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Australia and New Zealand Banking Group Limited and Controlled Entities

Profit and Loss Accounts for the year ended 30 September 2000

	Note	2000 \$M	Consolidated 1999 \$M	1998 \$M	The Company 2000 1999 \$M	
Interest income	2	10,241	8,684	9,499	6,984	5,693
Interest expense	3	(6,440)	(5,029)	(5,952)	(4,728)	(3,510)
Net interest income		3,801	3,655	3,547	2,256	2,183
Other operating income	2	2,583	2,377	2,142	4,230	2,159
Operating income		6,384	6,032	5,689	6,486	4,342
Operating expenses	3	(3,314)	(3,300)	(3,442)	(2,474)	(2,411)
Operating profit before debt provision		3,070	2,732	2,247	4,012	1,931
Provision for doubtful debts	15	(502)	(510)	(487)	(353)	(245)
Operating profit before abnormal items		2,568	2,222	1,760	3,659	1,686
Abnormal profit (loss)	5	221	–	(102)	(550)	–
Operating profit before income tax		2,789	2,222	1,658	3,109	1,686
Income tax (expense) benefit						
Operating profit	6	(863)	(736)	(576)	(584)	(387)
Abnormal (profit) loss	6	(177)	–	33	(218)	–
Income tax expense	6	(1,040)	(736)	(543)	(802)	(387)
Operating profit after income tax		1,749	1,486	1,115	2,307	1,299
Outside equity interests		(2)	(6)	(9)	–	–
Operating profit after income tax attributable to members of the Company		1,747	1,480	1,106	2,307	1,299
Retained profits at start of year		2,952	2,412	1,830	1,802	1,317
Total available for appropriation		4,699	3,892	2,936	4,109	2,616
Transfers (to) from reserves		(49)	(54)	223	–	–
Ordinary share dividends provided for or paid	7	(941)	(814)	(747)	(941)	(814)
Preference share dividends paid	7	(102)	(72)	–	–	–
Retained profits at end of year		3,607	2,952	2,412	3,168	1,802
Earnings per ordinary share (cents)	8					
Basic						
Before abnormal items		103.9	90.6	77.2	n/a	n/a
After abnormal items		106.8	90.6	72.6	n/a	n/a
Diluted						
Before abnormal items		103.5	90.3	76.9	n/a	n/a
After abnormal items		106.3	90.3	72.4	n/a	n/a

The notes appearing on pages 7 to 82 form an integral part of these financial statements
n/a Not applicable

Australia and New Zealand Banking Group Limited and Controlled Entities

Balance Sheets as at 30 September 2000

	Note	Consolidated		The Company	
		2000 \$M	1999 \$M	2000 \$M	1999 \$M
Assets					
Liquid assets	9	5,648	5,283	4,381	3,564
Due from other financial institutions	10	5,822	3,472	4,620	2,212
Trading securities	11	4,126	4,259	3,451	2,940
Investment securities	12	3,006	4,695	1,795	1,856
Net loans and advances	13	116,315	104,063	87,540	71,798
Customers' liabilities for acceptances	16	15,482	14,858	15,482	14,674
Due from controlled entities		–	–	6,962	7,169
Life insurance investment assets		4,739	4,063	–	–
Regulatory deposits	17	103	616	75	49
Shares in controlled entities and associates	18	29	32	6,348	7,117
Other assets	19	15,938	10,036	13,319	7,277
Premises and equipment	20	1,259	1,424	572	511
Total assets		172,467	152,801	144,545	119,167
Liabilities					
Due to other financial institutions	21	12,247	9,001	11,949	7,980
Deposits and other borrowings	22	100,602	96,559	74,618	60,828
Liability for acceptances		15,482	14,858	15,482	14,674
Due to controlled entities		–	–	5,826	9,887
Income tax liability	23	1,303	1,051	958	551
Creditors and other liabilities	24	13,371	9,421	11,550	7,805
Provisions	25	2,089	1,010	1,872	859
Life insurance policy liabilities		4,360	3,795	–	–
Bonds and notes	26	9,519	4,456	9,369	4,298
Loan capital	27	3,687	3,221	3,457	2,959
Total liabilities		162,660	143,372	135,081	109,841
Net assets		9,807	9,429	9,464	9,326
Shareholders' equity					
Ordinary share capital	28	4,028	4,770	4,028	4,770
Preference share capital	28	1,374	1,145	1,374	1,145
Reserves		786	536	894	1,609
Retained profits		3,607	2,952	3,168	1,802
Share capital and reserves attributable to members of the Company		9,795	9,403	9,464	9,326
Outside equity interests	29	12	26	–	–
Total shareholders' equity and outside equity interests		9,807	9,429	9,464	9,326
Derivative financial instruments	36				
Commitments	42				
Contingent liabilities and credit related commitments	43				

The notes appearing on pages 7 to 82 form an integral part of these financial statements

Australia and New Zealand Banking Group Limited and Controlled Entities

Statements of Changes in Shareholders' Equity for the year ended 30 September 2000

	Note	2000 \$M	Consolidated 1999 \$M	1998 \$M	The Company 2000 \$M	1999 \$M
Share capital						
Balance at start of year		5,915	5,226	4,335	5,915	5,226
Ordinary shares						
Dividend reinvestment plan		236	176	218	236	176
Group employee share acquisition scheme		26	4	5	26	4
Group share option scheme		10	9	22	10	9
Group share purchase scheme		#	#	1	#	#
Share buyback	28	(1,014)	–	–	(1,014)	–
Preference shares	28	–	578	645	–	578
Retranslation of preference share issues		229	(78)	–	229	(78)
Total share capital		5,402	5,915	5,226	5,402	5,915
Asset revaluation reserve						
Balance at start of year		–	–	–	1,293	1,419
Revaluation of investments in controlled entities		–	–	–	(910)	(126)
Revaluation of properties		31	–	–	18	–
Total asset revaluation reserve		31	–	–	401	1,293
Foreign currency translation reserve						
Balance at start of year		(152)	63	(79)	261	320
Currency translation adjustments, net of hedges, after tax		170	(215)	142	177	(59)
Total foreign currency translation reserve		18	(152)	63	438	261
General reserve						
Balance at start of year		539	485	708	55	55
Transfers from (to) retained profits		49	54	(223)	–	–
Total general reserve		588	539	485	55	55
Capital reserve						
		149	149	149	–	–
Total reserves		786	536	697	894	1,609
Retained profits						
Balance at start of year		2,952	2,412	1,830	1,802	1,317
Operating profit after income tax						
attributable to members of the Company		1,747	1,480	1,106	2,307	1,299
Total available for appropriation		4,699	3,892	2,936	4,109	2,616
Transfers (to) from reserves		(49)	(54)	223	–	–
Ordinary share dividends provided for or paid	7	(941)	(814)	(747)	(941)	(814)
Preference share dividends paid	7	(102)	(72)	–	–	–
Retained profits at end of year		3,607	2,952	2,412	3,168	1,802
Total shareholders' equity attributable to members of the Company		9,795	9,403	8,335	9,464	9,326

The notes appearing on pages 7 to 82 form an integral part of these financial statements
Amounts less than \$500,000

Australia and New Zealand Banking Group Limited and Controlled Entities

Statements of Cash Flows for the year ended 30 September 2000

Note	2000 \$M	Consolidated 1999 \$M	1998 \$M	The Company 2000 1999 \$M	
Cash flows from operating activities					
Interest received	9,916	8,679	9,403	6,453	5,672
Dividends received	192	157	169	2,490	615
Fees and other income received	2,460	2,089	1,797	1,916	1,647
Interest paid	(6,108)	(5,039)	(6,238)	(4,279)	(3,520)
Personnel expenses paid	(1,735)	(1,840)	(2,001)	(1,357)	(1,434)
Premises expenses paid	(283)	(282)	(291)	(238)	(235)
Other operating expenses paid	(1,199)	(977)	(1,085)	(646)	(663)
Income taxes paid	(754)	(535)	(423)	(478)	(238)
Goods and services tax received (paid)	4	–	–	(1)	–
Net (increase) decrease in trading securities	(25)	1,442	926	(511)	1,743
Net cash provided by operating activities	39(a) 2,468	3,694	2,257	3,349	3,587
Cash flows from investing activities					
Net decrease (increase)					
Due from other financial institutions	(792)	616	2,299	(469)	506
Regulatory deposits	(90)	828	(308)	(20)	700
Loans and advances	(17,633)	(12,936)	(9,680)	(14,902)	(10,775)
Shares in controlled entities	(50)	–	–	(2,189)	(1,308)
Investment securities					
Purchases	(8,109)	(5,527)	(5,490)	(2,779)	(1,817)
Proceeds from sale or maturity	8,553	4,670	5,279	2,926	1,340
Controlled entities and associates	39(c)				
Purchased (net of cash acquired)	(43)	(2)	(8)	–	–
Proceeds from sale (net of cash disposed)	1,510	–	–	2,360	–
Transferred from controlled entities to associates (net of cash)	–	(94)	–	–	–
Premises and equipment					
Purchases	(275)	(177)	(143)	(189)	(170)
Proceeds from sale	249	142	75	147	4
Other	(3,160)	(610)	1,483	(693)	(83)
Net cash (used in) investing activities	(19,840)	(13,090)	(6,493)	(15,808)	(11,603)
Cash flows from financing activities					
Net (decrease) increase					
Due to other financial institutions	3,111	(779)	(2,047)	3,036	(317)
Deposits and other borrowings	12,763	5,202	2,131	12,696	405
Due from/to controlled entities	–	–	–	(3,855)	2,942
Creditors and other liabilities	(843)	743	(288)	(1,089)	991
Bonds and notes					
Issue proceeds	5,555	4,330	802	5,555	4,172
Redemptions	(1,341)	(479)	(2,174)	(1,341)	(479)
Loan capital					
Issue proceeds	152	–	559	–	–
Redemptions	(147)	(256)	(273)	–	(256)
Decrease in outside equity interests	(19)	(1)	(3)	–	–
Dividends paid	(749)	(671)	(491)	(647)	(599)
Share capital issues	36	591	714	36	591
Share buyback	(1,014)	–	–	(1,014)	–
Net cash provided by (used in) financing activities	17,504	8,680	(1,070)	13,377	7,450
Net cash provided by operating activities	2,468	3,694	2,257	3,349	3,587
Net cash (used in) investing activities	(19,840)	(13,090)	(6,493)	(15,808)	(11,603)
Net cash provided by (used in) financing activities	17,504	8,680	(1,070)	13,377	7,450
Net (decrease) increase in cash and cash equivalents	132	(716)	(5,306)	918	(566)
Cash and cash equivalents at beginning of year	6,634	8,981	12,456	4,177	5,183
Foreign currency translation on opening balances	(304)	(1,631)	1,831	(371)	(440)
Cash and cash equivalents at end of year	39(b) 6,462	6,634	8,981	4,724	4,177

The notes appearing on pages 7 to 82 form an integral part of these financial statements

Notes to the Financial Statements

1: Accounting Policies

(i) Bases of preparation

This general purpose financial report complies with the accounts provisions of the Banking Act, applicable Australian Accounting Standards, the accounts provisions of the Corporations Law, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board. The accounting policies are consistent with those of the previous year except for the change disclosed in note (ii).

Certain disclosures required by the United States Securities and Exchange Commission in respect of foreign registrants have also been included in this report.

The financial report has been prepared in accordance with the historical cost convention as modified by the revaluation of certain properties and trading instruments. The preparation of the financial report requires the use of management estimates. Such estimates may require review in future periods.

The Company is a company of the kind referred to in the Australian Securities and Investments Commission class order 98/100, dated 10 July 1998. Consequently, amounts in the financial report have been rounded to the nearest million dollars except where otherwise indicated.

All amounts are expressed in Australian dollars, unless otherwise stated. Where necessary, amounts shown for the previous year have been reclassified to facilitate comparison.

(ii) Changes in accounting policy

Life Insurance Standard

The Group conducts life insurance business through ANZ Life Assurance Company Limited (ANZ Life). A new Accounting Standard AASB 1038 'Life Insurance Business', was applied from 1 October 1999. This standard requires the first time consolidation of approximately \$4 billion of assets and liabilities in the statutory funds of ANZ Life which relate to policy holders. Previously, only the Group's interest in the actuarially assessed surplus of ANZ Life's statutory funds, after allowing for increases in policyholder reserves determined under the margin on services methodology, together with the assets and liabilities of the shareholders funds of ANZ, were included. AASB 1038 requires all assets held by ANZ Life, including subsidiary companies to be marked to market, however this requirement under the current structure has nil impact on the Group. Accordingly, no appraisal or embedded values for subsidiary companies have been booked in these accounts. AASB 1038 also requires the Group to consolidate income, expenses and the income tax expense relating to the statutory funds. This resulted in an increase to other income of \$58 million, an increase to other expenses of \$7 million and an increase of \$51 million in income tax expense in the twelve months to September 2000. Transactions between ANZ Life and other Group entities have been eliminated on consolidation. The net contribution from ANZ Life for

the year was \$49 million (1999: \$54 million). This net contribution was calculated using the margin on services methodology and was unaffected by the adoption of AASB 1038. Comparative figures have been restated.

(iii) Consolidation

The financial statements consolidate the financial statements of Australia and New Zealand Banking Group Limited (the Company) and its controlled entities.

Where controlled entities and associates have been sold or acquired during the year, their operating results have been included to the date of disposal or from the date of acquisition.

The Group adopts the equity method of accounting for associates. Shares in associates are stated in the consolidated balance sheet at cost plus the Group's share of post acquisition net assets. The Group's share of results of associates is included in the profit and loss account.

(iv) Goodwill

Goodwill, representing the excess of the purchase consideration over the fair value of the identifiable net assets of a controlled entity at the date of gaining control, is recognised as an asset and amortised on a straight line basis over the period during which the benefits are expected to arise, not exceeding 20 years.

The unamortised balance of goodwill and the period of amortisation are reviewed annually. Where the balance exceeds the value of expected future benefits, the difference is charged to the profit and loss account.

(v) Foreign currency

Assets and liabilities denominated in foreign currencies are translated into Australian dollars at the rates of exchange ruling at balance date.

Revenues and expenses of overseas branches and controlled entities are translated at average exchange rates for the year.

Net translation differences arising from the translation of overseas branches and controlled entities considered to be self-sustaining operations are included in the foreign currency translation reserve, after allowing for those positions hedged by foreign exchange contracts and related currency borrowings.

(vi) Fee Income

Fee income is brought to account on an accruals basis. Yield-related front-end application fees received are deferred and accrued to income as an adjustment of yield over the period of the loan. Non yield-related application and activation lending fees received are recognised as income no later than when the loan is disbursed or the commitment to lend expires. Fees received on an on-going basis that represent the recoupment of the costs of providing service (for example, maintaining and administering existing facilities) are taken to income when the fees are receivable.

Notes to the Financial Statements

(vii) Net loans and advances

Net loans and advances include direct finance provided to customers such as bank overdrafts, credit cards, term loans, lease finance, hire purchase finance and commercial bills.

Overdrafts, credit cards and term loans are carried at principal balances outstanding. Interest on amounts outstanding is accounted for on an accruals basis.

Finance leases and hire purchase contracts are accounted for using the finance method whereby income is taken to account progressively over the life of the lease or the contract in proportion to the outstanding investment balance. Investments in leveraged leases are recorded at an amount equal to the investment participation, and income is taken to account on an actuarial basis over the term of each lease.

Customer financing through redeemable preference shares is included within net loans and advances. Dividends received on redeemable preference shares are taken to the profit and loss account as part of interest income.

All loans are subject to regular scrutiny and graded according to the level of credit risk. Loans are classified as either productive or non-accrual. The Group has adopted the Australian Prudential Regulation Authority Impaired Assets Guidelines in assessing non-accrual loans. Non-accrual loans include loans where the accrual of interest and fees has ceased due to doubt as to full recovery, and loans that have been restructured with an effective yield below the Group's average cost of funds at the date of restructuring. A specific provision is raised to cover the expected loss, where full recovery of principal is doubtful.

Restructured loans are loans with an effective yield above the Group's cost of funds and below the yield applicable to a customer of equal credit standing.

Cash receipts on non-accrual loans are, in the absence of a contrary agreement with the customer, applied as income or fees in priority to being applied as a reduction in principal, except where the cash receipt relates to proceeds from the sale of security.

(viii) Bad and doubtful debts

Specific provisions are maintained to cover identified doubtful debts. All known bad debts are written off in the year in which they are identified.

The Group's annual debt provision charge represents the expected average annual loss on principal over the economic cycle for the lending portfolio. 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.

Provisions for doubtful debts are deducted from loans and advances in the balance sheet.

(ix) Acceptances

Commercial bills accepted but not held in portfolio are accounted for and disclosed as a liability with a corresponding contra asset.

The Group's own acceptances discounted are held as part of either the trading securities portfolio or the loan portfolio, depending on whether, at the time of such discount, the intention was to hold the acceptances for resale or until maturity.

(x) Trading securities

Securities held for trading purposes are recorded at market value. Unrealised gains and losses on revaluation are taken to the profit and loss account.

(xi) Investment securities

Investment securities are those which the Group intends and has the ability to hold until maturity. Such securities are recorded at cost or at cost adjusted for amortisation of premiums or discounts.

Premiums and discounts are capitalised and amortised from the date of purchase to maturity. Interest and dividend income is accrued. Changes in market values of securities are not taken into account unless there is considered to be a permanent diminution in value.

(xii) Repurchase agreements

Securities sold under repurchase agreements are retained in the financial statements and a counterparty liability is disclosed under the classifications of Due to other financial institutions or Deposits and other borrowings. The difference between the sale price and the repurchase price is amortised over the life of the repurchase agreement and charged to interest expense in the profit and loss account.

Securities purchased under agreements to resell are recorded as Liquid assets, Net loans and advances, or Due from other financial institutions, depending on the term of the agreement and the counterparty.

(xiii) Derivative financial instruments

Derivative financial instruments (derivatives) are contracts whose value is derived from one or more underlying financial instruments or indices. They include swaps, forward rate agreements, futures, options and combinations of these instruments.

Trading derivatives, comprising derivatives entered into for customer-related or proprietary reasons or for hedging the trading portfolio, are measured at fair value and all gains and losses are taken to the profit and loss account. Fair value losses arising from trading derivatives are not offset against fair value gains unless a legal right of set-off exists.

Derivatives designated, and effective, as hedges of underlying non-trading exposures are accounted for on the same basis as the underlying exposures. To be designated as a hedge, the fair value of the hedge must move inversely with changes in the fair value of the underlying exposure.

Notes to the Financial Statements

Gains and losses resulting from the termination of a derivative that was designated as a hedge of non-trading exposures are deferred and amortised over the remaining period of the original term covered by the terminated instrument where the underlying exposure still exists. Where the underlying exposure no longer exists, the gains and losses are recognised in the profit and loss account.

Gains and losses on derivatives related to hedging exposures arising from anticipated transactions are deferred and recognised in the financial statements when the anticipated transaction occurs.

These gains and losses are deferred only to the extent that there is an offsetting unrecognised (unrealised) gain or loss on the exposures being hedged. Deferred gains and losses are amortised over the expected term of the hedged exposure.

Gains and losses that arise prior to and upon the maturity of transactions entered into under hedge rollover strategies are deferred and included in the measurement of the hedged anticipated transaction if the transaction is still expected to occur. If the forecasted transaction is no longer expected to occur, the gains and losses are recognised immediately in the profit and loss statement.

(xiv) Premises and equipment

Premises and equipment (including computer equipment) are carried at cost less depreciation or amortisation, or at valuation. Any surplus on revaluation of a class of assets is credited directly to the asset revaluation reserve except to the extent that it reverses a revaluation decrement previously taken to profit and loss. Where a deficit arises, this is debited to the asset revaluation reserve to the extent of any previous revaluation surplus for that class, and the excess debited to the profit and loss account. Potential capital gains tax arising from revaluations is not taken into account unless the Group intends to dispose of the properties.

Profit or loss on the disposal of premises and equipment is determined as the difference between the carrying amount of the assets at the time of disposal and the proceeds of disposal, and is included in the results of the Group in the year of disposal.

Assets other than freehold land are depreciated at rates based upon their expected useful lives to the Group, using the straight line method. The depreciation rates used for each class of asset are:

Buildings	1%
Building integrals	10%
Furniture & equipment	10%
Computer & office equipment	12.5% to 33%

Leasehold improvements are amortised on a straight line basis over the remaining period of each lease.

The carrying values of all non-current assets have been assessed and are not in excess of their recoverable amounts. In assessing recoverable amounts, the relevant cash flows have not been discounted to their present value.

(xv) Income tax

The Group adopts the liability method of tax effect accounting whereby income tax expense is calculated based on accounting profit adjusted for permanent differences. Permanent differences are items of revenue and expense which are recognised in the profit and loss account but are not part of taxable income or vice versa.

Future tax benefits and deferred tax liabilities relating to timing differences and tax losses are carried forward at tax rates applicable to future periods. These future tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future tax benefits relating to tax losses are only carried forward where realisation of the benefit is considered virtually certain.

Provision for Australian income tax is made where the earnings of overseas controlled entities are subjected to Australian tax under the attribution rules for the taxation of foreign sourced income.

Otherwise, no provision is made for overseas withholding tax or Australian income tax which may arise on repatriation of earnings from overseas controlled entities, where it is expected these earnings will be retained by those entities to finance their ongoing business.

(xvi) Employee entitlements

The amounts expected to be paid in respect of employees' entitlements to annual leave are accrued at current salary rates including on-costs. Liability for long service leave is accrued in respect of all applicable employees at the present value of future amounts expected to be paid.

(xvii) Superannuation commitments

Contributions, which are determined on an actuarial basis, to superannuation schemes are charged to personnel expenses in the profit and loss account.

Any aggregate deficiencies arising from the actuarial valuations of the Group's defined benefit schemes have been provided for in the financial statements.

The assets and liabilities of the schemes have not been consolidated as the Company does not have direct or indirect control of the schemes.

(xviii) Leasing

Leases entered into by the Group as lessee are predominantly operating leases, and the operating lease payments are included in the profit and loss account in equal instalments over the lease term.

(xix) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as an other asset or liability in the balance sheet.

Notes to the Financial Statements

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(xx) Life insurance

The Group's life insurance business is conducted through ANZ Life Assurance Company Limited (ANZ Life).

Components of life insurance margin on services operating income disclosed are premium revenue and related revenue, investment revenue, claims expense and insurance policy liabilities expense (refer note 37).

Premiums with no due date are recognised as revenue on a cash received basis. Premiums with a regular due date are recognised as revenue on an accruals basis. Unpaid premiums are only recognised as revenue during the days of grace or where secured by the surrender value of the policy and are included as "Other Assets" in the balance sheet.

