



Australia and New Zealand Banking Group Limited
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4 November 1998

ANZ announces steady profit despite difficult international environment

Australia and New Zealand Banking Group Limited recorded an operating profit after tax and before abnormal items of \$1,175 million for the year ended 30 September 1998, broadly similar to the \$1,171 million for the 1997 financial year. The operating profit after tax and abnormal items was \$1,106 million, up from \$1,024 million in 1997.

ANZ Chairman, Mr Charles Goode, made the following comments about the result:

“Maintaining profit at last year’s level is a creditable result in the context of a deteriorating international environment.

“Our domestic banking businesses in Australia and New Zealand have performed extremely well, particularly Personal Banking. The benefits from our investment in programmes to improve efficiency are now emerging with total costs lower than in 1997, and second half costs lower than in the first half.

“ANZ has a long established position as Australia and New Zealand’s international bank and therefore felt the impact of the Asian turmoil and the collapse in emerging financial markets. Our review of these activities led us to substantially reduce our non core Asian exposures and exit our capital markets operations in London.

“We also exited institutional stockbroking and this together with the cost of exiting the London capital markets operations resulted in an abnormal loss after tax of \$69 million.

“We enter the current year with a business that has a better strategic balance.

“The final dividend will be increased to 28 cents per share, bringing the full year dividend to 52 cents, up 8% on 1997. The increase in the dividend reflects the underlying strength of the Group and its future prospects. The dividend is franked to 60% and this level is expected to increase in the current financial year,” Mr Goode concluded.

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Internet: A full copy of these results is available on www.anz.com

Australia and New Zealand Banking Group Limited

ACN 005 357 522

Consolidated Results and Dividend Announcement

**Year Ended
30 September 1998**



FOR PRIORITY TRANSMISSION

Name of Company: Australia and New Zealand Banking Group Limited
ACN 005 357 522

Report for the year ended 30 September 1998

A\$ Million

Group operating revenue		
- before abnormal items		11,598
- after abnormal items		11,528
Group operating profit after income tax and outside equity interests		
- before abnormal items		1,175
- after abnormal items		1,106
Group net abnormal (loss) after tax		(69)
Final dividend per share		
This year	60% franked at 36%	28 cents
Last year	fully franked at 36%	26 cents

Books close for final dividend	20 November 1998
Payment of final dividend	21 December 1998

The final dividend will be payable to shareholders registered in the books of the Company at close of business on 20 November 1998. Transfers must be lodged before 5:00 pm on that day to participate.

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED
ACN 005 357 522
CONSOLIDATED RESULTS AND DIVIDEND ANNOUNCEMENT
Year Ended 30 September 1998

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All amounts are in Australian dollars unless otherwise stated. Prior period data has been restated to ensure comparability following changes to accounting policy and to the doubtful debt measurement approach. The results on which this announcement is based have been audited by the Group's auditors, KPMG. The Company has a formally constituted Audit, Compliance & Finance Committee of the Board of Directors. This report was approved by resolution of a Committee of the Board of Directors on 4 November 1998.

HIGHLIGHTS ¹

- Operating profit pre-abnormals steady at \$1,175 million (1997: \$1,171 million)
- Return on equity 15.5% (1997: 16.9%)
- Operating profit after abnormals \$1,106 million (1997: \$1,024 million)
- Final dividend 28 cents per share, up 8%, franked at 60%

- Record profit performance in Australia and New Zealand
 - Australia up 16% to \$796 million
 - New Zealand up 28% to \$158 million
 - reflects Australia and New Zealand Personal Banking up 29% to \$462 million
- International profit down 39% to \$221 million, reflecting difficult environment, credit deterioration and emerging market bond losses
- Total operating expenses down 2%. Cost income ratio 60.9%, down 2.2%; or down 5.0% to 58.6% for continuing businesses
- Risk profile reduced
 - Asian exposures reduced by 47%
 - London capital markets exited
 - Institutional broking exited
- Increased disclosure of geographic and business performance

¹ Prior period data restated for changes in accounting policies and measurement approach (refer pages 58 and 39). Figures before abnormals unless stated otherwise

CHIEF EXECUTIVE OFFICER'S REVIEW

My first year as Chief Executive Officer of ANZ has been both challenging and rewarding.

Whilst Australia and New Zealand have felt some effect from the Asian crisis, international financial markets have been in turmoil, substantially impacting international banks around the world, including ourselves. Nevertheless, ANZ has delivered a profit broadly similar to last year. We achieved this by producing record results in both Australia and New Zealand, which were up 16% and 28% respectively, to offset a 39% decline internationally. This is a significant achievement in a difficult environment, and serves to underscore the transformation of our domestic businesses over the past two years, as well as the diversified nature of our group.

This said, I do not wish to mask some very real problems we have experienced overseas with the onset of material increases in both country and market risk in emerging markets, particularly in Asia and Russia, which caused credit and trading losses. Faced with this, we acted quickly and decisively to protect earnings by reducing non core exposure, halting proprietary trading, and withdrawing from high risk segments. This has served to mitigate the potential impact on profits and shareholder value. Whilst slipping against our domestic competitors recently, our share price trend compares favourably with international banks in the USA and Europe, many of which are trading at almost half of their recent values. For the long haul we remain convinced that having an international presence is the right strategy for ANZ.

Record Results Domestically

Our businesses in Australia and New Zealand achieved a significant profit improvement of \$144 million after tax in aggregate, notably as a result of our success in reducing costs by \$121 million. In both countries we reduced the cost income ratio by more than 5%.

Personal Banking results were up 29% to \$462 million, principally following the successful cost rationalisation of the business. In Australia, there has been strong product growth in mortgage lending and cards. ANZ frequently recorded the highest monthly inflows in mortgage lending during the year. In credit cards, we remain the clear market leader. Our retail funds management strategy was enhanced by the introduction of the 'Gateway' master trust, which achieved good customer acceptance.

Business Banking in Australia, where we hold a leading position, achieved sound growth while rebalancing its risk position. Asset Finance achieved strong growth in new business writings while lowering the cost base to maintain leadership in this segment. Our foreign exchange and domestic capital markets activities had an excellent year. ANZ Securities faced substantially increased competition, mainly from foreign entrants, which jeopardised its future prospects. We therefore took the decision to withdraw from institutional stockbroking and to focus on retail broking.

In summary, domestically we simultaneously reduced costs per customer, increased revenue per customer, and increased our market share. We believe this is an excellent set of outcomes.

Overseas Profits Hit by Deteriorating Environment

1998 has been a year of considerable turmoil in international financial markets - the most turbulent period since the 1930's. The current downturn in Asia is the most severe for at least 50 years, and full recovery is unlikely for three to five years. Our long established international positioning, which served us well in the early 1990s when domestic markets were weak, felt the adverse impact of this environment. In response we reduced non-core Asian exposures; total Asian exposures were reduced by 47%. The increase in non-accrual loans of \$790 million came mainly from overseas, leading to net specific provisions of \$512 million being transferred from the general provision.

The contagion effect spread westwards and emerging markets bond markets collapsed, notably in Russia, resulting in sizeable trading losses for our operations in London. Following a strategic review aimed at lowering risk, we withdrew from this business. The costs of exiting, including the write-down of the residual bond portfolio, and exiting institutional broking, were taken as abnormal items.



CHIEF EXECUTIVE OFFICER'S REVIEW (continued)

We are not proud of this aspect of the result. While we made the most of the volatility in exchange rates and earned good profits from our foreign exchange activities, this more hostile environment tested our existing strategies to their limits, exposing some flaws. We have used this year to put these issues largely behind us and we believe that the reduction in risk, which followed our decisions, will contribute substantially to improved quality of earnings in the future.

Preparing for the Future

Conditions in the year ahead are likely to remain challenging. Most forecasters predict a slowing in economic activity worldwide, including Australia, and market volatility is likely to persist. Indeed, the outlook for the next five years is radically different to the conditions of the last five years. In this lower growth and more volatile environment, we will continue to reduce risk, reduce cost and focus on building our customer businesses.

We are now pursuing a strategy to reposition our business increasingly towards consumer banking and small business, including retail funds management and related products. Nevertheless, we intend to maintain our strength in Corporate Banking but with a lower risk profile and stronger non-interest income. This repositioning of the bank is under way, as has already been demonstrated this year.

We are a major domestic bank but differentiate ourselves by our international presence. However new market conditions overseas require us to be more selective. Everyone is well aware of our strengths in South Asia and the Pacific Islands, but we are underweight in East Asia and have indicated our intention to strengthen this through acquisition when the time is right. As things stand, the environment in East Asia has remained too risky for us to proceed. We have consciously slowed this process, pending an improved environment. Going forward, we intend to maintain roughly the current balance of domestic versus international with effort overseas concentrated on markets that offer the greatest potential for shareholder value, at a lower level of risk.

We also intend to bring alive our promise of making dealing with ANZ an enjoyable experience for our customers, and of creating an environment at ANZ where people excel. We are building a performance based culture, with increasing levels of accountability, better performance management and increased remuneration for those who contribute most. Improving the skills and leadership abilities of our people is a priority. Without jeopardising these objectives, we will continue our emphasis on cost reduction and on the establishment of a more technologically oriented approach to banking.

It is important that everyone understands the progress we have made in transforming our businesses, particularly in Australia and New Zealand. Accordingly we have substantially increased our already high level of disclosure by adding full profit and loss accounts by geography and by business, and more detail on country risk and expenses.

All of these changes are in the pursuit of increased shareholder value by achieving superior financial performance. Notwithstanding a more hostile environment and a flatter result than we had hoped, we have demonstrated good progress in delivering superior earnings performance domestically. This, together with actions already taken to lower risk, give sufficient confidence to reiterate our promises to shareholders on future profit, return on equity and on lowering our cost-income ratio.

Our People have Done Well

The achievements of the last year, especially in a tough external environment, could not have been made without the loyalty, commitment and hard work of many people throughout ANZ. I would like personally to thank all our people for their substantial contribution.

I am conscious that there is still a lot to be done. I am however confident we will rise to the challenge.

FINANCIAL HIGHLIGHTS

PERFORMANCE MEASUREMENTS¹

	1998	1997
Profitability ratios		
Before abnormal items		
Return on:		
Average shareholders' equity ²	15.5%	16.9%
Average assets	0.8%	0.9%
Average risk weighted assets	1.0%	1.2%
Total income	10.1%	10.1%
After abnormal items		
Return on:		
Average shareholders' equity ²	14.6%	14.8%
Average assets	0.7%	0.7%
Average risk weighted assets	1.0%	1.0%
Total income	9.6%	8.7%
Net interest average margin	2.97%	3.04%
Efficiency ratios ³		
Operating expenses to net operating income	60.9%	63.1%
Operating expenses to net operating income - continuing operations (refer page 22)	58.6%	63.6%
Operating expenses to average assets	2.3%	2.5%
Debt provisioning		
Economic loss provisioning	487	400
Net specific provisions	512	86
Earnings per share (cents)		
Basic		
Before abnormal items	77.2	78.4
After abnormal items	72.6	68.6
Diluted		
Before abnormal items	76.9	78.2
After abnormal items	72.4	68.4
DIVIDENDS		
Dividend rate (cents)		
Interim - 60% franked (1997: fully franked)	24	22
Final - 60% franked (1997: fully franked)	28	26
Dividend payout ratio		
Before abnormal items	67.8%	61.6%
After abnormal items	72.1%	70.4%

¹ Prior period data restated for changes in accounting policies and measurement approach (refer pages 58 and 39)

² Excluding outside equity interests

³ Before abnormal items

FINANCIAL HIGHLIGHTS (continued)
ASSETS AND CAPITAL

	1998	1997	Movt %
Total assets (\$M)	149,720	138,241	8%
Risk weighted assets (\$M)	116,096	106,147	9%
Shareholders' equity¹ (\$M)	8,335	6,943	20%
Total advances (\$M)	113,707	101,510	12%
Net tangible assets per share (\$)	4.98	4.59	9%
Capital adequacy ratio (%)			
- Tier 1	7.2%	6.6%	n/a
- Total	10.7%	9.8%	n/a
General provision			
General provision as a % of risk weighted assets	1.2%	1.3%	n/a
General provision, excluding attributable future income tax benefit, as a % of risk weighted assets	0.8%	0.9%	n/a
Non-accrual loans (\$M)			
Non-accrual loans	1,662	872	91%
Specific provisions	(762)	(444)	72%
Net non-accrual loans	900	428	110%
Specific provision as a % of total non-accrual loans	45.8%	50.9%	n/a
Net non-accrual loans as a % of net advances	0.8%	0.4%	n/a
Net non-accrual loans as a % of shareholders' equity²	10.7%	6.1%	n/a

¹ Excludes outside equity interests

² Includes outside equity interests

CHIEF FINANCIAL OFFICER'S REVIEW

Overview

Australia and New Zealand Banking Group Limited recorded an operating profit after tax before abnormal items of \$1,175 million for the year ended 30 September 1998, broadly similar to the result for the 1997 financial year of \$1,171 million. The return on shareholders' equity before abnormals was 15.5% (16.9%) and earnings per share was 77.2 cents (78.4 cents). The operating profit after tax and abnormals was \$1,106 million, up from \$1,024 million in 1997.

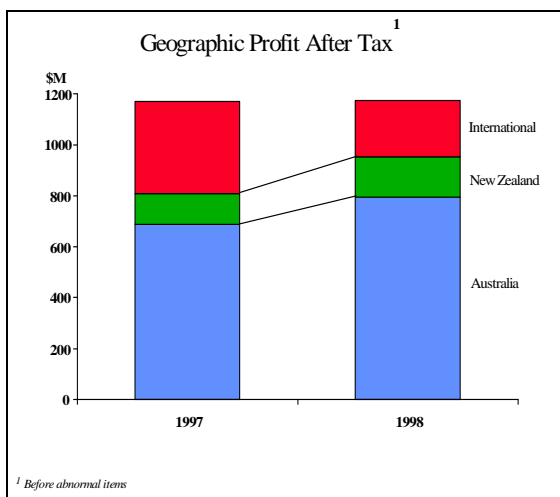
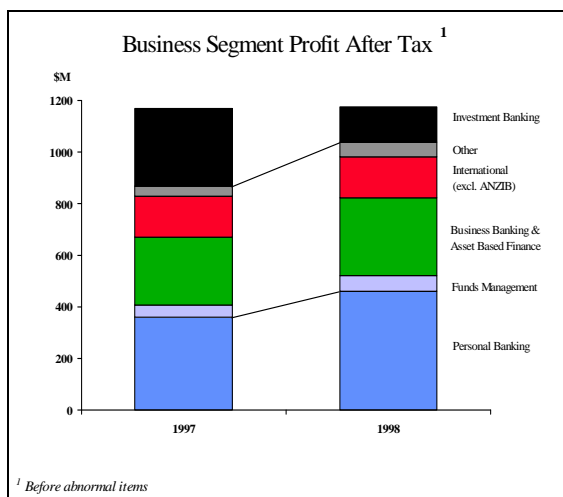
Last year's profit before abnormals was maintained notwithstanding an operating environment which was the most adverse since the Australian recession in 1992.

Australian businesses, in particular Personal Banking, performed extremely well achieving strong growth in key market segments whilst reducing costs. Our foreign exchange activities globally benefited from volatility in financial markets. Unfortunately these were offset by a deterioration in credit quality flowing from the Asian turmoil and the collapse in emerging markets which led to significant losses from our investment banking activities in London. The subsequent decision to exit the London capital markets operations (including the writedown of the portfolio previously classified as investment) and institutional stockbroking resulted in an abnormal loss after tax of \$69 million.

We have also made significant progress with re-engineering the Group during the year. Risk levels were reduced with Asian exposure managed down by 47% (in US dollar terms), all proprietary trading activities terminated and Funds Management capital transferred out of equities into less volatile money markets. With the benefits from numerous programmes to improve efficiency now emerging, total costs were lower than in 1997 and second half costs were lower than in the first half. The cost income ratio was reduced to 60.9% from 63.1%.

