to report quarterly to APRA the largest 10 exposures and all those exceeding or equal to 10% of the consolidated capital base. ANZ reported largest 10 exposures to 3 Government bodies, 5 Corporates, and 2 Bank counterparties as at September 30, 2003. Their respective ratings are as follows:

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

One Bank - S&P rating AA-, Moody s rating Aa3

Three Government bodies - S&P rating Aaa, Moody s rating AAA

One Corporate - S&P rating AAA, Moody s rating Aaa

One Corporate - S&P rating AA-, Moody s rating Aa3

One Corporate - S&P rating AAA, Moody s rating Aa1

One Corporate - S&P rating A+, Moody s rating A2

One Corporate - Not externally rated

Possible Future Developments

APRA issued a policy discussion paper in June 2003 on the deduction of intangible assets, specifically capitalized expenses, from Tier 1 Capital. APRA has proposed that the following capitalized expenses will be deducted from Tier 1 capital from July 1 2004:

1. Loan / lease origination fees and commissions paid to originators and brokers;

2. Securitization establishment costs;

3. Costs associated with debt / capital raisings; and

4. Other generic capitalized expenses, such as those in the nature of:

a. transformation costs; and

b. business development initiatives.

The impact on ANZ s capital adequacy ratios as at September 30, 2003 would have resulted in a minor reduction to the Tier 1 and Total Capital ratios to approximately 7.5% and 10.9% respectively.

Basel

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

Since January 2001, the Basel Committee have progressively released a number of working papers, refining the content of the original documents. A final version of the consultative papers is now expected by June 2004, with implementation of the new proposals expected by the end of 2006.

Payment System Reforms In Australia

The first two stages of a package of credit card reforms introduced by the Reserve Bank of Australia (RBA) are in place. From January 1, 2003, merchants have been able to charge an additional fee for credit card transactions. From October 31, 2003 a cost-based approach to calculating interchange fees has applied. Interchange fees are wholesale fees that banks pay one another. This has significantly reduced interchange fees. Changes to credit card product offerings already in place will to some extent mitigate the impact on the Group. ANZ estimates that the impact of interchange reductions on earnings after tax will be no greater than $40 million in 2004.

The final stage of credit card reforms will allow non-banks to issue credit cards and acquire credit card transactions. APRA released its standards for public comment in July 2003 and a date for commencement of the regime has yet to be announced.

Australian Deposit Taking Institutions have applied to the Australian Competition and Consumer Commission (ACCC) to authorize EFTPOS interchange fees to be set to zero. In its draft decision, the ACCC denied the application; a final decision is expected before the end of 2003.

CLERP 9

The CLERP 9 Bill will be introduced into the Australian parliament by the end of 2003.

The government aims to improve the operation of the market by promoting transparency, accountability and shareholder activism and the Bill proposes a range of measures designed to enhance audit regulation and the general corporate disclosure framework.

The reforms particularly target the areas of auditing standards, fundraising, directors duties, takeovers and financial services by including measures that target auditor independence, enforcement arrangements, disclosures to shareholders and enforcement arrangements to support continuous disclosure, including the introduction of civil penalties.

The Parliament is likely to debate the Bill in the first half of 2004 and the government hopes for passage in time for a July 1, 2004 implementation date.

ANZ does not expect the CLERP 9 reforms to have a material affect on our business.

New Zealand

The supervision of registered banks in New Zealand is carried out by the Reserve Bank of New Zealand pursuant to the Reserve Bank of New Zealand Act 1989. The Reserve Bank of New Zealand s principal statutory purpose in exercising its supervisory powers is to promote the maintenance of a sound and efficient financial system and to avoid significant damage to the financial system that could result from the failure of a registered bank.

The Reserve Bank of New Zealand generally imposes uniform conditions of registration to ensure a level playing field among registered banks. A key element of this uniformity is the ongoing minimum capital adequacy ratio requirements imposed on registered banks by the Reserve Bank of New Zealand. The Reserve Bank of New Zealand requires each registered bank to have a capital ratio of at least 8% of the group s credit exposures, on a risk-weighted basis. Within this 8% requirement, a banking group s Tier 1 capital (which is equity or its equivalent) must be at least 4% of the group s risk-weighted exposures.

The Reserve Bank of New Zealand, its system of supervision places emphasis on a financial disclosure regime. Every quarter, each registered bank must publish what is known as a general disclosure statement, which outlines its financial position and performance so that customers and depositors can make an informed decision about the level of risk attaching to an individual bank.

Neither the New Zealand Government nor the Reserve Bank of New Zealand guarantees banks or bank deposits and there is no deposit insurance in New Zealand.

As a result of changes made in August 2003 to the Reserve Bank of New Zealand Act 1989, a person must obtain the written consent of the Reserve Bank of New Zealand before giving effect to a transaction resulting in that person acquiring a significant influence over a registered bank.

Significant influence means the ability to appoint 25% or more of the board of directors of a registered bank or a qualifying interest (e.g. legal ownership) in 10% or more of its voting securities.

In assessing applications for consent to acquire a significant influence over a registered bank, the Reserve Bank of New Zealand will have regard to the same matters as are relevant in assessing an application for registration as a registered bank. In giving its consent, the Reserve Bank of New Zealand may impose such terms and conditions as it thinks fit.

The Reserve Bank of New Zealand has stated that a systematically important bank in New Zealand (which includes both ANZ Banking Group (New Zealand) Limited and NBNZ) must be able to operate as a going concern if one of its service providers, including its parent company, fails. The Reserve Bank of New Zealand s approach is directed at ensuring that each bank operating in New Zealand has effective control of its core procedures, systems and senior staff, so that each bank may continue operating as a going concern.

The Reserve Bank of New Zealand has indicated that this going concern requirement will not necessarily preclude the adoption and use by NBNZ of ANZ s policies, procedures and systems. However, the amalgamation of NBNZ with ANZ Banking Group (New Zealand) Limited is likely only to be able to proceed if the Reserve Bank of New Zealand is satisfied that the amalgamated entity can continue to operate on a stand alone basis. It is likely that over time the Reserve Bank of New Zealand s requirement for local banks to be self sufficient in this regard will apply to all registered banks in New Zealand and, accordingly, would apply to both ANZ Banking Group (New Zealand) Limited and NBNZ were they not to amalgamate or otherwise combine operations.

United States

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

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

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

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

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

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

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

Other Countries

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

Competition

The Australian banking system is highly competitive. In September 2003, the four major banking groups in Australia (being ANZ, Commonwealth Bank of Australia, National Australia Bank Limited and Westpac Banking Corporation, together with their respective banking subsidiaries), held approximately 70% of the total Australian assets of banks that carry on business in Australia. Each of these four banking groups operates a nationwide branch network and, at September 30 2003, they collectively operated approximately 70% of the total number of bank branches in Australia. The operations of the smaller regional banks are typically limited to servicing customers in a particular State or region with particular emphasis on residential mortgage lending.

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

Competition is particularly intense in the housing lending market, which has been largely driven in recent times by the rise of mortgage originators, and more recently, growth of the mortgage broker industry. Broker originated loans now account for between 30%-40% of all transactions in the Australian marketplace. Most banks have embraced broker-originated business whilst continuing efforts to grow market share in the traditional network channel.

Our Consumer Finance business offers credit card products and personal loans in Australia. In a highly competitive market ANZ holds a strong position, accounting for around 26%-28% of all credit card spending in Australia. Reforms recently introduced by the RBA, which allow merchants to recover the costs of accepting credit cards, determine objective cost-based benchmarks for setting interchange fees and liberalize access to the schemes, are designed to increase competition further in this market.

ANZ s Esanda and UDC businesses offer a range of personal finance products in Australia and New Zealand. The businesses hold leading market positions in motor vehicle and equipment finance. The highly competitive nature of this business in both countries has seen a period of rationalization in recent years that has resulted in a number of our peers divesting their personal finance operations to non-banking institutions.

Institutional Financial Services (IFS) offers a wide range of financial market services to our large corporate and institutional customer base including: foreign exchange, derivative and fixed interest activities, project and structured finance, corporate finance (mergers and acquisitions, and other advisory), primary markets origination and syndication and leasing finance. Competitors gain recognition through the quality of their client base, perceived skill sets, reputation and brands. In domestic markets, IFS s competitors are generally either international investment banks operating in niche markets, the boutique operations of large multi-national banking conglomerates or domestic investment banks with a focus on niche areas. IFS key competitive strength is its focused geographic and sector experience, league table rankings and its established client base.

ANZ s Corporate segment offers traditional relationship management to both its Corporate (A$10m to A$100m turnover) and Small to Medium Enterprise (A$50k Funds Under Management to A$5m turnover) businesses as well as sophisticated financial solutions to it larger clients. ANZ has a strong market share in the Corporate market that is dominated by the major Australian banks. Recent growth in the SME market has seen competition intensify amongst the major and regional banks in an attempt to increase market share. ANZ s share of this market has increased in recent periods.

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

On October 24, 2003, ANZ announced that it had purchased The National Bank of New Zealand from Lloyds TSB Group plc. Combined with ANZ s existing New Zealand operations the amalgamated entity will hold an approximate 40% market share, and will be the leading player in all market segments of the New Zealand banking market. We compete in New Zealand with the Bank of New Zealand (a wholly-owned subsidiary of National Australia Bank Limited), Westpac Trust Corporation (a wholly owned subsidiary of Westpac Banking Corporation), ASB Bank Limited (a subsidiary of Commonwealth Bank of Australia) and others.

Item 5: Operating and Financial Review and Prospects

Results for 2003, 2002 and 2001

The following discussion is based on the Financial Statements and accompanying notes as prepared under Australian GAAP and set out in the Financial Report. Note 54 to the Financial Report discusses the differences between Australian GAAP and US GAAP, and their impact on our net profit, shareholders equity and total assets.

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

Overview

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

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

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

In 2003, 27% (2002: 28%) of our gross revenue was derived from countries outside Australia. Movements in foreign currencies against the Australian dollar will therefore affect our earnings through the translation of overseas profits to Australian dollars.

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

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

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

Changes in Accounting Policy

AASB 1044, Provisions, Contingent Liabilities and Contingent Assets became effective for the Group from October 1, 2002. Under the new Standard, provision for dividends cannot be booked unless dividends are declared, determined or publicly recommended on or before balance date. Accordingly the dividend applicable to the current reporting period has not been booked in this report. However, dividends declared after balance date still need to be disclosed in the notes. The adoption of AASB 1044 results in an increase in Shareholders Equity of $777 million at September 30, 2003. The Group will continue its current practice of making a public announcement of the dividend after balance date. Dividend information for the current period is provided in Note 7, Dividends.

AASB 1012, Foreign Currency Translation became effective for the Group from October 1, 2002. Under this revised Standard foreign denominated equity must be reported using the spot rate applicable at the date of issue and not be retranslated using the spot rate at the end of each reporting period. The Group has retranslated its USD preference share capital to the historical spot rates. As the translation adjustment is reported in the foreign currency translation reserve the impact of these changes are neutral on equity.

Operating Results

Our results for the past three years are summarized below and are discussed under the headings of Analysis of Major Income and Expense Items , Results by Line of Business , and Results by Region , which follow.

Years ended September 30	**2003**	**2002**	**2001**
	$M	**$M**	**$M**
Australian GAAP			
Net interest income	4,311	4,018	3,833
Allowance for loan losses charge	(614)	(860)	(531)
Net interest income after allowance for loan losses charge	3,697	3,158	3,302
Non-interest income	2,808	2,970	2,573
Net operating income tax	6,505	6,128	5,875
Other operating expenses	(3,228)	(2,905)	(3,092)
Operating profit before income tax	3,277	3,223	2,783
Income tax expense	(926)	(898)	(911)
Operating profit after income tax	2,351	2,325	1,872
Outside equity interest	(3)	(3)	(2)
Net profit attributable to shareholders of the company	2,348	2,322	1,870
US GAAP			
Operating profit attributable to ANZ shareholders	2,380	2,097	1,796

Analysis of Significant Items

ANZ believes that the exclusion of significant transactions provides investors with a measure of the performance of the operating business without the distortion of one-off gains and losses. The table below shows the impact of the significant items on our Operating Results for the past three years. Significant items are shown individually and also shown geographically for Australia and New Zealand.

	2003	**2002**	**2001**
	$M	**$M**	**$M**
Profit excluding profit after tax from sale of businesses to joint venture, NHB recovery and additional allowance for loan losses charge		2,168	
Additional allowance for loan losses charge after tax		(175)	
Recovery from NHB litigation after tax		159	
Profit from sale of Australian businesses to ING Australia joint venture after tax		138	
Australian significant transactions		122	
Profit from sale of New Zealand businesses to ING Australia joint venture after tax		32	

Net profit attributable to shareholders of the company	2,322

Australia and New Zealand Banking Group Limited recorded a profit after tax of $2,348 million for the year ended September 30, 2003, an increase of 1% over the September 2002 year. Earnings per ordinary share were 1% higher at 148.3 cents, and return on ordinary shareholders equity was down from 23.2% to 20.6%.

Net profit and loss

Profit after tax for the 2003 year was $2,348 million, an increase of 1% over the September 2002 year. Excluding one-off significant transactions in 2002, there was an 8% increase over the September 2002 year. Key influences on the operating result for the year were:

Growth of 7% in net interest income. Average net lending assets grew by $13.6 billion (10%) overall, with growth of $10.8 billion (18%) in Mortgages, $1.6 billion in Corporate and $0.8 billion in Asset Finance. Net lending asset volumes reduced 15% in overseas markets as a result of the strategy to reduce higher risk exposures in the UK and US and the exchange rate impact of a strengthening Australian dollar. Average deposits and other borrowings grew $13.5 billion, in Treasury ($3.2 billion), Personal Banking Australia ($4.2 billion), Institutional Financial Services ($2.7 billion), New Zealand Banking (NZ $0.8 billion), Asset Finance ($0.8 billion) and Corporate ($1.6 billion). The deposit growth was encouraged by uncertainty in global equity markets.

Net interest margin contracted by 10 basis points:

The funding cost associated with unrealized trading gains increased as a result of the appreciation of the AUD. Whilst resulting in a 3 basis point decline in net interest margin, it is offset by an equivalent gain in trading income.

Net interest income in Treasury fell by $45 million with maturing high yielding assets not able to be replaced due to the sustained period of low and stable interest rates (3 basis points).

The interest benefit from low interest savings accounts and non-interest bearing balances reduced as the rate at which they were invested reduced (3 basis points).

The proportion of the balance sheet funded by low interest savings accounts and non-interest balances reduced during the year, offset by an increase in term deposits and wholesale funding. This change in funding mix reduced the net interest margin by 5 basis points.

Partially offsetting these declines was an increase in foreign currency hedge revenue as a result of the strengthening AUD (3 basis points) and a reduction in the funding cost on impaired assets (1 basis point).

Non interest income reduced 5%. After adjusting to remove the impact of selling the ANZ Funds Management business to ING Australia non interest income increased 5% :

Lending fees increased $57 million on strong volume growth in Corporate, Asset Finance and Institutional Banking in Australasia.