Claims under investment-linked business are recognised when the policy ceases to participate in the earnings of the fund. Claims on non investment-linked business are recognised when the liability to the policyowner under the policy contract has been established or upon notification of the insured event depending on the type of claim.

Policy liabilities and other liabilities are measured at net present value of estimated future cash flows. Changes in net present values are recognised in the profit and loss as revenue or expenses in the financial year in which they occur.

All assets are measured at net market values as at the reporting date. Changes in the net market values are recognised in the profit and loss as revenue or expenses in the financial year in which they occur.

Notes to the Financial Statements

	2000 \$M	Consolidated 1999 \$M	1998 \$M	The Company 2000 \$M	1999 \$M
2: Income					
Interest income					
From other financial institutions	243	227	556	174	137
On regulatory deposits	5	9	10	1	1
On trading and investment securities	573	534	818	320	260
On loans and advances	8,930	7,549	7,494	5,729	4,732
Other	490	365	621	285	269
	10,241	8,684	9,499	6,509	5,399
From controlled entities	–	–	–	475	294
Total interest income	10,241	8,684	9,499	6,984	5,693
Other operating income					
(i) Fee income					
Lending	727	679	592	598	563
Other, commissions ¹	1,133	1,022	930	722	616
	1,860	1,701	1,522	1,320	1,179
From controlled entities	–	–	–	222	189
Total fee income	1,860	1,701	1,522	1,542	1,368
(ii) Other income					
Foreign exchange earnings	342	340	373	223	212
Gain on sale of investment securities	–	–	26	–	–
Life insurance margin on services operating income (refer note 37)	175	174	133	–	–
Profit (loss) on trading instruments	87	89	(83)	79	71
Profit on sale of premises ²	13	16	18	–	–
Rental income	7	10	34	7	7
Share of associates profit (net of writeoffs)	3	(2)	(4)	–	–
Dividend income from strategic investments	19	–	–	–	–
Other ³	77	49	123	2,379	501
Total other income	723	676	620	2,688	791
Total other operating income	2,583	2,377	2,142	4,230	2,159
Abnormal profit (loss) (refer note 5)	1,207	–	(70)	351	–
Total income⁴	14,031	11,061	11,571	11,565	7,852

¹ Includes commissions from funds management business

² Gross proceeds on sale of premises is \$164 million (1999: \$127 million)

³ The Company's dividends include dividends received from controlled entities of \$2,363 million (1999: \$491 million)

⁴ Includes external dividend income of \$192 million (1999: \$157 million) for the Group and \$127 million (1999: \$124 million) for the Company

3: Expenses

Interest expense

To other financial institutions	577	518	687	522	419
On deposits	4,082	3,299	3,929	2,953	2,119
On borrowing corporations' debt	409	382	415	–	–
On commercial paper	486	315	228	206	109
On loan capital, bonds and notes	596	301	308	568	288
Other	290	214	385	117	218
	6,440	5,029	5,952	4,366	3,153
To controlled entities	–	–	–	362	357
Total interest expense	6,440	5,029	5,952	4,728	3,510

Notes to the Financial Statements

	2000 \$M	Consolidated 1999 \$M	1998 \$M	The Company 2000 \$M	1999 \$M
3: Expenses (continued)					
Operating expenses					
(i) Personnel					
Employee taxes					
Payroll	68	63	69	63	61
Fringe benefits tax	33	38	44	26	35
Pension fund	99	95	88	77	72
Provision for employee entitlements	33	33	29	32	29
Salaries and wages	1,201	1,237	1,427	880	937
Other	324	266	197	264	209
Total personnel expenses	1,758	1,732	1,854	1,342	1,343
(ii) Premises					
Amortisation of leasehold improvements	13	14	16	8	8
Depreciation of buildings and integrals	23	31	30	4	5
Rent	145	159	181	109	121
Utilities and other outgoings	101	102	113	73	74
Other	12	8	7	5	4
	294	314	347	199	212
To controlled entities	–	–	–	38	37
Total premises expenses	294	314	347	237	249
(iii) Computer					
Computer contractors	34	32	46	33	26
Data communication	41	43	47	31	34
Depreciation	96	94	93	67	63
Rentals and repairs	71	65	53	59	53
Other	101	110	102	69	51
Total computer expenses	343	344	341	259	227
(iv) Other					
Advertising and public relations	103	84	83	74	55
Amortisation of goodwill	12	10	3	8	8
Audit fees (refer note 4)	3	3	3	1	1
Depreciation of furniture and equipment	42	46	49	29	31
Freight and cartage	28	29	40	24	26
Loss on sale of premises and equipment	6	6	8	4	2
Non-lending losses, frauds and forgeries	55	53	15	20	39
Postage	45	44	43	32	31
Professional fees	136	130	112	106	110
Stationery	63	61	66	41	38
Telephone	79	90	99	51	63
Travel	83	77	90	55	54
Other	157	186	169	116	59
Total other expenses	812	819	780	561	517
(v) Restructuring¹	107	91	120	75	75
Total operating expenses	3,314	3,300	3,442	2,474	2,411
Total expenses	9,754	8,329	9,394	7,202	5,921

¹ In addition restructuring costs of \$361 million (Company \$276 million) have been treated as abnormal (1999: Group nil, Company nil), (1998: Group nil, Company nil). Refer note 5

Notes to the Financial Statements

	2000 \$'000	Consolidated 1999 \$'000	1998 \$'000	The Company 2000 \$'000	1999 \$'000
4: Remuneration of Auditors					
Amounts received and due and receivable					
Auditing the accounts					
By KPMG	2,755	3,046	3,123	1,275	1,202
By other Group auditors	12	36	13	–	21
	2,767	3,082	3,136	1,275	1,223
Other services					
By KPMG					
Audit related services ¹	3,420	2,428	2,269	1,148	1,022
Accounting	690	321	140	–	136
Consulting ²	12,543	13,552	24,525	10,690	12,782
Taxation	4,900	510	240	4,791	467
By other Group auditors	3	51	100	–	22
	21,556	16,862	27,274	16,629	14,429
Total remuneration of auditors	24,323	19,944	30,410	17,904	15,652

¹ Audit related services are services other than those relating to the audit or review of the statutory financial statements of the Group. These services include prudential supervision reviews for central banks, prospectus reviews, trust audits and other audits required for local statutory purposes

² 1998 include fees paid to KPMG Barents (a wholly owned entity of the USA practice of KPMG) of \$23,146,000 for consultancy work principally in connection with the ANZ Global Project

By virtue of an Australian Securities and Investments Commission class order dated 30 September 1998, the auditors of Australia and New Zealand Banking Group Limited and its related bodies corporate, KPMG, have been exempted from compliance with the requirements of Section 324 of the Corporations Law. The class order exemption applies in that partners and associates of KPMG not engaged on the audit of Australia and New Zealand Banking Group Limited and its related bodies corporate may be indebted to the Company, provided that such indebtedness arose upon ordinary commercial terms and conditions.

Notes to the Financial Statements

	2000 \$M	Consolidated 1999 \$M	1998 \$M	The Company 2000 1999 \$M	
5: Abnormal Items					
Profit before tax					
Revaluation of properties	30	–	–	30	–
Gain on sale of investment in Colonial	33	–	–	–	–
Income from sale of Grindlays and associated businesses	1,225	–	–	321	–
(Loss) before tax					
Costs of exiting businesses	–	–	(102)	–	–
Provisions raised on sale of Grindlays and associated businesses (refer to note below)	(575)	–	–	(575)	–
Restructuring provision	(361)	–	–	(276)	–
Provision for litigation	(50)	–	–	(50)	–
Writedown of investment in Panin	(81)	–	–	–	–
Total abnormal profit (loss) before tax	221	–	(102)	(550)	–
Income tax (expense) benefit applicable to					
Costs of exiting businesses	–	–	33	–	–
Restatement of deferred tax balances	(64)	–	–	(77)	–
Sale of Grindlays and associated businesses and provisions raised	(246)	–	–	(246)	–
Restructuring provision	116	–	–	88	–
Provision for litigation	17	–	–	17	–
Total abnormal tax (expense) benefit	(177)	–	33	(218)	–
Total abnormal profit (loss) after tax	44	–	(69)	(768)	–

Sale of Grindlays businesses

On 31 July 2000, the Group sold ANZ Grindlays Bank Limited and the private banking business of the Group in the United Kingdom and Jersey together with ANZ Grindlays (Jersey) Holdings Limited and its subsidiaries (the Grindlays business) to Standard Chartered Bank (SCB). Income from sale of \$1,225 million represents goodwill of USD 750 million, less costs of hedging and transaction costs.

Contribution to Group Profit

(figures exclude abnormal items)	Sold Business Period to 31 July 00 \$M	Remaining Business to Sept 00 \$M	Total Group to Sept 00 \$M	Sold Business Full year Sept 99 \$M
Net interest income	336	3,465	3,801	345
Other operating income	239	2,344	2,583	224
Net operating income	575	5,809	6,384	569
Operating expenses	(288)	(3,026)	(3,314)	(300)
Operating profit before debt provision	287	2,783	3,070	269
Provision for doubtful debts	(62)	(440)	(502)	(83)
Income tax expense and outside equity interest	(116)	(749)	(865)	(71)
Operating profit after tax	109	1,594	1,703	115

Notes to the Financial Statements

5: Abnormal Items (continued)

Balance Sheet of Operations Sold

	As At 31 July 00' ¹ \$M
Assets	
Liquid assets	515
Due from other financial institutions	338
Trading and investment securities	1,699
Net loans and advances including acceptances	5,657
Other assets	1,321
Total external assets	9,530
Net intragroup assets	3,015
Total assets	12,545
Liabilities	
Due to other financial institutions	808
Deposits and borrowings	10,009
Acceptances	250
Other	382
Total liabilities	11,449
Net assets	1,096

¹ Adjusted for dividends paid to the Company and exclusive of provisions related to warranties and indemnities given by the Company

Other Matters

As part of the sale of the Grindlays businesses to SCB, the Group has provided warranties relating to the Grindlays business. Where it is anticipated that payments are likely under these warranties, provisions have been made to cover the anticipated liability.

In addition the Group has provided SCB and/or Grindlays with certain indemnities namely:

1. an indemnity relating to liabilities Grindlays may incur as a result of certain claims made against Grindlays and its officers in India (the Indian Indemnity). Details of this indemnity are set out below;
2. an indemnity in relation to certain customer accounts written by Grindlays prior to 31 July 2000. The indemnity covers 80% of losses emerging on accounts currently totalling up to USD 186 million;
3. an indemnity for certain cross-border risks in relation to import letters of credit issued by Grindlays Pakistan to its customers in Pakistan prior to 31 July 2000. The duration of the indemnity is 1 year. The indemnity covers losses emerging on accounts totalling USD 80 million. It is not currently anticipated that the Group will be called on to make any material payments under this indemnity; and
4. an indemnity relating to tax liabilities of Grindlays (and its subsidiaries) and the Jersey Sub-Group to the extent to which such liabilities have not been provided for in the Grindlays accounts as at 31 July 2000.

The Indian Indemnity requires the Group to pay SCB for losses that Grindlays incurs as a result of certain claims that have been or may be made against Grindlays and its officers in India. Under the terms of the Indian Indemnity, the Group will have control of matters for which it is liable. No settlement offer can be made or paid by Grindlays without the prior agreement of the Group. The Group will continue to pursue these matters taking into account its legal obligations in the best interests of shareholders.

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

(a) National Housing Bank Litigation

In 1992 Grindlays in India received a claim, aggregating approximately Indian Rupees 5.06 billion (\$202 million at 30 September 2000 rates) from the National Housing Bank (NHB) in that country. The claim arose out of certain cheques drawn by NHB in favour of Grindlays, the proceeds of which were credited into the account of one of the customers of Grindlays.

On 29 March 1997, pursuant to an Arbitration Agreement entered into on 4 November 1992, the Arbitrators made an award on this dispute in favour of Grindlays. NHB paid to Grindlays the principal and interest due under the award aggregating Indian Rupees 9.12 billion (\$364 million at 30 September 2000 rates). Subsequently, NHB had the award reviewed by the Special Court at Mumbai, which on 4 February 1998 ordered that the award be set aside. Grindlays has filed an appeal with the Supreme Court of India seeking that the Special Court's order be set aside. Should Grindlays be required to repay NHB the Indian Rupees 9.12 billion, interest at 18% on that amount may also be required to be paid.

(b) Foreign Exchange Regulation Act

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

Notes to the Financial Statements

The Indian authorities have served notices on Grindlays and certain of its officers in India that could lead to prosecutions and possible penalties. Grindlays has commenced proceedings in the courts contesting the validity of these notices.

Provisions for liabilities

Provisions of \$575 million have been made out of the proceeds of sale to cover all estimated liabilities under the indemnities and warranties and other costs. In addition tax provisions of \$246 million, which include the provision for capital gains tax, have been raised.

Refer note 18 for details covering disposals of controlled entities.

Property Revaluation

The Group revalued its class of assets 'Property' at directors' valuations, based on independent valuations by Arthur Andersen (most Australian and Pacific properties) and Jones Lang LaSalle Advisory (other major International properties) as at 31 March 2000. Consistent with Australian Accounting Standards, a \$30 million revaluation surplus has been taken to profit and loss, to reverse a decrement previously taken to profit on revaluation of properties. The remaining revaluation increment of \$31 million has been taken to asset revaluation reserve.

Impact of Taxation Reform

The Australian Government has announced a change in corporate tax rates. The Groups' Australian tax rate will fall from 36% for the year ended 30 September 2000, to 34% for the 2001 year and 30% thereafter. Deferred tax balances have been restated at these rates (impact (\$64 million)).

Profit on Sale of Investment in Colonial

During the March half year the Group sold its small stake in Colonial Limited, realising a gain of \$33 million.

Restructuring Provision

Using the financial capacity provided by the abnormal profit from the sale of Grindlays, the Group has decided to accelerate the implementation of its new strategy. In particular, the Group will bring forward the development of the 21 specialised businesses, including three new customer businesses, together with the eTransformation of the Group's technology and operational platforms to fund the development of several new high-growth businesses that are essential for the Group's future success.

This will require a substantial restructuring of current technology, premises and operational infrastructure across the Group. Hence the Group has recognised a provision of \$361 million to cover restructuring costs involved with this program.

The program comprises thirty-five major initiatives, spread across the Group's 21 businesses plus support activities. Each has specific implementation plans, and will be rolled out at different times over the next two years. Announcement of the detail of these programs will be made in due course, internally and externally as appropriate.

The main initiatives include:

- the modernisation and reshaping of the Group's metropolitan branches and sales and services outlets into specially tailored retail outlets, configured around the specialised needs of the Group's three new customer businesses of Wealth Management, General Banking and Small Business;
- the transformation of the Group's General Banking delivery platform, including a new sales and service platform, and imaging technology to improve productivity of processes and workflow;
- a substantial reengineering and upgrading of the Esanda systems and operations environment;
- the upgrading of the Group's EFTPOS network to reduce maintenance and telecommunications changes and to increase flexibility for future enhancements such as chip technology;
- the simplification of the Asia Pacific business platforms and centralisation of operations;
- the rationalisation of the Group's IT platforms, including the decommissioning of mid range IT systems, workflow improvements and other hardware upgrades required for eTransformation.

The program is intended to be completed during this year and next, and the Group is expected to recover the majority of this expenditure by the third year from annual productivity improvements and revenue enhancements. These funds will be available to invest in the Group's growth businesses and to contribute to the Group's earnings per share growth commitments.

Revaluation of Panin

Following recent turmoil in the Indonesian equity markets, the market value of the Group's investment in Panin has decreased markedly to well below the Group's carrying value. The Group still regards this as a sound long term investment; however, the Group has determined it is no longer prudent to carry at an historical amount which is above market value.

Provision for Litigation

Provisions have been made for the resolution of litigation arising from exited businesses and previous practices. Further disclosures may be prejudicial to the Group's position on these matters.

Notes to the Financial Statements

	2000 \$M	Consolidated 1999 \$M	1998 \$M	The Company 2000 \$M 1999 \$M	
6: 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					
Operating profit before income tax and abnormal items	2,568	2,222	1,760	3,659	1,686
Prima facie income tax at 36%	924	800	634	1,317	607
Tax effect of permanent differences					
Overseas tax rate differential	4	2	14	6	11
Other non-assessable income	(9)	(21)	(45)	(2)	–
Rebateable and non-assessable dividends	(70)	(55)	(55)	(892)	(221)
Application of available capital losses	(10)	(3)	–	–	–
Life insurance accounting	17	17	25	–	–
Other	18	6	3	159	(3)
Income tax over provided in prior years	874 (11)	746 (10)	576 –	588 (4)	394 (7)
Total income tax expense on operating profit before abnormal items	863	736	576	584	387
Abnormal profit (loss) before tax (refer note 5)	221	–	(102)	(550)	–
Prima facie income tax at 36%	80	–	(37)	(198)	–
Tax effect of permanent differences					
Overseas tax rate differential	–	–	4	–	–
Revaluation of properties	(11)	–	–	(11)	–
Net capital gain on sale of Grindlays and associated business (net permanent difference)	12	–	–	339	–
Restatement of deferred tax balances	64	–	–	77	–
Writedown of investment in Panin	29	–	–	–	–
Restructuring provision (composite tax rate)	15	–	–	11	–
Gain on sale of investment in Colonial	(12)	–	–	–	–
Total income tax (benefit) expense on abnormal items (refer note 5)	177	–	(33)	218	–
Total income tax expense	1,040	736	543	802	387
7: Dividends					
Ordinary dividends					
Interim dividend	445	404	366	445	404
Proposed final dividend	528	470	431	528	470
Bonus option plan adjustment	(32)	(60)	(50)	(32)	(60)
Dividends on ordinary shares	941	814	747	941	814

A final dividend of 35 cents, fully franked, is proposed to be paid on each fully paid ordinary share on 15 December 2000 (1999: final dividend of 30 cents, paid 20 December 1999, partially franked to 80%; 1998: final dividend of 28 cents, paid 21 December 1998, partially franked to 60%). The 2000 interim dividend of 29 cents, paid 3 July 2000, was fully franked, (1999: interim dividend of 26 cents, paid 5 July 1999, partially franked to 75%; 1998: interim dividend of 24 cents, paid 6 July 1998, partially franked to 60%).

The tax rate applicable to the franking credits attached to the interim dividend and to be attached to the proposed final dividend is 34% (1999: 36%, 1998: 36%).

Notes to the Financial Statements

7: Dividends (continued)

	2000 \$M	Consolidated 1999 \$M	1998 \$M	The Company 2000 \$M	1999 \$M
Dividends on preference shares	102	72	–	–	–

The Company has issued 124,032,000 preference shares, raising USD 775 million via Trust Securities issues. The Trust Securities carry an entitlement to a distribution of 8% (USD 400 million) or 8.08% (USD 375 million). The amounts are payable quarterly in arrears. Shown above are amounts paid for the year to 30 September 2000 (1999: from the dates of issue, 23 September 1998 and 19 November 1998, to 30 September 1999). Payment dates are the fifteenth days of January, April, July and October.

Dividend Franking Account

The amount of franking credits available for the subsequent financial year is nil (1999 and 1998: nil), after adjusting for franking credits that will arise from the payment of tax on Australian profits for the 2000 financial year, less franking credits which will be utilised in franking the proposed final dividend and franking credits that may not be accessible by the Company at present.

Restrictions which Limit the Payment of Dividends

There are presently no significant restrictions on the payment of dividends from controlled entities to the Company. Various capital adequacy, liquidity, statutory reserve and other prudential requirements must be observed by certain controlled entities and the impact on these requirements caused by the payment of cash dividends is monitored. In practice however, there are significant tax considerations associated with the receipt of dividends from controlled entities by a company. Payment of dividends from domestic controlled entities constitutes assessable income to a recipient Australian company. Where the dividend is received from a company within the wholly owned group or, if the payer company is not wholly owned, to the extent that the dividend is franked, the recipient company is generally entitled to a rebate of tax otherwise payable on the assessable dividend. Should the recipient company's total assessable income be less than the rebateable dividend income, or it be in a tax loss position, the rebate will reduce or be eliminated. The Group therefore acts to preserve the availability of rebates by avoiding the payment of rebateable dividends by domestic controlled entities in this situation.

Payments of dividends from overseas controlled entities may attract withholding taxes which have not been provided for in these financial statements.

There are presently no restrictions on payment of dividends by the Company. Reductions of shareholders' equity through payment of cash dividends is monitored having regard to the regulatory requirements to maintain a specified capital adequacy ratio. In particular, the Australian Prudential Regulation Authority has advised Australian banks that a bank under its supervision must consult with it before declaring a dividend if the bank has incurred a loss, or proposes to pay dividends which exceed the level of profits earned.

Dividend Reinvestment Plan

During the year, 9,796,980 ordinary shares were issued at \$11.50 per share, and 10,619,991 ordinary shares at \$11.62 per share, under the Dividend Reinvestment Plan.

Bonus Option Plan

Dividends paid during the year have been reduced by way of certain shareholders participating in the Bonus Option Plan and forgoing all or part of their right to dividends in return for the receipt of bonus shares.

During the year, 1,631,515 ordinary shares were issued at \$11.50 per share, and 1,154,845 ordinary shares at \$11.62 per share, under the Bonus Option Plan.