The Group further strengthened its capital base and flexibility by being the first Australian bank to issue Preference Shares in the US retail market. The US\$400 million issue increased the Group's Tier 1 capital ratio to 7.2%.

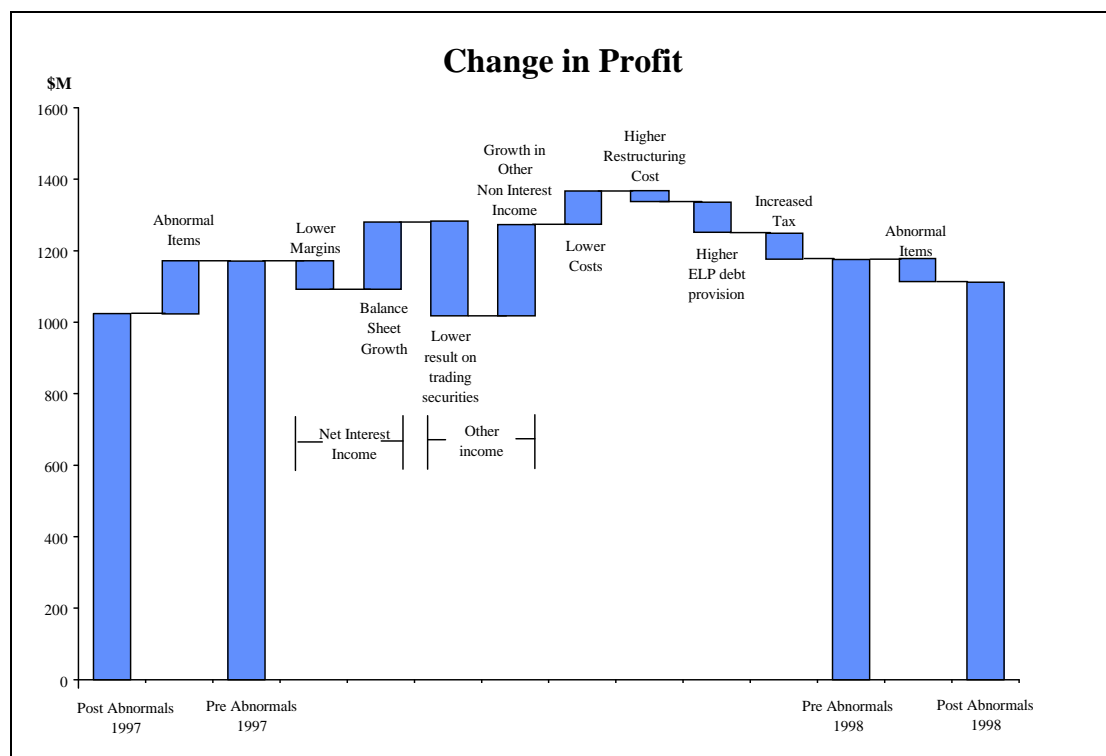
The final dividend will be increased to 28 cents per share, bringing the full year dividend to 52 cents, up 8% on 1997. The increase reflects the benefits of the re-engineering as well as the underlying strength of the Group. The dividend is franked to 60% and this level is expected to increase next year.



CHIEF FINANCIAL OFFICER'S REVIEW (continued)

PROFIT AND LOSS

	1998 \$M	1997 \$M	Movt %
Net interest income	3,547	3,437	3%
Other operating income	2,099	2,110	-1%
Net operating income	5,646	5,547	2%
Operating expenses	(3,438)	(3,502)	-2%
Operating profit before debt provisions	2,208	2,045	8%
Provision for doubtful debts	(487)	(400)	22%
Income tax expense	(537)	(466)	15%
Outside equity interests	(9)	(8)	13%
Operating profit after income tax			
before abnormal items	1,175	1,171	0%
Abnormal loss before tax	(102)	(182)	-44%
Income tax benefit - abnormal items	33	35	-6%
Abnormal loss after tax	(69)	(147)	-53%
Operating profit			
attributable to members of the Company	1,106	1,024	8%



CHIEF FINANCIAL OFFICER'S REVIEW (continued)

Net interest income

	1998 \$M	1997 \$M	Movt %
Interest income	9,499	9,455	0%
Interest expense	(5,952)	(6,018)	-1%
Net interest income	3,547	3,437	3%
Interest spread and net interest average margin	%	%	
Gross interest spread	2.40	2.49	n/a
Interest forgone on impaired assets	(0.07)	(0.06)	n/a
Net interest spread	2.33	2.43	n/a
Interest attributable to net non-interest bearing items	0.64	0.61	n/a
Net interest average margin	2.97	3.04	n/a
Average interest earning assets (\$M)	119,728	113,242	6%

The 3% increase in net interest income reflects 6% growth in average interest earning assets and a modest (7 basis point) decline in margins.

The former reflected:

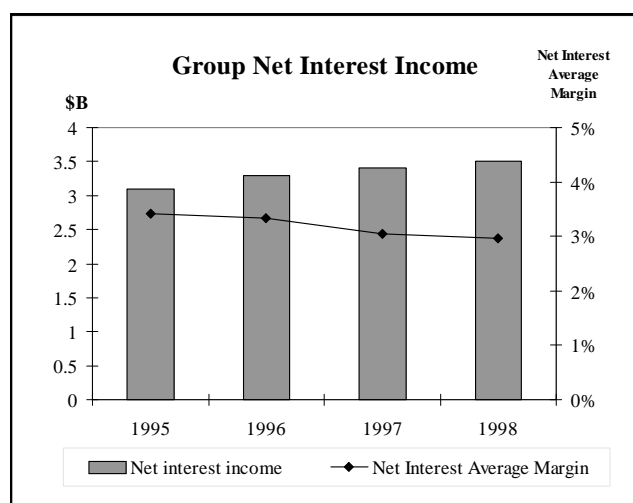
- strong lending growth in Australia (12%)
 - mortgages (13%)
 - commercial lending (14%)
- lending growth offshore, mainly due to exchange rate movements
- offset by a reduction in interbank lending

Margin decline was due to:

- competition in New Zealand and Australia continued to pressure margins

offset by

- improved spreads from our international operations, reflecting a mix change following the winding back of lower margin money market activity
- a greater proportion of interest earning assets being held domestically where margins are higher.



CHIEF FINANCIAL OFFICER'S REVIEW (continued)

Other operating income

	1998	1997	Movt
	\$M	\$M	%
Fee income			
Lending	592	570	4%
Other including commissions	914	823	11%
Total fee income	1,506	1,393	8%
Foreign exchange earnings	373	237	57%
(Loss)profit on trading instruments	(83)	182	n/a
Other income	303	298	2%
Total other operating income	2,099	2,110	-1%

A key objective of the Group has been the diversification of income streams with an emphasis on building fee income. Growth in fee income reflects:

- higher card, transaction and funds management fee levels
- an increase in structured finance fee income, notably in the second half
- higher commercial bill volumes, offsetting contraction in margins due to competitive pressures
- some benefit from exchange rate movements internationally.

Foreign exchange income grew strongly as the Group's Treasury benefited from market volatility, notably in Asian currencies.

The collapse in emerging market bond prices in the second half and the impact of the Asian turmoil led to a \$265 million turnaround in trading performance. In view of the heightened risk from emerging markets debt trading, this activity has now been exited.

Other income was affected by:

- the strategic decision to reduce the risk profile of the Group by transferring Funds Management capital, previously principally in equities, into less volatile but lower yielding money markets. Last year's earnings in other income of \$65 million reflected bull market conditions which were not repeated in 1998.
- gain of \$26 million on demutualisation of the Credit Reference Association of Australia (CRAA)
- lower compensation payments as a result of reduced tax preferred business.

CHIEF FINANCIAL OFFICER'S REVIEW (continued)

Operating expenses

	1998	1997	Movt
	\$M	\$M	%
Personnel expenses	1,854	1,949	-5%
Premises expenses	347	362	-4%
Computer expenses	341	330	3%
Other expenses	776	771	1%
Restructuring ¹	120	90	33%
Total operating expenses	3,438	3,502	-2%
Employees (FTE) - Permanent	30,827	35,926	-14%
Employees (FTE) - Temporary	1,245	978	27%
Total employees	32,072	36,904	-13%

¹ In addition, restructuring expenses of \$32 million (1997: \$327 million) were treated as abnormal

Operating expenses were reduced by \$64 million but a declining Australian dollar masked an underlying decrease in costs of \$102 million. Expenses were down in Australia (\$72 million) and New Zealand (\$49 million, \$30 million excluding FX) but were up internationally (\$57 million, flat excluding FX), reflecting exchange rate movements. These lower costs were key drivers behind the reduction in the cost income ratio of 5.2% in Australia and 6.9% in New Zealand.

The benefits of the Group's restructuring programs are now apparent:

- FTEs down 4,832 or 13%
- personnel and premises costs down
- restructuring spend during the year was \$344 million, leaving a provision balance of \$82 million.

Personnel expenses also reflect lower performance related bonuses to trading staff.

Increases in computer expenses were modest, notwithstanding:

- Year 2000 compliance work
- Euro 99 compliance work
- major projects to improve and standardise systems, both in Australia and New Zealand, and internationally.

CHIEF FINANCIAL OFFICER'S REVIEW (continued)

Asset quality

The charge for doubtful debts was determined under economic loss provisioning principles ("ELP") and derived from our risk management models. The increase in ELP from \$400 million to \$487 million reflects:

- lending asset growth (11%)
- deterioration in the risk profile of the Asian portfolio.

The charge equates to 45 basis points on net loans and advances.

Actual loss experience or net specific provisions during the year amounted to \$512 million including:

- \$263 million on Asian exposures
- \$113 million on Australian exposures
- \$60 million on Middle East exposures
- \$34 million relating to emerging markets capital markets activities in London.

Net specific provisions were lower than the expected loss in our Australian businesses and higher in our International markets.

The Group's aggregate Asian exposure reduced by 47% (in US dollar terms) over the year, from US\$11.5 billion to US\$6.1 billion (refer page 59). The reduction was achieved mainly by contracting non-strategic lending, principally in the interbank market.

At 30 September 1998, the general provision stood at \$1,401 million, a surplus of \$492 million over the 0.5% of risk weighted assets guideline indicated by the Australian Prudential Regulation Authority.

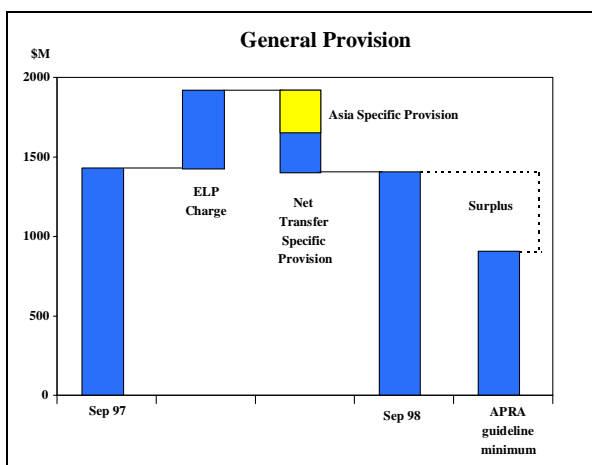
Non-accrual loans

Gross non-accruals increased by \$790 million to \$1,662 million with exposures relating to:

- Asia up \$339 million
- Australia up \$194 million (mainly in the first half)
- Middle East up \$170 million.

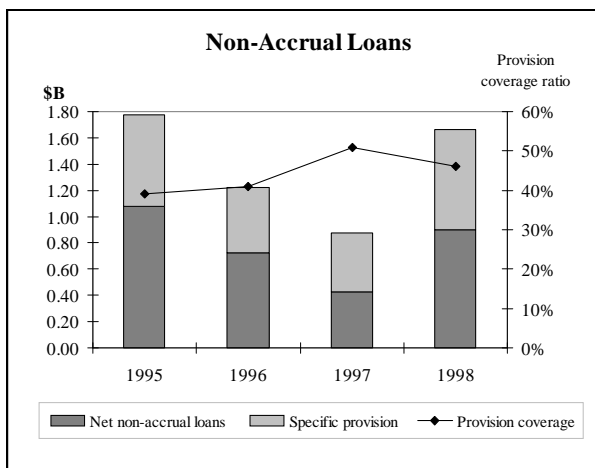
The Group remains well provided with the coverage ratio stable at 46%.

Net non-accruals stand at \$900 million and represent 10.7% of shareholders' equity at



ELP v Net Specific Provisions (SP) by Business Segment

	1998		1997	
	ELP	SP	ELP	SP
Principal Domestic Markets				
Personal Banking	103	66	104	61
Business Banking	83	50	92	(22)
Asset Finance	72	50	60	34
Investment Banking	33	6	29	8
	291	172	285	81
International Markets				
Commercial Banking	119	98	62	20
Investment Banking	64	258	43	(23)
	183	356	105	(3)
Other	13	(16)	10	8
	487	512	400	86



CHIEF FINANCIAL OFFICER'S REVIEW (continued)

30 September 1998.

Income Tax Expense

	1998	1997
Effective tax rate		
- before abnormal items	31.2%	28.3%
- after abnormal items	31.1%	29.5%

The tax expense on profit before abnormals increased by \$71 million with a 2.9% increase in the effective tax rate, due to:

- significantly lower levels of tax preferred income
- the impact of emerging markets debt trading losses incurred in lower tax jurisdictions.

Abnormal Items

	1998	1997
	\$M	\$M
Restructuring costs	-	(327)
Decision to exit businesses		
Restructuring	(32)	-
Write down of residual emerging markets securities (previously classified as investment portfolio)	(70)	-
National Housing Bank interest receipt	-	145
	(102)	(182)
Income tax benefit	33	35
Abnormal loss after tax	(69)	(147)

The 1998 abnormal item includes the costs associated with exiting institutional broking and the London capital markets operations. As a consequence of the latter, the residual emerging markets securities portfolio (previously classified as investment) was transferred to Available for sale within Other assets and written down by \$70 million to market value.

Balance sheet

Group assets grew by 8% (or 4% excluding foreign exchange impact).

Interbank lending, particularly to Asian institutions, was reduced.

Solid lending growth was achieved in Australia:

- Personal Banking up \$3.4 billion, with mortgages up \$2.8 billion (13%)
- Business Banking up \$3.0 billion.

Growth in other assets reflects the revaluation of off-balance sheet trading activities mainly due to movements in exchange rates.

Total shareholders' equity increased 20% to \$8.4 billion, aided by the issue of US\$400 million preference shares in September.

BALANCE SHEET	1998	1997
	\$B	\$B
Assets		
Interbank balances	4.2	10.9
Loan portfolio	110.1	97.8
Trading and investment securities	10.0	10.4
Other	25.4	19.1
	149.7	138.2
Liabilities and equity		
Interbank balances	10.8	10.9
Deposits and borrowings	94.6	89.2
Acceptances	15.7	14.0
Other	16.5	13.7
Capital resources	12.1	10.4
	149.7	138.2



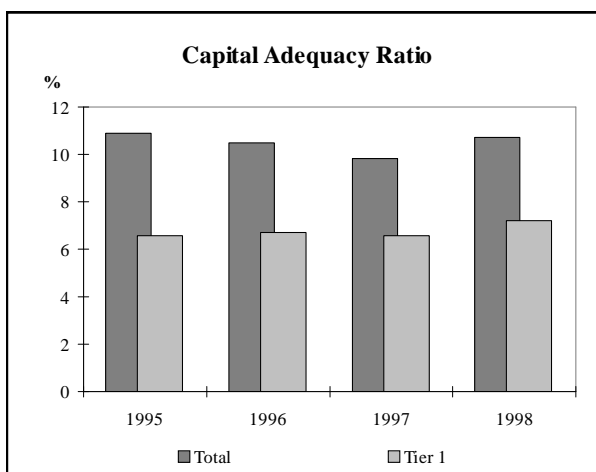
CHIEF FINANCIAL OFFICER'S REVIEW (continued)

Capital Adequacy

The Group remains well capitalised.