Non-lending fees reduced by 3% ($35 million) principally from a $38 million under-accrual of loyalty points on co-branded credit cards in prior years, higher cost of loyalty points and reduced fee revenue from the US and UK structured finance operations.

Non-fee other income increased by 17% ($102 million), including increased equity accounted income in PT Panin, development property sales in Institutional and higher profit on trading instruments. The latter is principally due to a change in the split of Capital Markets earnings between trading and net interest income.

Operating expenses increased $323m, 11% compared to 2002. Excluding the 2002 NHB recovery ($248 million) operating expenses increased by $75 million, 2% higher than the full year 2002. After also adjusting for the impact of selling the Funds Management businesses to ING Australia operating expenses increased 4%.

The Allowance for Loan Loss charge increased by 1%. A 12% growth in net advances was offset by an improvement in overall average credit quality, with an increased proportion of mortgage loans.

Credit Risk

The total group allowance for loan loss charge totalled $614 million as compared to a charge of $860 million in 2002. The 2002 charge included an additional allowance for loan losses of $250 million to restore the general allowance for loan losses to an appropriate level.

The allowance for loan loss charge to operating segments was lower at $514 million in the year to September 2003 (2002: $538 million). An additional charge of $100 million (7 basis points) was taken to recognize continued uncertainty and expected levels of default in the offshore lending portfolios. Excluding the $250 million additional provision in 2002, the average allowance for loan loss rate decreased over the year to 39 basis points compared to 43 basis points for the September 2002 year.

Net specific allowance for loan losses were $527 million, down from $728 million in the September 2002 year. The reduction was mainly due to the absence of large single name losses in the September 2003 year, compared to the September 2002 year where 43% of losses were due to two large amounts in the offshore portfolios. While the Australian and New Zealand portfolio losses remained relatively stable over the year, the international portfolio losses reduced by 52%. Settlement of the Grindlays credit warranties ($27 million) was included in the net specific allowance for loan losses for the 2003 year.

Net non-accrual loans were $525 million at September 2003 compared with $628 million at September 2002. New non-accruals of $988 million in the September 2003 year represent a reduction of $297 million compared to the September 2002 year where large single names boosted the level of non-accruals. The Allowance for Loan Loss balance at 30 September 2003 was $1,534 million (1.01% of risk weighted assets), compared with $1,496 million (1.06% of risk weighted assets) at September 30, 2002.

Analysis of Major Income and Expense Items

Net interest income

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

Years ended September 30	**2003**	**2002**	**2001**
	$M	**$M**	**$M**
Interest income	10,215	9,037	10,251
Interest expense	(5,904)	(5,019)	(6,418)
Net interest income	4,311	4,018	3,833
Average interest earning assets	162,154	145,920	139,301
Australia			
Gross interest spread adjusted to include interest forgone	2.31	2.44	2.35
Interest forgone on impaired assets (1)	(0.02)	(0.04)	(0.03)
Net interest spread (2)	2.29	2.40	2.32
Interest attributable to net non-interest bearing items	0.41	0.51	0.64
Net interest average margin (3)- Australia	2.70	2.91	2.96
New Zealand			
Gross interest spread adjusted to include interest forgone	2.30	2.34	2.13
Interest forgone on impaired assets (1)			(0.03)
Net interest spread (2)	2.30	2.34	2.10
Interest attributable to net non-interest bearing items	0.62	0.48	0.54
Net interest average margin (3)- New Zealand	2.92	2.82	2.64
Overseas markets			
Gross interest spread adjusted to include interest forgone	1.37	1.20	0.92
Interest forgone on impaired assets (1)	(0.07)	(0.05)	(0.16)
Net interest spread (2)	1.30	1.15	0.76
Interest attributable to net non-interest bearing items	0.15	0.25	0.55
Net interest average margin (3)- Overseas markets	1.45	1.40	1.31
Group			
Gross interest spread adjusted to include interest forgone	2.28	2.31	2.15
Interest forgone on impaired assets (1)	(0.03)	(0.04)	(0.06)
Net interest spread (2)	2.25	2.27	2.09
Interest attributable to net non-interest bearing items	0.42	0.50	0.68
Net interest average margin (3)- Group	2.67	2.77	2.77

(1) Refer Note 14 to the Financial Report

(2) Average interest rate received on interest earning assets less the average interest rate paid on interest bearing liabilities

(3) Net interest income as a percentage of average interest earning assets

Years ended September 30	2003	2002	2001
Average rates			
Average Australian reference lending rate charged by ANZ	8.6%	8.3%	9.3%
Average Australian variable housing loan rate charged by ANZ	6.6%	6.3%	7.4%
Average Australian 90 day fixed term deposit rate (1)	3.2%	3.1%	3.6%
US average prime rate (2)	4.2%	4.9%	8.1%

(1) Source: Reserve Bankof Australia

(2) Source: Economic Indicators prepared by the Council of Economic Advisors 2003

2003

Net interest income at $4,311 million was 7% ($293 million) higher than last year.

Volume

Average net lending assets grew by $13.6 billion (10%) overall, with growth of $10.8 billion (18%) in Mortgages, $1.6 billion in Corporate and $0.8 billion in Asset Finance. Net lending asset volumes reduced 15% in overseas markets as a result of the strategy to reduce higher risk exposures in the UK and US and the exchange rate impact of a strengthening Australian dollar.

Average deposits and other borrowings grew $13.5 billion, in Treasury ($3.2 billion), Personal Banking Australia ($4.2 billion), Institutional Financial Services ($2.7 billion), New Zealand Banking (NZ$0.8 billion), Asset Finance ($0.8 billion) and Corporate ($1.6 billion). The deposit growth was encouraged by uncertainty in global equity markets.

Margin

Net interest margin contracted by 10 basis points for the reasons discussed above under Net profit and loss .

2002

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

Gross spread increased in all geographic regions due largely to:

- improved margins in most asset based businesses;

- consumer-driven business such as Personal Banking and Small to Medium Business experienced strong deposit volume and margin growth on the back of the impact of marketing initiatives, and competitive pricing of products; and

- strong asset and liability management earnings.

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

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

Non Interest Income

Years ended September 30	2003 $M	2002 $M	2001 $M
Fee income			
Lending	933	876	787
Other	1,115	1,196	1,105
Total fee income	2,048	2,072	1,892
Foreign exchange earnings	348	365	348
Profit on trading instruments	110	59	63
Other income	302	474	270
Non interest income	2,808	2,970	2,573

Non Interest Income, at $2,808 million, was 5% lower than the 2002 year. Excluding profit on sale of business to ING Australia, other operating income was flat. Total fee income was $24 million lower than 2002 largely due to a one-off charge of $38 million as a result of an under-accrual of loyalty points on co-branded cards covering the period back to 1999 together with the ongoing impact of higher loyalty program costs. Profit on trading instruments increased $51 million largely due to Capital Markets activities where a lower proportion of trading revenue was booked as interest.

Fee Income

2003

Total fee income of $2,048 million decreased $24 million, 1% lower than September 2002.

Lending fee income increased 7% with increased business volumes in Institutional Banking, Corporate and Asset Finance.

Non-lending fee income reduced 7% as a result of three main factors:

A one-off charge of $38 million as a result of an under-accrual of loyalty points on co-branded cards covering the period back to 1999 together with the ongoing impact of higher loyalty program costs

Lower structured finance fee income reflecting difficult market conditions and a decision to reduce credit exposures to the power and telecommunications sectors

The sale of ANZ s funds management businesses to ING Australia

2002

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

Key drivers included :

increased fee income from lending transactions in Global Institutional Banking and an increase in Personal Banking Australia mainly driven by growth in honor fees.

increased non-lending fees largely as a result of higher cards transaction volumes. There was also an increase in non-lending fees in Global Structured Finance.

Foreign Exchange Earnings

2003

Foreign exchange earnings reduced by $17 million, 5% lower than September 2002. Increasing competition and credit constraints offset the positive impact of increased volatility in Asian and Pacific currencies.

2002

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

Profit and Loss on Trading Instruments

2003

Profit on trading instruments increased $51 million (86% higher than September 2002) largely due to Capital Markets activities where a lower proportion of trading revenue was booked as net interest. Total income in Capital Markets increased by $17 million.

2002

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

Other Income

2003

Other income reduced by $172 million to $302 million, 36% lower than September 2002.

Excluding the $174 million net profit before tax from the sale of business to the ING Australia joint venture other income increased 1%. A reduction in life insurance margin on services income following the sale of the funds management business into ING Australia was offset by increased equity accounted profit from ING Australia, higher equity accounted profit from other associated entities principally relating to profit on bond sales by PT Panin and the sale of development properties in Institutional Banking in the 2003 year.

2002

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

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

Non-Interest Expenses

Years ended September 30	**2003**	**2002**	**2001**
	$M	**$M**	**$M**
Personnel expenses	1,750	1,714	1,675
Premises expenses	295	299	285
Computer expenses	465	424	364
Other expenses	658	653	682
Restructuring	60	63	86
Recovery from NHB litigation (1)		(248)	
Non-interest expenses	**3,228**	**2,905**	**3,092**

(1) Part of the Provisions raised on sale of Grindlays and associated businesses

Operating expenses increased $323m, 11% compared to 2002. Excluding the 2002 NHB recovery ($248 million) operating expenses increased by $75 million, 2% higher than the full year 2002. After also adjusting for the impact of selling the Funds Management businesses to ING Australia operating expenses increased 4%.

Personnel Expenses

2003

Personnel expenses increased $36 million, 2% over the year ended September 2002. Excluding the impact for the sale of the funds management business to ING Australia, personnel expenses increased $72m (4%).

Salaries and wages increased as a result of the 4% Enterprise Bargaining Agreement and performance related salary increases with increased staff numbers in five main areas: Continuing investment in sales staff in Personal Banking Australia, Corporate and New Zealand Banking, as well as higher back office staffing required in Mortgages to service the higher volumes. Consumer Finance staff numbers increased (mainly temporary staff) to implement the Reserve Bank credit card reforms. These credit card reform changes were introduced in January 2003.

2002

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

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

Premises Expenses

2003

Premises cost decreased $4m, 1% compared to 2002.

2002

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

Computer Expenses

2003

Computer costs increased $41m, 10% compared to 2002 due to higher software amortization charges ($43m) as new systems (e.g. Sales and service platform, Vision Plus and Nexus) become operational and increased rentals and repairs ($11m) partially offset by a decrease in use of computer contractors in 2003 ($16m).

2002

Computer expenses increased $60 million, 16% compared to 2001 due to increased software purchases and software

amortization. Increased data communications costs were offset by lower expenditure on computer contractors.

Other Expenses

2003

Other expenses increased $5 million, 1% compared to 2002. After adjusting for the impact of selling the Funds Management business to ING Australia, other expenses increased 3%. This is due to higher consultant costs ($5m) and an increased loss on disposal of premises and equipment ($5m).

2002

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

Restructuring Expenses

2003

Restructuring expenses decreased $3 million, 5% compared to 2002, reflecting an increased focus on generating profit growth through increased revenue rather than cost reductions.

2002

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

Pension Payments

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

ING Australia Limited

Years ended September 30	**2003**	**2002(1)**	**2001**
	$M	**$M**	**$M**
Net interest income	(16)	(6)	n/a
Other operating income	46	9	n/a

Operating income	30	3	n/a
Operating expenses			n/a
Profit before income tax	30	3	n/a
Income tax benefit	8		n/a
Net profit after income tax	38	3	n/a

(1) Impact of 5 months of the Joint Venture operation upon ANZ. The businesses sold to the joint venture contributed a $40 million profit prior to their sale.

2003

The 2003 result for the equity accounted joint venture ING Australia improved over the five months to September 30, 2002 as a result of strong revenue growth from the life risk business and cost reductions. After a difficult start to the year due to major global uncertainties, funds under management increased in the second half of 2003 and ING Australia consolidated its number 4 position in Retail Funds Under Management as measured by ASSIRT. Risk business income continued to improve with positive claims experience the major contributor. Costs fell in the second half of 2003 as a result of the delivery of integration savings and strong cost management.

2002

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

The joint venture is equity accounted, ANZ s share of the equity accounted income for the 5 months ended September 30, 2002, was $20 million, which is then decreased by a $18 million notional goodwill amortization charge. The 2002 results above include the funding cost ($6 million charge before tax), and the investments earnings on a hedge ($5 million net of tax). Part of ING Australia capital is invested in equities and fixed interest, and we have hedged our exposure to these earnings.

Non Accrual Loans

September 30	**2003**	**2002**	**2001**
	$M	**$M**	**$M**
Gross non-accrual loans	1,007	1,203	1,260
Subject to specific allowance for loan losses	913	1,072	940
Without specific allowance for loan losses	94	131	320

Gross Non Accrual Loans by Region September 30,	**2003**	**2002**	**2001**
	$M	**$M**	**$M**
Australia/New Zealand	544	561	872
US/UK Europe	376	541	145
Asia	50	62	147
Other international	37	39	96
Total	1,007	1,203	1,260

A reduction in new non accrual loans and a stable level of write-offs has seen the non accrual loan balance drop by $196 million.

In the US/UK and Europe new non accrual loans fell by $267 million due to fewer large individual customer down grades.

New Non Accrual Loans by Region September 30,	**2003**	**2002**	**2001**
	$M	**$M**	**$M**
Australia/New Zealand	636	674	1,127
US/UK Europe	320	587	124
Asia	11	10	48
Other international	21	14	58
Total	988	1,285	1,357

The Group is well provided with a specific allowance for loan losses coverage ratio of 48%. Net non-accruals are $525 million (September 2001: $628 million) and represents 3.8% of shareholders equity at September 2003 (September 2002: 5.5%).

Corporate Businesses Risk Profile(1)

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

Corporate Businesses Risk Profile(1)

Years ended September 30			2003	2002	2001
ANZ	S&P	Moody s			
CCR 0-3	AAA to BBB+	Aaa to Baa2	39.0%	40.8%	37.8%
CCR 4	BBB-	Baa3	22.4%	25.5%	27.6%
CCR 5	BB+ to BB	Ba1 to Ba2	23.5%	19.8%	20.1%
CCR 6	BB-	Ba3	10.3%	9.3%	9.4%
CCR 7-8	B+ to CCC	B1 to Caa	3.3%	2.9%	3.6%
CCR 9-10	D/Non Accrual	Non Accrual	1.5%	1.7%	1.5%

(1) Corporate Businesses comprises the following specialist business units: Institutional Banking, Transaction Services, Structured Finance International, Capital Markets, Foreign Exchange, Corporate Finance and Advisory and Corporate Banking.