	Declared dividend \$M	Bonus options exercised \$M	Amount paid \$M
Final dividend 1999	470	(18)	452
Interim dividend 2000	445	(14)	431
	915	(32)	883

Notes to the Financial Statements

	2000 \$M	Consolidated 1999 \$M	1998 \$M
8: Earnings per Ordinary Share			
Before abnormal items			
Basic			
Operating profit after income tax attributable to members of the Company	1,747	1,480	1,106
Abnormal items after tax	(44)	–	69
Operating profit after income tax before abnormal items	1,703	1,480	1,175
Less: preference share dividend paid	102	72	–
Operating profit after income tax and preference share dividend before abnormal items	1,601	1,408	1,175
Weighted average number of ordinary shares (millions)	1,540.3	1,553.5	1,522.9
Basic earnings per share (cents)	103.9	90.6	77.2
Diluted			
Operating profit after income tax and preference share dividend before abnormal items	1,601	1,408	1,175
Add: notional interest earned on capital raised from exercise of options	5	2	2
Total adjusted earnings	1,606	1,410	1,177
Weighted average number of ordinary shares (millions)	1,540.3	1,553.5	1,522.9
Add: potential dilution of options to ordinary shares	12.1	7.5	6.6
Total adjusted number of shares	1,552.4	1,561.0	1,529.5
Diluted earnings per share (cents)	103.5	90.3	76.9
After abnormal items			
Basic			
Operating profit after income tax attributable to members of the Company	1,645	1,408	1,106
Weighted average number of ordinary shares (millions)	1,540.3	1,553.5	1,522.9
Basic earnings per share (cents)	106.8	90.6	72.6
Diluted			
Operating profit after income tax attributable to members of the Company	1,645	1,408	1,106
Add: notional interest earned on capital raised from exercise of options	5	2	2
Total adjusted earnings	1,650	1,410	1,108
Weighted average number of ordinary shares (millions)	1,540.3	1,553.5	1,522.9
Add: potential dilution of options to ordinary shares	12.1	7.5	6.6
Total adjusted number of shares	1,552.4	1,561.0	1,529.5
Diluted earnings per share (cents)	106.3	90.3	72.4

Notes to the Financial Statements

	Consolidated		The Company	
	2000	1999	2000	1999
	\$M	\$M	\$M	\$M
9: Liquid Assets				
Australia				
Coins, notes and cash at bankers	558	540	536	442
Money at call	201	170	121	115
Securities purchased under agreement to resell less than 90 days	437	960	407	937
Bills receivable and remittances in transit	84	400	84	400
	1,280	2,070	1,148	1,894
Overseas				
Coins, notes and cash at bankers	148	312	49	28
Money at call	457	494	–	5
Other banks' certificates of deposit	3,046	1,427	2,916	1,174
Securities purchased under agreement to resell less than 90 days	49	224	–	–
Bills receivable and remittances in transit	668	756	268	463
	4,368	3,213	3,233	1,670
Total liquid assets	5,648	5,283	4,381	3,564
Maturity analysis based on original term to maturity at 30 September				
Less than 90 days	2,662	4,243	1,404	2,676
More than 90 days	2,986	1,040	2,977	888
Total liquid assets	5,648	5,283	4,381	3,564
10: Due from Other Financial Institutions				
Australia	2,741	1,620	2,109	1,137
Overseas	3,081	1,852	2,511	1,075
Total due from other financial institutions	5,822	3,472	4,620	2,212
Maturity analysis based on remaining term to maturity at 30 September				
Overdraft	11	54	11	49
Less than 3 months	5,098	3,008	3,981	1,920
Between 3 months and 12 months	606	301	572	203
Between 1 year and 5 years	75	93	27	24
After 5 years	32	16	29	16
Total due from other financial institutions	5,822	3,472	4,620	2,212

Notes to the Financial Statements

	Consolidated		The Company	
	2000 \$M	1999 \$M	2000 \$M	1999 \$M
11: Trading Securities				
Trading securities are allocated between Australia and Overseas based on the domicile of the issuer				
Listed – Australia				
Commonwealth securities	190	223	190	223
Local and semi-government securities	816	63	816	63
Other securities and equity securities	–	86	–	–
	1,006	372	1,006	286
Listed – Overseas				
Indian government securities	–	8	–	–
Equity securities	478	633	–	–
Other non-government securities	1	76	1	2
	479	717	1	2
Total listed	1,485	1,089	1,007	288
Unlisted – Australia				
Other government securities	915	913	915	913
ANZ accepted bills	1,009	1,229	1,009	1,225
Other securities and equity securities	520	587	520	512
	2,444	2,729	2,444	2,650
Unlisted – Overseas				
Other government securities	96	234	–	–
Other securities and equity securities	101	207	–	2
	197	441	–	2
Total unlisted	2,641	3,170	2,444	2,652
Total trading securities	4,126	4,259	3,451	2,940

Notes to the Financial Statements

	Consolidated		The Company	
	2000 \$M	1999 \$M	2000 \$M	1999 \$M
12: Investment Securities				
Investment securities are allocated between Australia and Overseas based on the domicile of the issuer				
Listed – Australia				
Other securities and equity investments	472	213	52	43
	472	213	52	43
Listed – Overseas				
Indian government securities	–	848	–	–
Indian non-government securities	–	23	–	–
Other government securities	139	145	135	88
Other securities and equity investments	165	239	29	18
	304	1,255	164	106
Total listed	776	1,468	216	149
Unlisted – Australia				
Commonwealth government securities	100	466	100	466
Local and semi-government securities	610	793	610	793
Other securities and equity investments	35	309	35	5
	745	1,568	745	1,264
Unlisted – Overseas				
New Zealand government securities	489	695	–	–
US government securities	605	225	605	225
Pakistan government securities	–	146	–	–
Bangladesh government securities	–	156	–	–
Other government securities	378	416	216	207
Other securities and equity investments	13	21	13	11
	1,485	1,659	834	443
Total unlisted	2,230	3,227	1,579	1,707
Total investment securities	3,006	4,695	1,795	1,856
Market value information				
Listed – Australia				
Other securities and equity investments	458	205	29	36
	458	205	29	36
Listed – Overseas				
Indian government securities	–	867	–	–
Indian non-government securities	–	23	–	–
Other government securities	139	146	135	89
Other securities and equity investments	165	258	29	18
	304	1,294	164	107
Total market value of listed investment securities	762	1,499	193	143
Unlisted – Australia				
Commonwealth government securities	100	466	100	466
Local and semi-government securities	610	793	610	793
Other securities and equity investments	25	309	23	5
	735	1,568	733	1,264
Unlisted – Overseas				
New Zealand government securities	489	695	–	–
US government securities	605	225	605	225
Pakistan government securities	–	149	–	–
Bangladesh government securities	–	156	–	–
Other government securities	378	416	216	207
Other securities and equity investments	13	22	13	11
	1,485	1,663	834	443
Total market value of unlisted investment securities	2,220	3,231	1,567	1,707
Total market value of investment securities	2,982	4,730	1,760	1,850

Notes to the Financial Statements

12: Investment Securities (continued)

Investment Securities by Maturities and Yields

Based on remaining term to maturity at 30 September 2000

At book value	Less than 3 months \$M	Between 3 months and 12 months \$M	Between 1 year and 5 years \$M	Between 5 years and 10 years \$M	After 10 years \$M	No maturity specified \$M	Total \$M	Market Value \$M
Australia								
Commonwealth securities	100	–	–	–	–	–	100	100
Local and semi-government securities	610	–	–	–	–	–	610	610
Other securities and equity investments	–	–	–	–	–	507	507	483
	710	–	–	–	–	507	1,217	1,193
Overseas								
New Zealand government securities	114	375	–	–	–	–	489	489
US government securities	22	230	353	–	–	–	605	605
Other government securities	225	175	86	30	1	–	517	517
Other securities and equity investments	11	55	66	4	–	42	178	178
	372	835	505	34	1	42	1,789	1,789
Total book value	1,082	835	505	34	1	549	3,006	n/a
Total market value	1,082	835	505	34	1	525	n/a	2,982

	Less than 1 year %	Between 1 year and 5 years %	Between 5 years and 10 years %	After 10 years %
Weighted average yields¹				
Australia				
Commonwealth securities	6.14	–	–	–
Local and semi-government securities	6.31	–	–	–
Other securities and equity investments	–	–	–	–
Overseas				
New Zealand government securities	6.82	–	–	–
US government securities	6.05	7.26	–	–
Other government securities	9.08	6.30	5.80	8.00
Other securities and equity investments	6.44	7.05	6.86	–

¹ Based on effective yields for fixed interest and discounted securities and dividend yield for equity investments at 30 September 2000

Notes to the Financial Statements

12: Investment Securities (continued)

Investment Securities by Maturities and Yields

Based on remaining term to maturity at 30 September 1999

At book value	Less than 3 months \$M	Between 3 months and 12 months \$M	Between 1 year and 5 years \$M	Between 5 years and 10 years \$M	After 10 years \$M	No maturity specified \$M	Total \$M	Market Value \$M
Australia								
Commonwealth securities	163	–	303	–	–	–	466	466
Local and semi-government securities	744	49	–	–	–	–	793	793
Other securities and equity investments	302	–	–	1	–	219	522	514
	1,209	49	303	1	–	219	1,781	1,773
Overseas								
New Zealand government securities	201	494	–	–	–	–	695	695
Indian government securities	7	189	565	82	5	–	848	867
Indian non-government securities	–	10	13	–	–	–	23	23
US government securities	18	15	192	–	–	–	225	225
Pakistan government securities	41	38	67	–	–	–	146	149
Bangladesh government securities	19	86	51	–	–	–	156	156
Other government securities	281	95	172	1	12	–	561	562
Other securities and equity investments	15	10	81	3	3	148	260	280
	582	937	1,141	86	20	148	2,914	2,957
Total book value	1,791	986	1,444	87	20	367	4,695	n/a
Total market value	1,795	984	1,456	93	22	380	n/a	4,730

	Less than 1 year %	Between 1 year and 5 years %	Between 5 years and 10 years %	After 10 years %
Weighted average yields¹				
Australia				
Commonwealth securities	4.77	4.78	–	–
Local and semi-government securities	5.06	–	–	–
Other securities and equity investments	4.98	–	–	–
Overseas				
New Zealand government securities	4.97	–	–	–
Indian government securities	11.07	11.79	10.10	13.84
Indian non-government securities	13.43	17.20	–	–
US government securities	4.83	5.99	–	–
Pakistan government securities	10.96	15.00	–	–
Bangladesh government securities	8.48	9.48	–	–
Other government securities	10.99	9.34	8.00	9.77
Other securities and equity investments	6.81	5.88	5.61	13.90

¹ Based on effective yields for fixed interest and discounted securities and dividend yield for equity investments at 30 September 1999

Notes to the Financial Statements

	Consolidated		The Company	
	2000	1999	2000	1999
	\$M	\$M	\$M	\$M
13: Net Loans and Advances				
Loans and advances are classified between Australia, New Zealand and Overseas based on the domicile of the lending point				
Australia				
Overdrafts	2,877	2,776	2,877	2,776
Credit card outstandings	2,837	2,138	2,837	2,138
Term loans – housing	40,571	31,684	40,571	31,684
Term loans – non-housing	31,446	27,431	29,528	26,247
Lease finance (refer below)	2,821	3,585	746	845
Hire purchase	7,958	7,257	173	43
Other	510	384	510	382
	89,020	75,255	77,242	64,115
New Zealand				
Overdrafts	569	478	–	–
Credit card outstandings	311	249	–	–
Term loans – housing	8,487	8,000	–	–
Term loans – non-housing	5,688	5,817	–	–
Lease finance (refer below)	201	222	–	–
Hire purchase	394	322	–	–
Other	838	594	–	–
	16,488	15,682	–	–
Overseas Markets				
Overdrafts	655	1,970	556	530
Credit card outstandings	27	164	7	5
Term loans – housing	370	449	345	190
Term loans – non-housing	12,708	13,514	10,839	8,406
Lease finance (refer below)	303	183	278	174
Commercial bills	22	295	22	38
Other	39	39	39	–
	14,124	16,614	12,086	9,343
Total gross loans and advances	119,632	107,551	89,328	73,458
Provisions for doubtful debts (refer note 15)	(2,082)	(2,302)	(1,787)	(1,657)
Income yet to mature	(1,235)	(1,186)	(1)	(3)
	(3,317)	(3,488)	(1,788)	(1,660)
Total net loans and advances	116,315	104,063	87,540	71,798
Lease finance consists of gross lease receivables				
Current	1,326	1,787	208	292
Non-current	1,999	2,203	816	727
	3,325	3,990	1,024	1,019

Notes to the Financial Statements

13: Net Loans and Advances (continued)

Maturity Distribution and Concentrations of Credit Risk

Based on remaining term to maturity at 30 September 2000	Overdraft \$M	Less than 3 months \$M	Between 3 months and 12 months \$M	Between 1 year and 5 years \$M	After 5 years \$M	Total \$M
Australia						
Agriculture, forestry, fishing and mining	732	1,292	533	766	834	4,157
Business service	568	180	272	624	562	2,206
Entertainment, leisure and tourism	94	391	310	581	686	2,062
Financial, investment and insurance	472	440	700	3,781	139	5,532
Government and official institutions	23	–	1	21	58	103
Lease finance	–	87	311	2,368	55	2,821
Manufacturing	646	1,194	921	1,001	474	4,236
Personal ¹	1,952	677	571	6,167	522	9,889
Real estate – construction	230	68	194	435	449	1,376
Real estate – mortgage ²	141	1,128	1,828	7,680	35,974	46,751
Retail and wholesale trade	721	1,715	748	885	1,622	5,691
Other	275	1,542	405	918	1,056	4,196
New Zealand						
Agriculture, forestry, fishing and mining	30	46	109	185	508	878
Business service	8	6	40	145	22	221
Entertainment, leisure and tourism	11	8	22	198	74	313
Financial, investment and insurance	40	75	187	839	29	1,170
Government and official institutions	8	1	60	154	8	231
Lease finance	5	4	50	135	7	201
Manufacturing	32	82	237	486	92	929
Personal ¹	38	92	199	530	246	1,105
Real estate – construction	8	16	44	149	8	225
Real estate – mortgage ²	325	449	255	781	7,601	9,411
Retail and wholesale trade	30	63	305	340	171	909
Other	32	87	189	466	121	895
Overseas Markets						
Agriculture, forestry, fishing and mining	21	116	724	266	424	1,551
Business service	4	16	13	14	6	53
Entertainment, leisure and tourism	4	23	22	112	31	192
Financial, investment and insurance	6	388	137	229	22	782
Government and official institutions	54	7	147	136	52	396
Lease finance	–	14	16	64	209	303
Manufacturing	117	1,519	627	1,162	427	3,852
Personal ¹	15	214	78	226	238	771
Real estate – construction	13	156	80	339	7	595
Real estate – mortgage ²	10	293	193	425	296	1,217
Retail and wholesale trade	215	373	72	256	125	1,041
Other	93	435	389	1,537	917	3,371
Gross loans and advances	6,973	13,197	10,989	34,401	54,072	119,632
Specific provision for doubtful debts	(709)	–	–	–	–	(709)
Income yet to mature	–	(294)	(309)	(626)	(6)	(1,235)
	(709)	(294)	(309)	(626)	(6)	(1,944)
Loans and advances net of specific provision and income yet to mature	6,264	12,903	10,680	33,775	54,066	117,688
General provision	–	–	–	–	(1,373)	(1,373)
Net loans and advances	6,264	12,903	10,680	33,775	52,693	116,315
Interest rate sensitivity						
Fixed interest rates ³	472	5,598	6,220	24,216	16,024	52,530
Variable interest rates	6,501	7,599	4,769	10,185	38,048	67,102
	6,973	13,197	10,989	34,401	54,072	119,632

Notes to the Financial Statements

13: Net Loans and Advances (continued)

Maturity Distribution and Concentrations of Credit Risk

Based on remaining term to maturity at 30 September 1999	Overdraft \$M	Less than 3 months \$M	Between 3 months and 12 months \$M	Between 1 year and 5 years \$M	After 5 years \$M	Total \$M
Australia						
Agriculture, forestry, fishing and mining	451	480	1,667	960	730	4,288
Business service	229	106	235	646	501	1,717
Entertainment, leisure and tourism	98	377	245	659	628	2,007
Financial, investment and insurance	139	141	3,024	609	525	4,438
Government and official institutions	16	13	22	10	45	106
Lease finance	–	82	277	3,126	100	3,585
Manufacturing	621	656	877	1,270	391	3,815
Personal ¹	1,238	698	627	4,979	1,738	9,280
Real estate – construction	198	52	207	512	407	1,376
Real estate – mortgage ²	498	1,428	1,207	4,387	28,342	35,862
Retail and wholesale trade	771	914	1,004	874	1,383	4,946
Other	229	1,134	684	709	1,079	3,835
New Zealand						
Agriculture, forestry, fishing and mining	19	101	132	333	322	907
Business service	10	44	27	77	29	187
Entertainment, leisure and tourism	6	74	22	257	54	413
Financial, investment and insurance	16	31	220	260	4	531
Government and official institutions	1	2	9	309	16	337
Lease finance	–	6	14	202	–	222
Manufacturing	23	155	63	635	87	963
Personal ¹	40	69	131	300	161	701
Real estate – construction	10	58	43	109	21	241
Real estate – mortgage ²	175	58	167	1,215	7,351	8,966
Retail and wholesale trade	38	90	93	503	72	796
Other	141	357	101	621	198	1,418
Overseas Market						
Agriculture, forestry, fishing and mining	80	430	275	270	169	1,224
Business service	38	261	29	31	4	363
Entertainment, leisure and tourism	9	106	77	48	12	252
Financial, investment and insurance	45	414	433	517	274	1,683
Government and official institutions	114	63	103	77	56	413
Lease finance	–	15	6	162	–	183
Manufacturing	459	2,638	782	1,150	501	5,530
Personal ¹	303	430	208	320	342	1,603
Real estate – construction	64	205	72	128	43	512
Real estate – mortgage ²	15	176	173	156	159	679
Retail and wholesale trade	355	464	300	84	11	1,214
Other	345	920	430	845	418	2,958
Gross loans and advances	6,794	13,248	13,986	27,350	46,173	107,551
Specific provision for doubtful debts	(907)	–	–	–	–	(907)
Income yet to mature	–	(190)	(377)	(607)	(12)	(1,186)
	(907)	(190)	(377)	(607)	(12)	(2,093)
Loans and advances net of specific provision and income yet to mature	5,887	13,058	13,609	26,743	46,161	105,458
General provision	–	–	–	–	(1,395)	(1,395)
Net loans and advances	5,887	13,058	13,609	26,743	44,766	104,063

Notes to the Financial Statements

13: Net Loans and Advances (continued)

	Overdraft \$M	Less than 3 months \$M	Between 3 months and 12 months \$M	Between 1 year and 5 years \$M	After 5 years \$M	Total \$M
Interest rate sensitivity						
Fixed interest rates ¹	1,348	4,017	9,212	17,401	13,192	45,170
Variable interest rates	5,446	9,231	4,774	9,949	32,981	62,381
	6,794	13,248	13,986	27,350	46,173	107,551

¹ Personal includes non-business loans to individuals through overdrafts, personal loans, credit cards and fully drawn advances

² Real estate mortgage includes residential and commercial property exposure. Loans within this category are for the purchase of such properties and must be secured by property

³ Housing loans and other loans that are capped for an initial period are fixed interest rate loans and their maturities based on the principal repayments due over the term of the loan

	Consolidated		The Company	
	2000 \$M	1999 \$M	2000 \$M	1999 \$M
14: Impaired Assets				
Summary of impaired assets				
Non-accrual loans	1,391	1,543	1,016	886
Restructured loans	1	7	1	7
Unproductive facilities	73	91	58	70
Gross impaired assets	1,465	1,641	1,075	963
Specific provisions				
Non-accrual loans	(692)	(886)	(495)	(467)
Unproductive facilities	(17)	(21)	(12)	(8)
Net impaired assets	756	734	568	488
Non-accrual loans				
Non-accrual loans	1,391	1,543	1,016	886
Specific provisions	(692)	(886)	(495)	(467)
Total net non-accrual loans	699	657	521	419
Restructured loans				
For these loans interest and fees are recognised as income on an accrual basis	1	7	1	7
Other real estate owned				
In the event of customer default, any loan security is held as mortgagee in possession and therefore the Group does not hold any other real estate owned assets	–	–	–	–
Unproductive facilities				
Unproductive facilities	73	91	58	70
Specific provisions	(17)	(21)	(12)	(8)
Net unproductive facilities	56	70	46	62
Accruing loans past due 90 days or more				
These amounts, comprising loans less than \$100,000 or fully secured, are not classified as impaired assets and therefore are not included within the above summary	367	354	293	281

Notes to the Financial Statements

14: Impaired Assets (continued)

Further analysis of impaired assets at 30 September 2000 and interest and/or other income received during the year under Australian Prudential Regulation Authority guidelines is as follows:

	Gross balance outstanding \$M	Consolidated Specific provision \$M	Interest and/or other income received \$M	Gross balance outstanding \$M	The Company Specific provision \$M	Interest and/or other income received \$M
Non-accrual loans						
Without provisions						
Australia	281	–	3	272	–	3
New Zealand	13	–	–	–	–	–
Overseas markets	51	–	7	41	–	4
	345	–	10	313	–	7
With provisions and no, or partial performance ¹						
Australia	349	250	16	256	217	12
New Zealand	38	23	1	–	–	–
Overseas markets	573	374	15	412	267	10
	960	647	32	668	484	22
With provisions and full performance ¹						
Australia	21	8	1	21	8	1
New Zealand	8	3	1	–	–	–
Overseas markets	57	34	10	14	3	–
	86	45	12	35	11	1
Total non-accrual loans	1,391	692	54	1,016	495	30
Restructured loans	1	–	–	1	–	–
Unproductive facilities	73	17	–	58	12	–
Total	1,465	709	54	1,075	507	30

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

Notes to the Financial Statements

14: Impaired Assets (continued)

Interest and other income forgone on impaired assets

The following table shows the estimated amount of interest and other income that would have been recorded had interest and other income on non-accrual loans and unproductive facilities been accrued to income (or, in the case of restructured loans, had interest and other income been accrued at the original contract rate), and the amount of interest and other income received with respect to such loans.