The Australian Prudential Regulation Authority (APRA) guideline ratio of qualifying capital to risk weighted assets is a minimum of 8% of which Tier 1 capital must be at least 4%:

- the Group's capital adequacy ratio was up 0.9% to 10.7%,
- total Tier 1 ratio of 7.2%, up 0.6% from September 1997, substantially due to the issue of US\$400 million preference shares in September 1998.



Risk Management

The last 12 months have tested our risk management systems and procedures. While our record is not unblemished, we did reduce the amplitude of the impact as 1998 turned out to be one of the most turbulent years in financial markets since the 1930s with the crisis in Asia unfolding in a way that few economists or governments predicted.

Four of the 20 largest declines in exchange rates since 1970 have occurred in Asia since mid 1997. Economic activity in the region has gone from an annual growth rate of 7% in the period 1992-1997 to a likely contraction of 5% in 1998. The region continues to be burdened by high levels of bad debt with non performing loans expected to peak between 45% and 75% in Korea, Thailand and Indonesia.

Asia

ANZ through its long established international franchise was adversely affected by the Asian turmoil. To address the situation and manage our exposures down the Group established a specialist team early in the year.

This enabled the Group to provide early comfort that the situation was well controlled and that credit losses could be absorbed within the Economic Loss Provisioning policy.

At the Annual General Meeting in January the Chairman indicated the Group's specific provisions for the year would be contained "around \$500 million". Specific provisions for the year were \$512 million, including \$263 million for Asia.

The Group has significantly reduced its non-strategic assets in Asia. This resulted in a reduction in total exposure to the region of 47% in US dollar terms. Lending policies have been reviewed and tightened to focus on network business, particularly trade finance, rather than foreign currency lending to local entities.

Looking forward, the region continues to be under stress and further problem exposures can be expected. However, with the actions taken to reduce the level of outstandings, these are likely to be well below 1998 levels.

CHIEF FINANCIAL OFFICER'S REVIEW (continued)

Risk Management (continued)

Emerging Markets

Contagion effects from the Asian turmoil have been felt across other emerging markets. Between March and September 1998, the JP Morgan Emerging Markets Bond Index Plus fell by up to 36%, while the failure of Russia to deal with its economic crisis led to a drop in the Russian Country Composite Index of 85%. ANZ was exposed to the emerging bond markets through its Capital Markets trading activities in London, and this was the principal cause of a turnaround in trading income of \$265 million for the year.

In July, ANZ made the decision to exit all proprietary trading activities. Exposures were reduced but some positions could not be exited due to lack of liquidity in the global bond markets, and losses continued to be incurred in the period between July and August. The decision to close our London capital markets activities has now been made as part of the program to rebalance away from higher risk wholesale banking activities. The residual investment portfolio was written down to market value as at 30 September 1998.

National Housing Bank of India

Following the Arbitration Award handed down in the Group's favour on 29 March 1997, the National Housing Bank of India (NHB) had the award reviewed by the Special Court in Mumbai, which on 4 February 1998 ordered that the award be set aside. ANZ has filed an appeal with the Supreme Court of India seeking that the Special Court's order be set aside. As the matter is sub judice comment by the parties is limited. The Group has obtained legal advice from Senior Counsel and based on that advice no provision has been made in respect of the claim.

Year 2000

ANZ, like other users of computer systems, faces the issue of the potential disruption to business that could eventuate with the date change from 1999 to 2000. Significant effort continues to be directed to addressing Year 2000 issues, with cost expected to be \$183 million. All of ANZ's systems have been analysed and repair and systems testing of ANZ's internal applications are on schedule for completion by the end of December 1998.

External testing of interbank clearing systems, with other institutions, will commence in February 1999. This cross-industry testing is scheduled for completion by 30 June 1999. A review of externally provided products and services is also well underway and testing has commenced.

Year 2000 has the potential to adversely impact the broader economy and therefore have negative implications for credit quality. ANZ is active in assessing the impact of Year 2000 on the creditworthiness of our customers and in raising their awareness of the effect it could have on their business.

Euro

ANZ has established a programme to ensure that its banking products/services, and customers, are fully prepared for European Economic and Monetary Union, and the new European currency, on 1 January 1999.

Strategic positioning

The events of the last twelve months have led to a reassessment and strategic rebalancing of our management of risk. Tangible evidence of this is seen in the decision to close the London capital markets operation, wind down of interbank money market activities and reduction in non-strategic Asian exposures. Going forward, there will be a continuing rebalancing of our portfolio with reduced emphasis upon wholesale activities. Our international activities will be sharpened with greater focus upon lower risk assets reflecting our areas of traditional strength in trade, foreign exchange and supporting the needs of our network customers and building our consumer franchises.



CHIEF FINANCIAL OFFICER'S REVIEW (continued)

AUSTRALIA

	1998	1997	Movt
	\$M	\$M	%
Net interest income	2,271	2,223	2%
Other operating income	1,427	1,295	10%
Net operating income	3,698	3,518	5%
Operating expenses	(2,288)	(2,360)	-3%
Operating profit before debt provisions	1,410	1,158	22%
Provision for doubtful debts	(303)	(268)	13%
Income tax expense	(311)	(203)	53%
Operating profit after income tax (before abnormal items)	796	687	16%
Net abnormal loss after tax	(11)	(155)	-93%
Operating profit after income tax and abnormal items	785	532	48%
Net interest average margin	3.55%	3.81%	n/a
Return on book equity (before abnormals)	16.3%	14.6%	n/a
Operating profit after tax as a % of average risk weighted assets	1.2%	1.1%	n/a
Operating expenses to net operating income	61.9%	67.1%	n/a
Operating expenses to average assets	2.7%	3.0%	n/a
Net specific provision as a % of average net advances	0.2%	0.1%	n/a
Net non-accrual loans	561	313	79%
Net non-accrual loans as a % of net advances	0.7%	0.4%	n/a
Employees (FTE) - Permanent	17,395	21,113	-18%
Employees (FTE) - Temporary	756	612	24%
Total employees	18,151	21,725	-16%
Lending growth	13.8%	8.9%	n/a
Total assets	94,194	80,321	17%
Risk weighted assets	75,063	66,687	13%

Reflecting the initial benefits of our restructuring and business initiatives in Australia, profit before abnormals was up \$109 million, an increase of 16%.

The cost income ratio for the Australian operations was reduced from 67.1% to 61.9%. Operating expenses were down 3% with cost savings flowing from:

- restructuring programs implemented during the year, in particular the roll out of Branch of the Future and Operations & Technology and head office restructuring
- FTEs down 3,574 or 16%.

A 2% increase in net interest income reflected:

- strong growth in lending, particularly in mortgages and business banking
- partly offset by a 26 basis point decline in net interest margin.

Non-interest income was up with:

- higher transaction and cards fee income in Personal Banking
- higher commercial bill volumes, offsetting a contraction in commercial bill margins
- strong foreign exchange earnings
- gain arising on the demutualisation of the Credit Reference Association of Australia; offset by
- the decision to switch Funds Management capital out of equities to lower the risk profile of the Group. Last year's earnings of \$90 million reflected bull market conditions.

Asset quality remains sound in Australia, with increased non-accruals reflecting the downgrading of a limited number of larger exposures in Business Banking.

CHIEF FINANCIAL OFFICER'S REVIEW (continued)

NEW ZEALAND

	1998 \$M	1997 \$M	Movt %
Net interest income	479	501	-4%
Other operating income	314	284	11%
Net operating income	793	785	1%
Operating expenses	(511)	(560)	-9%
Operating profit before debt provisions	282	225	25%
Provision for doubtful debts	(53)	(57)	-7%
Income tax expense	(71)	(45)	58%
Operating profit after income tax (before abnormal items)	158	123	28%
Net abnormal loss after tax	-	(41)	-100%
Operating profit after income tax and abnormal items	158	82	93%
Net interest average margin	2.76%	3.01%	n/a
Return on book equity (before abnormal items)	21.1%	18.7%	n/a
Operating profit after tax as a % of average risk weighted assets	1.1%	0.9%	n/a
Operating expenses to net operating income	64.4%	71.3%	n/a
Operating expenses to average assets	2.6%	3.0%	n/a
Net specific provision as a % of average net advances	0.2%	(0.1%)	n/a
Net non-accrual loans	83	74	12%
Net non-accrual loans as a % of net advances	0.5%	0.5%	n/a
Employees (FTE) - Permanent	4,273	5,564	-23%
Employees (FTE) - Temporary	226	107	111%
Total employees	4,499	5,671	-21%
Lending growth (including FX impact)	2.0%	6.0%	n/a
Lending growth (excluding FX impact)	7.4%	12.9%	n/a
Total assets	20,155	18,831	7%
Risk weighted assets	13,766	14,332	-4%

New Zealand's profit before abnormals was up 28%, with lower costs and higher non-interest income offsetting tighter margins and a higher effective tax rate. The cost income ratio improved by 6.9%.

Net interest income was lower due to:

- competitive pressures and interest rate volatility leading to a 25 basis point contraction in margin
- partially offset by lending growth (albeit masked by the impact of a weaker New Zealand dollar)

Increased non-interest income reflected higher current account fees and foreign exchange profits.

Operating costs were reduced significantly:

- lower FTEs (down 1,172 or 21%) following the continuing implementation of major restructuring programmes to improve efficiency including the rollout of Branch of the Future
- lower premises and other expenses



CHIEF FINANCIAL OFFICER'S REVIEW (continued)

INTERNATIONAL

	1998 \$M	1997 \$M	Movt %
Net interest income	797	713	12%
Other operating income	358	531	-33%
Net operating income	1,155	1,244	-7%
Operating expenses	(639)	(582)	10%
Operating profit before debt provisions	516	662	-22%
Provision for doubtful debts	(131)	(75)	75%
Income tax expense	(155)	(218)	-29%
Outside equity interests	(9)	(8)	13%
Operating profit after income tax (before abnormal items)	221	361	-39%
Net abnormal (loss)profit after tax	(58)	49	n/a
Operating profit after tax and abnormal items	163	410	-60%
Operating profit after income tax (before abnormal items)			
UK and Europe	(56)	105	n/a
Asia Pacific	108	97	11%
South Asia	78	84	-7%
Americas	36	24	50%
Middle East	55	51	8%
	221	361	-39%
Net interest average margin	1.94%	1.79%	n/a
Return on book equity (before abnormal items)	11.0%	22.6%	n/a
Operating profit after tax as a % of average risk weighted assets	0.9%	1.5%	n/a
Operating expenses to net operating income	55.3%	46.8%	n/a
Operating expenses to average assets	1.5%	1.4%	n/a
Net specific provision as a % of average net advances	2.0%	0.0%	n/a
Net non-accrual loans	256	41	large
Net non-accrual loans as a % of net advances	1.4%	0.3%	n/a
Employees (FTE)			
UK and Europe	872	848	3%
Asia Pacific	2,558	2,725	-6%
South Asia	4,319	4,209	3%
Americas	165	162	2%
Middle East	1,245	1,305	-5%
Employees (FTE) - Permanent	9,159	9,249	-1%
Employees (FTE) - Temporary	263	259	2%
Total employees	9,422	9,508	-1%
Lending growth (including FX impact)	11.8%	17.0%	n/a
Lending growth (excluding FX impact)	(2.6%)	(6.8%)	n/a
Total assets	35,371	39,089	-10%
Risk weighted assets	27,267	25,128	9%

CHIEF FINANCIAL OFFICER'S REVIEW (continued)

Overall decline in international profit after tax reflects:

- a reduction in trading securities income of \$291 million (from \$89 million profit to \$202 million loss) due principally to losses from emerging markets debt activities in London
- higher ELP, reflecting the Asia deterioration
- strong foreign exchange earnings across the network
- reserving of interest relating to the National Housing Bank
- higher spreads due to winding back lower margin money market activities, offsetting competitive margin pressures across the network.

The Group's aggregate Asian exposure reduced in US dollar terms by 47% over the year, from US\$11.5 billion to US\$6.1 billion (refer page 59), achieved mainly by contracting non-strategic lending, principally in the interbank market. ANZ remains committed to its core strengths in the region as Australia and New Zealand's international bank and continues to support strategic network and trade relationships across Asia.

- Total non-accrual loans relating to Asia increased by \$339 million to \$357 million
- net specific provisions of \$263 million
- Asian portfolio is well provided with a coverage ratio of 66%.

Outside of Asia, net specific provisions totalled \$109 million and principally comprised Middle East \$60 million and London capital markets \$34 million. Middle East also accounted for \$217 million in non-accrual loans.

CHIEF FINANCIAL OFFICER'S REVIEW (continued)

BUSINESS SEGMENT PERFORMANCE

Operating profit after tax before abnormals after service transfer pricing (equity standardised)

	1998 \$M	1997 \$M	Movt %
Principal Domestic Markets			
Personal Banking	462	359	29%
Business Banking	223	183	22%
Asset Based Finance	77	76	1%
Funds Management	61	47	30%
Investment Banking	192	163	18%
	1,015	828	23%
International Markets			
Commercial Banking	160	159	1%
Investment Banking	(56)	139	n/a
	104	298	-65%
Other	56	45	24%
	1,175	1,171	0%

Personal Banking - Domestic Markets

	1998 \$M	1997 \$M	Movt %
Net interest income	1,777	1,797	-1%
Other operating income	722	658	10%
Net operating income	2,499	2,455	2%
Operating expenses	(1,684)	(1,800)	-6%
Operating profit before debt provisions	815	655	24%
Provision for doubtful debts	(103)	(104)	-1%
Income tax expense	(250)	(192)	30%
Operating profit after income tax (before abnormal items)	462	359	29%
Net specific provision	(66)	(61)	8%

Personal Banking Domestic operations reported a 29% increase in profit after tax, before abnormal items, to \$462 million in 1998.

The performance improvement has been driven primarily by a significant reduction in operating costs following the completion of the branch restructuring programme in Australia and New Zealand.

The increase in net operating income is primarily due to growth in fee revenue. Strong growth in the mortgage books in Australia and New Zealand compensated for tightening interest margins, the latter reflecting competitive pressures experienced throughout the year.

Increased market share and transaction values, particularly in co-branded cards, generated significant growth in fee revenue.

CHIEF FINANCIAL OFFICER'S REVIEW (continued)

Business Banking - Domestic Markets

	1998	1997	Movt
	\$M	\$M	%
Net interest income	380	325	17%
Other operating income	336	320	5%
Net operating income	716	645	11%
Operating expenses	(289)	(267)	8%
Operating profit before debt provisions	427	378	13%
Provision for doubtful debts	(83)	(92)	-10%
Income tax expense	(121)	(103)	17%
Operating profit after income tax (before abnormal items)	223	183	22%
Net specific provision	(50)	22	n/a

A reasonable level of activity in the corporate sector enabled Business Banking to record solid growth in both lending asset and deposit volumes. As a result, interest income increased despite the continued pressure on margins. The increase in other operating income was the result of growth in commercial bills, a successful focus on fee generation, and income from the rapid growth of ANZ OnLine, ANZ's primary electronic banking product for the corporate sector.

Cost increases were less than revenue growth.

The 1997 net specific provision reflected provision writebacks, while provisioning in 1998 was impacted by one significant provision.

Asset Finance - Domestic Markets

	1998	1997	Movt
	\$M	\$M	%
Net interest income	376	390	-4%
Other operating income	18	13	38%
Net operating income	394	403	-2%
Operating expenses	(204)	(228)	-11%
Operating profit before debt provisions	190	175	9%
Provision for doubtful debts	(72)	(60)	20%
Income tax expense	(41)	(39)	5%
Operating profit after income tax (before abnormal items)	77	76	1%
Net specific provision	(50)	(34)	47%

Despite strong domestic competition, record business writings were achieved in Australia. Tighter margins were experienced.

Significant change within the organisation, and the move to greater use of technology, assisted the improved business performance, but also increased related costs such as telephone and data communication charges. Other operating costs were substantially reduced reflecting a major reconfiguration of back-office support areas.

The increase in net specific provision reflected the economic downturn and higher default rates.