Allowance for Loan Losses

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

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

Years ended September 30	2003	2002	2001
	$M	$M	$M
Specific allowance for loan losses			
Australia	267	211	303
New Zealand	9	20	33
Principal domestic markets	276	231	336
Overseas markets	208	354	164
Total specific allowance for loan losses	**484**	**585**	**500**
General allowance for loan losses	**1,534**	**1,496**	**1,386**
Total allowance for loan losses	**2,018**	**2,081**	**1,886**
General allowance for loan losses			
Balance at start of period	1,496	1,386	1,373
Adjustment for exchange rate fluctuations	(49)	(22)	2
Charge to profit and loss	614	610	531
Significant transaction:			
Additional charge to profit and loss		250	
Transfer to specific allowance for loan losses	(588)	(788)	(595)
Recoveries	61	60	75
	1,534	1,496	1,386
Specific allowance for loan losses			
Balance at start of period	585	500	709
Adjustment for exchange rate fluctuations	(49)	(6)	30
Bad debts written off	(640)	(697)	(834)
Transfer from general allowance for loan losses	588	788	595
	484	585	500
Total allowance for loan losses	**2,018**	**2,081**	**1,886**
Allowance movement analysis			
New and increased allowance for loan losses			
Australia	418	423	562
New Zealand	45	54	67
United Kingdom	78	214	9
United States	64	185	12
Other overseas markets	70	22	26
	675	898	676
Allowance for loan loss releases	(87)	(110)	(81)
	588	788	595
Recoveries of amounts previously written off	(61)	(60)	(75)
Net specific allowance for loan losses	527	728	520
Net credit to general allowance for loan losses	87	132	11
Charge to profit and loss	**614**	**860**	**531**

2003

The Group remains well provided with total allowance for loan losses of $2,018 million, down $63 million from 2002. A continued shift in the asset portfolio from offshore institutional assets, to domestic market based assets, predominately mortgages, has seen the overall risk of the portfolio reduce. The charge to profit and loss of $614 million represents a loss provisioning rate of 39 basis points, down from 43 basis points in 2002 excluding the additional charge. The general allowance for loan losses has increased by $38 million, to $1,534 million with the moderate increase explained by the Group s larger yet less risky portfolio.

The specific allowance for loan losses fell from $585 million to $484 million in 2003. In Australia the specific allowance for loan losses increased by $56 million in 2003 year, with the majority of this being increased provisioning by the Group s corporate businesses. Offshore, the specific allowance for loan losses fell by $157 million, with $117 million being in the Group s UK operations, predominately relating to our restructure and partial write-off of the exposure to telecommunications company, Marconi. In the absence of the large single name exposures in the power and telecommunications industries seen in the UK and American markets in 2002, both new and increased specific allowances for loan losses and net specific allowance for loans losses where significantly lower than the amounts reported in 2002. New and increased specific allowance for loan losses were $675 million, down $223 million, while net specific allowance for loan losses was $527 million down $201 million from 2002.

2002

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

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

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

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

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

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

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

Income Tax Expense

Years ended September 30	**2003**	**2002**	**2001**
	$M	**$M**	**$M**
Total income tax expense including significant items	926	898	911
Effective tax rate	28.3%	27.9%	32.7%
Australian corporate tax rate	30%	30%	34%

2003

The Group s effective tax rate for the year ended September 30, 2003 increased 0.4% from September 30, 2002, largely due to the 2002 year benefiting from roll-over relief which shields from tax the capital gain arising on the sale of businesses to the joint venture with ING Australia. This was partly offset by the NHB settlement tax rate differential and the life insurance accounting in the 2002 year together with higher equity accounted earnings in 2003.

2002

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

Results by Line of Business(1)

Years ended September 30 (3)	2003	2002 (2)	2001
	$M	$M	$M
Personal Banking Australia	384	360	n/a
Institutional Financial Services	772	715	n/a
Corporate	270	242	n/a
New Zealand Banking	141	131	n/a
Mortgages	270	247	n/a
Consumer Finance	144	150	n/a
Asset Finance	127	103	n/a
ING Australia	38	43	n/a
Asia Pacific	131	98	n/a
Treasury	95	125	n/a
Operating Segments Total	**2,372**	**2,214**	n/a
Group Center	(24)	(46)	n/a
Profit excluding significant transactions (4)	**2,348**	**2,168**	n/a

As published in the September 2002 Financial Report

	2002	2001 (5)
	$M	$M
Personal Banking and Wealth Management	573	526
Corporate Businesses	527	466
Investment Banking	311	288
Consumer Finance	149	99
Mortgages	246	236
Asset Finance	102	92
Small to Medium Business	157	130
Group Treasury	124	75
Operating segments total	2,189	1,912
Corporate Center	(21)	(42)
Profit excluding significant transactions (4)	**2,168**	**1,870**

(1) Results are equity standardized. Refer definition on page 207

(2) Results for 2002 have been restated to reflect changes to line of business in 2003

(3) Comparative Line of Business information cannot be provided without unreasonable effort or expense, refer table below for line of business under previous business structure

(4) Significant transactions for 2002 include: Sale of business to ING Australia joint venture, NHB recovery and additional provision for loan loss (refer page 31)

(5) Results for 2001 have been restated to reflect changes to line of business in 2002

During the year ended September 30, 2003, ANZ managed is business activities along the following lines of business: Personal Banking Australia, Institutional Financial Services, Corporate, New Zealand Banking, Mortgages, Consumer Finance, Asset Finance, ING Australia (joint venture), Asia Pacific, Treasury and Group Center.

The following commentary compares the 2003 result with the restated results for 2002.

Personal Banking Australia comprises Personal Distribution and Banking Products.

Profit after tax increased by 7% to $384 million with profit growth in Banking Products of 27% offsetting a 4% reduction in Personal Distribution. Within Personal Distribution, Rural Banking delivered a 10% profit improvement offsetting investments in Personal Banking and revenue pressure in ANZ Financial Planning. Significant factors affecting the result were:

Net interest income increased 8% driven by volume growth in Rural Banking (business lending 22%, business deposits 44%), and in Banking Products with growth in consumer deposits (11%) and margin lending, (19%). Net interest margin, however, was lower by 25 basis points due to the lower interest rate environment and higher growth in lower margin cash and term deposits.

Other external operating income increased 3%. Revenue from the distribution of investment management products is recorded as external income, whereas prior to the sale of businesses to ING Australia, this revenue was internal. After adjusting for this:

Sales and retention commissions received from the sale of ANZ products through the branch network increased 5% reflecting strong demand for mortgages and the effects of our investment in training of sales staff in the second half.

Fees from core transaction products were marginally up.

Other external operating income reduced 6% driven by an 18% reduction in sales and retention payments from ING Australia, reflecting the negative impact of the downturn in the equity markets. This was particularly evident in the first half of the year.

Operating costs increased 3% due to an $8 million investment in training our sales force, and increased depreciation associated with investments in technology and the branch network. Banking Products benefited from cost savings arising from the creation of ING Australia.

Allowance for loan losses remained low reflecting credit quality, and the deposit driven nature of the business.

Personal Distribution profit after tax fell 4% to $224 million. In 2003, significant investments were made to improve the sales and service performance of the business. On the service side, 155 branches were refurbished, with new merchandising rolled out across the network. On the sales side, emphasis is on the skills of our sales force and in the second half of 2003, more than 4,200 staff received sales training. The second half showed stronger sales performance in Personal Banking on the back of continued demand for mortgages and higher sales productivity. Growth in the rural sector has continued, with ANZ improving its market share. The downturn in the equity markets continued to have a negative impact on the distribution of investment management products, however this improved during the second half as equity markets stabilized.

Demand for deposits in Banking Products led to deposit balances increasing by 9% over the year. In August, ANZ was named Savings Institution of the Year and ANZ s transaction accounts were again voted best in the market. Transaction volumes via direct channels have increased 14% reflecting the expansion of our ATM fleet and continued growth in internet banking. Margin lending volumes increased 19%.

Institutional Financial Services comprises Institutional Banking, Transaction Services, Foreign Exchange, Capital Markets, Structured Finance International, and Corporate Financing and Advisory.

Profit after tax increased 8% driven by revenue growth in Institutional Banking and Capital Markets of 10% and 9%, respectively, and a 7% increase in profit after tax in Transaction Services. This was offset by a 19% reduction in profit after tax in Structured Finance International reflecting the continuing rebalancing of the portfolio towards lower risk sectors. Significant influences on the result were:

Net interest income reduced 2%. A 6% increase in Institutional Banking due to growth in domestic lending volumes and higher margins, and a 17% increase in Structured Finance International driven by several high margin structured deals was offset by increased funding costs on derivative trading in Capital Markets and Foreign Exchange that was basically exchange rate driven.

Lending volumes were 3% lower as a result of a reduction in offshore exposures and the impact of the appreciation in the AUD.

Non interest income increased 7% due to volume related fee growth of 9% in Australia/New Zealand Institutional Banking, higher profit on trading instruments in Capital Markets and Foreign Exchange (the split of net interest income and non interest income can vary considerably in markets trading depending on economic conditions), and a $19 million profit after tax on the final sale of development property businesses.

Fee revenue in Transaction Services increased 4% despite being suppressed by the impact of the appreciation of AUD and NZD, SARS, terrorism alerts, and the drought in Australia.

Non-interest income reduced 29% in Structured Finance International reflecting difficult conditions in the Power and Telecommunications sectors, combined with reduced Leasing and Tax based activity, and by 6% in Corporate Financing and Advisory, reflecting the profit on sale of a legacy asset in 2002.

Operating expenses reduced by 2%, due to the appreciation of the AUD against the USD and GBP reducing the 2003 cost base in offshore sites, and continuing cost discipline across all businesses. Increased personnel costs and the cost consequence of consolidating the TradeCentrix (previously known as Proponix) processing hub were absorbed by back office efficiency initiatives, and control on discretionary expenditure.

Allowance for loan losses charge reduced 5% with a continuing reduction in offshore institutional exposures, including reduced exposure to the US and UK Power and Telecommunication sectors. Offsetting these improvements was a further deterioration in credit quality of the remaining power and telecommunication exposures. Net non-accrual loans decreased by 21%, largely reflecting the continuing rebalancing of the portfolio towards lower risk sectors.

Net specific allowance for loan losses reduced significantly from the 2002 year which included provisioning on Enron and Marconi. New specific allowance for loan losses relate mainly to further provisioning against the offshore Power sector.

Institutional Banking profit after tax grew 20% over the year. The strategy to reduce exposures in the UK and US markets and place an increased emphasis on the domestic operations resulted in ANZ maintaining its leading market position in Australia and improved overall credit quality. The improvement in credit quality is reflected in the decline in new non-accrual loans and net specific allowance for loan losses as offshore exposures are managed down. Allowance for loan losses charge increased in the September half due to growth in lending assets in Australia, a number of domestic downgrades, and further deterioration in the remaining offshore power exposures. The September 2003 results also benefited from a $19 million profit after tax sale of development properties.

Transaction Services profit after tax grew by 7% to $164 million. Cash management businesses experienced deposit growth with customers increasing their cash holdings. This was coupled with improved income from Custodian Services with increased assets under custody and transaction volumes. Trade Finance and International payments suffered from the effects of SARS and terrorism alerts and the related downturn in tourism, the appreciation of AUD and NZD against the USD, and reduced trade flows resulting from the drought in Australia. Operating efficiency improved while completing the acquisition of the TradeCentrix processing hub, which added 105 staff in September half, and commencing the amortization charge for the new global trade platform software. Cost savings in cash, trade and payments processing more than offset these costs and the investment in a replacement custody system.

Foreign Exchange experienced a 1% growth in after tax profit, recording $85 million for 2003. Sales and trading activity was maintained at prior year levels despite slow market conditions prevailing for much of the year, particularly in the Australasian time zone. Consumer activity was constrained by currencies being range bound for long periods reflecting the general uncertainty associated with events such as the Iraq war, the SARS outbreak and the revision of treasury hedging policies by corporates. The development of collateralization capabilities and commissioning of CLS (continuous linked settlements) during the year reduced credit and settlement risk, respectively. Net specific allowance for loan losses and non accrual loans related to one large Australian Corporate that defaulted in 2002.

Capital Markets profit grew over 2003 - up 17% to $75 million. The 2003 year was characterized by a lack of volatility in interest markets, and reduced client hedging activity with expectations that historically low levels of interest rates would continue in the medium term. Increased revenues reflect increased penetration into existing markets by the derivative desk, a continued push into new fixed interest products and improved conversion of opportunities into mandates in the Primary Market Group.

Structured Finance International suffered a downturn in profit after tax of 19% in 2003, to $68 million. The 2003 result reflects the Group s strategy to rebalance the portfolio towards lower risk sectors, and reduce exposure to the UK and US power and telecommunications sectors. The leasing and transportation sector has performed strongly, however, most other industry segments have been impacted by subdued market conditions resulting in an increased time to bring mandated deals to financial close. Credit remains a critical issue with some further deterioration in credit quality, notably in the UK and US power sectors.

Corporate Financing and Advisory saw a slight decline in profit in 2003 - down 1% to $80 million. The portfolio strategy of developing and exploiting niche products for the core customer base showed promising results in 2003 as a result of the increased emphasis on growing the private equity, infrastructure fund management and leveraged finance businesses. Revenue from core activities grew notwithstanding a challenging environment. The profit on sale of a legacy asset inflated income in 2002.

Other niche products directed at the Small Business segment will be launched in 2004 to further advance the portfolio strategy.

Corporate comprises Small to Medium Enterprises Australia and Corporate Banking Australia.

Profit after tax increased by 12%. Significant influences on the result were:

Operating income increased 8% with growth in both lending and deposit volumes. SME achieved 15% revenue growth resulting from an increased geographic footprint, a focus on industry specialization and an increasing volume of new business being generated through third party broker channels. Corporate Banking revenue increased by 1% over the year, but rose 5% in the second half of the year reflecting stronger business momentum.

The growth in non interest income was driven by the increase in volume of lending in both Corporate and SME.

Operating expenses increased 3%. Higher costs in SME are due to ongoing investment in frontline and support staff to enable the continued expansion of the overall business. Overheads in Corporate Banking have reduced due to on-going cost management and synergies in combining the business.

Allowance for loan losses have increased 4%, slower than the 19% growth in lending volumes. Credit quality in the SME sector remains sound with the portfolio quality reviewed every quarter to detect any early adverse trends. One internally used indicator of portfolio quality is the percentage of quarterly Business Activity Statement (BAS) payments met by drawing down existing deposits versus increasing debt (overdrafts). This has remained at around 80% of the tax payments being met from deposits suggesting steady cash performance in the SME sector.

Net specific allowance for loan losses were up largely due to provisioning against two large corporate customer exposures: problems with one emerged in the second half of the financial year while the other reflected an increase in allowance for loan losses in an account that has been closely monitored for two years.

Small to Medium Enterprises Australia experienced 16% growth in profit for 2003 - up to $159 million for the year. The strategy has been to develop a strong customer proposition and achieve rapid growth in the business. New investment has centered on expanding the geographic footprint and industry specialization. Growth has been achieved through an increased investment in relationship and business support staff and leveraging third party broker distribution channels. Monitoring the credit portfolio has received increased focus during this period of expansion and is reflected in the reduction in specific allowance for loan loss charge.

Corporate Banking Australia s after tax profit grew 6% in 2003 - up to $111 million. The business has continued its focus on acquiring new business customers and cross-selling the products of other ANZ business units. Total customer profitability increased by 26% in the year with 46% of total profitability being reported in the profits of other product businesses. Growth was achieved despite subdued market conditions with overall credit quality of the portfolio improving slightly. Allowance for loan losses raised for two large customers impacted net specific allowance for loan losses. Operating efficiency has improved following the centralization of the Relationship Banking support functions early in the year.