	Consolidated		The Company	
	2000 \$M	1999 \$M	2000 \$M	1999 \$M
Gross interest and other income receivable on non-accrual loans, restructured loans and unproductive facilities				
Australia	48	73	39	60
New Zealand	6	7	–	–
Overseas markets	92	92	41	30
Total gross interest and other income receivable on non-accrual loans, restructured loans and unproductive facilities	146	172	80	90
Interest and other income received				
Australia	(20)	(29)	(16)	(29)
New Zealand	(2)	(2)	–	–
Overseas markets	(32)	(22)	(14)	(4)
Total interest and other income received	(54)	(53)	(30)	(33)
Net interest and other income forgone				
Australia	28	44	23	31
New Zealand	4	5	–	–
Overseas markets	60	70	27	26
Total net interest and other income forgone	92	119	50	57

Notes to the Financial Statements

	Consolidated		The Company	
	2000	1999	2000	1999
	\$M	\$M	\$M	\$M
15: Provisions for Doubtful Debts				
General provision				
Balance at start of year	1,395	1,401	1,182	1,186
Transfers from controlled entities	–	–	–	(3)
Adjustment for exchange rate fluctuations	(51)	(34)	(13)	(21)
Sale of Grindlays	(90)	–	–	–
Charge to profit and loss account	502	510	353	245
Transfer to specific provision	(429)	(515)	(273)	(240)
Recoveries	46	33	31	15
Total general provision	1,373	1,395	1,280	1,182
Specific provision				
Balance at start of year	907	819	475	497
Adjustment for exchange rate fluctuations	88	(45)	52	(28)
Sale of Grindlays	(176)	–	–	–
Transfers from controlled entities	–	–	30	2
Bad debts written off	(539)	(382)	(323)	(236)
Transfer from general provision	429	515	273	240
Total specific provision	709	907	507	475
Total provisions for doubtful debts	2,082	2,302	1,787	1,657
Provision movement analysis				
New and increased provisions (by country of risk)				
Australia	319	253	243	172
New Zealand	52	32	–	–
Asia	98	150	93	57
Other overseas markets	79	211	14	96
Provision releases	548	646	350	325
	(119)	(131)	(77)	(86)
Recoveries of amounts previously written off	429	515	273	239
	(46)	(33)	(31)	(15)
Net specific provision	383	482	242	224
Net credit to general provision	119	28	111	21
Charge to profit and loss	502	510	353	245
Ratios				
Provisions ¹ as a % of total advances ²	%	%	%	%
Specific	0.5	0.7	0.5	0.5
General	1.0	1.1	1.2	1.3
Provisions ¹ as a % of risk weighted assets				
Specific	0.5	0.8	0.5	0.6
General	1.1	1.2	1.3	1.4
Bad debts written off as a % of total advances ²	0.4	0.3	0.3	0.3
Net specific provision as a % of total advances ²	0.2	0.4	0.2	0.3

¹ Excludes provisions for unproductive facilities

² See definitions on page 95

Notes to the Financial Statements

	Consolidated		The Company	
	2000 \$M	1999 \$M	2000 \$M	1999 \$M
16: Customers' Liabilities for Acceptances				
Australia				
Agriculture, forestry, fishing and mining	808	817	808	817
Business service	594	333	594	333
Entertainment, leisure and tourism	1,469	1,712	1,469	1,712
Financial, investment and insurance	579	701	579	701
Manufacturing	3,559	3,429	3,559	3,429
Personal ¹	223	148	223	148
Real estate – construction	184	106	184	106
Real estate – mortgage ²	4,410	4,385	4,410	4,385
Retail and wholesale trade	2,700	2,204	2,700	2,204
Other	791	648	791	648
	15,317	14,483	15,317	14,483
Overseas				
Agriculture, forestry, fishing and mining	1	19	1	–
Business service	1	10	1	1
Financial, investment and insurance	130	143	130	143
Manufacturing	28	134	28	12
Retail and wholesale trade	–	41	–	33
Other	5	28	5	2
	165	375	165	191
Total customers' liabilities for acceptances	15,482	14,858	15,482	14,674

¹ Personal includes non-business acceptances to individuals

² Real estate mortgage includes residential and commercial property exposure. Acceptances within this category are for the purchase of such properties and must be secured by property

Notes to the Financial Statements

17: Regulatory Deposits

	Consolidated		The Company	
	2000 \$M	1999 \$M	2000 \$M	1999 \$M
Overseas central banks	103	616	75	49

18: Shares in Controlled Entities and Associates

Refer notes 40 and 41 for details of material controlled entities and associates

	Consolidated		The Company	
	2000 \$M	1999 \$M	2000 \$M	1999 \$M
Total shares in controlled entities			6,337	7,116
Total shares in associates	29	32	11	1
Total shares in controlled entities and associates	29	32	6,348	7,117

Acquisitions of controlled entities

Year ended 30 September 2000	Date acquired	Interest acquired %	Consideration \$M	Net tangible assets on acquisition \$M	Goodwill \$M
EFTPOS New Zealand Limited ¹	30 May 2000	100%	48	3	45

There were no acquisitions of controlled entities during the year ended 30 September 1999.

Disposals of controlled entities

Year ended 30 September 2000	Consideration \$M	Income on disposal \$M	Interest held remaining %
ANZ Grindlays Bank Limited ²	1,963	980	Nil
Grindlays (Jersey) Holdings Limited ²	5	–	Nil
ANZ Grindlays Bank (Jersey) Limited ²	351	245	Nil
ANZ Banking (Guernsey) Limited	59	10	Nil
	2,378	1,235	

There were no material controlled entities disposed of during the year ended 30 September 1999.

¹ The acquisition of EFTPOS New Zealand Limited also included a number of immaterial controlled entities

² The disposal of Grindlays and associated businesses also included a number of immaterial controlled entities

Notes to the Financial Statements

	Consolidated		The Company	
	2000 \$M	1999 \$M	2000 \$M	1999 \$M
19: Other Assets				
Property held for resale				
Cost of acquisition	28	50	–	–
Development expenses capitalised	20	33	–	–
	48	83	–	–
Provision for diminution in value	(4)	(10)	–	–
	44	73	–	–
Accrued interest/prepaid discounts	1,368	965	1,200	725
Accrued commission	81	103	38	54
Prepaid expenses	248	177	97	66
Future income tax benefits (refer below)	1,228	1,207	978	869
Treasury instruments revaluations	11,531	6,108	10,658	5,112
Security settlements	148	96	68	70
Goodwill ¹	145	109	92	97
Operating leases residual value	415	445	–	–
Available for sale emerging markets portfolio	43	43	43	43
Other	687	710	145	241
Total other assets	15,938	10,036	13,319	7,277
Future income tax benefits comprises				
General provision for doubtful debts	454	544	402	434
Other	774	663	576	435
	1,228	1,207	978	869
Future income tax benefits				
Australia	914	832	778	688
Overseas	314	375	200	181
	1,228	1,207	978	869

Certain potential future income tax benefits within the Group have not been recognised as assets because recovery cannot be regarded as virtually certain. These potential benefits arise from tax losses and timing differences (benefits could amount to \$4 million, 1999: \$31 million) and from realised capital losses (benefits could amount to \$nil million, 1999: \$123 million).

These benefits will only be obtained if

- (i) the relevant entities derive future assessable income of a nature and amount sufficient to enable the benefit of the taxation deductions to be realised;
- (ii) the relevant entities continue to comply with the conditions for deductibility imposed by law; and
- (iii) there are no changes in taxation legislation adversely affecting the benefit of the taxation deductions.

¹ Goodwill is net of accumulated amortisation of \$29 million (Company: accumulated amortisation of \$18 million)

Notes to the Financial Statements

	Consolidated		The Company	
	2000 \$M	1999 \$M	2000 \$M	1999 \$M
20: Premises and Equipment				
Freehold and leasehold land and buildings				
At directors' valuation 2000	564	–	46	–
At directors' valuation 1999	–	810	–	93
Provision for depreciation	(5)	(37)	(1)	(3)
	559	773	45	90
Leasehold improvements				
At cost	131	128	92	89
Provision for amortisation	(94)	(86)	(68)	(61)
	37	42	24	28
Furniture and equipment				
At cost	911	890	580	500
Provision for depreciation	(518)	(533)	(298)	(281)
	393	357	282	219
Computer and office equipment				
At cost	777	769	589	520
Provision for depreciation	(548)	(541)	(409)	(363)
	229	228	180	157
Capital works in progress				
At cost	41	24	41	17
Total premises and equipment	1,259	1,424	572	511

Valuations of premises are assessed annually by officers of the Group. All premises over a specific value are also subject to external valuation at least once every three years by independent valuers. Valuations are based on the estimated open market value and assume that the premises concerned continue to be used in their existing manner by the Group.

The Group revalued its class of assets freehold land and buildings at directors valuation at 31 March 2000, based on independent valuations by Arthur Andersen (most Australian and Pacific properties) and Jones Lang La Salle Advisory (other major International properties). The valuations estimated that the market value of properties exceeded book value by \$61 million. Consistent with Australian Accounting Standards, \$30 million of the revaluation surplus was taken to the profit and loss, to reverse a decrement previously taken to profit on revaluation of freehold land and buildings in 1993, with the remaining \$31 million booked in the asset revaluation reserve. There have been no material movements in property valuations to 30 September 2000.

21: Due to Other Financial Institutions

Australia	952	1,364	952	1,364
Overseas	11,295	7,637	10,997	6,616
Total due to other financial institutions	12,247	9,001	11,949	7,980
Maturity analysis based on remaining term to maturity at 30 September				
At call	800	550	612	348
Less than 3 months	9,093	7,725	8,983	6,963
Between 3 months and 12 months	2,322	724	2,322	667
Between 1 year and 5 years	32	2	32	2
Total due to other financial institutions	12,247	9,001	11,949	7,980

Notes to the Financial Statements

	Consolidated		The Company	
	2000 \$M	1999 \$M	2000 \$M	1999 \$M
22: Deposits and Other Borrowings				
Deposits and other borrowings are classified between Australia and Overseas based on the location of the deposit taking point				
Australia				
Certificates of deposit	7,654	6,787	7,654	6,750
Term deposits	15,228	14,265	15,533	14,265
Other deposits bearing interest	28,323	24,649	28,323	24,649
Deposits not bearing interest	3,790	3,296	3,790	3,296
Commercial paper	6,098	4,836	4,275	3,144
Borrowing corporations' debt	6,104	5,798	–	–
Securities sold under agreement to repurchase	741	902	741	902
	67,938	60,533	60,316	53,006
Overseas				
Certificates of deposit	6,284	3,607	4,693	1,042
Term deposits	14,359	17,259	8,376	5,639
Other deposits bearing interest	5,028	7,831	830	763
Deposits not bearing interest	1,207	2,358	251	288
Commercial paper	4,416	3,757	–	–
Borrowing corporations' debt	1,218	1,071	–	–
Securities sold under agreement to repurchase	–	24	–	–
Other unsecured borrowings	152	119	152	90
	32,664	36,026	14,302	7,822
Total deposits and other borrowings	100,602	96,559	74,618	60,828
Maturity analysis based on remaining term to maturity at 30 September				
At call	36,846	29,833	31,385	21,698
Less than 3 months	44,556	43,222	31,062	27,986
Between 3 months and 12 months	14,790	18,603	9,967	9,316
Between 1 year and 5 years	4,319	4,847	2,116	1,784
After 5 years	91	54	88	44
Total deposits and other borrowings	100,602	96,559	74,618	60,828
23: Income Tax Liability				
Australia				
Provision for income tax	237	217	261	169
Provision for deferred income tax	741	494	499	216
	978	711	760	385
Overseas				
Provision for income tax	159	170	102	80
Provision for deferred income tax	166	170	96	86
	325	340	198	166
Total income tax liability	1,303	1,051	958	551
Provision for deferred income tax comprises				
Lease finance	185	207	36	16
Other	722	457	559	286
	907	664	595	302

Notes to the Financial Statements

	Consolidated		The Company	
	2000 \$M	1999 \$M	2000 \$M	1999 \$M
24: Creditors and Other Liabilities				
Australia				
Creditors	851	395	746	375
Accrued interest and unearned discounts	983	625	826	486
Treasury instruments revaluations	6,752	4,650	6,719	4,650
Accrued charges	310	214	282	179
Security settlements	–	55	–	55
Other liabilities	433	227	399	146
	9,329	6,166	8,972	5,891
Overseas				
Creditors	263	556	11	291
Accrued interest and unearned discounts	658	626	488	332
Treasury instruments revaluations	2,485	1,237	1,780	799
Accrued charges	118	121	52	39
Security settlements	8	240	–	203
Other liabilities	510	475	247	250
	4,042	3,255	2,578	1,914
Total creditors and other liabilities	13,371	9,421	11,550	7,805
25: Provisions				
Employee entitlements	233	238	204	186
Dividends (refer note 7)	528	470	528	470
Non-lending losses, frauds and forgeries	721	120	676	86
Restructuring costs and surplus leased space	401	67	299	46
Other	206	115	165	71
Total provisions	2,089	1,010	1,872	859
26: Bonds and Notes				
Bonds and notes by currency				
USD United States dollars	6,314	3,295	6,314	3,295
GBP Great British pounds	108	101	108	101
AUD Australian dollars	91	91	91	91
NZD New Zealand dollars	150	158	–	–
JPY Japanese yen	174	233	174	233
EUR Euro dollars	1,730	489	1,730	489
HKD Hong Kong dollars	803	89	803	89
CHF Swiss francs	149	–	149	–
Total bonds and notes	9,519	4,456	9,369	4,298
Bonds and notes by maturity				
Maturity analysis based on remaining term to maturity at 30 September				
Less than 3 months	342	307	342	307
Between 3 months and 12 months	2,573	732	2,573	732
Between 1 year and 5 years	6,549	3,326	6,399	3,168
After 5 years	55	91	55	91
Total bonds and notes	9,519	4,456	9,369	4,298

Notes to the Financial Statements

27: Loan Capital

	Interest Rate %	Consolidated		The Company	
		2000 \$M	1999 \$M	2000 \$M	1999 \$M
Perpetual subordinated notes					
USD 300m	floating rate notes	551	459	551	459
USD 258.7m	fixed rate notes	475	396	475	396
		1,026	855	1,026	855
Subordinated notes					
GBP 60m	fixed notes due 2001	161	151	161	151
USD 120m ²	floating rate notes due 2002	220	245	220	245
GBP 22.7m	fixed notes due 2000	–	71	–	–
USD 250m	fixed rate notes due 2004	460	383	460	383
USD 125m	floating rate notes due 2005	230	191	–	–
USD 500m	fixed notes due 2006	919	765	919	765
USD 12.5m	floating rate notes due 2007	23	19	23	19
JPY 482m	floating rate notes due 2007	8	7	8	7
USD 250m	floating rate notes due 2007 ³	459	383	459	383
JPY 568.8m	floating rate notes due 2008	10	8	10	8
USD 14.3m	floating rate notes due 2008	26	22	26	22
USD 79m	floating rate notes due 2008 ⁴	145	121	145	121
		2,661	2,366	2,431	2,104
Total loan capital		3,687	3,221	3,457	2,959
Loan capital by currency					
USD	United States dollars	3,508	2,984	3,278	2,793
GBP	Great British pounds	161	222	161	151
JPY	Japanese yen	18	15	18	15
		3,687	3,221	3,457	2,959
Loan capital by maturity					
Maturity analysis based on remaining term to maturity at 30 September					
	Between 3 months and 12 months	161	71	161	–
	Between 1 year and 5 years	910	779	680	779
	After 5 years	1,590	1,516	1,590	1,325
	Perpetual	1,026	855	1,026	855
		3,687	3,221	3,457	2,959

¹ LIBOR is an average of rates offered on loans to leading banks in the London inter-bank market

² As at 30 September 1998 principal of note outstanding was US\$200 million. Note is repayable over 5 years (\$40 million (20%) per annum), commencing in October 1998

³ After February 2002 the interest rate is LIBOR+ 0.75%

⁴ After January 2002 the interest rate is LIBOR+ 0.53%

Loan capital is subordinated in right of payment to the claims of depositors and all other creditors of the Company and its controlled entities which have issued the notes, and constitutes tier 2 capital as defined by the Australian Prudential Regulation Authority for capital adequacy purposes

Notes to the Financial Statements

28: Share Capital

Number of issued shares	2000	The Company	
		1999	1998
Ordinary shares each fully paid	1,506,210,690	1,565,428,469	1,539,440,677
Ordinary shares each paid to 10 cents per share	73,000	95,000	169,000
Preference shares each fully paid	124,032,000	124,032,000	64,016,000
Total number of issued shares	1,630,315,690	1,689,555,469	1,603,625,677

Preference shares

The preference shares are fully paid non-converting non-cumulative preference shares issued for USD 6.25 per share via Trust Securities Issues in 1998.

The Trust Securities are mandatorily exchangeable for the preference shares issued by the Company, and carry an entitlement to a non-cumulative trust distribution of 8.00% or 8.08% per annum payable quarterly in arrears. The Trust Securities were issued by a non diversified closed end management investment company registered under the US Investment Company Act of 1940. The preference shares themselves carry no present entitlement to dividends. Distribution to investors in the Trust Securities are funded by income distributions made by the Group.

Upon maturity of the Trust Securities in 2048, investors will mandatorily exchange the Trust Securities for the preference shares and thereupon the preference shares will carry an entitlement to non-cumulative dividends of 8.00% or 8.08% per annum payable quarterly in arrears. The mandatory exchange of the Trust Securities for the preference shares may occur earlier at the Company's option or in specified circumstances.

With the prior consent of the Australian Prudential Regulation Authority, the preference shares are redeemable at the Company's option after 5 years, or within 5 years in limited circumstances. The entitlement of investors to distributions on the Trust Securities will cease on redemption of the preference shares.

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

		Consolidated		The Company	
		2000	1999	2000	1999
		\$M	\$M	\$M	\$M
Preference share capital					
Balance at start of year	USD	748	400	748	400
Issued during the year	USD	–	375	–	375
Issue costs	USD	–	(27)	–	(27)
Preference share net proceeds	USD	748	748	748	748
Preference share net proceeds translated to AUD at 30 September rate	AUD	1,374	1,145	1,374	1,145

Share Buybacks

The Company conducted the following on-market buybacks to 30 September 2000 in accordance with directors' resolutions:

Date of Group Announcement ¹	Date Buyback Completed	No. of ordinary shares bought back	Average price Per Share	Total Consideration ² \$M
3 November 1999	28 March 2000	48 million	\$10.60	509
27 April 2000	on-going	41 million ³	\$12.39	505
Total		89 million		1,014

¹ Approval date of the buyback by directors' resolution

² Consideration is allocated to Share Capital

³ Bought back up to 30 September 2000

29: Outside Equity Interests

	Consolidated	
	2000	1999
	\$M	\$M
Share capital	2	7
Reserves	–	8
Retained profits	10	11
Total outside equity interests	12	26

Notes to the Financial Statements

30: Capital Adequacy

The Australian Prudential Regulation Authority (APRA) adopts a risk-based capital assessment framework for Australian banks based on internationally accepted capital measurement standards. This risk-based approach requires eligible capital to be divided by total risk weighted assets, with the resultant ratio being used as a measure of a bank's capital adequacy.

Capital is divided into tier 1, or 'core' capital, and tier 2, or 'supplementary' capital. For capital adequacy purposes, eligible tier 2 capital cannot exceed the level of tier 1 capital. Banks are required to deduct from total capital any strategic holdings of other banks' capital instruments and investments in entities engaged in life insurance, funds management and securitisation activities. Under APRA guidelines, banks must maintain a ratio of qualifying capital to risk weighted assets of at least 8 per cent.

The measurement of risk weighted assets is based on: a) A credit risk-based approach wherein risk weightings are applied to balance sheet assets and to credit converted off balance sheet exposures. Categories of risk weights are assigned based upon the nature of the counterparty and the relative liquidity of the assets concerned and: b) The recognition of risk weighted assets attributable to market risk arising from trading and commodity positions. Trading and commodity balance sheet positions do not attract a risk weighting under the credit risk-based approach.

	2000 \$M	1999 \$M	2000 \$M	1999 \$M
Qualifying capital				
Tier 1				
Total shareholders' equity and outside equity interests ¹			9,776	9,429
Unamortised goodwill			(118)	(82)
Investment in ANZ Lenders Mortgage Insurance			(18)	(18)
Tier 1 capital			9,640	9,329
Tier 2				
Asset revaluation reserve			31	–
Perpetual notes – subordinated			1,026	855
General provision for doubtful debts ²			919	851
			1,976	1,706
Subordinated notes ³			2,432	2,211
Tier 2 capital			4,408	3,917
Deductions				
Investment in Funds Management entities			(298)	(298)
Other			(489)	(286)
			(787)	(584)
Total qualifying capital			13,261	12,662

Balance sheet assets	Assets		Risk weighted assets	
	2000 \$M	1999 \$M	2000 \$M	1999 \$M
Cash, claims on Australian Commonwealth and State Governments, and Territories, claims on OECD central governments, local currency claims on non-OECD governments and other zero weighted assets	24,497	22,015	–	–
Claims on approved banks and local governments	10,510	5,665	2,105	1,133
Advances secured by residential mortgages, approved merchant banks and stockbroking positions	53,543	43,442	26,771	21,720
Other assets – credit risk	78,868	75,547	78,868	75,547
Total balance sheet assets – credit risk	167,418	146,669	107,744	98,400
Trading assets – market risk	5,049	6,132	n/a	n/a
Total balance sheet assets	172,467	152,801	107,744	98,400

Notes to the Financial Statements

30: Capital Adequacy (continued)

	2000 \$M	1999 \$M	2000 \$M	1999 \$M	2000 \$M	1999 \$M
Off balance sheet exposures	Contract/ notional amount		Credit equivalent		Risk weighted assets	
Direct credit substitutes	6,323	4,828	6,323	4,828	4,846	3,824
Trade and performance related items	11,022	12,248	5,007	5,613	4,529	4,836
Commitments	49,087	47,391	8,038	6,716	7,758	6,501
Foreign exchange, interest rate and other market related transactions	559,150	577,310	14,008	8,572	4,010	2,491
Total off balance sheet exposures – credit risk	625,582	641,777	33,376	25,729	21,143	17,652
Total risk weighted assets – credit risk					128,887	116,052
Risk weighted assets – market risk					801	1,985
Total risk weighted assets					129,688	118,037
Capital adequacy ratios					%	%
Tier 1					7.4	7.9
Tier 2					3.4	3.3
Deductions					(0.6)	(0.5)
Total					10.2	10.7

¹ Excluding asset revaluation reserve

² Excluding attributable future income tax benefit

³ Subordinated note issues are reduced by 20% of the original amount during each of the last five years to maturity

Notes to the Financial Statements

31: Average Balance Sheet and Related Interest

Averages used in the following table are predominantly daily averages. Interest income figures are presented on a tax-equivalent basis. Non-accrual loans are included under the interest earning asset category “Loans, advances and bills discounted”. Intragroup interest earning assets and interest bearing liabilities are treated as external assets and liabilities for the geographic segments.