CHIEF FINANCIAL OFFICER'S REVIEW (continued)

Funds Management - Domestic Markets

	1998	1997	Movt
	\$M	\$M	%
Net interest income	19	27	-30%
Other operating income	149	133	12%
Net operating income	168	160	5%
Operating expenses	(107)	(101)	6%
Operating profit before tax	61	59	3%
Income tax expense	-	(12)	-100%
Operating profit after income tax (before abnormal items)	61	47	30%

Operating profit after tax rose by 30% to \$61 million. This result was after absorbing significant costs associated with the launch of the Gateway Investment Program, including the abolition of entry and exit fees on most products. Expenses were increased by restructuring. A prior year tax credit relating to the Life company aided the result.

The Gateway Investment Programme achieved new retail sales of \$1 billion in the seven months to 30 September. Revenues were also raised by increased sales of insurance products. These sales were made through branches and a large number of direct mail campaigns as well as by financial planners.

The New Zealand business continues to expand strongly.

International (excluding Investment Banking)

	1998	1997	Movt
	\$M	\$M	%
Net interest income	490	440	11%
Other operating income	312	294	6%
Net operating income	802	734	9%
Operating expenses	(426)	(388)	10%
Operating profit before debt provisions	376	346	9%
Provision for doubtful debts	(119)	(62)	92%
Income tax expense	(88)	(117)	-25%
Outside equity interests	(9)	(8)	13%
Operating profit after income tax (before abnormal items)	160	159	1%
Net specific provision	(98)	(20)	large

The result from the Group's international commercial banking operations was steady. A strong performance in foreign exchange, which benefited from currency volatility, and from Private Banking operations in Europe underpinned the result and partly offset the impact of a higher provisioning from the deterioration in Asia. The result was also constrained by the reserving of interest relating to the National Housing Bank of India.

Year on year comparisons of income and costs are masked by movements in the underlying currencies compared to the Australian dollar. Real costs were up slightly, mainly due to the expansion of funds management and cards businesses.

CHIEF FINANCIAL OFFICER'S REVIEW (continued)

Investment Banking - Total

	1998	1997	Movt
	\$M	\$M	%
Net interest income	279	270	3%
Other operating income	447	629	-29%
Net operating income	726	899	-19%
Operating expenses	(488)	(539)	-9%
Operating profit before debt provisions	238	360	-34%
Provision for doubtful debts	(97)	(72)	35%
Income tax (expense)benefit	(5)	14	n/a
Operating profit after income tax (before abnormal items)	136	302	-55%
Net specific provision	(264)	15	n/a

The Investment Bank profit after tax before abnormals of \$136 million was some \$166 million lower than 1997.

Two businesses performed poorly in the year. Losses sustained by Capital Markets in London amounted to \$128 million after tax against a profit of \$50 million the previous year. Equities Division felt the effect of falling markets and increasing competition, recording an after tax loss of \$11 million against a profit of \$39 million for 1997. These businesses have been exited.

Volatility, stemming principally from the Asian crisis, helped produce an excellent performance by the Foreign Exchange activity, which achieved year on year growth in profit after tax of \$73 million.

Operating expenses benefited from lower profit share.

The significant increase in specific provisioning was driven mainly by events in Asia coupled with provisions in London from capital markets activities.

CONTINUING/DISCONTINUED OPERATIONS

Operating profit after tax before abnormal items

	1998	1997	Movt
	\$M	\$M	%
Continuing operations	1,262	1,049	20%
Discontinued operations	(87)	122	n/a
	1,175	1,171	0%
Continuing operations			
Operating expenses to net operating income	58.6%	63.6%	n/a

Following the decision to exit businesses, the above table discloses the results of continuing operations. Discontinued operations principally comprise London capital markets activities, interbank money market activities, institutional broking and gain on sale of CRAA.

FIVE YEAR SUMMARY

	1998	1997	1996	1995	1994
	\$M	\$M	\$M	\$M	\$M
Profit and loss					
Net interest income	3,547	3,437	3,327	3,084	2,794
Other operating income	2,099	2,110	1,839	1,754	1,793
Operating expenses	(3,438)	(3,502)	(3,397)	(3,116)	(3,001)
Operating profit before tax, debt provisions and abnormal items	2,208	2,045	1,769	1,722	1,586
Provision for doubtful debts	(487)	(400)	(175)	(237)	(388)
Operating profit before abnormal items	1,721	1,645	1,594	1,485	1,198
Income tax expense	(537)	(466)	(469)	(442)	(388)
Outside equity interests	(9)	(8)	(9)	(10)	(7)
Operating profit after tax before abnormal items	1,175	1,171	1,116	1,033	803
Net abnormal (loss)profit	(69)	(147)	-	19	19
Operating profit after income tax and outside equity interests	1,106	1,024	1,116	1,052	822
Balance Sheet					
Assets	149,720	138,241	127,604	112,587	103,874
Net Assets	8,391	6,993	6,336	5,747	5,504
Ratios (after abnormal items)					
Return on average shareholders' equity	14.6%	14.8%	18.3%	17.9%	15.6%
Return on average assets	0.7%	0.7%	0.9%	0.9%	0.8%
Capital adequacy - tier 1	7.2%	6.6%	6.7%	6.6%	6.8%
Ratios (before abnormal items)					
Operating expenses to net operating income	60.9%	63.1%	65.8%	64.4%	65.4%
Shareholder value					
Total return to shareholders (share price movement plus ordinary dividends)	-15.6%	62.4%	33.9%	52.4%	2.0%
Market value of shareholders' equity	13,885	17,017	10,687	8,199	5,293
Dividend - declared rate	52.0c	48.0c	42.0c	33.0c	25.0c
Franked portion	60%	100%	79%	18%	-
Closing share price - high	\$11.88	\$11.58	\$7.28	\$5.75	\$5.68
- low	\$8.45	\$7.10	\$5.41	\$3.55	\$3.78
- 30 September	\$9.02	\$11.28	\$7.23	\$5.67	\$3.91
Share information (per fully paid share)					
Earnings before abnormal items - basic	77.2c	78.4c	76.3c	68.5c	54.5c
Earnings after abnormal items - basic	72.6c	68.6c	76.3c	69.9c	55.9c
Dividend payout ratio (before abnormal items)					
Ordinary	67.8%	61.6%	55.5%	49.1%	46.4%
Ordinary and preference	n/a	n/a	n/a	53.0%	51.7%
Net tangible assets	\$4.98	\$4.59	\$4.24	\$3.94	\$3.58
Number of fully paid ordinary shares on issue (millions)					
	1,539.4	1,508.6	1,478.1	1,446.0	1,353.6
Dividend reinvestment plan					
Share price - interim	\$10.64	\$9.77	\$5.59	\$4.40	\$3.78
- final	-	\$9.92	\$7.60	\$6.27	\$3.73
Other information					
Points of representation	1,205	1,473	1,744	1,881	2,026
Number of employees (full time equivalents)	30,827	35,926	39,721	39,240	39,642
Number of shareholders	151,564	132,450	121,847	114,829	121,070

¹ All years restated for impact of changes in accounting policies for leases and other expenses (refer page 58) and tax effecting of general provision for doubtful debts. 1997 has been restated for impact of measuring the annual debt provision charge using economic loss provisioning (refer page 39). Prior year data has not been restated for this change in measurement approach

FINANCIAL INFORMATION
Year Ended 30 September 1998

PROFIT AND LOSS ACCOUNT

	Page Ref	Full year Sep 98 \$M	Full year Sep 97 \$M	Movt Sep 98 v. Sep 97 %	Half year Sep 98 \$M	Half year Mar 98 \$M
Total income	29	11,528	11,710	-2%	5,659	5,869
Interest income		9,499	9,455	0%	4,758	4,741
Interest expense		(5,952)	(6,018)	-1%	(2,984)	(2,968)
Net interest income		3,547	3,437	3%	1,774	1,773
Other operating income	29	2,099	2,110	-1%	971	1,128
Total net operating income		5,646	5,547	2%	2,745	2,901
Operating expenses	30	(3,438)	(3,502)	-2%	(1,701)	(1,737)
Operating profit before debt provisions		2,208	2,045	8%	1,044	1,164
Provision for doubtful debts		(487)	(400)	22%	(250)	(237)
Operating profit before abnormal items		1,721	1,645	5%	794	927
Abnormal loss	31	(102)	(182)	-44%	(102)	-
Operating profit before tax		1,619	1,463	11%	692	927
Income tax (expense)benefit						
Operating profit		(537)	(466)	15%	(239)	(298)
Abnormal loss	31	33	35	-6%	33	-
Income tax expense	32	(504)	(431)	17%	(206)	(298)
Operating profit after income tax		1,115	1,032	8%	486	629
Outside equity interests		(9)	(8)	13%	(5)	(4)
Operating profit after income tax attributable to members of the Company		1,106	1,024	8%	481	625
Retained profits at start of period		1,830	1,583	16%	2,358	1,830
Total available for appropriation		2,936	2,607	13%	2,839	2,455
Transfers from(to) reserves		223	(82)	n/a	(24)	247
Dividends provided for or paid	33	(747)	(695)	7%	(403)	(344)
Retained profits at end of period		2,412	1,830	32%	2,412	2,358

BALANCE SHEET

	Page Ref	As at Sep 98 \$M	As at Mar 98 \$M	As at Sep 97 \$M	Movt Sep 98 v. Sep 97 %
Assets					
Liquid assets		7,527	10,530	6,974	8%
Due from other financial institutions		4,158	5,739	10,912	-62%
Trading securities		5,973	8,021	7,266	-18%
Investment securities	34	3,979	3,422	3,139	27%
Net loans and advances	34	94,457	88,434	83,741	13%
Customers' liability for acceptances		15,648	16,022	14,040	11%
Regulatory deposits		1,530	1,284	1,206	27%
Shares in associates		11	4	7	57%
Other assets		14,925	12,630	9,312	60%
Premises and equipment		1,512	1,595	1,644	-8%
Total assets		149,720	147,681	138,241	8%
Liabilities					
Due to other financial institutions		10,758	8,732	10,874	-1%
Deposits and other borrowings		94,599	95,426	89,152	6%
Liability for acceptances		15,648	16,022	14,040	11%
Income tax liability		914	976	778	17%
Creditors and other liabilities		14,009	13,218	9,807	43%
Provisions		987	1,099	1,218	-19%
Bonds and notes		666	1,339	1,990	-67%
Loan capital		3,748	3,481	3,389	11%
Total liabilities		141,329	140,293	131,248	8%
Net assets		8,391	7,388	6,993	20%
Shareholders' equity					
Ordinary share capital		4,581	4,455	4,335	6%
Preference share capital		645	-	-	n/a
Reserves		697	527	778	-10%
Retained profits		2,412	2,358	1,830	32%
Share capital and reserves attributable to members of the Company		8,335	7,340	6,943	20%
Outside equity interests		56	48	50	12%
Total shareholders' equity and outside equity interests		8,391	7,388	6,993	20%
Derivative financial instruments	48				
Contingent liabilities	53				

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Full year Sep 98 \$M	Full year Sep 97 \$M	Movt Sep 98 v. Sep 97 %	Half year Sep 98 \$M	Half year Mar 98 \$M
Share capital					
Balance at start of period	4,335	4,115	5%	4,455	4,335
Ordinary shares					
Dividend reinvestment plan	218	180	21%	102	116
Group employee share acquisition scheme	5	27	-81%	5	-
Group share option scheme	22	11	100%	18	4
Group share purchase scheme	1	1	0%	1	#
Directors' share and option purchase scheme	#	1	n/a	#	#
Preference shares	645	-	n/a	645	-
Total share capital	5,226	4,335	21%	5,226	4,455
Foreign currency translation reserve					
Balance at start of period	(79)	(183)	-57%	(83)	(79)
Currency translation adjustments, net of hedges after tax	142	104	37%	146	(4)
	63	(79)	n/a	63	(83)
General reserve					
Balance at start of period	708	626	13%	461	708
Transfers (to)from retained profits	(223)	82	n/a	24	(247)
	485	708	-31%	485	461
Capital reserves					
Total reserves	149	149	0%	149	149
Retained profits					
Balance at start of period	1,830	1,583	16%	2,358	1,830
Operating profit after income tax attributable to members of the Company	1,106	1,024	8%	481	625
Total available for appropriation	2,936	2,607	13%	2,839	2,455
Transfers from(to) reserves	223	(82)	n/a	(24)	247
Dividends provided for or paid	(747)	(695)	7%	(403)	(344)
Retained profits at end of period	2,412	1,830	32%	2,412	2,358

Amounts less than \$500,000

STATEMENT OF CASH FLOWS

	Page Ref	Full year Sep 98 Inflows (Outflows) \$M	Full year Sep 97 Inflows (Outflows) \$M	Half year Sep 98 Inflows (Outflows) \$M	Half year Mar 98 Inflows (Outflows) \$M
Cash flows from operating activities					
Interest received		9,403	9,389	4,819	4,584
Dividends received		169	327	98	71
Fees and other income received		1,797	1,664	787	1,010
Interest paid		(6,238)	(5,996)	(3,115)	(3,123)
Personnel expenses paid		(2,001)	(2,155)	(999)	(1,002)
Premises expenses paid		(291)	(315)	(143)	(148)
Other operating expenses paid		(1,085)	(759)	(519)	(566)
Income taxes paid					
Australia		(184)	(201)	(100)	(84)
Overseas		(239)	(225)	(106)	(133)
Net decrease(increase) in trading securities		926	304	1,632	(706)
Net cash provided by(used in) operating activities	54	2,257	2,033	2,354	(97)
Cash flows from investing activities					
Net decrease(increase) in					
Due from other financial institutions		2,299	1,840	1,691	608
Regulatory deposits		(308)	(14)	(224)	(84)
Net loans and advances		(9,680)	(8,029)	(4,569)	(5,111)
Investment securities					
Purchases		(5,490)	(3,140)	(2,224)	(3,266)
Proceeds from sale or maturity		5,279	2,803	2,194	3,085
Controlled entities & associates					
Purchased (net of cash acquired)		(8)	(11)	(8)	-
Proceeds from sale (net of cash disposed)		-	41	-	-
Premises and equipment					
Purchases		(143)	(219)	(24)	(119)
Proceeds from sale		75	47	49	26
Other		1,483	1,389	1,194	289
Net cash used in investing activities		(6,493)	(5,293)	(1,921)	(4,572)
Cash flows from financing activities					
Net (decrease)increase in					
Due to other financial institutions		(2,047)	(2,787)	814	(2,861)
Deposits and other borrowings		2,131	7,861	(3,438)	5,569
Creditors and other liabilities		(288)	425	(2,219)	1,931
Bonds and notes					
Issue proceeds		802	973	404	398
Redemptions		(2,174)	(1,434)	(1,003)	(1,171)
Loan capital					
Issue proceeds		559	323	559	-
Redemptions		(273)	(851)	(108)	(165)
(Decrease)increase in outside equity interests		(3)	(3)	1	(4)
Dividends paid		(491)	(478)	(238)	(253)
Share capital issues		714	39	710	4
Net cash (used in)provided by financing activities		(1,070)	4,068	(4,518)	3,448
Net cash provided by(used in) operating activities		2,257	2,033	2,354	(97)
Net cash used in investing activities		(6,493)	(5,293)	(1,921)	(4,572)
Net cash (used in)provided by financing activities		(1,070)	4,068	(4,518)	3,448
Net (decrease)increase in cash and cash equivalents		(5,306)	808	(4,085)	(1,221)
Cash and cash equivalents at beginning of period		12,456	11,246	12,498	12,456
Foreign currency translation on opening balances		1,831	402	568	1,263
Cash and cash equivalents at end of period	54	8,981	12,456	8,981	12,498