New Zealand Banking profit after tax for the year increased 8%, driven by the appreciation of the New Zealand dollar. The flat result was due to the lack of fee growth as we improved the competitiveness of our product ranges, and higher costs as we increased our front line branch staff numbers to improve customer service. Net interest income increased 12%, driven by strong growth in Business and Rural lending and, to a lesser extent, Corporate lending. Overall margins contracted 5 basis points, with reduced deposit margins from competitive pressures, and reduced Corporate lending margins consistent with a focus on lower risk lending. Operating expenses increased 12%, reflecting increased frontline staff as part of the roll out of the Restoring Customer Faith program in Personal, and increasing capacity in Business and Rural. Technology costs were also higher with increased project related expenditure.

On October 24, 2003 ANZ announced the purchase of National Bank of New Zealand (refer page 18).

Mortgages profit after tax grew 9% over 2003. Significant impacts on this result included an increase of 13% in net interest income, driven by a 22% growth in the Australian mortgage portfolio - a record sales volume being written through all key channels. The New Zealand mortgage business has had a turn around in 2003, experiencing strong growth in the September 2003 quarter following a period of flat or reducing volumes in 2002. Expenses increased 12% due to increased staffing required to maintain service levels due to higher volumes.

Consumer Finance saw a decline in profit by 4% over 2003 - to $144 million. Impacting this result included growth in net interest income (up 15% on 2002) driven by volume increases in the average credit card outstandings (15%) and personal loans (4%) and a higher proportion of credit card balances paying interest. Other operating income was impacted by a $38 million charge taken in the first half as a result of an under accrual of loyalty points on co-branded cards going back to 1999, $20 million of which related to 2002. After adjusting for the impact of this under-accrual, other operating income increased by $21 million, reflecting strong growth in merchant turnover (15%) and cardholder spend (10%). Operating expenses increased by 12%, resulting from volume growth and increased amortization costs of new technology and the MultiPOS network.

Asset Finance experienced strong profit after tax growth in 2003 - up 23% to $127 million. This result was driven by a 25% increase in other income - the result of fees on higher new business volumes, profits on end-of-lease vehicle sales, and commissions on increased insurance writings. Strong growth rates in new business writings saw motor vehicle finance increase 18%, equipment finance 26%, fleet management services up 26% and equipment operating leases up 24%.

ING Australia profit after tax declined 12% in 2003 to $38 million. The 2003 result for ING Australia improved over the five months to September 30, 2002 as a result of strong revenue growth from the life risk business and cost reductions. After a difficult start to the year due to major global uncertainties, funds under management increased in the second half and ING Australia consolidated its number 4 position in Retail Funds Under Management as measured by ASSIRT. Risk business income continued to improve with positive claims experience the major contributor. Costs fell in the second half as a result of the delivery of integration savings and strong cost management.

Asia Pacific profit after tax increased 34% despite an appreciation in the AUD. Significant influences include a 30% increase in Other operating income, driven by the sale of bonds by PT Panin has increased equity accounting income bringing the total equity accounted PT Panin contribution to $55 million. Volatility in the Pacific and Asian currencies, particularly in the March 2003 half year, combined with ANZ strong market position in the region has resulted in a significant increase in foreign exchange earnings. Expenses are up 6% following the integration of the Bank of Hawaii operations and increased technology support to the Pacific region.

Treasury net profit for the year was $30 million (or 24%) lower than 2002, a direct consequence of the low and flat interest rate environment globally. The USD market was characterized by a rapid and significant decline in interest rates, between August 2001 and December 2001 when short-term interest rates fell by 2%. This led to an extended period where the interest rate yield curve flattened thus resulting in a contraction in mismatch interest margin. Likewise, the AUD market took a lead from US markets with the yield curve also flattening, without the added benefit of falling short term rates (as in the US). This exacerbated the large contraction in earnings margins.

Group Center includes Operations, Technology and Shared Services, Group People Capital, Group Strategic Development, CFO Units, Group Risk Management, Capital Funding & Group Items and Call Center.

The result for the Group Center was a loss of $24 million compared with a loss of $46 million in 2002. The level of the Group s surplus capital increased over the year with retained earnings growth and a reduction in the higher risk offshore credit portfolios. The strengthening of the Australian dollar over the year resulted in gains on contracts put in place to hedge United States dollar denominated offshore earnings. The weakening New Zealand dollar in the latter part of the year increased interest revenue from New Zealand dollar hedge contracts entered during the course of the year.

In February 2003, ANZ s dispute with the Australian Tax Office relating to equity products was settled for $262 million from existing provisions. ANZ wrote down the value of its investments in E*Trade ($6 million) and Identrus ($8 million) during the year. External operating expenses increased with a higher technology spend, and the transfer of certain functions to the Corporate Center. Total costs were flat with increased external costs charged back to business units.

Allowance for loan losses charge relates to a $100 million provision equivalent to the allowance for loan losses on a downgrade of one level across the entire offshore Structured Finance and Institutional Banking portfolio. This provision has remained relatively constant because of uncertainty in the offshore portfolios. However, as these portfolios are stabilizing, the level of this provision is expected to decrease.

During the year, the new payroll and HR information systems were implemented in Australia. Group payroll systems were replaced. Corporate Banking technology initiatives were completed. Improvements leading to better customer response and processing efficiency for Consumer Finance and Mortgages have also been completed.

Advanced web-based systems were implemented across all Australian and New Zealand operations. On-line procurement was further progressed this year with the on-line purchasing of information technology services and office hardware, stationery and travel now in place.

Results by Region

Years ended September 30	2003	2002	2001
	$M	$M	$M
Operating profit before income tax and including significant transactions			
Domestic Markets			
Australia	2,371	2,391	2,160
New Zealand	495	456	395
	2,866	2,847	2,555
Overseas	411	376	228
	3,277	3,223	2,783
Income tax expense			
Domestic Markets			
Australia	(672)	(683)	(716)
New Zealand	(147)	(126)	(117)
	(819)	(809)	(833)
Overseas	(107)	(89)	(78)
Income tax expense	(926)	(898)	(911)
Outside equity interest			
Overseas	(3)	(3)	(2)
Operating profit after income tax including significant transactions by region	2,348	2,322	1,870
Domestic Markets			
Australia	1,699	1,708	1,444
New Zealand	348	330	278
	2,047	2,038	1,722
Overseas	301	284	148
Operating profit after income tax including significant transactions (1)	**2,348**	**2,322**	**1,870**

(1) Includes significant transactions in the year ended September 30, 2002: the sale of businesses to ING Australia joint venture (profit after tax of $170 million), National Housing Bank recovery ($159 million profit after tax) and additional general allowance for loan losses ($175 million charge after tax) refer page 31

Australia

Selected Australian economic indicators are shown below:

Years ended June 30	2003	2002	2001	2000
Nominal rates of growth (1) in Gross Domestic Product	5.6%	6.2%	6.6%	6.1%
Inflation rates	3.1%	2.9%	6.0%	2.4%
Real rates of growth in Gross Domestic Product (2)	2.7%	3.8%	1.8	4.0%

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

(1) Not restated for the effects of changes to price levels

(2) Nominal rates of Gross Domestic Product restated for the effect of changes to price levels

The Commonwealth Government of Australia has forecast the real rate of growth in Gross Domestic Product for the year ending June 30, 2004 to be 3.4%.

2003

Net profit decreased 1%. Excluding the Australian component of significant transactions (refer page 31) that increased profit by $122 million in 2002, profit grew 7% reflecting:

Net interest income increasing 7% with higher lending volumes in Mortgages, Consumer Finance, Institutional Banking and Corporate partly offset by a 20 basis point reduction in margin resulting from reduced earnings on the investment of capital, non-interest bearing and low interest savings accounts, and lower mismatch earnings in Treasury.

Fee income declined by 2% due to the $38 million cost of the under accrual of loyalty points on credit cards in prior years that was booked in the March 2003 half. Excluding this impact, fee income increased by 2% largely in Institutional Banking, Corporate and Consumer Finance.

Non interest income was flat with higher profit on trading instruments (offset in net interest), increased equity accounted income from ING Australia and profit on the sale of development properties, offset by reduced foreign exchange earnings and the impact of the sale of the Funds Management businesses to ING Australia.

Operating expense growth was contained to 2% with an increased number of sales staff in Personal Banking and Corporate and volume driven staffing increases in Mortgages. Higher software amortization charges occurred as new systems became operational.

Allowance for loan losses charge increased 2% with the majority of asset growth occurring in the relatively low risk mortgage portfolio.

2002

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

New Zealand

2003

Profit after tax increased 5%. Excluding the gain of $32 million (refer page 31) from the sale of the funds management businesses to ING Australia in 2002 and the impact (a $25 million increase) of exchange rate movements (principally the appreciation in the NZD against the AUD), which are not indicative of core business performance, profit increased by 8%. The main features of the result excluding these items were:

Net interest income increased 8% with lending growth achieved in Corporate, Asset Finance, and Business and Rural, and mortgage lending recovering in the second half. Margins improved with the Official Cash Rate, on average, remaining higher during 2003. This was partly offset by reduced mismatch earnings in Treasury.

Fee income increased 1%, mainly reflecting growth in corporate and institutional financing activities. Transactional fee income in Personal reduced following the launch of a simplified product range in July 2002.

Non interest income declined, with a number of large capital markets transactions recorded in 2002 not being repeated in the current year.

Operating expenses were flat due to higher employee numbers from an increased investment in front line staff, being offset by savings in the support areas.

Loan quality remains sound with the allowance for loan loss charge declining 6% due to a reduction in the risk profile of the Corporate loan portfolio. Allowance for loan losses remain well in excess of net specific allowance for loan losses.

2002

New Zealand contributed $330 million to the Group result in 2002, an increase of 19% on 2001. Excluding the exceptional gain from the sale of the funds management business to the ING Australia joint venture ($32 million), and adjusting for translation gains arising from a strengthening New Zealand dollar, growth in the 2002 year was 3%.

50

Overseas Markets

2003

Overseas markets contributed $301 million to the Group result in 2003, comprising $117 million from operations in the UK, Europe and United States (39%), $116 million from Asia, and $68 million from the Pacific. Overall this represents an increase of 6% from last year. Excluding the impact of exchange rates (a $20 million decrease), significant regional factors in the result were:

Net interest income increased 10% in UK/USA reflecting the impact of high margin assets written during the second half. An increase of 3% was recorded in Asia due mainly to increased lending volumes in China and ANZ s successful application for the renminbi trading license, the expansion of the Cards business in Indonesia. In the Pacific, strong lending growth particularly in Fiji and Vanuatu drove net interest income up 13%, despite tightening regulatory pressure and increased competition following a rationalization of the number of banks in Papua New Guinea forced a reduction in interest margins. Overall, net interest income was relatively stable, showing a marginal decrease of 1% for the year.

Fee income decreased overall by 2% in 2003. Difficult market conditions drove UK/USA down 11%, offset by volume-driven increases in Asia and the Pacific, increasing 11% and 17% respectively.

Higher equity accounted earnings from PT Panin (up $25 million) drove other non interest income up 41% in overseas markets. The PT Panin earnings, benefited from a $16 million profit on the sale of bonds in the first half of 2003.

Regionally, Asia experienced an increase of 11% to operating expenses, driven by a 4% increase in staff numbers, and additional marketing costs associated with the trade finance operations in China and Cards operations in Indonesia. Expenses grew 16% in the Pacific following increased technology support required for the region, and the integration of the Bank of Hawaii operations during 2002.

UK and USA saw a reduction to the allowance for loan losses charge of 15% reflecting the reduction the exposures to UK and US Power and Telecommunications sectors. This was offset by a 24% increase in Asia, reflecting lending growth in the higher risk Cards business in Indonesia. Allowance for loan losses charge was unchanged in the Pacific.

2002

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

Balance Sheet

Years ended September 30	2003	2002	2001
	$M	$M	$M
Assets			
Liquid assets & due from other financial institutions	9,019	11,225	12,623
Trading securities and investment securities	8,980	9,482	8,314
Net loans and advances	149,465	132,060	123,657
Customers liability for acceptances	13,178	13,796	14,324
All other assets	14,949	16,542	26,575
Total Assets	195,591	183,105	185,493
Liabilities			
Due to other financial institutions	6,467	10,860	12,690
Deposits and other borrowings	124,494	113,259	104,874
Liability for acceptances	13,178	13,796	14,324
Creditors and other liabilities	13,611	12,630	15,948
Bonds, notes and loan capital	22,202	18,153	19,171
All other liabilities	1,852	2,942	7,935
Total Liabilities	181,804	171,640	174,942
Net Assets	13,787	11,465	10,551
Total Shareholders Equity	13,787	11,465	10,551

Our total assets at September 30, 2003 were $195.5 billion, a $12.5 billion increase from September 30, 2002.

Liquid Assets & Due From Other Financial Institutions

Liquid assets decreased by $0.8 billion in 2003, largely arising from a decrease in bills receivable and remittances in Institutional Financial Services in Australia, whilst a $1.4 billion reduction due from other financial institutions occurred largely in overseas markets, as Treasury increased its holding over long dated paper.

Trading and Investment Securities

Trading and Investment Securities decreased by $0.5 billion in 2003. A $1.7 billion reduction in trading securities was driven by a decrease in government securities ($1.0 billion) and ANZ accepted bills ($0.6 billion) This was partly offset by a $1.2 billion increase in Investment Securities, due largely to an increase in government securities ($0.6 billion) and other securities ($0.5 billion), as Treasury increased its holding of longer dated securities.

Net loans, advances and acceptances

Net loans and advances increased by $17.4 billion in 2003. Exchange rate movements accounted for a net reduction of $1.9 billion, consisting of a $2.2 billion net reduction in overseas markets and an increase of $0.3 billion in New Zealand.

Australia - Growth of $18.8 billion was achieved.

Housing Loans ($10.1 billion) driven by customer demand and sustained low interest rates.

Non-housing term loans ($6.9 billion). Increases in Institutional Financial Services ($2.2 billion partly offset by decline in commercial bills) and Corporate ($1.8 billion) from growth in the small to medium business sector. Non-housing loans in Mortgages increased $1.9 billion reflecting customer demand for Equity loans.

Lease finance ($0.8 billion) driven by growth in most channels particularly Dealer and Broker channels.

Overdrafts ($0.8 billion) driven by growth in invoice financing.

Credit Cards ($0.4 billion) reflecting growth as expected in Consumer Finance.

Other (-$0.2 billion)

New Zealand - Growth of $1.8 billion was achieved. Excluding the impact of exchange rates, growth of $1.5 billion was achieved.

Increased non-housing terms loans ($0.9 billion) due to growth in Institutional Financial Services ($0.3 billion) and New Zealand Banking ($0.4 billion)

Growth in Mortgage portfolio ($0.6 billion)

Overseas Markets - Net loans and advances reduced $3.2 billion. Excluding exchange rate impact, Overseas Markets reduced by $0.9 billion reflecting the deliberate reduction in exposures in the US and UK markets.

Other assets

Other Assets reduced by $1.6 billion since September 30, 2002 due to a decrease in the revaluation of off balance sheet derivative instruments. This was partly offset by increases in accrued interest on higher asset volumes.