	2000			1999			1998		
	Average balance \$M	Interest \$M	Average rate %	Average balance \$M	Interest \$M	Average rate %	Average balance \$M	Interest \$M	Average rate %
Interest earning assets									
Due from other financial institutions									
Australia	1,134	62	5.4	1,237	45	3.6	754	30	3.9
New Zealand	344	19	5.6	545	21	3.9	269	16	6.0
Overseas markets	2,407	162	6.7	2,486	161	6.5	7,463	510	6.8
Regulatory deposits with Reserve Bank of Australia	–	–	–	501	–	–	606	–	–
Investments in public securities									
Australia	4,881	289	5.9	4,686	222	4.7	4,814	254	5.3
New Zealand	1,040	60	5.8	1,009	47	4.7	1,763	135	7.7
Overseas markets	2,234	227	10.1	2,585	270	10.5	4,383	431	9.8
Loans, advances and bills discounted									
Australia	81,373	6,156	7.6	69,251	4,970	7.2	59,133	4,575	7.7
New Zealand	16,625	1,368	8.2	15,288	1,178	7.7	14,717	1,443	9.8
Overseas markets	17,118	1,428	8.3	16,918	1,411	8.3	17,546	1,484	8.5
Other assets									
Australia	1,705	98	5.7	1,593	82	5.1	2,143	112	5.2
New Zealand	1,005	81	8.1	960	75	7.9	1,097	109	9.9
Overseas markets	3,292	317	9.6	3,132	218	6.9	5,040	407	8.1
Intragroup assets									
Overseas markets	9,042	420	4.6	7,238	388	5.4	2,781	165	5.9
	142,200	10,687		127,429	9,088		122,509	9,671	
Intragroup elimination	(9,042)	(420)		(7,238)	(388)		(2,781)	(165)	
	133,158	10,267	7.7	120,191	8,700	7.2	119,728	9,506	7.9
Non-interest earning assets									
Acceptances									
Australia	15,061			16,045			15,052		
New Zealand	–			49			233		
Overseas markets	343			420			540		
Premises and equipment	1,353			1,457			1,544		
Other assets	18,090			15,908			18,232		
Provisions for doubtful debts									
Australia	(1,830)			(1,664)			(1,487)		
New Zealand	(163)			(168)			(178)		
Overseas markets	(381)			(437)			(367)		
	32,473			31,610			33,569		
Total assets	165,631			151,801			153,297		
Total average assets									
Australia	117,181			103,109			91,089		
New Zealand	20,337			19,366			19,673		
Overseas markets	37,155			36,564			45,316		
	174,673			159,039			156,078		
Intragroup elimination	(9,042)			(7,238)			(2,781)		
	165,631			151,801			153,297		
% of total assets attributable to overseas activities	29.3%			32.1%			40.6%		

Notes to the Financial Statements

31: Average Balance Sheet and Related Interest (continued)

	2000			1999			1998		
	Average balance \$M	Interest \$M	Average rate %	Average balance \$M	Interest \$M	Average rate %	Average balance \$M	Interest \$M	Average rate %
Interest bearing liabilities									
Time deposits									
Australia	24,750	1,387	5.6	21,337	1,008	4.7	19,537	975	5.0
New Zealand	8,159	476	5.8	8,035	406	5.1	8,358	657	7.9
Overseas markets	15,234	931	6.1	14,569	872	6.0	17,971	1,243	6.9
Savings deposits									
Australia	9,181	247	2.7	9,006	202	2.3	8,705	186	2.1
New Zealand	2,894	85	2.9	3,330	90	2.7	2,883	109	3.8
Overseas markets	1,359	57	4.2	1,599	84	5.3	1,562	87	5.6
Other demand deposits									
Australia	17,053	781	4.6	14,638	522	3.6	13,114	476	3.6
New Zealand	1,469	66	4.5	1,633	58	3.5	1,913	134	7.0
Overseas markets	1,371	52	3.8	1,525	58	3.8	1,482	62	4.2
Due to other financial institutions									
Australia	232	15	6.3	276	12	4.3	387	17	4.5
New Zealand	482	20	4.1	631	20	3.2	752	56	7.5
Overseas markets	8,976	542	6.0	8,544	467	5.5	10,160	614	6.0
Commercial paper									
Australia	5,256	307	5.8	3,844	187	4.9	3,806	188	4.9
Overseas markets	3,079	180	5.8	2,597	127	4.9	720	40	5.6
Borrowing corporations' debt									
Australia	5,935	340	5.7	5,414	317	5.9	5,171	332	6.4
New Zealand	1,136	69	6.1	1,067	65	6.1	1,073	83	7.8
Loan capital, bonds and notes									
Australia	8,491	554	6.5	4,677	270	5.8	3,913	247	6.3
New Zealand	316	23	7.3	160	9	5.6	167	15	9.0
Overseas markets	276	19	7.0	380	22	5.7	417	28	6.8
Other liabilities ¹									
Australia	1,454	63	n/a	1,727	61	n/a	2,094	138	n/a
New Zealand	116	156	n/a	193	81	n/a	766	140	n/a
Overseas markets	246	70	n/a	508	91	n/a	1,142	125	n/a
Intragroup Liabilities									
Australia	5,511	286	5.2	5,018	280	5.6	1,673	137	8.2
New Zealand	3,531	134	3.8	2,220	108	4.9	1,108	28	2.5
Intragroup elimination	126,507 (9,042)	6,860 (420)		112,928 (7,238)	5,417 (388)		108,874 (2,781)	6,117 (165)	
	117,465	6,440	5.5	105,690	5,029	4.8	106,093	5,952	5.6

¹ Includes foreign exchange swap costs

Notes to the Financial Statements

31: Average Balance Sheet and Related Interest (continued)

	2000 Average balance \$M	1999 Average balance \$M	1998 Average balance \$M
Non-interest bearing liabilities			
Deposits			
Australia	3,636	3,204	3,041
New Zealand	794	730	836
Overseas markets	1,280	1,481	1,636
Acceptances			
Australia	15,061	16,045	15,052
New Zealand	–	49	233
Overseas markets	343	420	540
Other liabilities	17,037	14,855	18,234
	38,151	36,784	39,572
Total liabilities	155,616	142,474	145,665
Total average liabilities			
Australia	110,537	95,500	85,732
New Zealand	19,347	18,548	18,924
Overseas markets	34,774	35,664	43,790
	164,658	149,712	148,446
Intragroup elimination	(9,042)	(7,238)	(2,781)
	155,616	142,474	145,665
Total average shareholders' equity			
Ordinary share capital	8,789	8,237	7,620
Preference share capital	1,226	1,090	12
	10,015	9,327	7,632
Total average liabilities and shareholders' equity	165,631	151,801	153,297
% of total average liabilities attributable to overseas activities	32.5%	36.5%	42.3%

Notes to the Financial Statements

32: Interest Spreads and Net Interest Average Margins

	2000 \$M	1999 \$M	1998 \$M
Net interest income¹			
Australia	2,625	2,460	2,275
New Zealand	499	484	481
Overseas markets	703	727	798
	3,827	3,671	3,554
Average interest earning assets			
Australia	89,093	77,268	67,450
New Zealand	19,014	17,802	17,846
Overseas markets	34,093	32,359	37,213
Intragroup elimination	(9,042)	(7,238)	(2,781)
	133,158	120,191	119,728
	%	%	%
Gross earnings rate²			
Australia	7.41	6.88	7.37
New Zealand	8.04	7.43	9.54
Overseas markets	7.49	7.56	8.05
Group	7.71	7.24	7.94
Interest spreads and net interest average margins may be analysed as follows			
Australia			
Gross interest spread	2.33	2.60	2.82
Interest forgone on impaired assets ³	(0.03)	(0.06)	(0.07)
Net interest spread	2.30	2.54	2.75
Interest attributable to net non-interest bearing items	0.65	0.64	0.63
Net interest average margin – Australia	2.95	3.18	3.38
New Zealand			
Gross interest spread	2.37	2.62	2.39
Interest forgone on impaired assets ³	(0.02)	(0.03)	(0.03)
Net interest spread	2.35	2.59	2.36
Interest attributable to net non-interest bearing items	0.28	0.14	0.34
Net interest average margin – New Zealand	2.63	2.73	2.70
Overseas markets			
Gross interest spread	1.61	1.99	1.56
Interest forgone on impaired assets ³	(0.18)	(0.22)	(0.08)
Net interest spread	1.43	1.77	1.48
Interest attributable to net non-interest bearing items	0.63	0.48	0.66
Net interest average margin – Overseas markets	2.06	2.25	2.14
Group			
Gross interest spread	2.30	2.58	2.40
Interest forgone on impaired assets ³	(0.07)	(0.10)	(0.07)
Net interest spread	2.23	2.48	2.33
Interest attributable to net non-interest bearing items	0.64	0.57	0.64
Net interest average margin – Group	2.87	3.05	2.97

¹ On a tax equivalent basis

² Average interest rate received on interest earning assets. International markets includes intragroup assets

³ Refer note 14 to the financial report

Notes to the Financial Statements

33: Market Risk

Market risk is the risk to earnings arising from changes in interest rates, currency exchange rates, or from fluctuations in bond, commodity or equity prices.

The Risk Management Committee, a Committee of the Board, has overall responsibility for market risk within the Group. Routine management of market risk is delegated to two senior management committees chaired by the Chief Financial Officer and Chief Executive Officer respectively. The Credit and Trading Risk Committee is responsible for traded market risk, while the Group Asset and Liability Committee is responsible for non-traded market risk (or balance sheet risk).

The Credit and Trading Risk Committee monitors traded market risk exposures (including Value at Risk and Stress Testing) and is responsible for authorising the trading risk limit framework. The Group Asset and Liability Committee reviews balance sheet based risk measures and strategies on a monthly basis.

The Value at Risk (VaR) Measure

A key measure of market risk is Value at Risk ("VaR"). VaR is a statistical estimate of the likely daily loss and is based on historical market movements. The confidence level is such that there is 97.5% probability that the loss will not exceed the VaR estimate on any given day.

The Group's standard VaR approach for both traded and non-traded risk is historical simulation. The Group calculates VaR using historical changes in market rates and prices over the previous 500 business days.

It should be noted that because VaR is driven by actual historical observations, it is therefore not an estimate of the maximum loss that the Group could experience from an extreme market event. As a result of this limitation, the Group utilises a number of other risk measures (eg stress testing) and associated supplementary limits to measure and manage traded market risk.

Traded and non-traded market risks have been considered separately below.

Traded Market Risks

Trading activities are focused on customer trading, distribution and underwriting of a range of securities and derivative instruments. The principal activities include foreign exchange, interest rate and capital markets. These activities are diversified and managed on a global product basis.

Below are aggregate VaR exposures covering both derivative and non-derivative trading positions for the Group's principal trading centres.

	As at Sep 00 \$M	High for period Sep 00 \$M	Low for period Sep 00 \$M	Ave for period Sep 00 \$M	As at Sep 99 \$M	High for period Sep 99 \$M	Low for period Sep 99 \$M	Avg for period Sep99 \$M
Value at risk at 97.5% confidence								
Foreign exchange	0.9	2.2	0.7	1.2	1.5	2.9	1.0	1.8
Interest rate	2.9	5.1	2.1	3.4	3.5	8.9	2.5	5.1
Diversification benefit	(1.1)	(1.3)	(0.1)	(0.2)	(1.4)	n/a	n/a	(1.5)
Total	2.7	6.0	2.7	4.4	3.6	n/a	n/a	5.4

VaR is calculated separately for Foreign Exchange, Interest Rates and Total Group. The diversification benefit reflects the correlation implied by historical rates between Foreign Exchange and Interest Rate Markets.

Non-Traded Market Risks (Balance Sheet Risk)

The principal objectives of balance sheet management are to hedge the market value of the Group's capital and to manage and control the sensitivity of interest income while maintaining acceptable levels of interest rate and liquidity risk.

Interest Rate Risk

The objective of balance sheet interest rate risk management is to secure stable and optimal net interest income over both the short (next 12 months) and long term. Non-traded interest rate risk relates to the potential adverse impact of changes in market interest rates on the Group's future net interest income. This risk arises from two principal sources: mismatches between the repricing dates of interest bearing assets and liabilities; and the investment of capital and other non-interest bearing liabilities in interest bearing assets. Interest rate risk is reported as follows using three measures: VaR, scenario analysis (to a 1% shock) and disclosure of the interest rate sensitivity gap (Note 34).

Notes to the Financial Statements

33: Market Risk (continued)

a) VaR Interest Rate Risk

Below are aggregate VaR figures covering non-traded interest rate risk.

	As at Sep 00 \$M	High for period Sep 00 \$M	Low for period Sep 00 \$M	Ave for period Sep 00 \$M	As at Sep 99 \$M	High for period Sep 99 \$M
Value at risk at 97.5% confidence						
ANZ (ex Grindlays)	42.0	44.5	32.4	38.0	32.9	39.3
Grindlays	–	2.6	2.8	2.6	2.4	2.6
Diversification impact	–	(2.8)	(3.5)	(2.9)	(2.4)	(2.8)
Total	42.0	44.3	31.7	37.7	32.9	39.1

Separate reporting of the risk related to the Grindlays business units, which were sold as at 31 July 2000, has been provided for the year ended September 2000. The level of portfolio diversification effect, which reduces the overall level of risk measured, relates to offsetting short term risk positions in Grindlays.

b) Scenario Analysis - A 1% Shock on the Next 12 Months' Net Interest Income

A 1% overnight parallel positive shift in the yield curve is modelled to determine the potential impact on net interest income over the immediate forward period of 12 months. This is a standard risk quantification tool.

The figures in the table below indicate the outcome of this risk measure for the current and previous financial years - expressed as a percentage of reported net interest income. The sign indicates the nature of the rate sensitivity with a positive number signifying that a rate increase is positive for net interest income over the next 12 months. Conversely, a negative number signifies that a rate increase is negative for the next 12 months' net interest income.

	Impact of 1% Rate Shock Consolidated Group Position	
	2000	1999
As at 30 September	(0.22%)	0.14%
Maximum exposure	0.75%	0.68%
Minimum exposure	0.00%	(0.01%)
Average exposure (in absolute terms)	0.37%	0.36%

The extent of mismatching between the repricing characteristics and timing of interest bearing assets and liabilities at any point has implications for future net interest income. On a global basis, the Group quantifies the potential variation in future net interest income as a result of these repricing mismatches each month using a static gap model.

The repricing gaps themselves are constructed based on contractual repricing information. However, for those assets and liabilities where the contractual term to repricing is not considered to be reflective of the actual interest rate sensitivity (for example, products priced at the Group's discretion), a profile based on historically observed and/or anticipated rate sensitivity is used.

The majority of the Group's non-traded interest exposure exists in Australia and New Zealand. In these centres, a sophisticated balance sheet simulation process supplements this static gap approach. This allows the net interest income outcomes of a number of different scenarios - with different market interest rate environments and future balance sheet structures - to be identified. This better enables the Group to accurately quantify the interest rate risks associated with the balance sheet, and to formulate strategies to manage current and future risk profiles.

Foreign Currency Related Risks

The Group's investment of capital in non-Australian operations generates an exposure to changes in the relative value of individual currencies against the Australian Dollar. Variations in the value of these foreign currency investments are reflected in the Foreign Currency Translation Reserve.

The Group incurs some non-traded foreign currency risk related to the potential repatriation of profits from non-Australian business units. This risk is routinely monitored and hedging is conducted where it is likely to add shareholder value.

The risk relating to mismatching of foreign currency assets and liabilities has not been presented, as this type of risk is minimal for the Group.

Notes to the Financial Statements

34: Interest Sensitivity Gap

The following table represents the interest rate sensitivity as at 30 September 2000 of the Group's assets, liabilities and off balance sheet instruments repricing (that is, when interest rates applicable to each asset or liability can be changed) in the periods shown.

Repricing gaps are based upon contractual repricing information except where the contractual terms are not considered to be reflective of actual interest rate sensitivity, for example, those assets and liabilities priced at the Group's discretion. In such cases, the rate sensitivity is based upon historically observed and/or anticipated rate sensitivity.

Sensitivity to interest rates arises from mismatches in the period to repricing of assets and that of the corresponding liability funding. These mismatches are managed within policy guidelines for mismatch positions.

At 30 September 2000	Less than 3 months \$M	Between 3 months and 6 months \$M	Between 6 months and 12 months \$M	Between 1 year and 5 years \$M	After 5 years \$M	Not bearing interest \$M	Total \$M
Liquid assets and due from other financial institutions	8,899	443	1,092	34	36	966	11,470
Trading and investment securities	4,244	428	792	667	325	676	7,132
Net loans and advances	85,771	6,179	7,595	16,972	514	(716)	116,315
Other assets	47	279	690	285	82	36,167	37,550
Total assets	98,961	7,329	10,169	17,958	957	37,093	172,467
Certificates of deposit and term deposits	28,914	4,249	5,433	4,907	22	–	43,525
Other deposits	32,301	110	221	895	–	4,821	38,348
Other borrowings and due to other financial institutions	20,239	4,662	3,606	2,036	113	320	30,976
Other liabilities	872	1	1	–	18	35,713	36,605
Bonds, notes and loan capital	7,968	1,179	214	2,351	1,494	–	13,206
Total liabilities	90,294	10,201	9,475	10,189	1,647	40,854	162,660
Shareholders' equity and outside equity interests	–	–	–	–	–	9,807	9,807
Off balance sheet items affecting interest rate sensitivity	(10,598)	1,413	2,354	5,957	874	–	–
Interest sensitivity gap							
– net	(1,931)	(1,459)	3,048	13,726	184	(13,568)	–
– cumulative	(1,931)	(3,390)	(342)	13,384	13,568	–	–

The bulk of the Group's loan/deposit business is conducted in the domestic balance sheets of Australia and New Zealand and is priced on a floating rate basis. The mix of repricing maturities in these books is influenced by the underlying financial needs of customers.

Offshore operations, which are generally wholesale in nature, are able to minimise interest rate sensitivity through closely matching the maturity of loans and deposits. Given both the size and nature of their business, the interest rate sensitivities of these balance sheets contribute little to the aggregate risk exposure, which is primarily a reflection of the positions in Australia and New Zealand.

In Australia and New Zealand, a combination of pricing initiatives and off-balance sheet instruments are used in the management of interest rate risk. For example, where a strong medium to long term rate view is held, hedging and pricing strategies are used to modify the profile's rate sensitivity so that it is positioned to take advantage of the expected movement in interest rates. However, such positions are taken within the overall risk limits specified by policy.

Notes to the Financial Statements

34: Interest Sensitivity Gap (continued)

The following table represents the interest rate sensitivity as at 30 September 1999 of the Group's assets, liabilities and off balance sheet instruments repricing (that is, when interest rates applicable to each asset or liability can be changed) in the periods shown.

At 30 September 1999	Less than 3 months \$M	Between 3 months and 6 months \$M	Between 6 months and 12 months \$M	Between 1 year and 5 years \$M	After 5 years \$M	Not bearing interest \$M	Total \$M
Liquid assets and due from other financial institutions	6,586	246	776	66	42	1,039	8,755
Trading and investment securities	5,788	593	1,143	1,237	109	84	8,954
Net loans and advances	71,151	7,068	7,869	18,302	432	(759)	104,063
Other assets	520	27	7	8	49	30,418	31,029
Total assets	84,045	7,934	9,795	19,613	632	30,782	152,801
Certificates of deposit and term deposits	28,703	5,601	2,863	4,735	16	–	41,918
Other deposits	27,364	1,194	1,646	2,274	2	5,654	38,134
Other borrowings and due to other financial institutions	17,170	4,359	1,925	2,054	–	–	25,508
Other liabilities	439	12	3	–	2	29,679	30,135
Bonds, notes and loan capital	4,875	531	98	1,346	827	–	7,677
Total liabilities	78,551	11,697	6,535	10,409	847	35,333	143,372
Shareholders' equity and outside equity interests	–	–	–	–	–	9,429	9,429
Off balance sheet items affecting interest rate sensitivity	(2,004)	300	(1,247)	1,382	979	590	–
Interest sensitivity gap							
– net	3,490	(3,463)	2,013	10,586	764	(13,390)	–
– cumulative	3,490	27	2,040	12,626	13,390	–	–

Notes to the Financial Statements

35: Net Fair Value of Financial Instruments

Australian Accounting Standard AASB 1033: Presentation and Disclosure of Financial Instruments (AASB 1033) requires disclosure of the net fair value of on and off balance sheet financial instruments. The disclosures exclude all non-financial instruments, such as income taxes and regulatory deposits, and specified financial instruments, such as interests in controlled entities. The aggregate net fair value amounts do not represent the underlying value of the Group.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Net fair value is the fair value adjusted for transaction costs.

Quoted market prices, where available, are adjusted for material transaction costs and used as the measure of net fair value. In cases where quoted market values are not available, net fair values are based on present value estimates or other valuation techniques. For the majority of short-term financial instruments, defined as those which reprice or mature in 90 days or less, with no significant change in credit risk, the net fair value was assumed to equate to the carrying amount in the Group's balance sheet.

The fair values are based on relevant information available as at 30 September 2000. While judgement is used in obtaining the net fair value of financial instruments, there are inherent weaknesses in any estimation technique. Many of the estimates involve uncertainties and matters of significant judgement, and changes in underlying assumptions could significantly affect these estimates. Furthermore, market prices or rates of discount are not available for many of the financial instruments valued and surrogates have been used which may not reflect the price that would apply in an actual sale.

The net fair value amounts have not been updated for the purposes of these financial statements since 30 September 2000, and therefore the net fair value of the financial instruments subsequent to 30 September 2000 may be different from the amounts reported.

Financial Assets	Net fair value		Carrying value	
	2000 \$M	1999 \$M	2000 \$M	1999 \$M
Liquid assets	5,648	5,283	5,648	5,283
Due from other financial institutions	5,822	3,472	5,822	3,472
Trading securities	4,126	4,259	4,126	4,259
Investment securities and shares in associates	3,011	4,762	3,035	4,727
Loans and advances	117,661	105,229	116,315	104,063
Customers' liabilities for acceptances	15,482	14,858	15,482	14,858
Other financial assets	19,189	12,641	19,013	12,534

Liquid assets and Due from other financial institutions

The carrying values of these financial instruments are considered to approximate their net fair values as they are short-term in nature or are receivable on demand.

Trading securities

Trading securities are carried at market value. Market value is generally based on quoted market prices, broker or dealer price quotations, or prices for securities with similar credit risk, maturity and yield characteristics.

Investment securities and Shares in associates

Net fair value is based on quoted market prices or broker or dealer price quotations. If this information is not available, net fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristics, or by reference to the net tangible asset backing of the investee.

Loans, advances and Customers' liabilities for acceptances

The carrying value of loans, advances and acceptances is net of specific and general provisions for doubtful debts and income yet to mature. The estimated net fair value of loans, advances and acceptances is based on the discounted amount of estimated future cash flows and accordingly has not been adjusted for either specific or general provisions for doubtful debts.

Estimated contractual cash flows for performing loans are discounted at estimated current market rates to determine fair value. For loans with doubt as to collection, expected cash flows (inclusive of the value of security) are discounted using a rate which includes a premium for the uncertainty of the flows.

The difference between estimated net fair values of loans, advances and acceptances and carrying value reflects changes in interest rates and the credit worthiness of borrowers since loan origination. The excess of net fair value of loans and advances over the carrying value is primarily a result of offsetting the general provision for doubtful debts against the carrying value.

Net lease receivables, with a carrying value of \$2,090 million (1999: \$2,804 million) and a net fair value of \$2,080 million (1999: \$2,799 million), are included in loans and advances.

Notes to the Financial Statements

35: Net Fair Value of Financial Instruments (continued)

Other financial assets

Included in this category are accrued interest, fees receivable and derivative financial instruments. The carrying values of accrued interest and fees receivable are considered to approximate their net fair values as they are short term in nature or are receivable on demand.

The fair values of derivative financial instruments such as interest rate swaps and currency swaps were calculated using discounted cash flow models based on current market yields for similar types of instruments and the maturity of each instrument. Foreign exchange contracts and interest rate option contracts were valued using market prices and option valuation models as appropriate.

Properties held for resale, future income tax benefits and prepaid expenses are not considered financial assets.

Financial Liabilities	Net fair value		Carrying value	
	2000 \$M	1999 \$M	2000 \$M	1999 \$M
Due to other financial institutions	12,247	9,001	12,247	9,001
Deposits and other borrowings	100,563	96,583	100,602	96,559
Liability for acceptances	15,482	14,858	15,482	14,858
Bonds and notes	9,515	4,462	9,519	4,456
Loan capital	3,743	3,198	3,687	3,221
Other financial liabilities	13,137	9,189	12,893	9,046

Due to other financial institutions

The carrying value of amounts due from other financial institutions is considered to approximate the net fair value.