INCOME

	Full year Sep 98 \$M	Full year Sep 97 \$M	Movt Sep 98 v. Sep 97 %	Half year Sep 98 \$M	Half year Mar 98 \$M
Interest income	9,499	9,455	0%	4,758	4,741
Other operating income					
Fee income					
Lending	592	570	4%	306	286
Other including commissions	914	823	11%	460	454
Total fee income	1,506	1,393	8%	766	740
Other income					
Foreign exchange earnings	373	237	57%	177	196
(Loss)profit on trading instruments	(83)	182	n/a	(145)	62
Life insurance fund surplus	38	94	-60%	16	22
Rental income	34	35	-3%	17	17
Profit on sale of premises and equipment	18	5	large	14	4
Other ¹	213	164	30%	126	87
Total other income	593	717	-17%	205	388
Total other operating income	2,099	2,110	-1%	971	1,128
Total income before abnormal items	11,598	11,565	0%	5,729	5,869
Abnormal (loss)profit	(70)	145	n/a	(70)	-
Total income after abnormal items²	11,528	11,710	-2%	5,659	5,869

¹ Includes dividend income of \$152 million (Half-year Sep 98: \$81 million, Half-year Mar 98: \$71 million, Full year Sep 97: \$327 million)

² Refer page 44 for a geographic analysis of income

OPERATING EXPENSES

	Full year Sep 98 \$M	Full year Sep 97 \$M	Movt Sep 98 v. Sep 97 %	Half year Sep 98 \$M	Half year Mar 98 \$M
Operating expenses					
Personnel					
Salaries and wages	1,427	1,453	-2%	693	734
Pension fund	88	114	-23%	31	57
Employee taxes					
Payroll tax	69	76	-9%	33	36
Fringe benefits tax	44	46	-4%	24	20
Provision for employee entitlements	29	19	53%	22	7
Other	197	241	-18%	79	118
Total personnel expenses	1,854	1,949	-5%	882	972
Premises					
Rent	181	189	-4%	91	90
Depreciation of buildings	30	31	-3%	14	16
Amortisation of leasehold improvements	16	16	0%	8	8
Utilities and other outgoings	113	115	-2%	57	56
Other	7	11	-36%	5	2
Total premises expenses	347	362	-4%	175	172
Computer					
Depreciation	93	98	-5%	49	44
Rentals and repairs	53	50	6%	28	25
Data communications	47	45	4%	24	23
Computer contractors	46	26	77%	27	19
Other	102	111	-8%	45	57
Total computer expenses	341	330	3%	173	168
Other					
Telephone	99	85	16%	52	47
Travel	90	87	3%	45	45
Advertising and public relations	83	97	-14%	33	50
Professional fees	112	96	17%	65	47
Stationery	66	71	-7%	31	35
Postage	43	41	5%	22	21
Audit fees	4	6	-33%	2	2
Freight and cartage	40	42	-5%	20	20
Non-lending losses, frauds and forgeries	15	2	large	10	5
Depreciation of furniture and equipment	49	52	-6%	25	24
Loss on disposal of premises and equipment	8	7	14%	8	-
Other	167	185	-10%	78	89
Total other expenses	776	771	1%	391	385
Restructuring ¹	120	90	33%	80	40
Total operating expenses	3,438	3,502	-2%	1,701	1,737

¹ Additional restructuring costs of \$32 million (1997: \$327 million) were treated as abnormal

OPERATING EXPENSES (continued)
Total operating expenses by geographic segmentation

	Full year Sep 98 \$M	Full year Sep 97 \$M	Movt Sep 98 v. Sep 97 %	Half year Sep 98 \$M	Half year Mar 98 \$M
Australia	2,288	2,360	-3%	1,112	1,176
New Zealand	511	560	-9%	244	267
Principal domestic markets	2,799	2,920	-4%	1,356	1,443
International markets	639	582	10%	345	294
Total Group	3,438	3,502	-2%	1,701	1,737

ABNORMAL ITEMS

	Full year Sep 98 \$M	Full year Sep 97 \$M	Movt Sep 98 v. Sep 97 %	Half year Sep 98 \$M	Half year Mar 98 \$M
Profit before tax					
Interest on National Housing Bank deposit	-	145	-100%	-	-
	-	145	-100%	-	-
Loss before tax					
Restructuring costs	-	(327)	-100%	-	-
Costs of exiting businesses					
Restructuring	(32)	-	n/a	(32)	-
Write down of residual emerging markets securities portfolio (previously classified as investment)	(70)	-	n/a	(70)	-
	(102)	(327)	n/a	(102)	-
Total abnormal loss before tax	(102)	(182)	-44%	(102)	-
Income tax benefit(expense) applicable to					
Interest on National Housing Bank deposit	-	(80)	-100%	-	-
Restructuring costs	-	115	-100%	-	-
Costs of exiting businesses					
Restructuring	11	-	n/a	11	-
Write down of residual emerging markets securities portfolio (previously classified as investment)	22	-	n/a	22	-
Total income tax benefit on abnormal items	33	35	-6%	33	-
Abnormal loss after tax	(69)	(147)	-53%	(69)	-

INCOME TAX EXPENSE

Reconciliation of the prima facie income tax payable on operating profit and abnormal items with the income tax expense charged in the profit and loss account.

	Full year Sep 98 \$M	Full year Sep 97 \$M	Movt Sep 98 Sep 97 %	Half year Sep 98 \$M	Half year Mar 98 \$M
Operating profit before income tax and abnormal items	1,721	1,645	5%	794	927
Prima facie income tax at 36%	620	593	5%	286	334
Tax effect of permanent differences					
Overseas tax rate differential	14	12	17%	10	4
Rebateable and non-assessable dividends	(55)	(117)	-53%	(29)	(26)
Other non-assessable income	(45)	(25)	80%	(31)	(14)
Non-allowable depreciation and amortisation	-	3	-100%	-	-
Other	3	10	n/a	1	2
	537	476	13%	237	300
Income tax (over)under provided in prior years	-	(10)	-100%	2	(2)
Total income tax expense on operating profit before abnormal items	537	466	15%	239	298
Abnormal items					
Prima facie income tax benefit at 36%	(37)	(65)	-43%	(37)	-
Tax effect of permanent differences					
Overseas tax rate differential	4	30	-87%	4	-
Total income tax benefit on abnormal items	(33)	(35)	-6%	(33)	-
Total income tax expense on operating profit after abnormal items	504	431	17%	206	298
Australia	305	118	158%	156	149
Overseas	199	313	-36%	50	149
	504	431	17%	206	298
Effective tax rate					
- before abnormal items	31.2%	28.3%	n/a	30.1%	32.1%
- after abnormal items	31.1%	29.5%	n/a	29.8%	32.1%

DIVIDENDS

	Full year Sep 98	Full year Sep 97	Half year Sep 98	Half year Mar 98
Dividend per ordinary share (cents)				
Interim ¹	24	22	n/a	24
Final ²	28	26	28	n/a
Ordinary share dividend (\$M)				
Interim ¹	366	329	n/a	366
Final ²	431	392	431	n/a
Bonus option plan	(50)	(26)	(28)	(22)
Total	747	695	403	344
Dividend payout ratio (%)				
Before abnormal items	67.8%	61.6%	78.4%	58.6%
After abnormal items	72.1%	70.4%	89.6%	58.6%

¹ The Mar 1998 interim dividend of 24 cents was 60% franked (Mar 1997: fully franked)

² The Sep 1998 final dividend of 28 cents is 60% franked (Sep 1997: fully franked)

The directors propose that a final dividend of 28 cents per share be paid on each fully paid ordinary share. The dividend will be partially franked to 60% and the unfranked portion will be sourced from the Company's foreign dividend account. As a result, non-resident shareholders will be exempt from dividend withholding tax.

The proposed final dividend will be formally declared on 23 November 1998 and will be payable on 21 December 1998 to shareholders registered in the books of the Company at close of business on 20 November 1998. Transfers must be lodged before 5.00pm on that day to participate. Dividends payable to shareholders who are residents of the United Kingdom or who are on the New Zealand register will be converted to local currency at the appropriate rate for telegraphic transfers on 20 November 1998.

Dividend Franking Account

The amount of franking credits available for the subsequent financial year is nil, after adjusting for franking credits that will arise from the payment of tax on Australian profits for the 1998 financial year, less franking credits that will be utilised in franking the proposed final dividend and franking credits that may not be accessible by the Company at present.

EARNINGS PER SHARE

	Full year Sep 98	Full year Sep 97	Half year Sep 98	Half year Mar 98
Earnings per share (cents)				
Basic				
Before abnormal items	77.2	78.4	35.9	41.3
After abnormal items	72.6	68.6	31.3	41.3
Diluted				
Before abnormal items	76.9	78.2	35.8	41.1
After abnormal items	72.4	68.4	31.3	41.1
Weighted average number of shares used in the calculation of basic earnings per share (millions)	1,522.9	1,492.9	1,531.6	1,514.2
Weighted average number of shares used in the calculation of diluted earnings per share (millions)	1,529.5	1,500.1	1,537.6	1,521.4

INVESTMENT SECURITIES

	As at Sep 98 \$M	As at Mar 98 \$M	As at Sep 97 \$M
Total book value	3,979	3,422	3,139
Total market value	3,971	3,431	3,149

NET LOANS AND ADVANCES

	As at Sep 98 \$M	As at Mar 98 \$M	As at Sep 97 \$M
Total gross loans and advances ¹	96,677	90,496	85,624
Less: provisions for doubtful debts	(2,220)	(2,062)	(1,883)
Total net loans and advances	94,457	88,434	83,741

¹ Net of income yet to mature

IMPAIRED ASSETS

	As at Sep 98 \$M	As at Mar 98 \$M	As at Sep 97 \$M
Summary of impaired assets			
Non-accrual loans	1,662	1,235	872
Restructured loans	4	5	13
Unproductive facilities	104	41	75
Gross impaired assets	1,770	1,281	960
Less: Specific provisions			
Non-accrual loans	(762)	(587)	(444)
Unproductive facilities	(57)	(24)	(9)
Net impaired assets	951	670	507
Non-accrual loans			
Non-accrual loans	1,662	1,235	872
Specific provisions	(762)	(587)	(444)
	900	648	428
Before specific provisions			
Australia	852	729	625
New Zealand	116	83	94
Principal domestic markets	968	812	719
International markets	694	423	153
Total non-accrual loans	1,662	1,235	872
After specific provisions			
Australia	561	423	313
New Zealand	83	65	74
Principal domestic markets	644	488	387
International markets	256	160	41
Total net non-accrual loans	900	648	428

IMPAIRED ASSETS (continued)

	As at Sep 98	As at Mar 98	As at Sep 97
	\$M	\$M	\$M
Restructured loans			
Australia	4	4	4
New Zealand	-	-	-
International markets	-	1	9
	4	5	13
Other real estate owned (OREO)	-	-	-

In the event of customer default, any loan security is held as mortgagee in possession and therefore the Group does not hold any other real estate owned assets.

Unproductive facilities

Australia	35	32	17
New Zealand	-	-	49
International markets	69	9	9
	104	41	75
Specific provisions	(57)	(24)	(9)
Net unproductive facilities	47	17	66

Accruing loans past due 90 days or more¹

The following amounts are not classified as impaired assets and therefore are not included within the summary on page 35.

Australia	216	235	210
New Zealand	50	34	25
International markets	17	12	8
	283	281	243

¹ Less than \$100,000 or fully secured

IMPAIRED ASSETS (continued)

Further analysis of non-accrual loans at 30 September 1998 and interest and/or other income received during the period is as follows:

	Gross balance outstanding \$M	Specific provision \$M	Interest and/or other income received \$M
Non-accrual loans			
Without provisions			
Australia	166	-	12
New Zealand	22	-	2
International markets	60	-	2
	248	-	16
With provisions and no, or partial, performance ¹			
Australia	568	243	8
New Zealand	85	27	1
International markets	566	395	2
	1,219	665	11
With provisions and full performance ¹			
Australia	118	48	9
New Zealand	9	6	-
International markets	68	43	3
	195	97	12
Total non-accrual loans	1,662	762	39

¹ A loan's performance is assessed against its contractual repayment schedule

Interest and other income forgone on impaired assets

The following table shows the estimated amount of interest and other income forgone, net of interest recoveries, on average impaired assets during the period.

	Full year Sep 98 \$M	Half year Sep 98 \$M	Half year Mar 98 \$M	Full year Sep 97 \$M
Gross interest and other income receivable on impaired assets				
Australia	77	42	35	96
New Zealand	8	5	3	10
International markets	37	29	8	15
Total gross interest and other income receivable on impaired assets	122	76	46	121
Interest income and other income received				
Australia	(29)	(14)	(15)	(42)
New Zealand	(3)	(1)	(2)	(3)
International markets	(7)	(5)	(2)	(5)
Total interest income and other income received	(39)	(20)	(19)	(50)
Net interest and other income forgone				
Australia	48	28	20	54
New Zealand	5	4	1	7
International markets	30	24	6	10
Total net interest and other income forgone	83	56	27	71

PROVISIONS FOR DOUBTFUL DEBTS

	As at Sep 98 \$M	As at Mar 98 \$M	As at Sep 97 \$M
Specific provision balance			
Australia	297	324	315
New Zealand	33	18	20
Principal domestic markets	330	342	335
International markets	489	269	118
Total specific provision	819	611	453
General provision	1,401	1,451	1,430
Total provisions for doubtful debts	2,220	2,062	1,883

	Full year Sep 98 \$M	Half year Mar 98 \$M	Full year Sep 97 \$M
General provision			
Balance at start of period	1,430	1,430	709
Restatement to recognise deferred tax asset	-	-	399
Adjustment for exchange rate fluctuations	(4)	-	8
Charge to profit and loss	487	237	400
Transfer to specific provision	(549)	(237)	(135)
Recoveries	37	21	49
	1,401	1,451	1,430
Specific provision			
Balance at start of period	453	453	509
Adjustment for exchange rate fluctuations	38	5	8
Bad debts written off	(221)	(84)	(199)
Transfer from general provision	549	237	135
	819	611	453
Total provisions for doubtful debts	2,220	2,062	1,883

Provision movement analysis

New and increased provisions (by exposure)			
Australia	239	124	213
New Zealand	41	11	20
Asia	263	159	16
Other international	127	8	31
	670	302	280
Provision releases	(121)	(65)	(145)
	549	237	135
Recoveries of amounts previously written off	(37)	(21)	(49)
Net specific provisions	512	216	86
Net (debit)credit to general provision	(25)	21	314
Charge to profit and loss	487	237	400

PROVISIONS FOR DOUBTFUL DEBTS (continued)

Effective from 1 October 1997, the Group's annual debt provision charge represents the expected average annual loss on principal over the economic cycle for the lending portfolio, referred to as "Economic Loss Provisions" (ELP). This is considered a more meaningful measure of prospective loss inherent in the portfolio. In 1997 an additional general provision charge was taken to approximate the impact of this change in measurement approach.

The debt provision charge is credited to the general provision. The specific provision requirement (representing new and increased specific provisions less specific provision releases) is transferred from the general provision to the specific provision. Recoveries, representing excess transfers to the specific provision, are credited to the general provision. The general provision charge is no longer treated as a permanent difference and the tax effect of any deferred tax asset or liability is recognised in the profit and loss account.

On initial application of this measurement approach, at 1 October 1997, a future income tax benefit of \$512 million was recognised and the general provision grossed up accordingly, with both changes effected through the balance sheet. This had no impact on the profit for the year. The general provision charge for the year ended 30 September 1998 has been tax effected through the profit and loss account.

Comparative figures have been amended to reflect the change in measurement approach.