Creditors and Other Liabilities

Creditors and Other Liabilities increased by $1.0 billion since September 30, 2002 principally as a result of an increase in securities lending activity within Trade and Transaction Services Australia and increased accrued interest on higher deposit volumes.

A reduction in the revaluation of off balance sheet derivative instruments in Institutional Financial Services was offset by increases on hedges of USD bonds and notes in Treasury.

Deposits and Other Borrowings

Deposits and borrowings increased $11.2 billion. Excluding the impact of exchange rates, the increase was $14 billion, reflecting:

A $5.5 billion increase in Treasury (principally commercial paper) driven by balance sheet growth

Higher deposit volumes in Personal Banking ($2.8 billion), Corporate ($1.7 billion) and Institutional Financial Services ($1.2 billion)

Bonds, Notes and Loan Capital

Bonds and notes and loan capital increased by $4 billion in 2003, to meet additional funding requirements.

Due to Other Financial Institutions

Amounts due to other financial institutions were $4.4 billion lower than September 2002. Excluding the impact of exchange rates the decrease was $2.9 billion resulting from lower demand for short term funds following an increase in term funding.

Capital

Years ended September 30	**2003**	**2002**	**2001**
	$M	**$M**	**$M**
Shareholders equity (including outside equity interests)	13,787	11,465	10,551
Loan capital (subordinated debt)	5,630	3,445	3,831
Total	19,417	14,910	14,382
Liabilities excluding loan capital	176,174	168,195	171,111
Total assets	195,591	183,105	185,493
Risk weighted assets	152,164	141,390	139,129
Tier 1 capital	11,740	11,201	10,387
Tier 2 capital	6,065	3,937	4,557
	%	**%**	**%**
Tier 1 capital ratio	7.7	7.9	7.5
Tier 2 capital ratio	4.0	2.8	3.2
Deductions (1)	(0.6)	(1.2)	(0.4)
Total capital adequacy ratio	11.1	9.5	10.3

(1) Total deductions of $920 million (2002: $1,703 million; 2001: $604 million)

2003.

The Group s total capital adequacy ratio increased from 9.5% to 11.1% over the year, driven by the issuance of $1 billion of Hybrid Tier 1 capital and a net increase of $2.1 billion of Tier 2 capital.

Tier 1 ratio at 7.7% declined from 7.9% as at September 30, 2002 with the Hybrid Tier 1 issue being offset by a new APRA requirement to deduct purchased goodwill directly from Tier 1 capital.

Details of the capital adequacy position are shown in Note 32 of the Financial Report.

Deductions from total capital decreased from $1,703 million to $920 million over the year primarily due to the newly introduced APRA requirement to deduct purchased goodwill directly from Tier 1 capital.

2002

The Group s capital position continued to be above the minimum requirement of APRA. The total capital adequacy ratio reduced to 9.5% as a result of investment in the ING Australia Ltd joint venture, however it was still well above the minimum requirements of the Australian Prudential Regulation Authority (APRA) guidelines ratio of qualifying capital to risk weighted assets of 8%. Details of the capital adequacy position are shown in Note 32 of the Financial Report.

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

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

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

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

The Group s total capital adequacy ratio increased from 9.5% to 11.1% over the year to 30 September 2003 due largely to:

The $1 billion issuance of 10 million stapled securities (StEPs) on September 23, 2003 increased Tier 1 capital. The stapled securities comprise of an interest paying note issued by ANZ Holdings (New Zealand) Limited, a wholly owned subsidiary of ANZ, and a preference share on which dividend will not be paid while it is stapled to a note.

A net increase of $1.2 billion of Tier 2 capital in the March 2003 half year, and a further $1.1 billion in the second half.

Tier 1 ration at 7.7% was unchanged from March 2003 but down from 7.9% at September 30, 2002. The stapled security issue was offset by a new APRA requirement to deduct purchased goodwill directly from Tier 1 capital.

The Group plans, subject to APRA approval, to call its TrUEPrs preference shares. This will release a $76 million net profit after tax that arose from the close out of the TrUEPrs interest rate swap.

A summary of qualifying capital, on-balance sheet assets and off-balance sheet exposures can be seen at Note 32 of the Financial Report.

54

Commitments

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

Years ended September 30	**2003**	**2002**	**2001**
	$M	**$M**	**$M**
Capital expenditure			
Contracts for outstanding capital expenditure			
Not later than 1 year	55	75	32
Later than 1 year but not later than 5 years	1		1
Total capital expenditure commitments	56	75	33
Lease rentals			
Future rentals in respect of leases			
Land and buildings			
Not later than 1 year	164	163	133
Later than 1 year but not later than 5 years	391	426	359
Later than 5 years	441	450	471
Total lease rental commitments	996	1,039	963
Furniture and equipment			
Not later than 1 year	17	16	9
Later than 1 year but not later than 5 years	23	7	17
	40	23	26
Total lease rental commitments	1,036	1,062	989
Total commitments	1,092	1,137	1,022

Credit related commitments

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

	2003	**2002**	**2001**
	$M	**$M**	**$M**
Undrawn facilities	65,381	60,373	56,766
Underwriting facilities	15	36	210
	65,396	60,409	56,976

Contingent liabilities

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

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

Table of Contingent Liabilities

	2003	2002	2001
	$M	$M	$M
Guarantees	4,954	3,580	4,496
Credit derivatives - sold	2,409	3,088	
Standby letters of credit	1,406	1,952	1,412
Bill endorsements	148	298	430
Documentary letter of credit	1,755	1,620	1,396
Performance related contingents	9,027	11,161	9,174
Other	854	935	1,930
Total contingent liabilities	20,553	22,634	18,838

Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
	$M	$M	$M	$M	$M
Long Term Debt	24,603	4,704	9,220	6,202	4,477
Capital Lease Obligations	0	0	0	0	0
Operating Leases	1,036	182	175	238	441
Unconditional Purchase Obligations	0	0	0	0	0
Other Long-term Obligations	0	0	0	0	0
Total Contractual Cash Obligations	25,639	4,886	9,395	6,440	4,918

Liquidity and Capital Resources

Liquidity and capital resources information is contained in the cashflow, Notes 7, 9, 10, 11, 24, 28, 29, 30, 36 and 47 and the Financial Information section of the Financial Report, and throughout the Financial Review section of this document.

The Supervision and Regulation section on page 21 describes the prudential requirements that must be met in respect of liquidity. ANZ has policies consistent with those required by APRA.

Liquidity risk is described on page 11 and indicates the risk management processes ANZ has in place to ensure funds are available to meet obligations when they fall due. ANZ believes that its working capital is sufficient for its present requirements.

Wholesale Funding

ANZ is funded from both the retail and wholesale markets. ANZ s A$25 billion of term wholesale funding as at September 30, 2003 increased from $19 billion as at September 30, 2002. In 2003, A$12 billion of debt was issued via 99 transactions. The portfolio is diversified by both type and currency with a weighted average term to maturity of 3.9 years. In 2003/04 new term debt issuance is planned at A$14 billion with an average term of 3.5 years - including NBNZ funding and excluding acquisition funding.

Maturity Profile of Funding

AUD	Senior $M	Subordinated $M	Total $M
1 year	4,337	367	4,704
2 years	3,740		3,740
3 years	4,745	735	5,480
4 years	2,039		2,039
5 years	4,112	51	4,163
> 5 years		4,477	4,471
	18,973	5,630	24,603

Liquidity Portfolio

ANZ maintains an $7.6 billion portfolio of high quality (A rated and higher), diversified, highly liquid securities to support payment obligations and contingent funding in the event of a market disruption. The portfolio is managed on a global basis through the Group s major funding centers ie: Melbourne, New York, London, Wellington and Singapore.

AUD	Total $M
AUD	2,802
NZD	1,652
USD	2,546
EUR	171
GBP	430
SGD	22
	7,623

Capital Management

The Group s central capital management target is formulated around Adjusted Common Equity (ACE) with a benchmark of ACE/RWA in the range of 5.25% to 5.75%. Capital management at ANZ seeks to maintain our AA- rating, optimize return to shareholders, support growth in the business and maintain low cost of capital through prudent risk management.

	Tier 1	Total Capital	ACE
September 2002	7.92%	9.5%	5.74%
September 2003	7.72%	11.10%	5.70%

Supplementary Financial Information

Loan Quality

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

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

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

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

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

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

Non-Accrual Loans

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

Years ended September 30	**2003**	**2002**	**2001**	**2000**	**1999**
	$M	**$M**	**$M**	**$M**	**$M**
Gross non-accrual loans subject to specific allowance					
Australia	502	445	597	370	530
New Zealand	17	30	74	46	33
Overseas markets	394	597	269	630	725
Total	913	1,072	940	1,046	1,288
Specific allowance for loan losses	(482)	(575)	(490)	(692)	(886)
Net exposure	431	497	450	354	402
Gross non-accrual loans not subject to specific allowance					
Australia	20	78	195	281	93
New Zealand	5	7	6	13	17
Overseas markets	69	46	119	51	145
	94	131	320	345	255
Net non-accrual loans (1)	525	628	770	699	657
Gross non-accrual loans					
Australia	522	523	792	651	623
New Zealand	22	37	80	59	50
Overseas markets	463	643	388	681	870
Total	1,007	1,203	1,260	1,391	1,543
Specific allowances for loan losses	(482)	(575)	(490)	(692)	(886)
Net non-accrual loans (1)	525	628	770	699	657
Ratio of specific allowances for loan losses to gross non-accrual loans	47.9%	47.8%	38.9%	49.7%	57.4%

(1) Excluding off-balance sheet commitments that have been classified as unproductive of $37 million (2002: $44 million, 2001: $31 million, 2000: $56 million and 1999: $70 million) net of an allowance of $2 million (2002: $10 million, 2001: $10 million, 2000: $17 million and 1999: $21 million)

Accruing Loans Past Due 90 Days or More

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

Years ended September 30	2003	2002	2001	2000	1999
	$M	$M	$M	$M	$M
Australia	175	176	277	335	292
New Zealand	18	25	63	51	47
Overseas markets	20	15	11	20	15
Total past due loans	213	216	351	406	354

Restructured Loans

Set out below are aggregate amounts of loans where the original contract terms have been modified to provide concessions of interest and/or principal due to the financial difficulties of the customer. For these loans, interest and fees earned are recognized as income on an accrual basis. Under APRA guidelines, restructured loans include loans with an effective yield above our cost of funds and below our prevailing reference rate for that form of lending. Restructured loans with an effective yield below our average cost of funds at the date of restructuring are classified as non-accrual loans.

Years ended September 30	**2003**	**2002**	**2001**	**2000**	**1999**
	$M	**$M**	**$M**	**$M**	**$M**
Australia		1	1	1	7
New Zealand					
Overseas markets					
Total restructured loans		1	1	1	7
Other potential problem loans					

Other Potential Problem Loans

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

Interest Forgone

The following table shows the estimated amount of interest income that would have been recorded during the years ended September 30, 2003, 2002 and 2001 had interest on the above non-accrual loans and restructured loans been accrued to income for those years (or, in the case of restructured loans, had interest been accrued at the original contract rate), and the amount of interest income received with respect to such loans.

Years ended September 30	**2003**	**2002**	**2001**
	$M	**$M**	**$M**
Gross interest receivable on non-accrual loans and restructured loans			
Australia	36	50	47
New Zealand	2	3	12
Overseas markets	31	30	67
Total gross interest receivable on non-accruals and restructured loans	69	83	126
Interest income received			
Australia	(10)	(10)	(20)
New Zealand	(1)	(3)	(4)
Overseas markets	(12)	(16)	(14)

Total interest received	(23)	(29)	(38)
Net interest forgone			
Australia	26	40	27
New Zealand	1		8
Overseas markets	19	14	53
Total net interest forgone	46	54	88

Allowance for Loan Losses

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

Years ended September 30	**2003**	**2002**	**2001**	**2000**	**1999**
	$M	**$M**	**$M**	**$M**	**$M**
Specific allowance for loan losses					
Australia	266	208	300	258	278
New Zealand	9	20	32	26	20
Overseas markets	207	347	158	408	588
Allowances against loans	482	575	490	692	886
Allowances against off-balance sheet commitments	2	10	10	17	21
Total specific allowances	484	585	500	709	907
General allowance for loan losses	1,534	1,496	1,386	1,373	1,395
Total allowance for loan losses	2,018	2,081	1,886	2,082	2,302

Allowance for Loan Losses   Industry Analysis

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

Power Industry Exposure

Approximately 72% of ANZ s exposure to the global power industry remains investment grade. The US power sector remains under stress following market deregulation and ensuing expansions. ANZ continues to be affected by a small number of single name exposures.

ANZ s Energy Portfolio Limits(1)

Years ended September 30	**2003**	**2003**
	A$B	**%**
AAA to BBB+	4.9	61%
BBB-	0.9	11%
BB+ to BB	0.5	6%
BB-	0.3	4%
B+ to CCC	1.1	14%
Non Accrual	0.3	4%
	8.00	100%

ANZ s Exposure by Geography

	2003
	%
Australia & New Zealand	54%
Americas	20%
Europe	12%
Asia	9%
Middle East	5%
	100%

(1) Based on ANZ s internal rating system

Telecommunication Industry Exposure

Deterioration in the industry has predominantly been driven by weak offshore markets as a result of overcapacity in international band with markets, following lower than expected growth and increased competition. ANZ has continued to reduce non-core higher risk offshore telco exposures. Approximately 58% of total limits are now in Australia and New Zealand (48% as at March 2003). Over 79% of total global telco limits are considered investment grade.

ANZ s Telecommunication Portfolio Limits (1)			**ANZ s Exposure by Geography**	
Years ended September 30	**2003**	**2003**		**2003**
	A$B	**%**		**%**
AAA to BBB	2.6	69%	Australia & New Zealand	58%
BBB-	0.5	14%	Americas	12%
BB+ to BB	0.2	5%	Europe	17%
BB-	0.1	<1%	Asia	13%
B+ to CCC	0.4	9%		
Non Accrual	0.1	2%		
	3.8	100%		100%

(1) Based on ANZ s internal rating system

Concentrations of Credit Risk / Loans and Advances by Industry Category

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

Although our loan portfolio is spread across many countries, 79% of loans and advances are booked in Australia. The inherent risk characteristics of our loan portfolio are therefore very much linked to general economic conditions in Australia where the portfolio is diversified across different regions, industries, customer types and products.

As at September 30, 2003, our largest credit exposure in Australia was in the category Real estate - mortgage (57%) which principally comprises owner occupied residential property loans with the remainder comprising loans made for residential investment (non-owner occupied) and commercial property purchases.

As at September 30, 2003, 13% of our Australian loans and advances were in the category Personal , which covers non-business loans to individuals through overdrafts, personal loans, credit cards and fully drawn advances.

Our largest overseas credit exposure is to Real estate - mortgage , where most of the exposure and associated growth is in New Zealand. This category s percentage share of our overseas loan portfolio was 41% in 2003.