Deposits and other borrowings

The net fair value of a deposit liability without a specified maturity or at call is deemed by AASB 1033 to be the amount payable on demand at the reporting date. The fair value is not adjusted for any value expected to be derived from retaining the deposit for a future period of time.

For interest bearing fixed maturity deposits and other borrowings and acceptances without quoted market prices, market borrowing rates of interest for debt with a similar maturity are used to discount contractual cash flows.

Bonds and notes and Loan capital

The aggregate net fair value of bonds and notes and loan capital at 30 September 2000 was calculated based on quoted market prices. For those debt issues where quoted market prices were not available, a discounted cash flow model using a yield curve appropriate for the remaining term to maturity of the instrument was used.

Other financial liabilities

This category includes accrued interest and fees payable for which the carrying amount is considered to approximate the fair value. Also included are derivative financial instruments, where fair value is determined on the basis described under "Other financial assets".

Income tax liabilities, other provisions and accrued charges are not considered financial instruments.

Commitments and contingencies

As outlined in note 43, the Group has various credit related commitments. Based upon the level of fees currently charged for granting such commitments, taking into account maturity and interest rates, together with any changes in the creditworthiness of counterparties since origination of the commitments, their estimated replacement or net fair value is not material.

Transaction costs

The fair value of financial instruments required to be disclosed under US accounting standard, Statement of Financial Accounting Standards No. 107 "Disclosures about Fair Value of Financial Instruments" (SFAS 107) is calculated without regard to estimated transaction costs. Such transaction costs are not material, and accordingly the fair values shown above would not differ materially from fair values calculated in accordance with SFAS 107.

Notes to the Financial Statements

36: Derivative Financial Instruments

Derivatives

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

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

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

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

Notes to the Financial Statements

36: Derivative Financial Instruments (continued)

Credit risk

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

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

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

The fair value of a derivative represents the aggregate net present value of the cash inflows and outflows required to extinguish the rights and obligations arising from the derivative in an orderly market as at the reporting date. Fair value does not indicate future gains or losses, but rather the unrealised gains and losses from marking to market all derivatives at a particular point in time.

Consolidated	Notional principal amount 2000 \$M	Credit equivalent amount 2000 \$M	Fair value 2000 \$M	Notional principal amount 1999 \$M	Credit equivalent amount 1999 \$M	Fair value 1999 \$M
Foreign exchange contracts						
Spot and forward contracts	170,328	6,731	507	159,229	3,091	24
Swap agreements	28,106	3,073	1,222	20,938	1,947	659
Options purchased	12,661	1,037	904	12,914	516	302
Options sold ¹	12,956	n/a	(457)	14,497	n/a	(360)
Other contracts	4,368	411	90	5,201	313	–
	228,419	11,252	2,266	212,779	5,867	625
Interest rate contracts						
Forward rate agreements	51,817	36	5	84,114	59	2
Swap agreements	230,885	2,674	(247)	215,238	2,604	(98)
Futures contracts ²	52,127	n/a	(7)	74,545	n/a	(27)
Options purchased	8,857	46	31	5,131	42	25
Options sold ¹	6,789	n/a	(4)	5,706	n/a	(29)
	350,475	2,756	(222)	384,734	2,705	(127)
	578,894	14,008	2,044	597,513	8,572	498

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

² Credit equivalent amounts have not been included as there is minimal credit risk associated with exchange traded futures where the clearing house is the counterparty

n/a not applicable

Notes to the Financial Statements

36: Derivative Financial Instruments (continued)

The maturity structure of derivative activity is a primary component of potential credit exposure. The table below shows the remaining maturity profile by class of derivatives and based on notional principal amounts. The table also shows the notional principal amounts of the derivatives held for trading and other than trading purposes.

Consolidated	Less than 1 year \$M	Remaining life 1 to 5 years \$M	Greater than 5 years \$M	Total \$M	Trading \$M	Other than Trading \$M
At 30 September 2000						
Foreign exchange contracts						
Spot and forward contracts	162,336	7,506	486	170,328	162,944	7,384
Swap agreements	11,696	13,394	3,016	28,106	11,960	16,146
Options purchased	9,540	2,853	268	12,661	12,661	–
Options sold	10,349	2,436	171	12,956	12,956	–
Other contracts	2,174	1,806	388	4,368	4,368	–
	196,095	27,995	4,329	228,419	204,889	23,530
Interest rate contracts						
Forward rate agreements	49,373	2,444	–	51,817	51,719	98
Swap agreements	117,568	82,930	30,387	230,885	201,480	29,405
Futures contracts	41,726	10,401	–	52,127	52,127	–
Options purchased	5,306	3,384	167	8,857	8,857	–
Options sold	6,439	350	–	6,789	6,789	–
	220,412	99,509	30,554	350,475	320,972	29,503
Total	416,507	127,504	34,883	578,894	525,861	53,033
At 30 September 1999						
Foreign exchange contracts						
Spot and forward contracts	153,885	5,142	202	159,229	147,398	11,831
Swap agreements	9,145	9,516	2,277	20,938	13,687	7,251
Options purchased	10,911	1,851	152	12,914	12,835	79
Options sold	12,391	1,817	289	14,497	14,418	79
Other contracts	3,900	982	319	5,201	5,201	–
	190,232	19,308	3,239	212,779	193,539	19,240
Interest rate contracts						
Forward rate agreements	79,424	4,690	–	84,114	82,706	1,408
Swap agreements	105,643	81,819	27,776	215,238	182,852	32,386
Futures contracts	63,749	10,796	–	74,545	74,545	–
Options purchased	2,331	2,800	–	5,131	5,113	18
Options sold	4,064	1,454	188	5,706	5,688	18
	255,211	101,559	27,964	384,734	350,904	33,830
Total	445,443	120,867	31,203	597,513	544,443	53,070

Notes to the Financial Statements

36: 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 60% (1999: 63%) of the Group's exposures are with counterparties which are either Australian banks or banks based in other OECD countries.

Consolidated

	OECD govts	Australian and OECD banks	Corporations, non-OECD banks and others	Total
At 30 September 2000	\$M	\$M	\$M	\$M
Australia	540	5,694	4,276	10,510
New Zealand	23	674	500	1,197
UK and Europe	–	1,350	193	1,543
Other International	2	661	95	758
	565	8,379	5,064	14,008

	OECD govts	Australian and OECD banks	Corporations, non-OECD banks and others	Total
At 30 September 1999	\$M	\$M	\$M	\$M
Australia	364	2,474	1,943	4,781
New Zealand	2	537	366	905
UK and Europe	21	2,015	365	2,401
Other International	3	389	93	485
	390	5,415	2,767	8,572

Notes to the Financial Statements

36: 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.

Consolidated	Other than Trading		Trading		Trading	
	Fair value as at 30 Sep 2000 \$M	Fair value as at 30 Sep 1999 \$M	Fair value as at 30 Sep 2000 \$M	Fair value as at 30 Sep 1999 \$M	Fair value Average 2000 \$M	Fair value Average 1999 \$M
Foreign exchange contracts						
Spot and forward contracts						
Gross unrealised gains	282	55	4,323	1,516	2,782	2,417
Gross unrealised losses	(62)	(49)	(4,036)	(1,498)	(2,164)	(2,411)
Swap agreements						
Gross unrealised gains	2,008	435	297	607	655	896
Gross unrealised losses	(84)	(3)	(999)	(380)	(836)	(440)
Options purchased	–	–	904	302	518	376
Options sold	–	–	(457)	(360)	(326)	(351)
Other contracts						
Gross unrealised gains	–	–	214	201	166	50
Gross unrealised losses	–	–	(124)	(201)	(144)	(88)
	2,144	438	122	187	651	449
Interest rate contracts						
Forward rate agreements						
Gross unrealised gains	1	–	22	36	25	41
Gross unrealised losses	–	–	(19)	(34)	(18)	(38)
Swap agreements						
Gross unrealised gains	347	127	1,486	1,697	1,886	2,211
Gross unrealised losses	(191)	(174)	(1,889)	(1,748)	(2,180)	(2,289)
Futures contracts						
Gross unrealised gains	–	–	18	26	18	19
Gross unrealised losses	–	–	(25)	(53)	(23)	(35)
Options purchased	–	–	31	25	4	36
Options sold	–	–	(3)	(29)	(3)	(31)
	157	(47)	(379)	(80)	(291)	(86)
Total	2,301	391	(257)	107	360	363

The fair values of derivatives vary over time depending on movements in interest and exchange rates and the trading or hedging strategies used.

Notes to the Financial Statements

36: Derivative Financial Instruments (continued)

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

The table below shows the notional principal amount, credit equivalent amount and fair value of derivatives held by the Group, split between those entered into for customer-related and trading purposes, and those entered into for other than trading purposes.

Consolidated	Notional principal amount	Credit equivalent amount	Fair value	Notional principal amount	Credit equivalent amount	Fair value
	2000 \$M	2000 \$M	2000 \$M	1999 \$M	1999 \$M	1999 \$M
Foreign exchange contracts						
Customer-related and trading purposes	204,889	8,265	122	193,539	5,006	187
Other than trading purposes	23,530	2,987	2,144	19,240	861	438
	228,419	11,252	2,266	212,779	5,867	625
Interest rate contracts						
Customer-related and trading purposes	320,972	2,446	(379)	350,904	2,480	(80)
Other than trading purposes	29,503	310	157	33,830	225	(47)
	350,475	2,756	(222)	384,734	2,705	(127)
Total	578,894	14,008	2,044	597,513	8,572	498

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

Consolidated	Foreign Exchange Contracts		Interest Rate Contracts		Total	
	2000 \$M	1999 \$M	2000 \$M	1999 \$M	2000 \$M	1999 \$M
Expected recognition in income						
Within one year	(10)	(1)	(1)	(25)	(11)	(26)
One to two years	(10)	–	(23)	(15)	(33)	(15)
Two to five years	(34)	–	(23)	2	(57)	2
Greater than five years	–	–	32	2	32	2
	(54)	(1)	(15)	(36)	(69)	(37)

Notes to the Financial Statements

37: Life Insurance

	2000 \$M	Consolidated	1999 \$M
Reconciliation of Life Insurance margin on services operating income to operating profit after income tax:			
Premium and related revenue	1,689		1,295
Investment revenue	369		222
Claims expense	(1,249)		(932)
Insurance policy liabilities expense	(634)		(411)
Life insurance margin on services operating income	175		174
Operating expenses	(73)		(61)
Operating profit before income tax	102		113
Income tax expense	(53)		(59)
Operating profit after income tax	49		54
Operating profit after income tax arose from:			
Movements in policy liabilities separated between:			
Planned margins of revenues over expenses released	36		42
Difference between actual and assumed experience	(4)		(1)
Investment earnings on assets in excess of policy liabilities	17		13
Operating profit after income tax	49		54

Notes to the Financial Statements

38: Segment Analysis

For management purposes the Group is organised on a business basis into three major operating divisions being Personal Financial Services, Corporate Financial Services and International. Group includes the results of asset and liability management and earnings on central capital and abnormals. Each segment is identified by the type of products and services it provides to various customers. A description of each of the operating business segments, including the types of products and services that the segment provides to customers, is detailed in the Glossary on pages 94 to 95.

The following analysis details financial information by business segment.

Business Segment Analysis^{1,2}

Consolidated 30 September 2000	Personal Financial Services \$M	Corporate Financial Services \$M	International \$M	Group and Abnormals \$M	Discontinued businesses ³ \$M	Consolidated Total \$M
Total income	5,834	4,974	569	1,685	969	14,031
Net interest income	1,999	1,022	159	285	336	3,801
Other operating income	1,151	1,039	129	25	239	2,583
Operating income	3,150	2,061	288	310	575	6,384
Depreciation/amortisation	(57)	(27)	(15)	(71)	(16)	(186)
Other expenses	(1,692)	(937)	(175)	(52)	(272)	(3,128)
Doubtful debt provision	(171)	(214)	(22)	(33)	(62)	(502)
Operating profit before abnormal items	1,230	883	76	154	225	2,568
Abnormal profit	–	–	–	221	–	221
Operating profit before income tax	1,230	883	76	375	225	2,789
Income tax and outside equity interests	(458)	(236)	(36)	(196)	(116)	(1,042)
Operating profit after income tax	772	647	40	179	109	1,747
Total assets	71,673	77,169	8,011	14,702	912	172,467
Total liabilities	40,994	60,259	10,667	48,556	2,184	162,660

Notes to the Financial Statements

38: Segment Analysis (continued)

Business Segment Analysis^{1,2}

Consolidated 30 September 1999	Personal Financial Services \$M	Corporate Financial Services \$M	International \$M	Group and Abnormals \$M	Discontinued businesses \$M	Consolidated Total \$M
Total income	4,740	4,309	588	353	1,071	11,061
Net interest income	1,875	984	185	266	345	3,655
Other operating income	1,010	967	128	48	224	2,377
Operating income	2,885	1,951	313	314	569	6,032
Depreciation/amortisation	(44)	(31)	(11)	(92)	(17)	(195)
Other expenses	(1,740)	(924)	(157)	(1)	(283)	(3,105)
Doubtful debt provision	(123)	(221)	(51)	(32)	(83)	(510)
Operating profit before abnormal items	978	775	94	189	186	2,222
Abnormal profit	–	–	–	–	–	–
Operating profit before income tax	978	775	94	189	186	2,222
Income tax and outside equity interests	(362)	(213)	(32)	(64)	(71)	(742)
Operating profit after income tax	616	562	62	125	115	1,480
Total assets	59,709	69,842	5,814	7,726	9,710	152,801
Total liabilities	39,004	59,881	7,902	24,349	12,236	143,372

¹ Results are "Equity Standardised". See definition on page 94

² Intersegment transfers are accounted for and determined on an arms length basis. Intersegment transfers are immaterial

³ Results of Grindlays and associated businesses sold on 31 July 2000 to Standard Chartered Bank are included here

Notes to the Financial Statements

38: Segment Analysis (continued)

The Group operates in five major geographical locations. They are Australia, New Zealand, UK and Europe, Asia Pacific and Americas. The composition of each geographical location is detailed in the Glossary on page 94. As a result of the sale of the Grindlays operations, the Group no longer has material operations in South Asia and the Middle East.

The following analysis details financial information by geographic location.

Geographic Segment Analysis^{4,5}

Consolidated	2000		1999		1998	
	\$M	%	\$M	%	\$M	%
Income⁶						
Australia	7,991	57	6,867	62	6,446	56
New Zealand	1,843	13	1,624	15	2,008	17
UK and Europe	777	6	620	6	800	7
Asia Pacific	1,463	10	584	5	868	7
South Asia	728	5	623	6	572	5
Americas	683	5	349	3	419	4
Middle East	546	4	394	3	458	4
	14,031	100	11,061	100	11,571	100
Total assets						
Australia	127,306	74	107,551	71	97,689	64
New Zealand	20,354	12	19,730	13	20,155	13
UK and Europe	9,147	5	6,444	4	13,803	9
Asia Pacific	7,892	5	5,622	4	7,104	5
South Asia	9	#	4,802	3	5,008	3
Americas	7,625	4	4,988	3	4,919	3
Middle East	134	#	3,664	2	4,537	3
	172,467	100	152,801	100	153,215	100

⁴ Intersegment transfers are accounted for and determined on arms length basis. Intersegment transfers are immaterial

⁵ The geographic segments represent the locations in which the transaction was booked

⁶ Includes abnormal items

Less than 1%

Notes to the Financial Statements

39: Notes to the Statements of Cash Flows

	2000 \$M	Consolidated 1999 \$M	1998 \$M	The Company 2000 \$M	1999 \$M
a) Reconciliation of operating profit after income tax to net cash provided by operating activities					
		Inflows (Outflows)		Inflows (Outflows)	
Operating profit after income tax	1,747	1,480	1,106	2,307	1,299
Adjustments to reconcile operating profit after income tax to net cash provided by operating activities					
Provision for doubtful debts	502	510	487	353	245
Depreciation and amortisation	186	195	191	116	107
Provision for employee entitlements, restructuring and other provisions	1,354	272	284	1,152	230
Payments from provisions	(297)	(290)	(521)	(187)	(233)
(Profit) loss on sale of premises and equipment	(17)	(13)	(10)	(2)	2
Provision for surplus lease space	(7)	1	(12)	(7)	–
(Profit) loss on sale of controlled entities and associates	(1,239)	–	–	(331)	–
Profit on sale of investment securities	(4)	(1)	(11)	–	–
Writedown on investment securities	(81)	–	–	–	–
Net decrease (increase)					
Trading securities	(25)	1,442	926	(511)	1,743
Interest receivable	(325)	78	16	(415)	85
Accrued income	23	(8)	(38)	17	2
Net debit tax balances	286	95	115	324	152
Amortisation of discounts/premiums included in interest income	(67)	(73)	(112)	(4)	(7)
Net increase (decrease)					
Interest payable	332	(10)	(239)	449	(10)
Accrued expenses	89	15	116	111	(33)
Other	11	1	(41)	(23)	5
Total adjustments	721	2,214	1,151	1,042	2,288
Net cash provided by operating activities	2,468	3,694	2,257	3,349	3,587

b) Reconciliation of cash and cash equivalents¹

Cash and cash equivalents include liquid assets and amounts due from other financial institutions with original term to maturity of less than 90 days. Cash and cash equivalents at the end of the financial year as shown in the statements of cash flows are reconciled to the related items in the balance sheets as follows

Liquid assets – less than 90 days	2,662	4,243	6,687	1,404	2,676
Due from other financial institutions – less than 90 days	3,800	2,391	2,294	3,320	1,501
	6,462	6,634	8,981	4,724	4,177

¹ At 30 September 2000, cash and cash equivalents totalling \$2 million (1999: \$357 million) were not available for use outside the local operations of India \$2 million (1999: \$123 million), Pakistan – nil (1999: \$137 million), Bangladesh – nil (1999: \$77 million), Sri Lanka – nil (1999: \$2 million) and Nepal – nil (1999: \$18 million) due to exchange control regulations

Notes to the Financial Statements

39: Notes to the Statements of Cash Flows (continued)

	2000 \$M	Consolidated 1999 \$M	1998 \$M
c) Acquisitions and disposals¹			
Details of aggregate assets and liabilities of controlled entities and branches acquired, and disposed of, by the Group are as follows:			
Fair value of net assets acquired			
Other assets	4	–	–
Premises and equipment	14	–	–
Creditors and other liabilities	(6)	–	–
Deposits and other borrowings	(9)	–	–
Income tax liability	(2)	–	–
Provisions	–	–	–
Fair value of net assets acquired	1	–	–
Goodwill on acquisition	42	–	–
Consideration paid	43	–	–
Cash acquired	–	–	–
Cash consideration paid (received)	43	–	–
Fair value of net assets disposed			
Liquid assets	520	–	–
Due from other financial institutions	338	–	–
Trading securities	107	–	–
Investment securities	1,592	–	–
Net loans and advances	6,028	–	–
Customers' liabilities for acceptances	250	–	–
Regulatory deposits	661	–	–
Shares in controlled entities and associates	60	–	–
Other assets	3,333	–	–
Premises and equipment	272	–	–
Due to other financial institutions	(808)	–	–
Deposits and other borrowings	(10,589)	–	–
Liability for acceptances	(250)	–	–
Income tax liability	11	–	–
Creditors and other liabilities	(295)	–	–
Provisions	(25)	–	–
Loan capital	(76)	–	–
Fair Value of net assets disposed	1,129	–	–
Net profit on disposal	1,239	–	–
Consideration received/receivable	2,368	–	–
Deferred settlements	–	–	–
Cash consideration received	2,368	–	–

¹ For details on acquisitions and disposals refer to Note 18.

d) Non-cash financing and investing activities

	2000 \$M	Consolidated 1999 \$M	1998 \$M	The Company 2000 \$M	1999 \$M
Share capital issues					
Dividend reinvestment plan	236	176	218	236	176
Bonus option plan	–	–	2	–	–

Notes to the Financial Statements

39: Notes to the Statements of Cash Flows (continued)

	2000		1999	
	Available \$M	Unused \$M	Available \$M	Unused \$M
e) Financing arrangements				
Financing arrangements which are available under normal financial arrangements				
Credit standby arrangements				
Standby lines	710	436	749	436
Other financing arrangements				
Overdrafts and other financing arrangements	880	92	949	105
Total finance available	1,590	528	1,698	541

	Incorporated in	Nature of Business
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40: Controlled Entities

All controlled entities are 100% owned unless otherwise noted.
The material controlled entities of the Group are

	Incorporated in	Nature of Business
Australia and New Zealand Banking Group Limited		Banking
ANZCover Insurance Pty Ltd	Australia	Insurance
ANZ Executors & Trustee Company Limited	Australia	Trustee/Nominee
ANZ Funds Pty Ltd	Australia	Holding Company
ANZ Holdings (New Zealand) Limited *	New Zealand	Holding Company
EFTPOS New Zealand Limited*	New Zealand	Eftpos Service Provider
ANZ Banking Group (New Zealand) Limited *	New Zealand	Banking
Bage Investments Limited *	New Zealand	Investment
UDC Finance Limited *	New Zealand	Finance
Endeavour Finance Limited *	New Zealand	Finance
Tui Endeavour Limited *	New Zealand	Finance
ANZ International Private Limited *	New Zealand	Finance
ANZ Singapore Limited *	Singapore	Merchant Banking
LFD Limited	Australia	Investment
Minerva Holdings Limited *	England	Holding Company
ANZ Grindlays Export Finance Limited *	England	Export Finance
ANZ Lenders Mortgage Insurance Pty Limited	Australia	Mortgage Insurance
ANZ Holdings Limited	Australia	Property Owner
ANZ Investment Holdings Limited	Australia	Investment
530 Collins Street Property Trust	Australia	Investment Activities
ANZ Life Assurance Company Limited	Australia	Life Assurance
ANZ Managed Investments Limited	Australia	Investment Services
ANZ Properties (Australia) Limited	Australia	Property Owner
ANZ Securities (Holdings) Limited	Australia	Holding Company
Australia and New Zealand Banking Group (PNG) Limited *	Papua New Guinea	Banking
Esanda Finance Corporation Limited	Australia	General Finance
Fleet Partners Pty Limited	Australia	Finance
ANZ Capel Court Limited	Australia	Investment Banking
PT ANZ Panin Bank * ¹	Indonesia	Banking
US Distribution Trust I	USA	Investment
US Distribution Trust II	USA	Investment
Alliance Holdings Limited	Australia	Investment
NMRSB Limited	Australia	Investment

* Audited by overseas KPMG firms

¹ Outside equity interests hold ordinary shares or units in the controlled entities listed above as follows:
PT ANZ Panin Bank – 7,500 IDR 1M shares (15%) (1999: 7,500 IDR 1M shares (15%))

Notes to the Financial Statements

41: Associates

Significant associates of the Group are as follows:

	Interest held	Incorporated in	Carrying Value \$M	Principal activity
AEX Enterprises Ltd ¹	19%	Hong Kong	14	Online Banking
ECard Pty Ltd ²	20%	Australia	10	Smart Cards
Other associates			5	
Total shares in associates			29	

¹ An associate from 1 July 2000

² An associate from 1 June 2000

	Consolidated		The Company	
	2000 \$M	1999 \$M	2000 \$M	1999 \$M
42: Commitments				
Capital expenditure				
Contracts for outstanding capital expenditure				
Not later than 1 year	23	40	4	6
Later than 1 year but not later than 2 years	5	7	–	–
Later than 2 years but not later than 5 years	7	12	–	–
Total capital expenditure commitments	35	59	4	6
Lease rentals				
Future rentals in respect of leases				
Land and buildings				
Not later than 1 year	127	133	105	106
Later than 1 year but not later than 5 years	302	229	246	156
Later than 5 years	401	377	385	350
	830	739	736	612
Furniture and equipment				
Not later than 1 year	1	3	–	1
Later than 1 year but not later than 5 years	–	7	–	–
	1	10	–	1
Total lease rental commitments	831	749	736	613
Total commitments	866	808	740	619

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

Notes to the Financial Statements

43: Contingent Liabilities and Credit Related Commitments

Credit related commitments

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

	Consolidated		The Company		Controlled Entities	
	2000 Contract amount \$M	1999 Contract amount \$M	2000 Contract amount \$M	1999 Contract amount \$M	2000 Contract amount \$M	1999 Contract amount \$M
Undrawn facilities	48,816	46,816	42,927	35,457	5,889	11,359
Underwriting facilities	271	536	54	408	217	128
	49,087	47,352	42,981	35,865	6,106	11,487

Contingent liabilities

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

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

	Consolidated		The Company		Controlled Entities	
	2000 Contract amount \$M	1999 Contract amount \$M	2000 Contract amount \$M	1999 Contract amount \$M	2000 Contract amount \$M	1999 Contract amount \$M
Guarantees	3,315	2,477	3,265	2,157	50	320
Standby letters of credit	1,182	1,087	1,159	1,030	23	57
Bill endorsements	280	233	280	210	–	23
Documentary letters of credit	1,680	1,702	1,535	954	145	748
Performance related contingents	9,342	10,545	9,214	8,737	128	1,808
Other ¹	1,546	1,031	1,472	655	74	376
Total contingent liabilities	17,345	17,075	16,925	13,743	420	3,332

¹ In addition the Group had no equity underwriting commitments at 30 September 2000 (1999: \$39 million) which are classified as market risk exposures

The details and estimated maximum amount of contingent liabilities that may become payable are set out below.