SHARE CAPITAL AND OPTIONS

	As at Sep 98	As at Mar 98	As at Sep 97
Number of issued shares			
Ordinary shares fully paid (listed)	1,539,440,677	1,523,292,215	1,508,550,854
Ordinary shares paid to 10 cents per share	169,000	203,500	274,500
Preference shares fully paid	64,016,000	-	-
	1,603,625,677	1,523,495,715	1,508,825,354
	Latest date of conversion	Number	Conversion price \$
Options			
Directors' Share and Option Purchase Scheme			
On issue at 30 September 1998	1 March 1998	-	3.44
Exercised during the year	-	50,000	3.44
ANZ Group Share Option Scheme¹			
On issue at 30 September 1998	30 January 1999	1,570,000	5.34
Exercised during the year	-	3,960,000	5.34
On issue at 30 September 1998	30 January 2002	280,645	8.76
Exercised during the year	-	86,108	8.76
On issue at 30 September 1998	13 February 2002	36,338	8.76
On issue at 30 September 1998	23 March 2002	100,000	8.76
On issue at 30 September 1998	1 June 2002	800,000	8.76
Exercised during the year		50,000	8.76
Expired during the year		50,000	-
On issue at 30 September 1998	22 January 2003	198,256	11.45
Issued during the year	-	198,256	11.45
On issue at 30 September 1998	1 October 2002	500,000	12.12
Issued during the year	-	500,000	12.12
On issue at 30 September 1998	1 October 2002	500,000	11.40
Issued during the year	-	500,000	11.40
On issue at 30 September 1998	21 January 2003	100,000	10.65
Issued during the year	-	100,000	10.65
On issue at 30 September 1998	21 January 2003	100,000	11.40
Issued during the year	-	100,000	11.40
On issue at 30 September 1998	17 February 2003	10,480	11.45
Issued during the year	-	10,480	11.45
On issue at 30 September 1998	23 February 2003	1,450,000	9.51
Issued during the year	-	1,450,000	9.51
On issue at 30 September 1998	21 June 2003	275,000	10.64
Issued during the year	-	275,000	10.64
On issue at 30 September 1998	30 July 2003	50,000	10.76
Issued during the year	-	50,000	10.76

¹ 200,000 options at a conversion price of \$8.93 have been issued since the end of the financial year

AVERAGE BALANCE SHEET AND RELATED INTEREST

Averages used in the following table are predominantly daily averages. Interest income figures are presented on a tax-equivalent basis. Non-accrual loans are included under the interest earning asset category, "Loans, advances and bills discounted".

	Sep 1998 Full Year			Sep 1997 Full Year			Sep 1998 Half Year			Mar 1998 Half Year		
	Ave bal	Int	Rate	Ave bal	Int	Rate	Ave bal	Int	Rate	Ave bal	Int	Rate
	\$M	\$M	%	\$M	\$M	%	\$M	\$M	%	\$M	\$M	%
Interest earning assets												
Due from other financial institutions												
Australia	754	30	3.9%	480	32	6.7%	795	12	3.1%	708	18	5.0%
New Zealand	269	16	6.0%	359	21	5.9%	307	10	6.6%	230	6	5.2%
International markets	7,463	510	6.8%	10,380	700	6.7%	4,859	158	6.5%	10,026	352	7.0%
Regulatory deposits with												
Reserve Bank of Australia	606	-	0.0%	556	5	0.9%	621	-	0.0%	588	-	0.0%
Investments in public securities												
Australia	4,814	254	5.3%	4,770	301	6.3%	4,915	138	5.6%	4,687	116	5.0%
New Zealand	1,763	135	7.7%	1,603	107	6.7%	1,470	54	7.3%	2,046	81	8.0%
International markets	4,383	431	9.8%	5,094	427	8.4%	4,272	222	10.3%	4,470	209	9.4%
Loans, advances and bills discounted												
Australia	59,133	4,575	7.7%	52,703	4,647	8.8%	60,953	2,346	7.7%	56,990	2,229	7.8%
New Zealand	14,717	1,443	9.8%	14,313	1,427	10.0%	14,468	732	10.1%	14,886	711	9.6%
International markets	17,546	1,484	8.5%	14,578	1,249	8.6%	18,293	771	8.4%	16,703	713	8.6%
Other assets												
Australia	2,143	112	5.2%	1,655	105	6.3%	2,321	46	3.9%	1,953	66	6.8%
New Zealand	1,097	109	9.9%	831	80	9.6%	1,310	63	9.6%	878	46	10.5%
International markets	5,040	407	8.1%	5,920	361	6.1%	3,460	209	12.0%	6,592	198	6.0%
	119,728	9,506	7.9%	113,242	9,462	8.4%	118,044	4,761	8.0%	120,757	4,745	7.9%
Non-interest earning assets												
Acceptances												
Australia	15,052			13,248			15,319			14,703		
New Zealand	233			244			253			212		
International markets	540			556			481			596		
Premises and equipment	1,544			1,558			1,500			1,579		
Other assets	14,795			10,534			16,054			13,458		
Provisions for doubtful debts												
Australia	(1,487)			(1,274)			(1,560)			(1,406)		
New Zealand	(178)			(175)			(156)			(199)		
International markets	(367)			(280)			(402)			(330)		
	30,132			24,411			31,489			28,613		
Total assets	149,860			137,653			149,533			149,370		

AVERAGE BALANCE SHEET AND RELATED INTEREST (continued)

	Sep 1998 Full Year			Sep 1997 Full Year			Sep 1998 Half Year			Mar 1998 Half Year		
	Ave bal \$M	Int \$M	Rate %	Ave bal \$M	Int \$M	Rate %	Ave bal \$M	Int \$M	Rate %	Ave bal \$M	Int \$M	Rate %
Interest bearing liabilities												
Time deposits												
Australia	19,914	998	5.0%	18,495	1,097	5.9%	20,990	528	5.0%	18,729	470	5.0%
New Zealand	8,358	657	7.9%	8,304	658	7.9%	8,238	334	8.1%	8,432	323	7.7%
International markets	17,594	1,220	6.9%	15,904	1,015	6.4%	16,892	611	7.2%	18,200	609	6.7%
Savings deposits												
Australia	8,705	186	2.1%	8,216	222	2.7%	8,721	96	2.2%	8,641	90	2.1%
New Zealand	2,883	109	3.8%	2,462	96	3.9%	2,864	56	3.9%	2,886	53	3.7%
International markets	1,562	87	5.6%	1,266	69	5.5%	1,650	46	5.6%	1,465	41	5.6%
Other demand deposits												
Australia	13,114	476	3.6%	11,237	518	4.6%	13,307	242	3.6%	12,849	234	3.7%
New Zealand	1,913	134	7.0%	1,789	122	6.8%	1,996	71	7.0%	1,820	63	7.0%
International markets	1,482	62	4.2%	1,009	41	4.1%	1,585	36	4.5%	1,371	26	3.8%
Due to other financial institutions												
Australia	387	17	4.5%	300	15	5.0%	264	7	5.6%	508	10	3.8%
New Zealand	752	56	7.5%	843	73	8.7%	818	30	7.4%	682	26	7.5%
International markets	10,160	614	6.0%	11,549	716	6.2%	8,668	261	6.0%	11,596	353	6.1%
Commercial paper												
Australia	4,036	201	5.0%	3,081	181	5.9%	4,495	105	4.7%	3,555	96	5.4%
International markets	490	27	5.5%	1,731	94	5.4%	-	-	0.0%	977	27	5.5%
Borrowing corporations' debt												
Australia	5,171	332	6.4%	5,326	409	7.7%	5,100	158	6.2%	5,214	174	6.7%
New Zealand	1,073	83	7.8%	1,237	103	8.3%	1,036	41	7.9%	1,104	42	7.6%
Loan capital, bonds and notes												
Australia	3,913	247	6.3%	4,998	313	6.3%	3,455	112	6.5%	4,350	135	6.2%
New Zealand	520	33	6.4%	530	35	6.6%	515	16	6.2%	522	17	6.7%
International markets	417	28	6.8%	653	41	6.3%	401	14	7.0%	431	14	6.6%
Other liabilities ¹												
Australia	1,741	120	n/a	425	49	n/a	1,920	67	n/a	1,552	53	n/a
New Zealand	766	140	n/a	199	33	n/a	663	73	n/a	865	67	n/a
International markets	1,142	125	n/a	2,010	118	n/a	1,036	80	n/a	1,242	45	n/a
	106,093	5,952	5.6%	101,564	6,018	5.9%	104,614	2,984	5.7%	106,991	2,968	5.6%
Non-interest bearing liabilities												
Deposits												
Australia				2,817			3,070			2,995		
New Zealand	3,041			1,288			600			1,067		
International markets	836			1,529			1,554			1,709		
Acceptances												
Australia	15,052			13,248			15,319			14,703		
New Zealand	233			244			253			212		
International markets	540			556			481			596		
Other liabilities												
	14,797			9,444			15,786			13,727		
	36,135			29,126			37,063			35,009		
Total liabilities	142,228			130,690			141,677			142,000		

¹ Includes foreign exchange swap costs



AVERAGE BALANCE SHEET AND RELATED INTEREST (continued)

	Full year Sep 98 \$M	Full year Sep 97 \$M	Half year Sep 98 \$M	Half year Mar 98 \$M
Total average assets				
Australia	87,652	77,604	90,274	84,552
New Zealand	19,673	18,395	19,355	19,884
International markets	42,535	41,654	39,904	44,934
	149,860	137,653	149,533	149,370
% of total average assets attributable to overseas activities	41.5%	43.6%	39.6%	43.4%
Total average liabilities				
Australia	80,876	72,063	82,821	78,488
New Zealand	18,169	17,548	17,758	18,480
International markets	43,183	41,079	41,098	45,032
	142,228	130,690	141,677	142,000
Shareholders' equity	7,632	6,963	7,856	7,370
Total average liabilities and shareholders' equity	149,860	137,653	149,533	149,370
% of total average liabilities attributable to overseas activities	43.1%	44.9%	41.5%	44.7%

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SEGMENT ANALYSIS

The following analysis shows segment income, operating profit, total assets and risk weighted assets based on geographical locations and income, operating profit and total assets by industry segments. Provisions for doubtful debts have been calculated on an economic loss provisioning basis for all half and full years.

GEOGRAPHICAL

	Full year Sep 98 \$M	Full year Sep 97 \$M	Movt Sep 98 v. Sep 97 %	Half year Sep 98 \$M	Half year Mar 98 \$M
Income¹					
Australia	6,403	6,390	0%	3,281	3,122
New Zealand	2,008	1,917	5%	1,013	995
Principal domestic markets	8,411	8,307	1%	4,294	4,117
UK and Europe	800	1,163	-31%	209	591
Asia Pacific	868	863	1%	407	461
South Asia	572	655	-13%	295	277
Americas	419	362	16%	221	198
Middle East	458	360	27%	233	225
International markets	3,117	3,403	-8%	1,365	1,752
	11,528	11,710	-2%	5,659	5,869
Operating profit before tax					
Australia	1,107	890	24%	596	511
New Zealand	229	168	36%	128	101
Principal domestic markets	1,336	1,058	26%	724	612
UK and Europe	(85)	141	n/a	(151)	66
Asia Pacific	157	139	13%	78	79
South Asia	145	167	-13%	63	82
Americas	65	43	51%	33	32
Middle East	103	97	6%	47	56
International markets	385	587	-34%	70	315
	1,721	1,645	5%	794	927
Abnormal loss ²	(102)	(182)	-44%	(102)	-
	1,619	1,463	11%	692	927
Operating profit after tax					
Australia	796	687	16%	431	365
New Zealand	158	123	28%	93	65
Principal domestic markets	954	810	18%	524	430
UK and Europe	(56)	105	n/a	(103)	47
Asia Pacific	108	97	11%	51	57
South Asia	78	84	-7%	34	44
Americas	36	24	50%	20	16
Middle East	55	51	8%	24	31
International markets	221	361	-39%	26	195
	1,175	1,171	0%	550	625
Abnormal loss ³	(69)	(147)	-53%	(69)	-
	1,106	1,024	8%	481	625



SEGMENT ANALYSIS (continued)

	As at Sep 98 \$M	As at Mar 98 \$M	As at Sep 97 \$M	Movt Sep 98 v. Sep 97 %
Total Assets				
Australia	94,194	88,729	80,321	17%
New Zealand	20,155	19,897	18,831	7%
Principal domestic markets	114,349	108,626	99,152	15%
UK and Europe	13,803	16,684	16,886	-18%
Asia Pacific	7,104	8,223	9,844	-28%
South Asia	5,008	4,366	3,959	26%
Americas	4,919	5,692	4,611	7%
Middle East	4,537	4,090	3,789	20%
International markets	35,371	39,055	39,089	-10%
	149,720	147,681	138,241	8%
Risk weighted assets				
Australia	75,063	70,878	66,687	13%
New Zealand	13,766	13,656	14,332	-4%
Principal domestic markets	88,829	84,534	81,019	10%
UK and Europe	8,597	11,463	8,471	1%
Asia Pacific	6,034	6,397	6,489	-7%
South Asia	3,642	3,365	2,897	26%
Americas	5,081	5,323	4,505	13%
Middle East	3,913	3,160	2,766	41%
International markets	27,267	29,708	25,128	9%
	116,096	114,242	106,147	9%

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SEGMENT ANALYSIS (continued)

INDUSTRY

	Full year Sep 98	Full year Sep 97	Movt Sep 98 v. Sep 97	Half year Sep 98	Half year Mar 98
Income ¹ (equity standardised)	\$M	\$M	%	\$M	\$M
Income¹ (equity standardised)					
Principal Domestic Markets					
Personal Banking	4,347	4,499	-3%	2,200	2,147
Business Banking	1,125	1,075	5%	581	544
Asset Finance	1,006	1,039	-3%	500	506
Funds Management	177	231	-23%	101	76
Investment Banking	1,245	1,137	10%	629	616
	7,900	7,981	-1%	4,011	3,889
International Markets					
Commercial Banking	1,564	1,518	3%	772	792
Investment Banking	1,678	1,998	-16%	672	1,006
	3,242	3,516	-8%	1,444	1,798
Other	386	213	81%	204	182
	11,528	11,710	-2%	5,659	5,869
Operating profit before tax (equity standardised)					
Principal Domestic Markets					
Personal Banking	712	551	29%	405	307
Business Banking	344	286	20%	185	159
Asset Finance	118	121	-2%	56	62
Funds Management	61	59	3%	37	24
Investment Banking	179	77	132%	106	73
	1,414	1,094	29%	789	625
International Markets					
Commercial Banking	257	284	-10%	119	138
Investment Banking	(38)	212	-118%	(143)	105
	219	496	-56%	(24)	243
Other	88	55	60%	29	59
	1,721	1,645	5%	794	927
Operating profit after tax (equity standardised)					
Principal Domestic Markets					
Personal Banking	462	359	29%	265	197
Business Banking	223	183	22%	120	103
Asset Finance	77	82	-6%	39	38
Funds Management	61	47	30%	34	27
Investment Banking	192	163	18%	117	75
	1,015	834	22%	575	440
International Markets					
Commercial Banking	160	159	1%	73	87
Investment Banking	(56)	139	-140%	(120)	64
	104	298	-65%	(47)	151
Other	56	39	44%	22	34
	1,175	1,171	0%	550	625



SEGMENT ANALYSIS (continued)

	As at Sep 98 \$M	As at Mar 98 \$M	As at Sep 97 \$M
Total assets			
Principal Domestic Markets			
Personal Banking	46,884	44,481	43,806
Business Banking	23,911	21,824	18,364
Asset Finance	11,366	10,803	11,212
Funds Management	225	820	673
Investment Banking	27,703	26,984	19,753
	110,089	104,912	93,808
International Markets			
Commercial Banking	13,791	13,749	16,568
Investment Banking	19,623	23,610	22,300
	33,414	37,359	38,868
Other	6,217	5,410	5,565
	149,720	147,681	138,241

¹ Includes abnormal items

² Abnormal items before tax

	Full year Sep 98 \$M	Full year Sep 97 \$M	Half year Sep 98 \$M	Half year Mar 98 \$M
Australia	(17)	(240)	(17)	-
New Zealand	-	(61)	-	-
UK and Europe	(85)	(13)	(85)	-
Asia Pacific	-	(1)	-	-
South Asia	-	136	-	-
Americas	-	(1)	-	-
Middle East	-	(2)	-	-
Total abnormal loss before tax	(102)	(182)	(102)	-

³ Abnormal items after tax

	Full year Sep 98 \$M	Full year Sep 97 \$M	Half year Sep 98 \$M	Half year Mar 98 \$M
Australia	(11)	(155)	(11)	-
New Zealand	-	(41)	-	-
UK and Europe	(58)	(9)	(58)	-
Asia Pacific	-	-	-	-
South Asia	-	59	-	-
Americas	-	-	-	-
Middle East	-	(1)	-	-
Total abnormal loss after tax	(69)	(147)	(69)	-

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DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives

Derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices. They include swaps, forward rate agreements, futures, options and combinations of these instruments. The use of derivatives and their sale to customers as risk management products is an integral part of the Group's trading activities. Derivatives are also used to manage the Group's own exposure to fluctuations in exchange and interest rates as part of its asset and liability management activities. Derivatives are subject to the same types of credit and market risk as other financial instruments, and the Group manages these risks in a consistent manner.