Cross-Border Foreign Outstandings

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

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

Investment Securities

	2003 $m	2002 $m	2001 $m
Investment securities are allocated between Australia and Overseas based on the domicile of the issuer			
Listed Australia			
Other securities and equity investments	4	23	15
	4	23	15
Listed Overseas			
Other government securities	546	63	167
Other securities and equity investments	633		96
	1,179	63	263
Total listed	1,183	86	278
Unlisted Australia			
Local and semi-government securities	1,362	756	917
Other securities and equity investments	250	252	60
	1,612	1,008	977
Unlisted Overseas			
New Zealand government securities	399	488	425
US government securities	907	1,322	1,025
Other government securities	237	169	334
Other securities and equity investments	429	536	448
	1,972	2,515	2,232
Total unlisted	3,584	3,523	3,209
Total investment securities	4,767	3,609	3,487

For further information see Note 12 of the Financial Report for details.

Average Deposits

Details of our average deposits and balances due from other banks for each of the past three fiscal years is provided in the Average Balance Sheet analysis in Note 33 of the Financial Report.

Certificates of Deposit and Other Time Deposit Maturities

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

Short Term Borrowings

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

Volume and Rate Analysis

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

Accounting Developments

Australian GAAP

Provisions, Contingent Liabilities and Contingent Assets

Accounting Standard AASB 1044 Provisions, Contingent Liabilities and Contingent Assets became effective for the Group from October 1, 2002. Under this new Standard, provisions for dividends cannot be booked unless dividends are declared, determined or publicly recommended on or before balance date. Accordingly, the dividend applicable to the current reporting period has not been booked in the Group s financial report. The adoption of AASB 1044 results in a one-off reduction in the Group s return on equity of 1%

Foreign Currency Translation

Accounting Standard AASB 1012 Foreign Currency Translation became effective for the Group from October 1, 2002. Under this revised Standard, foreign denominated equity must be reported using the spot rate at the date of issue and must not be retranslated using the spot rate at the end of each reporting period. The Group has retranslated its US preference share capital at historical spot rates. As the translation adjustment is reported in the foreign currency translation reserve, the impact of these changes is neutral on the Group.

International Financial Reporting Standards

For reporting periods beginning on or after January 1, 2005, all entities reporting under the Corporations Act 2001 will be required to prepare their financial statements in accordance with the Australian Standards which will be equivalent to International Financial Reporting Standards (IFRS). The International Accounting Standards Board (IASB) determines IFRS. The Australian Accounting Standards Board (AASB) has announced that it plans to formally issue equivalent Australian Standards for adoption in 2005 by April or May 2004.

The Group will report for the first time under IFRS when the results for the half-year ended March 31, 2006 are announced. It is currently expected that some comparatives will be required to be restated on initial adoption of IFRS.

The IASB has yet to finalize the standard on recognition and measurement of financial instruments. Based on an exposure draft of this standard, adoption of IFRS may result in changes to the Group s accounting for hedges, changes in the calculation of the allowance for loan losses and the status of the general allowance for loan losses, and securitization. Other areas of change are likely to include amortization of goodwill, the recognition of fee income and classification of hybrid instruments. The full impact of these changes on the Group s financial performance and financial position will be able to be assessed when the relevant IFRS are finalized.

The Group has established a Steering Committee to monitor developments in IFRS and to assess the likely impact on the Group s financial statements, accounting policies and systems. In addition, the Steering committee is considering how IFRS will impact the financial statements of our customers, our credit assessments of customers and the changes required to credit policies and debt covenants.

United States GAAP

Acquisition of Certain Financial Instruments

In October 2002 the FASB issued Statement of Financial Accounting Standards SFAS No. 147 Acquisitions of Certain Financial Institutions. This statement amends FASB Statement No. 72 and 144 and ensures acquisitions of financial institutions are accounted for in accordance with FASB Statements 141 - Business Combinations and 142 Goodwill and Intangible Assets. As a result the longterm customer relationship intangible assets of financial institutions are subject to the undiscounted cash flow recoverability test and impairment loss recognition.

The Group adopted SFAS No. 147 on October 1, 2002 but did not make any purchases that fall within its scope in the year ended September 30, 2003.

Accounting for Stock Based Compensation

SFAS No. 148 amends SFAS Statement No. 123 - Accounting for Stock Based Compensation to provide alternative methods of transition for voluntary change to the fair value based method of accounting for stock based employee compensation and also amends disclosure requirements.

The Group continues to apply APB No. 25 and its related interpretations; which allow the use of the intrinsic value measurement method as detailed in Note 54 xix in the Financial Report. Additional disclosure has been made to include the adjusted Pro Forma earnings per share results if fair value methodology was applied.

Accounting for Financial Instruments with characteristics of both Liabilities and Equity

SFAS No. 150 - Accounting for Certain Financial Instruments with Characteristics of both Liabilities & Equity was issued in May 2003 and applied immediately to any issues post May 31, 2003 and applies to existing issues of the Group for the interim March 31, 2004 report.

This statement requires the issuer to classify certain instruments as liabilities. The recent $1 billion issue of ANZ StEPs has been classified as a liability and the associated cost classified as interest expense in Note 54 of the Financial Report. The application of this statement will have an ongoing impact to the Groups statements of financial position and financial performance as such instruments are treated differently under current Australian GAAP.

Guarantees

The Group has adopted FASB Interpretation No. 45 - Guarantors Accounting and Disclosure Requirements for Guarantors, including Guarantees of indebtedness of Others, which requires a guarantor to recognize at inception a liability equal to the fair value of the obligations undertaken in issuing that guarantee. FIN 45 also requires detailed disclosure relating to the nature, term, circumstances of performance, maximum potential payments, current carrying amount of the liability for each group of guarantees.

ANZ provides a variety of guarantees and indemnifications to our customers to enhance their credit standing or allow them to complete various business transactions that fall under the scope of the interpretation which is effective for all guarantees issued or modified after December 31, 2002. Notes 54 and 48 of the Financial Report provide the required disclosures.

Variable Interest Entities (VIE)

FASB Interpretation No. 46 - Consolidation of Variable Interest Entities (applicable for us from October 1, 2003), significantly changes whether entities included in its scope are consolidated by their sponsors, transferor or investors. This Interpretation determines control based on whether the variable interests in an entity exposes their holders to the risks and rewards of the VIE, specifically consolidation is required where the company absorbs the majority of the expected losses, will receive the majority of the expected residual returns, or both. The Interpretation applies to VIE s created after January 31, 2003, and is effective for existing VIE s at the beginning of the annual first reporting period post June 15, 2003.

The Group believes the following type of entity is likely to be consolidated when this interpretation becomes effective.

Commercial paper and corporate debt issuing entities: The purpose and stipulated activities of these entities is to raise funds for the clients issuance of commercial paper and/or corporate debt. The Group may manage these entities, service the assets, provide liquidity support, and act as a derivative counterparty. The gross assets are estimated to be $2.7 billion as at September 30, 2003.

The Group is currently assessing its maximum exposure to loss as a result of its involvement with these VIE s under Fin 46.

On application of FIN 46 for pre-existing VIE s it is estimated the Group s gross assets may increase by $2.6 billion in the US GAAP reconciliation.

Critical Accounting Policies

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

Historical changes

No change has been made to any of the critical accounting policies or their related methodologies over the last 3 years. A brief discussion of critical accounting policies, and their impact on the Group, follows:

Allowance for Loan Loss Provisioning

Description and Significance

Each month the Group recognizes an expense for credit losses based on the expected long term loss ratio for each part of the loan portfolio. The monthly charge is booked to the general allowance for loan losses which is maintained to cover losses inherent within the Group s existing loan portfolio. The method used by the Group for determining this monthly expense charge is referred to as allowance for loan losses charge (Proft and Loss). The Group uses Loan Loss Charge models to calculate the expected loss by considering:

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

Ongoing reviews

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

To the extent that credit losses are not consistent with previous loss patterns used to develop the assumptions within the Loan Loss Charge methodology, the existing general allowance for loan losses may be determined to be either in excess of or insufficient to cover credit losses not yet specifically identified.

As a result of the reassessments, Loan Loss Charge levels may be periodically increased or decreased with a direct impact on profitability.

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

Quantification of Sensitivity

The average charge to profit for Loan Loss Charge was 0.39% of average net lending assets or $614 million (Sep 2002: 0.43% or $610 million excluding the additional allowance for loan losses of $250 million). During the same period, specifically identified credit losses net of recoveries during the year were $527 million (Sep 2002: $728 million).

As at September 2003, the balance of the General allowance for loan losses of $1,534 million (Sep 2002: $1,496 million) represents 1.01% (Sep 2002: 1.06%) of risk weighted assets.

Years ended September 30	**2003**	**2002**	**2001**	**2000**	**1999**
	$M	**$M**	**$M**	**$M**	**$M**
Allowance of Loan Loss charge	614	860	531	502	510
Allowance for Specific Loan Loss	527	728	520	384	482
Surplus / (Deficit) Allowance for Loan Loss	87	132	11	118	28

Specific Allowance for Loan Losses

Description and Significance

The Group maintains a specific allowance for loan losses arising from its exposure to organizations and credit counterparties.

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

Recoveries resulting from excess specific allowance for loan losses arising when actual losses are determined to be less than the amount provided for within the specific allowance for loan losses are transferred back to the general allowance for loan losses.

Quantification of Sensitivity

The recognition of losses has an impact on the size of the general allowance for loan losses rather than directly impacting profit. However, to the extent that the general allowance for loan losses is drawn down beyond a prudent amount it will be restored through a transfer from the current year s earnings. Recoveries of amounts previously specifically provided against are applied to the restoration of the general allowance for loan losses balance. The amount of net transfer from the general allowance for loan losses to the specific allowance for loan losses, net of recoveries, during the year was $527 million (Sept 2002: $728 million).

Deferred acquisition costs, software assets and deferred income

Description and Significance

The Group recognizes assets and liabilities that represent:

Deferred acquisition costs direct costs from the acquisition of interest earning assets;

Software assets direct costs incurred in developing software systems; and

Deferred income liabilities representing income received in advance of services performed.

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

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

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

Quantification of Sensitivity

Deferred acquisition costs At September 30, the Group s assets included $336 million (Sep 2002: $289 million) in relation to costs incurred in acquiring interest earning assets. During the year, amortization of $169 million (Sep 2002: $132 million) was recognized as an adjustment to the yield earned on interest earning assets.

Software assets At September 30, the Group s fixed assets included $465 million (Sep 2002: $419 million) in relation to costs incurred in acquiring and developing software. During the year, depreciation expense of $83 million (Sep 2002: $50 million) was recognized and adjustments were made to recognize the right to use software in Tradecentrix. Following prior periods of above average project activity which replaced significant parts of the Group s core infrastructure, the software depreciation expense will increase before stabilizing going forward. Consistent with US accounting rules on software capitalization only costs incurred during configuration, coding and installation stages are capitalized. Administrative, preliminary project and post implementation costs including determining performance requirements, vendor selection and training costs are expensed as incurred.

Deferred income At September 30, the Group s liabilities included $272 million (Sep 2002: $170 million) in relation to income received in advance. This income is largely comprised of 2 components: (1) fees received for services not yet completed; and (2) profit made on an interest rate swap that was hedging future payments (years 2004 and forward) on the Group s preference shares. Under Australian Accounting Standards, this profit is deferred and recognized when the hedged transaction occurs, or immediately if the hedged transaction is no longer expected to occur.

The balances of deferred assets at September 30 were:

	Deferred Acquisition Costs		**Software Assets**		**Deferred Income**	
	2003	**2002**	**2003**	**2002**	**2003**	**2002**
	$m	**$m**	**$m**	**$m**	**$m**	**$m**
Personal Banking Australia			242	176		
Corporate			14	9	7	11
Institutional	7	27	50	14	7	30
Consumer Finance			47	45	9	
Mortgages	102	73	33	27		
Asset Finance	227	189	21	29		
Asia Pacific			2	1		2
Other			56	118	249	127
Total	336	289	465	419	272	170

Derivatives and Hedging

Description and Significance

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

swaps;

forward rate agreements;

futures;

options; and

combination of the above instruments

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

Derivative instruments entered into to hedge exposures that are not recorded at fair value, do not have their fair values recorded in the Group s Statement of Financial Position (in accordance with Australian Accounting Standards).

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

revenues from foreign operations;

structured lending transactions;

lending assets; and

funding liabilities.

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

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

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

Special purpose and off balance sheet vehicles

The Group may invest in or establish special purpose companies, or vehicles (SPVs), to enable it to undertake specific types of transactions.

Where the Group controls such vehicles, they are consolidated into the Group financial results.

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

Type of Special Purpose Vehicle (SPV)	Reason for establishment	Key Risks	SPV Assets 2003 $m	2002 $m
Securitization vehicles	Assets are sold to an SPV which funds the purchase by issuing securities. Enables ANZ or customers to increase diversity of funding sources.	ANZ may manage securitization vehicles, service assets in a vehicle or provide liquidity support or other support and retains the risks associated with the provision of these services. Credit and market risks associated with the underlying assets are not retained or assumed by ANZ. ANZ may also provide other services (eg. swaps, credit guarantees). ANZ earns fees at a commercial rate for providing these services.	9,954(1)	6,992(1)
Structured finance entities	These entities are set up to assist with the structuring of client financing.	ANZ may retain liquidity risk, if it provides liquidity support to the vehicle. ANZ may also manage these vehicles.	2,124	1,968
Managed funds	These funds invest in specified investments on behalf of clients.	The ANZ/ING Australia joint venture, as manager of the funds, exposes ANZ to operational risk and reputational risk.	28,655	26,642

(1) The amounts disclosed are the total assets managed or arranged by ANZ. They include SPV s that purchase assets from sellers other than ANZ

Valuation of investment in ING Australia Limited

Description and significance

The Group adopts the equity method of accounting for its 49% interest in the ING Australia joint venture. As of September 30, 2003, the Group s carrying value is $1,648 million (2002: $1,593 million).

The carrying value is subject to a recoverable amount test, to ensure that this does not exceed its recoverable amount at the reporting date. This involves the Group obtaining an indication of whether the carrying value may be less than the recoverable amount. If so, an independent valuation is sourced to determine current recoverable amount.

Any excess of carrying value above recoverable amount is written off to the Statement of Financial Performance.

Quantification of sensitivity

During the year the Group engaged Ernst and Young ABC Ltd (EY ABC) to provide an independent valuation of ING Australia as at March 31, 2003. The valuation was a stand alone market based assessment of economic value, and excluded the Group s specific synergies and hedging arrangements. The independent valuation was based on a discounted cashflow approach, with allowance for the cost of capital. EY ABC presented an independent valuation range of total ING Australia $3,304 million to $3,690 million, reflecting a range of sales and cost base assumptions.

The key assumptions used in that valuation were reviewed by EY ABC against recent business experience as at September 30, 2003 to assess any potential valuation impacts. Based on this review, ANZ believes no change is required to the carrying value of the investment at September 30, 2003.

Key valuation assumptions

The March 31, 2003 valuation was based on a December 31, 2002 benchmark date with a roll-forward assessment to March 31, 2003. The valuation was based on a discounted cash flow approach comprising the present value of estimated future distributable profits after corporate tax, together with (in Australia only) the present value of 70% of the attaching imputation credits.