- (i) In accordance with the clearing and settlement arrangements set out in the Australian Payments Clearing Association Limited (APCA) Regulations for the Australian Paper Clearing System, the Bulk Electronic Clearing System and the High Value Clearing System (HVCS) and Austraclear Limited Regulations, the Company has a commitment to provide liquidity support in the event of a failure to settle by a member institution. For APCA, HVCS and Austraclear, the obligation arises only in limited circumstances.
- (ii) The Group will indemnify each customer of controlled entities engaged in nominee activities against loss suffered by reason of such entities failing to perform any obligation undertaken by them to a customer.
- (iii) Pursuant to class order 98/1418 dated 13 August 1998, relief was granted during that year to a number of wholly owned controlled entities from the Corporations Law requirements for preparation, audit, and publication of financial statements. The entities to which relief was granted are

A.F.T. Investors Services Limited	ANZ Investment Holdings Limited
ANZ Holdings Limited	ANZ Nominees Limited
ANZ Properties (Australia) Limited	Binnstone Traders Pty Ltd
Alliance Holdings Limited	Deori Pty Ltd
ANZ Adelaide Group Limited	ES&A Holdings Limited
ANZ Capital Hedging Limited	ES&A Properties (Australia) Limited
ANZ Finance (Far East) Limited	NMRB Limited
ANZ Funds Pty Ltd	NMRSB Limited

Notes to the Financial Statements

43: Contingent Liabilities and Credit Related Commitments (continued)

It is the condition of the class order that the Company and each of the above controlled entities enter into a Deed of Cross Guarantee. A Deed of Cross Guarantee under the class order was lodged and approved by the Australian Securities and Investments Commission. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up any of the controlled entities under certain provisions of the Corporations Law. The Company will only be liable in the event that after six months any creditor has not been paid in full. The controlled entities have also given similar guarantees in the event that the Company is wound up. The consolidated profit and loss statement and consolidated balance sheet of the Company and its wholly owned controlled entities which have entered into the Deed of Cross Guarantee are:

	2000 \$M	Consolidated	1999 \$M
Operating profit before tax	3,177		2,258
Income tax expense	(788)		(380)
Operating profit after income tax	2,389		1,878
Retained profits at start of year ¹	1,876		835
Total available for appropriation	4,265		2,713
Ordinary share dividends provided for or paid	(941)		(814)
Retained profits at end of year	3,324		1,899
Assets			
Liquid assets	5,033		3,564
Investment securities	2,674		1,899
Net loans and advances	87,886		71,870
Other assets	49,286		38,564
Premises and equipment	927		936
Total assets	145,806		116,833
Liabilities			
Deposits and other borrowings	74,618		60,828
Income tax liability	987		575
Creditors and other liabilities	59,002		45,363
Provisions	1,872		859
Total liabilities	136,479		107,625
Net assets	9,327		9,208
Shareholders' equity	9,327		9,208

¹ The Companies included in the class order have changed, accordingly retained profits have not carried forward

- (iv) The Company has guaranteed payment on maturity of the principal and accrued interest of commercial paper notes issued by ANZ (Delaware) Inc. of \$4,454 million (1999: \$3,783 million).
- (v) The Company is party to an underpinning agreement with ANZ Banking Group (New Zealand) Limited whereby the Company undertakes to assume risk in relation to credit facilities extended by ANZ Banking Group (New Zealand) Limited to individual customers which exceed 35% of ANZ Banking Group (New Zealand) Limited's capital base.
- (vi) The Company is party to an underpinning agreement with Australia and New Zealand Banking Group (PNG) Limited whereby the Company undertakes to assume risk in relation to credit facilities extended by Australia and New Zealand Banking Group (PNG) Limited to individual customers which exceed 50% of Australia and New Zealand Banking Group (PNG) Limited's capital base.
- (vii) The Company has guaranteed, on a subordinated basis, the issue of \$230 million (1999: \$191 million) Subordinated Floating Rate Notes issued by ANZ Banking Group (New Zealand) Limited.

General

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

Notes to the Financial Statements

44: Superannuation Commitments

A number of pension and superannuation schemes have been established by the Group worldwide. The Group is obliged to contribute to the schemes as a consequence of legislation and provisions of trust deeds. Legal enforceability is dependent on the terms of the legislation and trust deeds. The major schemes with assets in excess of \$25 million are:

Country	Scheme	Scheme type	Contribution levels	
			Employee	Employer
Australia	ANZ Australian Staff Superannuation Scheme ^{1,2}	Defined Contribution Scheme Contributory	2.5% min	Balance of cost ³
		or Defined Contribution Scheme Section A	optional	8% of salary
		or Defined Benefit Scheme Pension Section Account ⁴	nil	Balance of cost
New Zealand	ANZGROUP (New Zealand) Staff Superannuation Scheme ^{1,2}	Defined Benefit Scheme ⁵	nil	Balance of cost
		or Defined Contribution Scheme	2.5% min	7.5% of superannuation salaries
England	ANZ UK Staff Pension Scheme ¹	Defined Benefit Scheme	nil	Balance of cost

Balance of cost: the Group's contribution is assessed by the actuary after taking account of members' contributions and the value of the schemes' assets

¹ These schemes provide for pension benefits

² These schemes provide for lump sum benefits

³ As recommended by the actuary, currently 8% of members' superannuation salaries

⁴ As at November 30 1999, all assets and associated accrued benefits of the ANZGROUP (Australia) Staff Pension Scheme were transferred to the ANZ Australian Staff Superannuation Scheme at market value.

⁵ Closed to new members on 31 March 1990. Operates to make pension payments to retirees who were members of that section of the fund

The details of major defined benefit schemes with assets in excess of \$25 million are as follows:

2000 Schemes	Employer's contribution \$M	Accrued benefits \$M	Net market value of assets held by scheme \$M	(Deficiency) excess of net market value of assets over accrued benefits \$M	Vested benefits \$M
ANZ UK Staff Pension Scheme ¹	–	828	1,153	325	785
1999 Schemes	Employer's contribution \$M	Accrued benefits \$M	Net market value of assets held by scheme \$M	(Deficiency) excess of net market value of assets over accrued benefits \$M	Vested benefits \$M
ANZ UK Staff Pension Scheme ²	–	685	959	274	650

¹ Amounts were measured at 31 December 1999

² Amounts were measured at 31 December 1998

³ As at November 30 1999, all assets and associated accrued benefits of the ANZGROUP (Australia) Staff Pension Scheme were transferred to the ANZ Australian Staff Superannuation Scheme at market value

Notes to the Financial Statements

45: Fiduciary Activities

The Group conducts investment management and other fiduciary activities as trustee or manager for investment funds and trusts, including superannuation and approved deposit funds, equity trusts, property trusts and deceased estates. These funds have not been consolidated as the Company does not have direct or indirect control of the funds.

Where the Company or its controlled entities incur liabilities in respect of these operations as trustee, a right of indemnity exists against the assets of the applicable funds or trusts. As these assets are sufficient to cover the liabilities and it is therefore not probable that the Company or its controlled entities will be required to settle the liabilities, the liabilities are not included in the financial statements.

The aggregate amounts of funds concerned are as follows

	2000 \$M	1999 \$M
Funds managed	15,546	15,268
Trusteeships	2,928	3,318
	18,474	18,586

46: Employee Share and Option Plans

The Company has four share purchase and option plans available for employees of the Group: the ANZ Employee Share Acquisition Plan; the ANZ Group Share Purchase Scheme; the ANZ Share Option Plan and the ANZ Directors' Share Plan. Shareholders of the Company have approved the implementation of each of the current plans. Fully paid ordinary shares issued under these plans rank equally with other existing fully paid ordinary shares, except for fully paid ordinary shares issued on conversion from partly paid shares which are not entitled to the first dividend paid. Partly paid ordinary shares, paid to 10 cents, issued under the ANZ Group Share Purchase Scheme are not entitled to dividends payable by the Company, but are entitled to one vote for every ten partly paid shares. They are also entitled to participate in rights and bonus issues.

Each option granted under the ANZ Share Option Plan entitles a holder to purchase one ordinary share subject to any terms and conditions imposed on issue.

An offer to employees and directors cannot be made under any of the schemes if an issue pursuant to that offer will result in the aggregate of shares issued and options granted over unissued shares held for employees under various employee share and option schemes exceeding 7% of the issued capital of the Company.

Amounts received from the ANZ Employee Share Acquisition Plan and the ANZ Group Share Purchase Scheme, on fully paid and partly paid shares are recognised as share capital.

The market price of one ordinary share at 30 September 2000 was \$13.28.

Amounts received from exercising options under the ANZ Share Option Plan during the financial year, excluding calls on partly paid shares issued in prior financial years, were recognised as follows

	2000 \$	The Company 1999 \$
Share capital	9,679,911	8,919,570
General reserve	(17,154)	(18,439)

ANZ Employee Share Acquisition Plan

All permanent employees who have had continuous service for one year with the Company or any of its controlled entities are eligible to participate in a scheme enabling the issue of up to \$1,000 of shares in each financial year. During the financial year, 1,722,361 shares were issued under the \$1,000 scheme.

Selected employees may also be issued deferred shares which vest in the employee after a qualifying period. Ordinary shares acquired under this plan will be subject to restrictions on disposal whilst held in trust. During the financial year, 2,565,559 deferred shares were issued under this deferred Scheme.

Notes to the Financial Statements

46: Employee Share and Option Plans (continued)

ANZ Share Purchase Scheme

Officers eligible to participate in this scheme may be offered fully paid ordinary shares. During the financial year, no fully paid ordinary shares were issued under the scheme.

At 30 September 2000, 11,035,400 fully paid ordinary shares and 7,805,000 partly paid ordinary shares had been issued since the commencement of this scheme. The partly paid ordinary shares were paid to 10 cents on application and the balance payable either at the request of the employee or upon cessation of employment, except in the event of death, retirement or illness, in which case, the balance is payable three months after the event.

During the year the issue proceeds from conversion of partly paid shares to fully paid shares were:

12,000 ordinary shares at \$4.83 per share
 5,000 ordinary shares at \$5.26 per share
 5,000 ordinary shares at \$3.34 per share

ANZ Share Option Plan

Executive directors and executive officers may be granted options which entitle them to purchase shares. These options do not entitle the holder to participate in a share issue of any other body corporate apart from the Company.

4,671,000 options were issued during the financial year, 230,563 options granted under the Plan lapsed during the financial year.

At 30 September 2000, 13,443,974 options were outstanding under this scheme.

No. of options outstanding at 30 September 2000

No. of options outstanding at 30 September 2000	Exercise price	Exercisable period
99,404	\$8.76	Not exercisable before 31 Jan 2000, or later than 30 Jan 2002
22,699	\$8.76	Not exercisable before 14 Feb 2000, or later than 13 Feb 2002
500,000	\$8.76	Not exercisable before 2 Jun 2000, or later than 1 Jun 2002
82,891	\$11.45	Not exercisable before 23 Jan 2001, or later than 22 Jan 2003
500,000	\$12.12	Not exercisable before 1 Feb 2000, or later than 1 Oct 2002
500,000	\$11.40	Not exercisable before 1 Jun 2001, or later than 1 Oct 2002
10,480	\$11.45	Not exercisable before 18 Feb 2001, or later than 17 Feb 2003
1,450,000	\$9.51	Not exercisable before 24 Feb 2001, or later than 23 Feb 2003 ¹
100,000	\$10.64	Not exercisable before 22 Jun 2001, or later than 21 Jun 2003 ¹
200,000	\$8.93	Not exercisable before 2 Oct 2001, or later than 1 Oct 2003 ¹
1,025,000	\$8.97	Not exercisable before 28 Oct 2001, or later than 27 Oct 2003 ¹
660,000	\$10.34	Not exercisable before 11 Dec 2001, or later than 10 Dec 2003 ¹
10,000	\$10.41	Not exercisable before 28 Jan 2002, or later than 27 Jan 2004 ¹
150,000	\$10.44	Not exercisable before 24 Feb 2002, or later than 23 Feb 2004 ¹
165,000	\$11.44	Not exercisable before 25 Mar 2002, or later than 24 Mar 2004 ¹
2,795,000	\$11.20	Not exercisable before 2 Jun 2002, or later than 1 Jun 2004 ¹
380,000	\$11.20	Not exercisable before 2 Jun 2002, or later than 1 Jun 2004
7,500	\$11.26	Not exercisable before 7 Jun 2002, or later than 6 Jun 2004
25,000	\$11.29	Not exercisable before 5 Jul 2002, or later than 4 Jul 2004 ¹
150,000	\$11.30	Not exercisable before 12 Jul 2002, or later than 11 Jul 2004 ¹
1,000,000	\$9.94	Not exercisable before 27 Oct 2002, or later than 26 Oct 2004 ¹
750,000	\$11.49	Not exercisable before 31 Dec 2002, or later than 31 Dec 2004 ¹
140,000	\$10.63	Not exercisable before 31 Jan 2003, or later than 30 Jan 2005 ¹
1,341,000	\$10.11	Not exercisable before 23 Feb 2003, or later than 22 Feb 2007 ¹
350,000	\$10.20	Not exercisable before 8 Mar 2003, or later than 7 Mar 2007 ¹
165,000	\$11.81	Not exercisable before 23 May 2003, or later than 22 May 2007 ¹
515,000	\$11.81	Not exercisable before 23 May 2003, or later than 22 May 2007
60,000	\$11.64	Not exercisable before 26 May 2003, or later than 25 May 2007 ¹
200,000	\$12.23	Not exercisable before 7 Jun 2003, or later than 6 Jun 2007 ¹
90,000	\$12.75	Not exercisable before 26 Sept 2003, or later than 25 Sept 2007

¹subject to performance condition

These options will expire immediately on termination of employment, except in the event of retirement, death or where agreed by the Directors of the Company, in which case the Directors may allow the options to be exercised.

Notes to the Financial Statements

46: Employee Share and Option Plans (continued)

With the consent of the directors, the following options were exercised during the financial year by employees and former employees:

559,401	options exercised at \$8.76 per share
100,000	options exercised at \$8.97 per share
40,000	options exercised at \$10.34 per share
75,000	options exercised at \$10.64 per share
100,000	options exercised at \$10.65 per share
100,000	options exercised at \$11.40 per share
40,695	options exercised at \$11.45 per share

In the event of a takeover offer or takeover announcement, the directors of the Company may allow the options to be exercised.

If there is a bonus issue prior to the expiry or exercise of the options, then upon exercise of the options, option holders are entitled to those shares as if the options had been exercised prior to that issue. Those shares will be allotted to the option holder when the options are exercised.

As at the date of the Directors' Report, unexercised options over ordinary shares are as per the table above, adjusted for the exercise of: 7,500 options at \$11.20 per share, 66,853 options at \$8.76 per share and 30,000 options at \$10.34 per share which were exercised by employees and former employees since the end of the financial year.

ANZ Directors' Share Plan

Directors may elect to forgo remuneration to which they may have otherwise become entitled and receive shares to the value of the remuneration forgone. Participation in the Plan is voluntary.

The shares are purchased on market and are held upon Trust for periods ranging from 1 to 10 years. The shares may also be subject to forfeiture for gross misconduct.

At 30 September 2000, 56,684 shares were held under this Plan.

47: Related Party Disclosures

The directors during the year were:

C B Goode (Chairman)	J McFarlane
J C Dahlsen	B W Scott
R S Deane	G K Toomey
J K Ellis	M A Jackson

Australian banks, parent entities of Australian banks and controlled entities of Australian banks have been exempted, subject to certain conditions, by an Australian Securities and Investments Commission class order, 98/110 dated 10 July 1998, from making disclosures of loans made, guaranteed or secured by a bank to related parties (other than specified categories of directors) and financial instrument transactions (other than shares and share options) of a bank where a director of the relevant entity is not a party to the transaction and where the loan or financial instrument transaction is lawfully made and occurs in the course of ordinary banking business either at arm's length or with the approval of a general meeting of the relevant entity and its ultimate chief entity (if any).

The class order does not apply to a loan or financial instrument transaction of which any director of the relevant entity should reasonably be aware that, if not disclosed, would have the potential to adversely affect the decisions made by users of the financial statements about the allocation of scarce resources.

Notes to the Financial Statements

47: Related Party Disclosures (continued)

A condition of the class order is that for each financial year to which it applies, the Company must provide evidence to the Commission that the Company has systems of internal controls and procedures which

- (i) in the case of any material financial instrument transaction, ensure that; and
- (ii) in any other case, are designed to provide a reasonable degree of assurance that,

any financial instrument transaction of a bank which may be required to be disclosed in the Company's financial statements and which is not entered into regularly, is drawn to the attention of the directors.

(a) Transactions with directors and director-related entities

Shares and Share Options

The aggregate number of shares and share options issued to directors of the Company and their director-related entities by the Company during the financial year were as follows:

	2000 No.	The Company 1999 No.
Fully paid ordinary shares in the Company	–	22,319
Fully paid deferred shares in the Company	87,190	–
Options issued under the ANZ Share Option Plan	750,000	–

Certain former executive directors had previously acquired fully paid ordinary shares under the ANZ Share Purchase Scheme on conditions no more favourable than those offered to other employees. All other fully paid ordinary shares were acquired on terms and conditions no more favourable than those offered to other shareholders.

Aggregate number of shares and share options held directly, indirectly or beneficially by directors of the Company and their director-related entities, as at balance date, were as follows:

	2000 No.	1999 No.
Fully paid ordinary shares in the Company	868,867	1,031,186
Fully paid deferred shares in the Company	87,190	–
Share options over ordinary shares in the Company	1,750,000	1,210,710

Directors of the Company and their director-related entities receive normal dividends on these shares.

Loans made to Directors

Loans made to non-executive directors of the Company and controlled entities are made in the course of ordinary business on normal commercial terms and conditions. Loans to executive directors of the Company and controlled entities are made pursuant to the Executive Directors' Loan Scheme authorised by shareholders on 18 January 1982, on the same terms and conditions applicable to other employees within the Group in accordance with established policy.

Under the Australian Securities and Investments Commission class order referred to above, disclosure is limited to the aggregate amount of loans made, guaranteed or secured by:

- (i) the Company to its directors;
- (ii) any controlled entity to the directors of the Company;
- (iii) banking corporation controlled entities to their directors; and
- (iv) non-banking corporation controlled entities to directors of controlled entities and to parties related to any one of them or the directors of the Company.

The directors involved were:

S Armstrong ³	I Brandon ^{3,4}
D Fisher ¹	C B Goode ^{2,4}
A Hamid ¹	J Henderson ^{1,2}
M J Horn ^{1,2}	D Hornery ²
J McFarlane ^{1,2,3,4}	J Ries ^{3,4}
M Rostain ^{1,3,4}	G Tunstall ^{1,2}

¹ Repayments made during the year

² Loans made during the year

³ Repayments made during the prior year

⁴ Loans made during the prior year

Notes to the Financial Statements

47: Related Party Disclosures (continued)

The aggregate amount of such loans outstanding at 30 September 2000 were:

	Consolidated		The Company	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Balance outstanding at 30 September	4,693	4,792	4,016	4,176
Total interest received	248	155	219	112
The aggregate amount of repayments received from directors and their director-related entities during the financial year was:				
Normal terms and conditions	–	837	–	837
Employee terms and conditions	76	39	–	–
The aggregate amount of loans made during the financial year was:				
Normal terms and conditions	2,132	1,500	2,132	1,500
Employee terms and conditions	278	2,482	–	2,293

Other transactions of Directors and Director-Related Entities

(i) Financial instrument transactions

Under the Australian Securities and Investments Commission class order referred to above, disclosure of financial instrument transactions regularly made by a bank is limited to disclosure of such transactions with a director of the entity concerned. Financial instrument transactions which have occurred on arm's length terms and conditions, and are deemed trivial or domestic in nature are required to be disclosed by general description.

Financial instrument transactions between the directors and the banks during the financial year were in the nature of normal personal banking, investment and deposit transactions. These transactions occurred on an arm's length basis and on normal commercial terms and conditions no more favourable than those given to other employees or customers.