The principal exchange rate contracts used by the Group are forward foreign exchange contracts, currency swaps and currency options. Forward foreign exchange contracts are agreements to buy or sell a specified quantity of foreign currency on a specified future date at an agreed rate. A currency swap generally involves the exchange, or notional exchange, of equivalent amounts of two currencies and a commitment to exchange interest periodically until the principal amounts are re-exchanged on a future date. Currency options provide the buyer with the right, but not the obligation, either to purchase or sell a fixed amount of a currency at a specified rate on or before a future date. As compensation for assuming the option risk, the option writer generally receives a premium at the start of the option period.

The principal interest rate contracts used by the Group are forward rate agreements, interest rate futures, interest rate swaps and options. Forward rate agreements are contracts for the payment of the difference between a specified interest rate and a reference rate on a notional deposit at a future settlement date. There is no exchange of principal. An interest rate future is an exchange traded contract for the delivery of a standardised amount of a fixed income security or time deposit at a future date. Interest rate swap transactions generally involve the exchange of fixed and floating interest payment obligations without the exchange of the underlying principal amounts.

Derivative transactions generate income for the Group from the buy-sell spreads and from the trading positions taken by the Group. Income from these transactions is taken to net interest income, foreign exchange earnings or profit on trading instruments. Income or expense on derivatives entered into for balance sheet hedging purposes is accrued and recorded as an adjustment to the interest income or expense of the related hedged item.

Credit risk

The credit risk of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations.

Credit risk arises when market movements are such that the derivative has a positive value to the Group. It is the cost of replacing the contract in the event of counterparty default. The Group limits its credit risk within a conservative framework by dealing with creditworthy counterparties, setting credit limits on exposures to counterparties, and obtaining collateral where appropriate.

The following table provides an overview of the Group's exchange rate and interest rate derivatives. It includes all contracts, both trading and non-trading. Notional principal amounts measure the amount of the underlying physical or financial commodity and represent the volume of outstanding transactions. They are not a measure of the risk associated with a derivative.

The gross replacement cost is the cost of replacing those financial instruments with a positive market value to the Group. It represents the potential credit loss had all counterparties defaulted on the reporting date and any collateral become worthless. There is no allowance for netting arrangements.

The credit equivalent amount is calculated in accordance with the Australian Prudential Regulation Authority's Capital Adequacy guidelines. It combines the aggregate gross replacement cost with an allowance for the potential increase in value over the remaining term of the transaction should market conditions change.

DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	30 September 1998			30 September 1997		
	Notional Principal Amount \$M	Gross Replacement Cost \$M	Credit Equiv. Amount \$M	Notional Principal Amount \$M	Gross Replacement Cost \$M	Credit Equiv. Amount \$M
Foreign exchange contracts						
Spot and forward contracts	211,633	4,661	6,616	202,885	3,547	5,404
Swap agreements	19,890	1,239	2,063	10,810	321	678
Options purchased	16,566	784	1,033	11,537	182	325
Options sold ²	15,867	n/a	n/a	11,033	n/a	n/a
Other contracts	925	22	46	704	1	8
	264,881	6,706	9,758	236,969	4,051	6,415
Interest rate contracts						
Forward rate agreements	46,995	56	86	66,719	37	122
Swap agreements	175,696	2,950	3,613	193,092	2,030	2,465
Futures contracts ¹	68,303	n/a	n/a	125,942	n/a	n/a
Options purchased	18,630	19	27	13,548	27	38
Options sold ²	19,869	n/a	n/a	20,899	n/a	n/a
Other contracts	12	1	1	240	2	5
	329,505	3,026	3,727	420,440	2,096	2,630
	594,386	9,732	13,485	657,409	6,147	9,045

¹ Replacement costs have not been included as there is minimal credit risk associated with exchange traded futures, where the clearing house is the counterparty

² Options sold have no credit exposures as they represent obligations rather than assets

The maturity structure of derivative activity is a primary component of potential credit exposure. The table below shows the remaining maturity profile by class of derivatives based on notional principal amounts.

	Remaining life 30 September 1998				Remaining life 30 September 1997			
	< 1yr \$M	1-5 yrs \$M	>5 yrs \$M	Total \$M	< 1yr \$M	1-5 yrs \$M	>5 yrs \$M	Total \$M
Foreign exchange contracts								
Spot and forward contracts	205,007	6,381	245	211,633	200,173	2,680	32	202,885
Swap agreements	8,990	9,521	1,379	19,890	4,575	4,757	1,478	10,810
Options purchased	14,691	1,756	119	16,566	11,195	342	-	11,537
Options sold	13,831	1,839	197	15,867	10,492	541	-	11,033
Other contracts	594	260	71	925	693	11	-	704
	243,113	19,757	2,011	264,881	227,128	8,331	1,510	236,969
Interest rate contracts								
Forward rate agreements	41,406	5,589	-	46,995	49,731	16,988	-	66,719
Swap agreements	73,296	71,921	30,479	175,696	105,900	75,440	11,752	193,092
Futures contracts	58,289	10,014	-	68,303	97,043	27,479	1,420	125,942
Options purchased	18,097	512	21	18,630	9,613	2,034	1,901	13,548
Options sold	18,487	1,144	238	19,869	14,413	2,202	4,284	20,899
Other contracts	12	-	-	12	225	15	-	240
	209,587	89,180	30,738	329,505	276,925	124,158	19,357	420,440
Total	452,700	108,937	32,749	594,386	504,053	132,489	20,867	657,409

DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Concentrations of credit risk exist for groups of counterparties when they have similar economic characteristics. Major concentrations of credit risk arise by location and type of customer.

The following table shows the concentrations of credit risk, by class of counterparty and by geographic location, measured by credit equivalent amount. In excess of 65% of the Group's exposures are with counterparties which are either Australian banks or banks based in other OECD countries.

Class of Counterparty	As at Sep 98 \$M	As at Sep 97 \$M
Commonwealth and OECD governments	405	55
Australian and OECD banks	8,726	7,062
Corporations, non-OECD banks and others	4,354	1,928
	13,485	9,045

Geographic location	As at Sep 98 \$M	As at Sep 97 \$M
Australia	6,553	4,007
New Zealand	1,109	601
International markets	5,823	4,437
	13,485	9,045

MARKET RISK

The market risk of derivatives arises from the potential for changes in value due to movements in market rates and prices.

The value at risk is a statistical estimate of the maximum **daily** trading loss with a 97.5% confidence. Conversely there is a 2.5% probability of the trading loss exceeding the value at risk estimate on any given day. The Group has adopted the variance/covariance methodology as its standard for the calculation of value at risk. This methodology is based on historic estimates of the volatility and correlation of market rates and prices. Reflecting the nature of its trading activities, the Group monitors its value at risk by reference to close-to-close (overnight) risk levels.

Below are the Group's aggregate value at risk figures covering both physical and derivatives trading positions for its principal trading centres. The reduction in interest rate value at risk reflects the decision to exit London capital markets emerging markets debt and other proprietary trading activities.

	As at Sep 98 \$M	Max for period Sep 98 \$M	Average for period Sep 98 \$M	As at Sep 97 \$M	Max for period Sep 97 \$M	Average for period Sep 97 \$M
Value at risk at 97.5% confidence						
Foreign exchange	2	4	2	4	4	3
Interest rate	8	28	18	19	23	17
Equities	-	5	3	3	4	3

DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The next table shows the fair values of the Group's derivatives by product type, disaggregated into gross unrealised gains and gross unrealised losses. The fair value of a derivative represents the aggregate net present value of the cash inflows and outflows required to extinguish the rights and obligations arising from the derivative in an orderly market as at the reporting date. Fair value does not indicate future gains or losses, but rather the unrealised gains and losses from marking to market all derivatives at a particular point in time.

	As at fair value		Average fair value	
	Sep 98	Sep 97	Sep 98	Sep 97
	\$M	\$M	\$M	\$M
Foreign exchange contracts				
Spot and forward contracts				
Unrealised gains	4,714	3,579	4,336	2,301
Unrealised losses	(3,946)	(3,503)	(3,832)	(2,450)
Swap agreements				
Unrealised gains	1,239	321	857	198
Unrealised losses	(469)	(274)	(358)	(273)
Options purchased	784	182	604	102
Options sold	(566)	(138)	(479)	(31)
Other contracts				
Unrealised gains	22	1	12	-
Unrealised losses	(71)	(1)	(36)	(1)
	1,707	167	1,104	(154)
Interest rate contracts				
Forward rate agreements				
Unrealised gains	56	37	43	48
Unrealised losses	(45)	(46)	(46)	(48)
Swap agreements				
Unrealised gains	2,950	2,030	2,238	1,558
Unrealised losses	(2,970)	(2,741)	(2,688)	(2,111)
Futures contracts				
Unrealised gains	14	8	27	28
Unrealised losses	(17)	(9)	(51)	(46)
Options purchased	41	37	48	25
Options sold	(39)	(30)	(12)	(10)
Other contracts				
Unrealised gains	1	2	1	-
Unrealised losses	(7)	(10)	(8)	-
	(16)	(722)	(448)	(556)
Total	1,691	(555)	656	(710)

The fair values of derivatives vary over time depending on movements in interest and exchange rates and the trading or hedging strategies used. The positive fair value for foreign exchange contracts primarily reflects profits on hedges of non AUD bonds and notes.

DERIVATIVE FINANCIAL INSTRUMENTS (continued)

In addition to customer and trading activities, the Group uses, inter alia, derivatives to manage the risk associated with its balance sheet and future revenue streams. The principal objectives of asset/liability management are to hedge the market value of the Group's capital and to manage and control the sensitivity of the Group's income while maintaining acceptable levels of interest rate and liquidity risk. The Group also uses a variety of foreign exchange derivatives to hedge against adverse movements in the value of foreign currency denominated assets and liabilities and future revenue streams.

The table below shows the notional principal amount, gross replacement cost and fair value of derivatives held by the Group, split between those entered into for customer-related and trading purposes and those entered into for balance sheet hedging purposes.

	30 September 1998			30 September 1997		
	Notional Principal Amount \$M	Gross Replace- ment Cost \$M	Fair Value \$M	Notional Principal Amount \$M	Gross Replace- ment Cost \$M	Fair Value \$M
Foreign exchange contracts						
Customer-related and trading purposes	250,339	5,631	648	221,475	3,865	214
Balance sheet hedging purposes	14,542	1,075	1,059	15,494	186	(47)
	264,881	6,706	1,707	236,969	4,051	167
Interest rate contracts						
Customer-related and trading purposes	306,363	2,692	(99)	400,227	1,801	(790)
Balance sheet hedging purposes	23,142	334	83	20,213	295	68
	329,505	3,026	(16)	420,440	2,096	(722)
Total	594,386	9,732	1,691	657,409	6,147	(555)

Detailed below are the net deferred realised and unrealised gains and losses arising from hedging contracts used to manage interest rate exposure or used to hedge anticipated transactions. These gains and losses are deferred only to the extent that there is an offsetting unrecognised gain or loss on the exposure being hedged. Deferred gains or losses are generally amortised over the expected term of the hedged exposure.

	Balance sheet hedging contracts	
	Sep 98 \$M	Sep 97 \$M
Expected recognition in income		
Within one year	83	39
One to two years	75	(24)
Two to five years	137	45
Greater than five years	1	22
	296	82

CONTINGENT LIABILITIES

General

There are outstanding court proceedings, claims and possible claims against the Group, the aggregate amount of which cannot readily be quantified. Appropriate legal advice has been obtained and, in the light of such advice, provisions as deemed necessary have been made.

India - National Housing Bank

In 1992 the branch of ANZ Grindlays Bank Limited in India ("the Bank") received a claim, aggregating approximately Indian Rupees 5.06 billion (\$200 million) from the National Housing Bank ("NHB") in that country. The claim arose out of certain cheques drawn by NHB in favour of the Bank, the proceeds of which were credited into the account of one of the customers of the Bank.

On 29 March 1997, pursuant to an Arbitration Agreement entered into on 4 November 1992, the Arbitrators made an award on this dispute in favour of the Bank. NHB paid to the Bank the principal and interest (aggregating Indian Rupees 9.05 billion (\$357 million)) due under the award. Subsequently, NHB had the award reviewed by the Special Court (Trial of Offences Relating to Transactions in Securities) at Mumbai, which on 4 February 1998 ordered that the award be set aside. ANZ has filed an appeal with the Supreme Court of India seeking that the Special Court's order be set aside.

As the matter is sub judice, comment by the parties is limited.

The Group has obtained firm legal advice from Senior Counsel and based on that advice no provision has been made in respect of the claim.

India - Foreign Exchange Regulation Act

In 1991 certain amounts were transferred from non-convertible Indian Rupee accounts to convertible Rupee accounts maintained with the Bank in India. In making these transactions it would appear that the provisions of the Foreign Exchange Regulation Act 1973 were inadvertently not complied with. The Bank, on its own initiative, brought these transactions to the attention of the Reserve Bank of India.

The Indian authorities have served preliminary notices on the Bank and certain of its officers in India which could lead to proceedings and possible penalties. The Group's lawyers in India have prepared responses to these notices, and the Group considers that the outcome will have no material adverse effect on the financial statements.