The assumptions underlying the cash flow projections were generally based on a long term view, together with an assessment of the current market environment.

The following gross of tax risk discount rates were used:

Australian life insurance business	10.75% pa
Australian funds management businesses	11.75% pa
New Zealand businesses	13.00% pa

All economic assumptions, including future investment earnings and discount rates, were derived using the Capital Asset Pricing Model.

The value of future new business was based on a projection of 20 years of future new business allowing for:

- anticipated new business growth and volumes; and
- future margin squeeze

Other business assumptions were set relative to the experience of the business and the industry as well as management business plans.

Risk Management

Vision and Strategy

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

The Board, providing leadership, overseeing risk appetite and strategy and monitoring progress.

A framework for development and maintenance of Group-wide risk management policies, procedures and systems, overseen by an independent central team of risk professionals reporting directly to the Chief Executive Officer.

The use of risk tools, applications and processes to execute our global risk management strategy across the Group.

Primary Business Unit-level accountability for management of risks in alignment with the Group s strategy.

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

Credit Risk (43% of Economic Capital)

Group Risk Management s responsibilities for credit risk policy and management are principally executed through dedicated departments which support the Group s wholesale and consumer business units.

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

Market Risk (11% of Economic Capital)

Market Risk is the risk that the Group will incur losses from changes in interest rates, foreign exchange rates or the prices of equity shares and indices, commodities, debt securities and other financial contracts, including derivatives. It also includes the risk that the Group will incur increased interest expense arising from funding requirements during periods of poor market liquidity. These risks are managed by a variety of different techniques, with Group Risk Management setting limits to control trading positions, interest rate risk, and the liquidity profile up to Board-authorized totals.

Operational Risk (19% of Economic Capital)

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems, or from external events.

Group Risk Management is responsible for establishing Group policy; for the measurement, monitoring and reporting of operational risk across the Group; for providing leadership in the overall development of ANZ s operational risk capability and specialists in key risk areas.

Each business unit has its own operational risk function responsible for the management of operational risk in the business.

Other (27% of Economic Capital)

There are a number of other risks, which are not classified as either Market, Credit or Operational Risk which ANZ holds economic capital for. These include, but are not limited to, items such as investment risk and fixed asset risk.

Key risk issues for the Group are:

Offshore Exposures

Whilst the first half of the September 2003 year was marked by significant uncertainty in the global economic environment, concerns relating to Iraq and the US economy have abated and a more positive global outlook now prevails. As a result of continued vigilance and close management of areas of concern we have seen reduced levels of specific provisions over the year compared to the 2002 year. As at September 2003, Australian and New Zealand exposures comprise 94% of our portfolio.

The main sectors of concern over the year have been Power (US power particularly) and Telecommunications.

Offshore Telecommunications - as a result of active portfolio management of this sector, credit limits for offshore telco operators fell by 46%. This fall in offshore exposure and increased Australia and New Zealand investment grade business combined to reduce offshore limits from 57% to 42% of the global portfolio.

US Power - The US power industry continues to experience sectorial stress in the aftermath of market deregulation, which triggered excessive construction and acquisition of generating assets. As expected we have experienced further deterioration in the US power portfolio over the last year. Oversupply in many sectors of the US power market will take some years to stabilize. In the meantime we are continuing to manage our higher risk power exposures closely. Since September 2002 our US power exposures have been reduced by 35%.

Residential domestic and investment property

Our risk fundamentals remain firmly entrenched, based on sound loan to value ratios and debt serving capacity requirements that specifically allow for the likelihood of interest rate increases. Risk policies implemented up to twelve months ago in the Sydney, Melbourne and Brisbane inner city apartment markets, meant that ANZ took a prudent approach which has resulted in very low exposure levels to these markets. Regular stress testing of our portfolios indicates that we are well placed to withstand a quite severe potential market downturn in the Australian housing market. APRA has recently conducted stress tests of the mortgage portfolios of all Australian industry participants and the results of these tests for ANZ confirm this conclusion.

Large single name exposure risk

Significant credit losses resulted from a small number of large individual exposures in 2002. Over the year to September 2003 ANZ has maintained its focus on managing down its large exposure risks and has further significantly reduced portfolio concentrations.

One measure of the concentration of large exposures in the Group s portfolio is the aggregate of the 10 largest committed corporate exposures as a percentage of adjusted common equity (ACE). This ratio has declined significantly over the past year, from 103% a year ago to 75% as at September 30, 2003. Additionally, over the past 2 years we have made a number of substantial changes, including material reductions, to our structure of limits applicable to exposures to individual (particularly offshore) customers.

Key Risk Enhancements

Credit Derivatives

Credit derivatives are used for Portfolio Management and for trading purposes. Credit derivative activity over the year has been modest, with close ongoing monitoring by the Market Risk team.

Credit derivatives for Portfolio Management purposes are used as an efficient mechanism for reducing large exposures and diversifying the risk in lending portfolios. A comprehensive policy framework of strong controls exists around this activity, including restricting the sale of credit derivatives (undertaken to reshape the portfolio mix) to Australian and New Zealand names that meet investment grade and other specific criteria.

Credit Default Swap (CDS) positions

AUD millions	Bought	Sold	Net
Portfolio Management	813	(202)	611
Matched Trades	1,775	(1,775)	0
Outright Positions	1,198	(549)	649
Trading Book	2,973	(2,324)	649
Total CDS	3,786	(2,526)	1,260

Credit derivatives in the trading book are used to support customer activity with trades typically matched off into the market place within a period of 90 days. This trading continues to be bound by the usual market risk controls such as VaR limits, term limitations, asset quality requirements, and daily revaluation of all positions independently overseen by Market Risk.

In addition to direct use of credit derivatives for Portfolio Management and Trading Book purposes, as reflected in the above table, ANZ holds investments in three structured transactions. Each of these investments is in the amount of USD250 million, where ANZ has indirect exposure to a sold First-to-Default basket of credit derivatives in the amount of USD500 million, with a first-loss limit of USD250 million. The underlying exposures are to a highly diversified group of 68 names, with no individual aggregate exposure in excess of USD60 million. As with credit derivative activity associated with Portfolio Management and the Trading Book, these exposures are independently monitored by Group Risk Management, with key trigger points established to proactively manage the risk. To date, credit protection totalling USD93 million has been purchased as a hedge against five of the underlying names.

Operational Risk Management Framework

ANZ s operational risk framework continues to be strengthened in line with new and emerging risks, including ongoing development of the Group s methodology for operational risk measurement and capital allocation which seeks to increase risk awareness and thereby reduce risk.

Business Continuity and Crisis Management

Our business continuity and crisis management capabilities have been strengthened in line with changing business environment and to withstand the emergence of new threats. Capabilities are subject to regular review and testing. Enhanced risk guidelines, controls, monitoring and vigilance were implemented in response to the increased threat of global terrorism, the war in Iraq and the Severe Acute Respiratory Syndrome (SARS) virus to ensure the ongoing safety and security of staff and operations.

Technology and Projects

The risk management of technology and projects has been strengthened to enhance the quality of risk assessment and effectiveness of controls. This continues to receive extensive Executive Management focus. A number of tools have been created to assist in this process, in particular to provide a deeper understanding of the inherent level of operational risk associated with individual technology projects and with the project portfolio in aggregate.

Basel II

The common framework for determining the appropriate quantum of bank regulatory capital is set by the Basel Committee , a sub-committee of the Bank for International Settlements, and a new framework has been developed over the past four years that is commonly known as Basel II . A key objective of Basel II is to improve stability of the global financial system by encouraging improved risk management practices and requiring banks to hold levels of regulatory capital commensurate with their risk profile. In particular, Basel II will introduce a more risk-sensitive and detailed regulatory capital regime for credit risk and will introduce for the first time an explicit regulatory capital charge for operational risk.

Preparation for the implementation of the new Accord has been and continues to be an area of significant focus and activity across the ANZ Group.

A major innovation of the new Accord is that Basel II allows banks of varying sophistication in their risk management practices to enter the new regulatory capital framework at one of three levels, with incentives embedded (by way of reduced regulatory capital requirements) to attract banks with more sophisticated risk measurement and management approaches to reach the more advanced levels. Banks will need to choose their approach and be accredited at a level of compliance in each of credit and operational risk. Market risk will remain largely unchanged from the current Accord, following its revision in 1996.

ANZ is currently in the design and implementation phase of its Basel II Programme. At this time ANZ intends pursuing accreditation under the most advanced approaches for both credit and operational risk, in line with the Group s vision of risk management as a strategic asset and source of competitive advantage. It has projects underway to address all of the necessary requirements for accreditation at the most advanced levels for both areas under Basel II. Certain requirements, such as a credit risk rating system that measures default probabilities and likely losses in the event of default, and a framework for operational risk measurement and capital allocation, are already in place.

Basel II is still being finalized, with the final version due to be released in the second quarter of 2004. ANZ took part in an international exercise in late 2002 to help refine the calibration of the capital functions within the new Accord. The results indicate that under the more advanced approaches which are planned to be incorporated within Basel II, ANZ would need less regulatory capital than must be held under current rules. Although the precise details are yet to be finalized, APRA has stated that it is likely there will be some differences in the way Basel II is implemented in Australia which will lessen this reduction.

Item 6: Directors, Senior Management and Employees

Directors

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

Director s Name	Position held	Year appointed	Age
C B Goode, AC	Director/Chairman of Directors (1)	1991	65
J McFarlane, OBE	Chief Executive Officer	1997	56
J C Dahlsen	Director	1985	68
R S Deane	Director	1994	62
J K Ellis	Director	1995	66
D M Gonski, AO	Director	2002	50
M A Jackson	Director	1994	50
B WScott, AO	Director	1985	68

(1) The Chairman is an ex officio member of all Board committees

Directors profiles

Mr C B Goode, AC

B Com (Hons) (Melb), MBA (Columbia University, New York), Hon LLD (Melb); Hon LLD (Monash)

Chairman

Independent Non-Executive Director

Company Director

After 28 years in the finance industry, Mr Goode became a professional non-executive director in 1989. He became a director of Australia and New Zealand Banking Group Ltd in July 1991 and was appointed Chairman in August 1995. Mr Goode is ex-officio member of all Board Committees. Mr Goode is Chairman of Woodside Petroleum Ltd, Australian United Investment Company Ltd, Diversified United Investment Ltd and a Director of Singapore Airlines Ltd.

Mr Goode brings relevant skills and significant experience in the finance industry and as a professional non-executive director to his role as Chairman of the Board.

Mr J C Dahlsen

LLB, MBA (Melb)

Independent Non-Executive Director

Company Director

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

The skills and expertise that Mr Dahlsen has developed in his legal career together with his experience in the media, not-for-profit, banking, retail and small business sectors ensure that he brings an understanding of the law and business to his role as a non-executive director.

Dr R S Deane

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

Independent Non-Executive Director

Company Director

Director since September 1994. Dr Deane is a member of the Risk Management and Compensation Committees, and Chairman of ANZ Banking Group (New Zealand) Ltd. He is Chairman of Telecom New Zealand Ltd, Fletcher Building Ltd and Te Papa Tongarewa (Museum of New Zealand). He is a Director of Woolworths Ltd.

Dr Deane has skills and experience in a variety of activities including the government sector, banking and finance, economics, telecommunications, and with charitable and cultural organizations.

Mr J K Ellis

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

Independent Non-Executive Director

Company Director

Director since October 1995. Mr Ellis is Chairman of the Risk Management Committee and a member of the Compensation Committee. He is Chairman of Pacifica Group Ltd, Black Range Minerals Ltd and Director of GroPep Ltd. He is Chairman of Australia- Japan Foundation and the National Occupational Health and Safety Commission. He is also Chancellor of Monash University and a former Chairman of BHP.

A trained engineer, Mr Ellis brings to the Board his analytical skills together with his practical understanding of operational issues, investments and acquisitions across a range of sectors including natural resources, manufacturing, biotechnology and education.

Ms M A Jackson, AC

B Econ, MBA, FCA

Independent Non-Executive Director

Company Director

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

A Chartered Accountant, Ms Jackson has broad industrial experience including her involvement in transportation, mining, the media, manufacturing and insurance. This expertise coupled with her work in health and education contribute to her role on the

Board.

Mr J McFarlane, OBE

MA, MBA

Chief Executive Officer

Appointed October 1997. Directorships include The Business Council of Australia and the Australian Graduate School of Management.

Mr McFarlane is a former Group Executive Director, Standard Chartered Plc (1993 - 1997), Head of Citibank, United Kingdom (1990 - 1993), Managing Director, Citicorp Investment Bank Ltd (1987 - 1990), Director of the London Stock Exchange (1989 - 1991).

Mr McFarlane brings skills and experiences in banking and finance which are relevant for his role as Chief Executive Officer.

Dr B W Scott, AO

B Ec, MBA, DBA

Independent Non-Executive Director

Company Director

Director since August 1985. Dr Scott is Chairman of the Nominations & Corporate Governance Committee and Compensation Committee, and Member of the Audit Committee and Risk Management Committee. Chairman of Management Frontiers Pty Ltd, and The Foundation for Development Co-operation Ltd. Director of Air Liquide Australia Ltd and the James N. Kirby Foundation Ltd. Australian member of the Board of Governors of the Asian Institute of Management. Former Chairman of the Australian Government s Trade Development Council (1984 - 1990). Former Federal President, Institute of Directors in Australia (1982-1986).

A management consultant and company director, Dr Scott s extensive skills and experience in a range of business sectors and community organizations contribute to his role as a non-executive director.

Mr D M Gonski, AO

B.Com, LL.B (University of NSW)

Independent Non-Executive Director

Company Director

Director since February 2002. Mr Gonski is a member of the Risk Management Committee, Compensation Committee and Nominations and Corporate Governance Committee, and represents the Group as Director of ING Australia Ltd. He is Chairman of Coca Cola Amatil Ltd and Investec Wentworth Pty Ltd, and Director of Westfield Holdings Ltd and John Fairfax Holdings Ltd. Mr Gonski is Chairman of the National Institute of Dramatic Art (NIDA), the Art Gallery of NSW, the Australia Council and the Sydney Grammar School Trust.

Mr Gonski, a lawyer, has a wide experience in business, the law and investment banking.

He also brings to his role on the Board an appreciation for the community through his work in the arts and the not-for-profit sector.

Board Responsibility

Board responsibility

The Board is responsible to shareholders for the governance of the Group, its operations and financial performance. To this end, it sets the strategic direction and financial objectives for the Group. It delegates responsibility for the management of ANZ to the Chief Executive Officer and senior management. The Board is also responsible for ensuring that ANZ has appropriate governance arrangements in place for the benefit of all stakeholders.

The Board aims to carry out its responsibilities so as to create and to build sustainable value for the benefit of shareholders, employees, customers, and the community. The Board has adopted a Charter (available on our website) which sets out, among other things, the roles and responsibilities of the Board. The Board s responsibilities include:

Appointing the Chief Executive Officer, and reviewing his/her performance and remuneration

Approving objectives, strategies and budgets, and monitoring and assessing management s performance in achieving these

Monitoring compliance with regulatory requirements, and ensuring that the Group and its employees are meeting the highest standards of ethics and integrity

Approving policies and overseeing governance and compliance practices relating to management of risk, conduct of audit, health and safety, people management, corporate sustainability, and customer service.