NOTES TO THE STATEMENT OF CASH FLOWS

	Full year Sep 98 Inflows (Outflows) \$M	Full year Sep 97 Inflows (Outflows) \$M	Half year Sep 98 Inflows (Outflows) \$M	Half year Mar 98 Inflows (Outflows) \$M
Reconciliation of operating profit after income tax to net cash provided by operating activities				
Operating profit after income tax	1,106	1,024	481	625
Adjustments to reconcile to net cash provided by operating activities				
Provision for doubtful debts	487	400	250	237
Depreciation and amortisation	188	200	94	94
Provision for restructuring and other	284	560	198	86
Payments from provisions	(521)	(362)	(336)	(185)
Provision for surplus lease space	(12)	29	(18)	6
(Profit)loss on disposal of premises and equipment	(10)	2	(6)	(4)
(Increase)decrease in interest receivable	16	(127)	124	(108)
(Decrease)increase in interest payable	(239)	23	(84)	(155)
(Increase)decrease in trading securities	926	304	1,632	(706)
Decrease in net tax assets	115	49	35	80
Other	(83)	(69)	(16)	(67)
Net cash provided by(used in) operating activities	2,257	2,033	2,354	(97)
Reconciliation of cash and cash equivalents¹				
Cash at the end of the period as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows				
Liquid assets - less than 3 months	6,687	4,533	6,687	9,325
Due from other financial institutions - less than 3 months	2,294	7,923	2,294	3,173
	8,981	12,456	8,981	12,498
Non-cash financing and investment activities				
Share capital issues				
Dividend reinvestment plan	218	180	101	117
Bonus option plan	2	3	-	2

¹ At 30 September 1998, cash and cash equivalents totalling \$294 million were not available for use outside the local operations of India (\$207 million) and Pakistan (\$87 million) due to exchange control regulations

CAPITAL ADEQUACY

	As at Sep 98	As at Mar 98	As at Sep 97	Movt v. Sep 97
	\$M	\$M	\$M	%
Qualifying capital				
Tier 1				
Total shareholders' equity and outside equity interests	8,391	7,388	6,993	20%
Less: net future income tax benefit	(46)	-	-	n/a
unamortised goodwill	(18)	(19)	(21)	-14%
investment in ANZ Lenders Mortgage Insurance ¹	(18)	-	-	n/a
Tier 1 capital	8,309	7,369	6,972	19%
Tier 2				
Perpetual subordinated notes	936	842	776	21%
General provision for doubtful debts ²	889	916	918	-3%
	1,825	1,758	1,694	8%
Subordinated notes ³	2,567	2,404	2,336	10%
Tier 2 capital	4,392	4,162	4,030	9%
Less: deductions ⁴	(305)	(264)	(587)	-48%
Total qualifying capital	12,396	11,267	10,415	19%
Ratios (%)				
Tier 1	7.2%	6.5%	6.6%	n/a
Tier 2	3.8%	3.6%	3.8%	n/a
	11.0%	10.1%	10.4%	n/a
Less: deductions ⁴	(0.3%)	(0.2%)	(0.6%)	n/a
Total	10.7%	9.9%	9.8%	n/a
Risk weighted assets	116,096	114,242	106,147	9%

¹ Effective 22 August 1998 following amendments to Australian Prudential Regulation Authority guidelines covering insured mortgage loans

² Excluding attributable future income tax benefit

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

⁴ Investments in ANZ Life and entities involved in funds management and securitisation activities

INTEREST SPREADS AND NET INTEREST AVERAGE MARGINS

	Full year Sep 98 \$M	Full year Sep 97 \$M	Half year Sep 98 \$M	Half year Mar 98 \$M
Average interest earning assets				
Australia	67,450	60,164	69,605	64,926
New Zealand	17,846	17,106	17,555	18,040
International markets	34,432	35,972	30,884	37,791
	119,728	113,242	118,044	120,757

	%	%	%	%
Gross earnings rate¹				
Australia	7.37	8.46	7.29	7.50
New Zealand	9.54	9.56	9.76	9.38
International markets	8.22	7.62	8.78	7.81
Total Group	7.94	8.37	8.04	7.88

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

Australia

Gross interest spread	2.92	3.16	2.87	2.98
Interest forgone on impaired assets	(0.07)	(0.09)	(0.08)	(0.06)
Net interest spread	2.85	3.07	2.79	2.92
Interest attributable to net non-interest bearing items	0.70	0.74	0.73	0.68
Net interest average margin - Australia	3.55	3.81	3.52	3.60

New Zealand

Gross interest spread	2.12	2.30	2.14	2.13
Interest forgone on impaired assets	(0.03)	(0.04)	(0.05)	(0.02)
Net interest spread	2.09	2.26	2.09	2.11
Interest attributable to net non-interest bearing items	0.67	0.75	0.62	0.70
Net interest average margin - New Zealand	2.76	3.01	2.71	2.81

International markets

Gross interest spread	1.73	1.50	2.03	1.51
Interest forgone on impaired assets	(0.10)	(0.03)	(0.17)	(0.03)
Net interest spread	1.63	1.47	1.86	1.48
Interest attributable to net non-interest bearing items	0.31	0.32	0.15	0.42
Net interest average margin - International markets	1.94	1.79	2.01	1.90

Group

Gross interest spread	2.40	2.49	2.45	2.36
Interest forgone on impaired assets	(0.07)	(0.06)	(0.10)	(0.04)
Net interest spread	2.33	2.43	2.35	2.32
Interest attributable to net non-interest bearing items	0.64	0.61	0.65	0.63
Net interest average margin - Group	2.97	3.04	3.00	2.95

¹ Average interest rate received on interest earning assets

US GAAP RECONCILIATION

The consolidated financial statements of the Group are prepared in accordance with Generally Accepted Accounting Principles applicable in Australia (Australian GAAP) which differ in some respects from Generally Accepted Accounting Principles in the United States (US GAAP).

The following are reconciliations of the operating profit after income tax, shareholders' equity and total assets, applying US GAAP instead of Australian GAAP.

	Full year Sep 98 \$M	Full year Sep 97 \$M	Half year Sep 98 \$M	Half year Mar 98 \$M
Operating profit after income tax according to Australian GAAP¹	1,106	1,024	481	625
Items having the effect of increasing(decreasing) reported income:				
Depreciation charged on the difference between revaluation amount and historical cost of buildings	3	3	2	1
Difference in gain or loss on disposal of properties revalued under historical cost	9	17	1	8
Amortisation of goodwill	(36)	(36)	(18)	(18)
Pension expense adjustment	14	10	5	9
Net income according to US GAAP	1,096	1,018	471	625
Shareholders' equity according to Australian GAAP²	8,335	6,943	8,335	7,340
Elimination of gross asset revaluation reserves	(340)	(349)	(340)	(341)
Adjustment to accumulated depreciation on buildings revalued	39	36	39	37
Restoration of previously deducted goodwill	807	807	807	807
Accumulated amortisation and write-off of goodwill	(508)	(472)	(508)	(490)
Provision for final dividend	431	392	431	366
Pension expense adjustment	58	44	58	53
Shareholders' equity according to US GAAP	8,822	7,401	8,822	7,772
Total assets according to Australian GAAP	149,720	138,241	149,720	147,681
Elimination of gross asset revaluation reserves	(340)	(349)	(340)	(341)
Adjustment to accumulated depreciation on buildings revalued	39	36	39	37
Restoration of previously deducted goodwill	807	807	807	807
Accumulated amortisation and write-off of goodwill	(508)	(472)	(508)	(490)
Prepaid pension adjustment	44	33	44	39
Reclassification of deferred tax assets against deferred tax liabilities	(484)	(386)	(484)	(384)
Total assets according to US GAAP	149,278	137,910	149,278	147,349

¹ After abnormal items

² Excluding outside equity interests

ACCOUNTING POLICIES

This report has been based on financial data which has been prepared in compliance with the accounting provisions of the Banking Act, applicable Australian Accounting Standards and Urgent Issues Group Consensus Views. Where necessary, amounts shown for previous periods have been reclassified to facilitate comparison.

The accounting policies have been consistently applied by the entities in the Group and are consistent with those of the previous financial period except for the changes disclosed below.

CHANGES IN ACCOUNTING POLICY

Other expenses

Effective 1 October 1997, costs representing expenditure that is reimbursed under a contractual arrangement are netted against the related revenue in accordance with the revised International Accounting Standard IAS1 "Presentation of Financial Statements". Included in this category are card issuer reimbursement fees, co-branded loyalty payments and certain brokerage costs. Prior period comparatives have been restated to accord with this treatment. The impact on the profit and loss for the year ended 30 September 1998 is nil.

Operating leases

Effective 1 October 1997, operating leases entered into by the Group as lessor have been reclassified from premises and equipment to loans and advances. Operating leases are treated as a financing transaction with the assets recorded as part loan part residual value, the latter classified under other assets. Income received is allocated between interest and principal repayments on the loan. Prior period comparatives have been restated to accord with this treatment. The impact on the profit and loss for the year ended 30 September 1998 is nil.

EXCHANGE RATES

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

	Balance Sheet			Profit and Loss Average			
	As at Sep 98	As at Mar 98	As at Sep 97	Full year Sep 98	Full year Sep 97	Half year Sep 98	Half year Mar 98
NZD/AUD	1.1868	1.1979	1.1272	1.1581	1.1191	1.1709	1.1390
GBP/AUD	0.3496	0.3953	0.4465	0.3913	0.4694	0.3693	0.4112
USD/AUD	0.5972	0.6634	0.7197	0.6468	0.7679	0.6106	0.6795

SIGNIFICANT EVENTS SINCE BALANCE DATE

In October 1998, the Group announced its decision to exit its London capital markets operations and institutional stockbroking business with a consequent abnormal loss after tax of \$69 million. There have been no other significant events since 30 September 1998 to the date of this report.

For and on behalf of the directors



Charles Goode
Chairman



John McFarlane
Chief Executive Officer

Melbourne
4 November 1998



ASIAN EXPOSURES

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

Exposure to Asian banks assumes the country of the parent and includes all foreign subsidiaries. For example, bank data includes UK subsidiaries of Japanese banks.

Corporate exposure includes lending to Asian entities outside of Asia (typically Australia) where there is relationship with the parent entity through a guarantee or letter of awareness/letter of comfort. It includes the global exposure to the top five Korean Chaebols.

Exposure to Multinationals covers lending in Asian countries to international or global companies, frequently involving Australian parents or joint venture partners.

EXPOSURE IN USD

Country	As at Sep 98 USDm	As at Mar 98 USDm	As at Sep 97 USDm	Movt Sep 98 v. Sep 97 USDm	Movt Sep 98 v. Sep 97 %
Japan	1,644	2,612	5,833	(4,189)	-72%
Singapore	427	511	700	(273)	-39%
Hong Kong	625	565	654	(29)	-4%
China	787	724	707	80	11%
Taiwan	316	305	421	(105)	-25%
	3,799	4,717	8,315	(4,516)	-54%
South Korea	1,016	1,056	1,397	(381)	-27%
Indonesia	512	603	810	(298)	-37%
Thailand	135	199	371	(236)	-64%
Malaysia	112	109	169	(57)	-34%
Philippines	284	241	264	20	8%
Vietnam	209	207	184	25	14%
	2,268	2,415	3,195	(927)	-29%
Total	6,067	7,132	11,510	(5,443)	-47%

PRODUCT DISCLOSURES FOR SELECTED REGIONS

As at 30 September 1998 in USD millions

Countries	Products Trade	Treas. Fund.	Treas. UnFund	Perf Bds/Other	Term Lending Local	Term Lending Multinational	Non Asian Exp. Secured By Asian Parent	Project Finance Risk	Securities Investments at Market Value	Total
Asia										
Japan	45	5	337	643	154	29	327		104	1,644
Singapore	36		29	52	189	13	108			427
Hong Kong	75	38	16	14	410	15	57			625
China	202	49	32	99	163	85		157		787
Taiwan	65	13	15	30	188				5	316
South Korea	237	266	24	104	301	2	77		5	1,016
Indonesia	37	41	37	19	101	98		155	24	512
Thailand	17		2	49	67					135
Malaysia	6	22		8	1	16	55		4	112
Philippines	11	57	6	63	136	3			8	284
Vietnam	109			13	77	3		5	2	209
Total	840	491	498	1,094	1,787	264	624	317	152	6,067
	14%	8%	8%	18%	30%	4%	10%	5%	3%	100%
South Asia										
Bangladesh	100	9	2	24	240					375
India	687	31	110	358	1,418	31		209	53	2,897
Nepal	41			16	60					117
Sri Lanka	77	16	1		105					199
Total	905	56	113	398	1,823	31		209	53	3,588
Latin America										
Argentina	102		1		36	20			20	179
Brazil	111				2	333			22	468
Chile	2				25	32				59
Colombia									2	2
Cuba									4	4
Ecuador	5								2	7
Mexico	93					2		65	2	162
Panama									2	2
Peru	23					54				77
Uruguay									2	2
Venezuela					48	16			12	76
Total	336	-	1		111	457		65	68	1,038
Middle East										
Bahrain	6	9	5	19	57					96
Greece	11	5	2	30	184					232
Iran	47			10						57
Iraq									3	3
Israel	15	3	4	41	6				10	79
Jordan	3	33	8	16	123				1	184
Kuwait	3		2	32						37
Lebanon	1									1
Oman	2		1	23	13					39
Pakistan	199	43	1	49	253	67		38	16	666
Qatar	46	92	1	7	111	23				280
Saudi Arabia	9	1	62	4	295	7		20		398
U.A.E.	108	35	2	247	517					909
Total	450	221	88	478	1,559	97		58	30	2,981
Eastern Europe										
Czech Republic				1						1
Russia	11			7					5	23
Ukraine									7	7
Total	11			8	-				12	31

PRODUCT DISCLOSURES FOR SELECTED REGIONS (continued)

Trade finance is captured at 100% of face value.

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

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

Treasury unfunded exposure includes Foreign Exchange and Interest Rate contracts (forwards, options and swaps). The exposure is calculated using a conservative “Mark to market plus potential exposure” methodology.

This methodology calculates the market value of a contract and adds a factor for the potential change in value from the valuation date to maturity.

Project finance includes a mix of projects.

Local lending includes exposure to local corporate entities in both local and foreign currency.

GROUP SENIOR MANAGEMENT

Executive Management Committee

Chief Executive Officer	John McFarlane
Executive Director	John Ries
Global Head Personal Banking	Peter Hawkins
Chief Financial Officer	Peter Marriott

Business Heads

MD Business Bank	Bob Edgar
MD Australasian Branch Network	Larry Crawford
MD Asset Finance	Peter McMahon
MD ANZIB	Grahame Miller
MD Cards Division	Charles Carbonaro
MD ANZFM	Peter Jonson
MD Global Private Banking	David Airey
MD ANZNZ	Murray Horn
GGM Mortgages	Greg Camm
Global Head Markets	Mark Coombs
GGM Banking Products	Kathryn Fagg
GGM International Services	John Winders
GGM Direct Distribution	Satyendra Chelvendra

Group Functions

GGM Human Resources & Management Services	Elizabeth Proust
GGM Strategy	(Executive Search)
Chief Information Officer	David Boyles
GGM Risk Management	Elmer Funke-Kupper
GM Acquisitions	David Valentine
GGM Finance & Information Management	Ian Snape
GGM Marketing	Rod Slater
GG Counsel & Company Secretary	Jane Slatter
GGM Audit	Michael Domann
GM Office of the Chief Executive	David Ward



DEFINITIONS

Economic loss provisioning (ELP)

The economic loss provision charge is determined based on the expected average annual loss of principal derived from the Groups' risk management models.

Equity standardisation

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

Geographic segmentation

UK and Europe includes France, Germany, Guernsey, Jersey, Italy, Switzerland and United Kingdom.

Asia Pacific includes Cook Islands, Fiji, Hong Kong, Indonesia, Japan, Korea, Malaysia, Papua New Guinea, Philippines, Samoa, Singapore, Solomon Islands, Sri Lanka, Taiwan, Thailand, The People's Republic of China, Tonga, Vanuatu and Vietnam.

South Asia includes Bangladesh, India and Nepal.

Americas includes Argentina, Brazil, Chile, Mexico and United States of America.

Middle East includes Bahrain, Greece, Iran, Israel, Jordan, Oman, Pakistan, Qatar and United Arab Emirates.

Impaired assets

Impaired assets are loans or other credit facilities where there is reasonable doubt about the collectability of interest, fees (past and future) or principal outstanding, or where concessional terms have been provided because of the financial difficulties of the customer.

Net advances

Net advances include gross loans and advances, acceptances and ANZ accepted bills held as part of trading securities less income yet to mature and specific provisions (for both as at and average volumes).

Net interest average margin

Net interest average margin is net interest income as a percentage of average interest earning assets. Non-assessable interest income is grossed up to the equivalent before tax amount for the purpose of these calculations.

Net interest spread

Net interest spread is average interest rate received on interest earning assets less the average interest rate paid on interest bearing liabilities. Non-assessable interest income is grossed up to the equivalent before tax amount for the purpose of these calculations.

Net non-interest bearing items

Net non-interest bearing items, referred to in the analysis of interest spread and net interest average margin, includes shareholders' equity, provisions for doubtful debts, and deposits not bearing interest and other liabilities not bearing interest, offset by premises and equipment and other non-interest earning assets. Non-accrual loans are included within interest bearing loans, advances and bills discounted.

Net specific provision

Net specific provision is the transfer from the general provision to the specific provision (representing new and increased specific provisions less specific provision releases) less recoveries.

Operating expenses

Operating expenses exclude charge for doubtful debts and abnormal items.

Service Transfer Pricing

Service Transfer Pricing is in use throughout the Group, whereby business and support units recover the cost of services provided to other units. There are some head office costs which are not recharged.

Total advances

Total advances include gross loans and advances, acceptances and ANZ accepted bills held as part of trading securities less income yet to mature (for both as at and average volumes).

Unproductive facilities

Unproductive facilities comprise standby letters of credit, bill endorsements, documentary letters of credit and guarantees to third parties.

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