It is also the responsibility of the Board to review the operations of all business units together with the major functional areas of ANZ at least once each year to satisfy itself that the unit s strategy, policy and direction are consistent with the Group.

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

The Board met 11 times this year with separate committees meetings.

With the increasing focus on corporate governance in recent times, there has been a large increase in the workload of nonexecutive directors.

Directors qualifications and appointments

The Board aims to bring a balance of skills, experience and views to its deliberations. Directors, as a Board and through the Nominations and Corporate Governance Committee, engage external consultants to assist them in identifying appropriate candidates for consideration as Board members. Candidates are assessed in terms of the depth and breadth of experience and skills considered relevant for ANZ, as well as their personal qualities and communication capabilities. The complementary nature of their distinctive contributions with the other directors is also assessed. Assurances are sought to ensure that a candidate has the capacity to devote appropriate time to this important role.

ANZ s constitution provides that each director is required to hold, within 3 months of appointment, at least 2,000 fully paid shares in the director s own right and must continue to hold at least 2,000 shares until the director ceases to hold office. Details of directors shareholdings with ANZ can be found on page 85 and are set out in Note 50 of the Financial Statements.

On appointment, directors are provided with information setting out their duties and responsibilities including various Board policies and their entitlements. During 2002-2003, the Directors Handbook has been reviewed and updated to meet directors requirements in a comprehensive manner.

Performance of Chairman and directors

The full Board is responsible for reviewing the performance of the Chairman.

It is the responsibility of the Chairman, with input from the Nominations and Corporate Governance Committee, to assess the performance of each director.

Board composition

The Board is chaired by an independent director so there is a division of responsibilities between the Chairman and the CEO. This is supported by the Board s Charter that states that the Chairman must be an independent non-executive director and that the majority of Board must be comprised of independent non-executive directors.

Directors, as a Board and through the Nominations & Corporates Governance Committee of the Board, regularly review the size and composition of the Board. The ANZ s constitution provides that at a minimum, the Board must be comprised of five directors. Throughout this year, the Board has comprised eight directors - a non-executive Chairman, six other non-executive directors and Chief Executive Officer.

Term and retirement of directors

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

Independence and directors dealings

In 2002-2003, the Board instituted a process by which the independence of each non-executive director is reviewed in detail at least annually, and more frequently where a change in position or relationship warrants it.

Following the most recent review, the Board concluded that each of its non-executive directors should be considered independent at this time.

The Board applies the following definition of independence

A director is only to be regarded as independent if:

(a) the Board resolves that the director has no material relationship with ANZ (either directly, or as a partner, shareholder, or executive officer of an organization that has a material relationship with ANZ);

(b) the director is not, and has not been within the previous five years, employed by ANZ, or a company in the ANZ Group;

(c) the director is not, and has not been within the previous five years:

(i) employed by , or a partner in, any firm that in the past five years has been ANZ s external auditor; or

(ii) employed by a company that has a compensation committee, on which an ANZ executive officer serves,

and no immediate family member of the director is, or has been within the previous five years, employed in either of such capacities; and

(d) no immediate family member of the director is an executive officer of ANZ or, except where the immediate family member has died or become incapacitated, has been an executive officer of ANZ within the previous five years.

For the purpose of this Section 6, executive officer means a chief executive officer or a chief financial officer (or persons carrying out any equivalent functions), a head of a business unit, division or function, and any person who performs a significant policymaking function, but does not include a non-executive director.

Conflicts of interest and materiality

Over and above the issue of independence, each Director has a continuing responsibility to determine whether he or she has a potential or actual conflict of interest in relation to any material matter, which comes before the Board. Such a situation may arise from outside financial, organizational, representational, professional, or other interest or relationship which might affect, or be seen potentially to affect, the Director s position to act in the best interests of the Company.

It is also expected that other Board Directors will raise any concerns about possible conflicts of interest on the part of any Director in a material matter at any time.

Materiality may relate to financial significance, strategic significance, competitive significance, or any other matters of commercial or timing significance.

If a conflict or potential conflict arises, the Director may not receive relevant Board papers, may absent himself /herself from Board deliberations on the subject, and may not vote on any related Board resolutions. These matters are duly recorded in Board minutes when they occur.

Other than in their capacity as directors of ANZ, all non-executive directors are deemed not to have a material relationship with ANZ or its associated companies.

Independent advice

In order to assist directors to fulfill their responsibilities, each director has the right, with the prior approval of the Chairman, to seek independent professional advice regarding their responsibilities at the expense of the Group.

In addition, the Board and each Committee may obtain whatever professional advice it requires to assist it in its work at the expense of the Group.

Board Committees

There are four main Board Committees:

Audit Committee

Risk Management Committee

Nominations & Corporate Governance Committee

Compensation Committee

Each of the four main Committees is comprised solely of independent directors, has its own Charter and has the power to direct any special investigations it deems necessary.

Committee membership is reviewed annually. Membership criteria are based on the relevance of a director s skills and experience, and their ability to add value to the Committee and complement the membership.

Committee performance evaluations are conducted annually to review each Committee s performance against its Charter, gather comments on the suitability of its Charter and any areas for improvement, and to set goals and objectives for the upcoming year. A copy of each Committee Charter can be found on our website.

The Chairman is an ex-officio member of all Committees. The Chief Executive Officer, John McFarlane, is invited to attend all Committee meetings. He is not present, however, if this could compromise proceedings. He also does not attend any meeting where his remuneration is considered or discussed. Directors may attend any meeting of a Committee on a subject where they have a special interest.

Audit Committee

J C Dahlsen (Chairman)

C B Goode

M A Jackson (Financial expert)

J Ellis

The Audit Committee is responsible for the oversight and monitoring of the Company s financial reporting policies and controls, the work of Group (Internal) Audit, the Audit Committees of subsidiary companies, the integrity of the Company s financial statements, prudential returns and compliance with regulatory requirements.

The Audit Committee is also responsible for the appointment, evaluation and oversight of the external auditor.

It is Board policy that all members of the Audit Committee be financially literate and that at least one member of the Committee be a financial expert as defined in the US Sarbanes-Oxley legislation. Ms M A Jackson is designated as our financial expert.

The Audit Committee meets with the external auditor in the absence of management at each of its regularly scheduled meetings. The Chairman of the Audit Committee meets separately and regularly with the head of internal audit and the external auditor.

During the year, the Audit Committee focused on a range of relevant issues including:

Integrity of financial reporting controls and procedures - The Committee received independent advice on the effectiveness of internal controls and procedures, and closely monitored progress on opportunities identified for improvement. To further strengthen controls and procedures, the Committee agreed to implement the Sarbanes-Oxley internal control requirements across the Group in advance of the applicable date. The Committee monitored the progress made on the transition to International Financial Reporting Standards.

Monitoring the work of Group (Internal) Audit - An evaluation of the Group (Internal) Audit function was undertaken. The Committee ensured that management responded in an appropriate and timely manner to issues raised in Group Audit reports. The Head of Group (Internal) Audit now reports directly to the Chairman of the Audit Committee and attends every meeting of the Audit Committee by invitation.

Relationship with revenue authorities - The Committee supported initiatives to promote a collaborative approach to working with the Revenue Authorities to achieve appropriate taxation outcomes. Some long-standing issues with the Australian Taxation Office were resolved.

Maintaining the independence of the external audit function - All non-audit services undertaken by the external auditor must be pre-approved in accordance with the policy on the provision of audit and non-audit services put in place by the Committee last year. The Committee further strengthened the independence of the external audit function through a formal annual evaluation of the external audit and a policy requiring partner rotation.

Risk Management Committee

J K Ellis (Chairman)

R S Deane

D M Gonski

C B Goode

The Risk Management Committee s function is to review risk in the business. It is responsible for overseeing, monitoring and reviewing the Group s risk management principles and policies, strategies, processes and controls including credit, market, balance sheet and operating risk. It may approve credit transactions and other matters beyond the approval discretion of executive management.

This year, the Risk Management Committee reviewed a number of issues including:

Credit risk and customer concentration limits - Stronger policies related to single customer credit limits saw a decrease in risk exposures.

Operational risk and systems - The Committee recommended a more disciplined approach to new software releases. 2003 upgrades/releases have been implemented without interruption to ANZ s operations.

Compliance awareness - The Committee has supported a Group-wide awareness program to foster a better understanding of new as well as existing compliance requirements and responsibilities.

Nominations and Corporate Governance Committee

B W Scott (Chairman)

D M Gonski

C B Goode

J C Dahlsen

The Nominations and Corporate Governance Committee s responsibility is to identify individuals qualified to become Board members and recommend them to the Board for nomination as members of the Board and its committees, to recommend processes for Board performance review and recommend corporate governance principles, practices and procedures for ANZ.

During the year, the Committee focused on a range of issues including:

Independence - A thorough review was conducted of legislation and best practices regarding director independence. The Committee concluded the ANZ policy and related definitions of independence met best practice standards.

Corporate governance - The Committee advised the Board on relevant governance developments.

Board performance - The Committee initiated a broad-ranging survey of Board performance and Director effectiveness issues. The results were reviewed and discussed by the Board, and a number of procedures and streamlining initiatives were adopted. The Committee also advised the Chairman regarding appropriate processes for direct individual performance evaluation.

Director s Manual - The Committee authorized development of a new and comprehensive manual for Directors.

Compensation Committee

M A Jackson (Chairperson)

R S Deane

C B Goode

B W Scott

The Compensation Committee makes recommendations to the Board in respect of the Group s compensation program including any equity-based programs. It also evaluates the performance of and approves the compensation for the senior executive officers and Board appointees (including the Chief Executive Officer) and approves compensation levels and policy guidelines.

Some areas of focus for the Compensation Committee this year were:

Compensation Policy - The Committee reviewed and recommended changes to the policy during the year (see page 88).

Executive Performance Reviews - The Committee conducts executive performance evaluations on a six-monthly basis with a review of performance as well as potential. Recommendations are made to the Board regarding incentives.

Succession - On an annual basis, the CEO and Committee review the performance and potential of the top 100 executives. Other issues discussed include capabilities and skill development, diversity and succession, opportunities and training initiatives.

$1,000 Employee Share Acquisition Plan - The Committee recommended to the Board the granting of shares to the value of $1,000 to each eligible ANZ employee through the Employee Share Acquisition Plan.

Additional Board Committees - In addition to the four main Board Committees, the Board has constituted a Shares Committee and an Executive Committee to assist in carrying out its functions.

The Shares Committee has the power to administer ANZ s Employee Share Plan and Employee Share Option Plan.

The Executive Committee has the full power of the Board and is convened as necessary between regularly scheduled Board meetings. The Board also forms and delegates authority to ad hoc Committees of the Board as and when needed to carry out its functions.

Remuneration of Non Executive Directors

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

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

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

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

On page 89 is a table detailing the remuneration of each non-executive director for the last financial year.

Equity Participation by Non-Executive Directors

It is Board policy that all directors have a share qualification of at least 2000 ANZ shares. In addition, as set out above, directors may participate in the Directors Share Plan. Details of directors shareholdings are set out on page 85.

Executive Remuneration including Employee Share and Option Plans

The objective of ANZ s remuneration policy is to ensure that remuneration packages properly reflect the duties and responsibilities of the senior executives and are sufficient to attract, retain and motivate personnel of the requisite quality. The policy focuses on creating value for shareholders by rewarding senior employees based on enhancement of shareholder value through improvements in Economic Value Added(TM) (EVA(TM))(1).

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

A detailed discussion on executive remuneration and a table setting out the remuneration of senior officers of the Company can be found on page 93.

---

(1) EVA (TM) is a measure of risk adjusted accounting profit. It is based on operating profit after tax, adjusted for significant transactions, the cost of capital, and imputation credits (measured at 70% of Australian tax). 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 the Group level, total capital is used so the cost of capital reflects the full resources provided by shareholders.

Company Policies

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

Code of Conduct for Directors and Code of Conduct for Employees

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

Market (Information) Disclosure Policy

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

Share Trading Policy

This policy covers trading in ANZ securities by all employees as well as contractors and consultants engaged by ANZ.

The Share Trading Policy prohibits trading for all persons aware of unpublished ANZ price sensitive information. In addition, it specifically prohibits trading by certain employees, contractors and consultants working in specific areas of ANZ during blackout periods. A blackout period is the six-week period leading up to the day after the announcement of the half yearly and full year results. The Board has also resolved to apply the principles of this policy to directors own trading in ANZ shares.

Employee Indemnity Policy

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

Serious Complaints Process

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

Relationship with the External Auditor

As highlighted on page 80, the Audit Committee policy on non audit services states the audit related and some non audit services that may be conducted by ANZ s external auditor. It sets in place a formal approval process regarding the provision of non audit services, which are only considered where they are not perceived to be in conflict with the role of auditor. This approval process is the responsibility of the Audit Committee.

Significant Accounting Policies

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

Group (Internal) Audit

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

As risk-based audit approach is used to ensure that the higher risk activities in each business are audited each year. All audits are conducted in a manner that conforms to international auditing standards. Audit results also influence incentive compensation of business heads.

Group Audit plays an active role in ensuring compliance with the requirements of supervisory regulatory authorities, including APRA. Group Audit also works collaboratively with the external auditor to ensure a comprehensive audit scope.

The Audit Committee plays an active role in reviewing significant issues arising from internal audits conducted by Group Audit.

There is a robust process for ensuring prompt resolution of audit issues, which includes monthly reviews of progress by the CEO and the Chairman of the Audit Committee. The Audit Committee receives formal reports on significant issues until satisfactory action has been taken.

Political Donations

In the year to September 2003, ANZ donated $75,000 to the Australian Liberal Party and $50,000 to the Australian Labor Party.

Directors Meetings

The number of Board meetings and Committee meetings held during the year ended September 30, 2003 and attended by each director are set out in the following table:

	Board		**Risk Management Committee**		**Audit Committee**		**Compensation Committee**		**Nominations & Corporate Governance Committee**		**Executive Committee**		**Shares Committee**		**Committee of the Board**	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
J C Dahlsen	11	11	10	8	7	7	3	3			1	1	1	1	2	2
R S Deane(1)	11	11	10	7			3	3								
J K Ellis	11	11	10	9			3	3					1	1		
D M Gonski	11	11	10	7			3	2	3	3						
C B Goode	11	11	10	8	7	7	3	3	3	3	2	2	5	5	4	4
M A Jackson	11	11	10	8	7	7	3	2	3	3	1	1				
J Mc Farlane	11	11									2	2			3	3
B W Scott	11	11	10	9	7	7	3	3	3	3			5	5	2	2

Column A Indicates the number of meetings the Director was eligible to attend

Column B The number of meetings attended. The Chairman is an ex-officio member of all Board Committees

(1) New Zealand resident

Directors Shareholdings

November 7, 2003	**Beneficially held Shares (1)**	**Beneficially held Options (2)**	**Non-beneficially held Shares**
J C Dahlsen	83,400		