(ii) Transactions other than financial instrument transactions of banks

All transactions with directors and their director-related entities are conducted on arm's length terms and conditions, and are deemed trivial or domestic in nature. These transactions are in the nature of deposits, debentures, or investment transactions conducted with non-bank controlled entities.

All other transactions with director-related entities occur within a normal customer or supplier relationship and are on arms length terms.

(b) Transactions with associated entities

During the course of the financial year the Company and the Group conducted transactions with associated entities on normal commercial terms and conditions as shown below:

	Consolidated		The Company	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Aggregate				
Amounts receivable from associated entities	–	60,000	–	60,000
Interest revenue	–	953	–	953
Dividend revenue	4,920	1,243	–	–

Notes to the Financial Statements

48: Remuneration of Directors

Remuneration includes income from salaries, bonuses, other benefits (including non-cash benefits), retirement benefits and superannuation contributions. The maximum total remuneration for non-executive directors of the Company was set at the Annual General Meeting held on 21 January 1998 at \$1.5 million. Total fees paid to non-executive directors by the Company for the year were \$1.0 million (1999: \$1.3 million). Retirement benefits paid to directors of the Company are detailed in the Directors' Report.

The number of directors of the Company with total income in each of the following bands was:

	The Company	
	2000	1999
\$80,001 to \$90,000	–	1
\$90,001 to \$100,000	1	1
\$100,001 to \$110,000	2	2
\$110,001 to \$120,000	2	1
\$140,001 to \$150,000	–	1
\$180,001 to \$190,000	1	–
\$300,001 to \$310,000	–	1
\$320,001 to \$330,000	1	–
\$370,001 to \$380,000	–	1
\$1,460,001 to \$1,470,000	–	1
\$2,790,001 to \$2,800,000	–	1
\$2,810,001 to \$2,820,000	1	–
Total number of directors	8	10

	Consolidated		The Company	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Total income paid or payable to directors of the Company and controlled entities from the Company or related entity ¹	44,037	45,481	3,856	4,125

¹ Including the total income of executive directors, excluding directors of controlled entities who are executives of the Company

Notes to the Financial Statements

49: Remuneration of Executives

Remuneration includes salaries, bonuses, other benefits (including non-cash benefits), and superannuation contributions. The remuneration of executives who work wholly or mainly outside Australia are excluded from this disclosure.

The number of executives with total remuneration exceeding \$100,000 in each of the following bands was:

	Consolidated		The Company			Consolidated		The Company	
	2000	1999	2000	1999		2000	1999	2000	1999
\$160,001 to \$170,000	–	1	–	1	\$930,001 to \$940,000	1	–	1	–
\$190,001 to \$200,000	–	1	–	1	\$940,001 to \$950,000	1	–	1	–
\$310,001 to \$320,000	1	–	1	–	\$950,001 to \$960,000	1	1	1	1
\$430,001 to \$440,000	–	1	–	1	\$970,001 to \$980,000	–	1	–	1
\$500,001 to \$510,000	2	–	2	–	\$980,001 to \$990,000	1	–	1	–
\$600,001 to \$610,000	–	1	–	1	\$1,060,001 to \$1,070,000	2	1	2	1
\$630,001 to \$640,000	–	1	–	1	\$1,070,001 to \$1,080,000	–	1	–	1
\$650,001 to \$660,000	–	1	–	1	\$1,130,001 to \$1,140,000	–	1	–	1
\$690,001 to \$700,000	1	–	1	–	\$1,240,001 to \$1,250,000	–	1	–	1
\$710,001 to \$720,000	–	1	–	1	\$1,410,001 to \$1,420,000	2	–	2	–
\$740,001 to \$750,000	–	1	–	1	\$1,440,001 to \$1,450,000	–	1	–	1
\$750,001 to \$760,000	1	–	1	–	\$1,460,001 to \$1,470,000	1	1	1	1
\$770,001 to \$780,000	1	–	1	–	\$1,510,001 to \$1,520,000	1	–	1	–
\$800,001 to \$810,000	–	1	–	1	\$2,790,001 to \$2,800,000	–	1	–	1
\$820,001 to \$830,000	1	–	1	–	\$2,810,001 to \$2,820,000	1	–	1	–
\$840,001 to \$850,000	2	–	2	–	\$3,590,001 to \$3,600,000	1	–	1	–
\$870,001 to \$880,000	–	1	–	1					
Total number of executives						21	19	21	19
Total remuneration received or due and receivable directly or indirectly by executives of the Company and controlled entities (\$'000)						24,243	17,983	24,243	17,983

Notes to the Financial Statements

50: 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.

	Note	2000 \$M	1999 \$M	1998 \$M
Operating profit after income tax reported under Australian GAAP¹		1,747	1,480	1,106
Items having the effect of increasing (decreasing) reported income (total tax impact of adjustments shown separately):				
Employee share issue and options	(xii)	(54)	(23)	–
Depreciation charged on the difference between revaluation amount and historical cost of buildings	(i)	3	2	3
Difference in gain or loss on disposal of properties revalued under historical cost	(i)	168	–	9
Revaluation of properties	(i)	(72)	–	–
Deferred profit on sale and leaseback transactions over the lease term	(iii)	(80)	(16)	–
Amortisation of goodwill not recognised for Australian GAAP	(ii)	(48)	(36)	(36)
Amortisation of deferred profit on sale and leaseback transactions over the lease term	(iii)	19	–	–
Pension expense adjustment	(vi)	8	(1)	19
Provisions	(xvii)	361	–	–
Total tax impact of adjustments		(112)	4	(5)
Net income according to US GAAP		1,940	1,410	1,096
Earnings per share (cents) according to US GAAP	(xv)			
Basic		119.3	86.1	72.0
Diluted		116.5	85.2	69.0
Adjustments to determine other comprehensive income for US GAAP				
Net income according to US GAAP		1,940	1,410	1,096
Currency translation adjustments (net of tax)		170	(215)	142
Unrealised profit (loss) on available for sale securities (net of tax)	(ix)	(23)	7	–
Total comprehensive income according to US GAAP		2,087	1,202	1,238
Shareholders' equity reported under Australian GAAP²		9,795	9,403	8,335
Elimination of gross asset incremental revaluations	(i)	(330)	(340)	(340)
Unrealised profit (loss) on available for sale securities	(ix)	(16)	7	–
Adjustment to accumulated depreciation on buildings revalued	(i)	44	41	39
Restoration of previously deducted goodwill	(ii)	692	807	807
Accumulated amortisation of goodwill	(ii)	(477)	(544)	(508)
Deferred profit on sale and leaseback transactions	(iii)	(12)	(12)	–
Provision for final cash dividend	(iv)	528	470	431
Provisions	(xvii)	245	–	–
Pension expense adjustment	(vi)	62	57	58
Shareholders' equity according to US GAAP		10,531	9,889	8,822
Total assets reported under Australian GAAP		172,467	152,801	153,215
Elimination of gross incremental revaluations	(i)	(227)	(340)	(340)
Unrealised profit (loss) on available for sale securities	(ix)	(24)	11	–
Adjustment to accumulated depreciation on buildings revalued	(i)	44	41	39
Restoration of previously deducted goodwill	(ii)	692	807	807
Accumulated amortisation of goodwill	(ii)	(477)	(544)	(508)
Prepaid pension adjustment	(vi)	45	39	44
Reclassification of deferred tax assets against deferred tax liabilities	(v)	(662)	(400)	(484)
Total assets according to US GAAP		171,858	152,415	152,773

¹ After abnormal items

² Excluding outside equity interests

Notes to the Financial Statements

50: US GAAP Reconciliation (continued)

(i) Premises and equipment

Properties have been revalued by the Group at various times, increasing the book value of these assets (refer note 1(xiv)). Under Australian GAAP, any increments on revaluation are credited directly to the Asset Revaluation Reserve (ARR), and decrements are debited to the ARR to the extent of any previous revaluation increments.

Decrement in excess of any previous revaluation increments are charged to the Profit and Loss Account. The ARR forms part of Shareholders' equity. Under US GAAP, revaluation of properties is not permitted except for decrements which are regarded as other than temporary. Any such decrements are recorded in the income statement. Subsequent recoveries to the income statement are not allowed.

The impact of revaluations is that under Australian GAAP, depreciation charges are generally higher and profits on disposal are lower than those recorded under US GAAP. The depreciation charges, together with the profits and losses on revalued assets sold have been adjusted to historical cost in the US GAAP reconciliation.

(ii) Goodwill

The Group changed its accounting policy in respect of goodwill in the financial year ended 30 September 1993. Previously, goodwill on acquisition was charged in full to the Group's Profit and Loss Account in the year of acquisition.

Under US GAAP, goodwill is capitalised and amortised over the period of time during which the benefits are expected to arise, such period not exceeding 40 years generally or 20 years in respect of bank acquisitions.

Adjustments have been made in the US GAAP reconciliation statement to restore goodwill written-off in full under Australian GAAP and to amortise such goodwill over the period of the expected benefits. Additionally, to the extent that periodic reviews of the carrying amount of goodwill lead to a write-down of goodwill previously capitalised for US purposes, this is adjusted in the US GAAP reconciliation.

(iii) Sale-leaseback transactions

Under Australian GAAP for operating leases, gains on disposal under sale-leaseback transactions can be recognised in the period of sale. Under US GAAP, the gain is amortised over the remaining lease term. This difference in treatment has been adjusted in the US GAAP reconciliation.

(iv) Dividends

Under Australian GAAP, dividends are shown in the Profit and Loss Account in the period to which they relate rather than in the period when they are declared as required by US GAAP. This difference in treatment has been adjusted in the US GAAP shareholders' equity reconciliation.

(v) Income taxes

Under Australian GAAP, tax benefits relating to carry forward tax losses must be "virtually certain" of being realised before being booked. Realisations of benefits relating to other timing differences must be "beyond reasonable doubt" before they may be booked. These tests are as stringent as those applied under US GAAP and hence no write-down of future tax benefits is required.

Australian GAAP allows offsetting of future income tax benefits and liabilities to the extent they will reverse in the same period. US GAAP requires separate offset on current deferred tax assets and liabilities and non-current deferred tax assets and liabilities. However, no offset is allowed for deferred tax assets and liabilities attributable to different tax jurisdictions. The impact of the difference in this approach to Australian GAAP has been adjusted for in the US GAAP reconciliation.

(vi) Pension commitments

Under Australian GAAP, contributions in respect of defined benefit schemes are recorded in the income statement and are made at levels necessary to ensure that these schemes are maintained with sufficient assets to meet their actuarially assessed liabilities. Any net deficiency arising from the aggregation of assets and liabilities of the Group's defined benefit schemes is provided for in the Group's financial statements (refer note 44 in the Financial Statements).

Under US SFAS 87 "Employers' Accounting for Pensions" and the new disclosure requirements of SFAS 132 "Employers' Disclosures about Pensions and Other Post Retirement Benefits", pension expense is a function of an employee's service period, interest costs, expected actuarial return on the schemes' assets, amortisation of net transition asset and recognised prior service cost. In addition, reconciliation between the accrued pension liability/prepaid asset and the funded status (difference between projected benefit obligation and fair value of pension plan assets) of the pension schemes is required.

(vii) Post retirement and post employment benefits

Post retirement and post employment benefits other than pension payments are not material and no adjustment is required in the US GAAP reconciliation.

Notes to the Financial Statements

50: US GAAP Reconciliation (continued)

(viii) Trading securities

US GAAP requires that in instances where trading securities are not bought and held principally for the purpose of selling them in the near term, they should be classified as available for sale and recorded at market value with unrealised profits and losses in respect of market value adjustments recognised as other comprehensive income in Shareholders' equity.

The residual emerging markets portfolio had been classified as available for sale with the market value write down taken through the profit and loss account for both Australian GAAP and US GAAP purposes.

Except for the above no adjustment is required to be made in the US GAAP reconciliation as the effect of reclassifying certain trading securities as available for sale is not material.

(ix) Investment Securities

US GAAP requires that investments not classified as trading securities or as held to maturity securities shall be classified as available for sale securities and be recorded at market value in accordance with SFAS 115 "Accounting for Certain Investments in Debt and Equity Securities". An adjustment is made in the US GAAP reconciliation to reflect available for sale securities which are carried at market value with unrealised profits and losses in respect of market value adjustments being reported as other comprehensive income in shareholders' equity.

(x) Accounting for the impairment of loans

SFAS 114 "Accounting by Creditors for Impairment of a Loan", as amended by SFAS 118 "Accounting by Creditors for Impairment of a Loan – Income Recognition and Disclosures", requires the value of an impaired loan to be measured as the present value of future cash flows discounted at the loan's initial effective interest rate, the loan's observable market price or the fair value of the collateral, if the loan is collateral dependent.

There is no requirement under Australian GAAP to discount the expected future cash flows attributable to impaired loans in assessing the level of specific provision for doubtful debts.

No adjustment is required in the US GAAP reconciliation as the estimated fair value of impaired loans is not materially different from the carrying value.

(xi) Accounting for the impairment of long lived assets and for long-lived assets to be disposed of

SFAS 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of", requires that where an event or a change in

circumstance indicates that the carrying value of an asset that is expected to be held and used may not be recoverable, an impairment loss should be recognised. The standard also requires that where there is a committed plan to dispose of an asset, the asset should be reported at the lower of the carrying value or fair value less selling costs.

The Group has assessed the carrying values of all non-current assets and determined that they are not in excess of their recoverable amounts.

(xii) Accounting for stock-compensation plans

Under Australian GAAP an expense is not recognised for share options issued to employees or for shares issued at a discount.

SFAS 123 "Accounting for Stock-Based Compensation" requires shares and options issued to employees to be recognised using either the fair value method or the intrinsic value method as prescribed by APB No. 25 and its related interpretations.

For US GAAP disclosure the Group measures share-based employee compensation cost using the intrinsic value based method. US GAAP compensation cost relating to share options is attributable to the impact of the increase in the market price of the Group's shares on those share option plans defined as variable under APB 25. Variable share option plans include all plans with performance conditions. The Group's policy is to generally grant share options at the average market price of the underlying shares at the date of grant.

Share issues to employees under the ANZ Employee Share Acquisition Plan are recognised at intrinsic value under US GAAP.

Details of the share-based compensation plans are included in Note 46 to the Financial Statements.

(xiii) Accounting for transfers and servicing of financial assets and extinguishments of liabilities

SFAS 125 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" prescribes the accounting and reporting requirements for transfers of financial assets and extinguishments of liabilities. Under certain circumstances, the statement also requires a transferor of financial assets that are pledged as collateral to reclassify those assets, and the transferee to recognise those assets and their obligation to return them.

No adjustment is required in the US GAAP reconciliation as the effect of adopting the provisions of SFAS 125 on total assets is not material.

Notes to the Financial Statements

50: US GAAP Reconciliation (continued)

(xiv) Comprehensive Income

SFAS 130 "Reporting Comprehensive Income" establishes standards for reporting and display of comprehensive income and its components. Comprehensive income is defined as all changes in shareholders' equity during a period excluding those resulting from investments by shareholders and distributions to shareholders.

Accordingly, the Group has shown currency translation adjustments and unrealised profit on available for sale securities as components of other comprehensive income with net income according to US GAAP forming the remaining component of comprehensive income.

(xv) Earnings per share ("EPS")

Under US GAAP, EPS is computed in accordance with SFAS 128 "Earnings Per Share". This standard is similar to Australian GAAP. One area of difference relates to the calculation of diluted EPS. Under US GAAP, assumed proceeds from potentially dilutive stock options are assumed to be used to repurchase outstanding shares at the average market price during the period. Under Australian GAAP, the assumed proceeds are invested in interest earning investments, thereby increasing earnings used in the calculation of diluted EPS.

(xvi) Accounting for derivative instruments and hedging activities

The Group is required to adopt SFAS 133 "Accounting for Derivative Instruments and Hedging Activities" and SFAS 138 "Accounting for Certain Derivative Instruments and Certain Hedging Activities" in its US GAAP reconciliation from 1 October 2000. SFAS 133 requires all derivatives to be recognised on balance sheet at fair value. Movements in the fair value of derivatives are taken to profit and loss, unless the derivatives meet the criteria prescribed in SFAS 133 for fair value, cash flow, or foreign currency hedges. If certain criteria are met derivatives can be designated as hedges. Under SFAS 133 normal banking hedging practices may not qualify for hedge accounting, notwithstanding their ability to hedge existing balance sheet positions from an economic perspective.

As a result future fair value movements recognised in US GAAP reconciliation may not be indicative of the Group's risk profile. The Group uses instruments and hedging techniques that are effective in managing interest rate risk and foreign exchange risk.

Further information on the results of the Group's hedging activities, and the effectiveness of the risk management policies, can be assessed better by considering the information provided on interest rate risk on page 47 (page 38 in 1999), and the information on hedging derivatives provided in note 36: Derivative Financial Instruments, of the Financial Report.

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

The impact on adoption of SFAS 133 and SFAS 138 at 1 October was a transitional adjustment to increase US GAAP profit by \$11 million, and a transitional adjustment to decrease other comprehensive income by \$54 million. Changes in market conditions and the Group's hedging policies may result in volatility in these US GAAP adjustments going forward.

(xvii) Provisions

The Group has recorded a provision for restructuring in accordance with Australian GAAP amounting to \$361 million before tax with an associated taxation credit of \$116 million. US GAAP requires certain criteria to be met before a restructuring provision is recognised. These criteria, which are more detailed than the Australian recognition criteria, include public announcement of many details of the programs prior to balance date. Accordingly, the provision and associated taxation effect have therefore been adjusted in the US GAAP reconciliation.

Notes to the Financial Statements

50: US GAAP Reconciliation (continued)

(xvii) Details of Pension Schemes and Pension Expense

Reconciliations of the funded status of major defined benefit schemes as at 30 June 2000 are summarised below. Details of the funding of the schemes are set out in note 44.

	2000 \$M	Australian Scheme 1999 \$M	1998 \$M
Change in benefit obligation			
Balance at start of year	58	57	59
Interest costs	4	4	4
Benefits paid	(7)	(7)	(7)
Actuarial gains	(1)	4	1
Benefit obligation, 30 September	54	58	57
Change in plan assets			
Fair value at start of year	53	51	47
Actual return on plan assets	6	5	7
Employer contribution	–	4	4
Benefits paid	(7)	(7)	(7)
Total fair value of plan assets, 30 September	52	53	51
Funded status	(2)	(5)	(6)
Unrecognised net transition loss	4	5	6
Unrecognised net loss	4	7	3
Adjustment required to recognise minimum unfunded projected benefit obligation	(8)	(12)	(10)
Net amount recognised	(2)	(5)	(7)
Amounts recognised in the consolidated balance sheet consist of:			
Prepaid benefits costs	–	–	–
Accrued benefit liabilities	(2)	(5)	(7)
The assumptions used in the actuarial calculations are as follows:	2000	1999	1998
Discount rate used in determining present values			
– pensioners	6.5%	6.5%	7%
Annual increase in future compensation levels			
– pensions	3%	3%	3%
Expected long-term rate of return on assets	7.5%	7.5%	8%

Notes to the Financial Statements

50: US GAAP Reconciliation (continued)

(xviii) Details of Pension Schemes and Pension Expense (continued)

	2000 \$M	UK Scheme 1999 \$M	1998 \$M
Change in benefit obligation			
Balance at start of year	818	833	596
Service cost	9	21	18
Interest cost	24	47	50
Plan amendment	–	24	–
Benefits paid	(45)	(41)	(40)
Actuarial gains	26	35	36
Foreign currency exchange rate fluctuations	91	(101)	173
Benefit obligation, 30 September	923	818	833
Change in plan assets			
Fair value at start of year	1,004	1,094	748
Actual return on plan assets	89	82	163
Employer contribution	2	2	–
Benefits paid	(45)	(41)	(40)
Foreign currency exchange rate fluctuations	70	(133)	223
Total fair value of plan assets, 30 September	1,120	1,004	1,094
Funded status	197	186	261
Unrecognised net transition gain	(33)	(37)	(50)
Unrecognised net gain	(171)	(162)	(202)
Unrecognised prior service cost	52	52	35
Net amount recognised	45	39	44
Amounts recognised in the consolidated balance sheet consist of:			
Prepaid benefits costs	45	39	44
Accrued benefit liabilities	–	–	–
The assumptions used in the actuarial calculations are as follows:	2000	1999	1998
Discount rate used in determining present values			
– active members	6.0%	6.0%	6.5%
– pensioners	6.0%	6.0%	6.5%
Annual increase in future compensation levels			
– salary	4.75%	4.75%	5.0%
– pensions	2.9%	3.0%	2.75%
Expected long-term rate of return on assets	7.0%	7.0%	7.5%

The elements of the net periodic pension cost of the above schemes are as follows:

	2000 \$M	1999 \$M	1998 \$M
Service cost	17	21	18
Interest cost	52	51	54
Expected return on schemes' assets	(68)	(66)	(66)
Amortisation net transition asset	(6)	(6)	(6)
Recognised prior service cost	4	1	1
Net periodic pension cost	(1)	1	1

The Group also sponsors defined contribution schemes. The Group's contributions to major defined contribution schemes amounted to \$77 million for the year (1999: \$66 million).

Notes to the Financial Statements

51: Exchange Rates

The exchange rates used in the translation of the results and the assets and liabilities of major overseas branches and controlled entities are:

	2000		1999		1998	
	Closing	Average	Closing	Average	Closing	Average
Great British pound	0.3720	0.3903	0.3972	0.3932	0.3496	0.3913
United States dollar	0.5444	0.6101	0.6533	0.6403	0.5972	0.6468
New Zealand dollar	1.3324	1.2647	1.2598	1.2014	1.1868	1.1581

52: Events Since the End of the Financial Year

There have been no significant events since 30 September 2000 to the date of this report.

Directors' Declaration

The directors of Australia and New Zealand Banking Group Limited declare that the financial statements and notes of the Company and the consolidated entity

- (a) are in accordance with the Corporations Law, including
 - (i) complying with applicable Australian Accounting Standards and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the financial position of the Company and of the consolidated entity as at 30 September 2000 and of their performance as represented by the results of their operations and their cash flows, for the year ended on that date; and
- (b) in the directors' opinion at the date of this declaration there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Company and some of its wholly owned controlled entities listed in note 43 executed a Deed of Cross Guarantee enabling them to take advantage of the accounting and audit relief offered by the class order 98/1418, dated 13 August 1998 issued by the Australian Securities and Investments Commission.

The nature of the Deed of Cross Guarantee is to guarantee each creditor payment in full of any debt in accordance with the terms of the Deed of Cross Guarantee.

At the date of this declaration, there are reasonable grounds to believe that the Company and its controlled entities to which the class order applies, are able, as an economic entity, to meet any obligations or liabilities to which they are, or may become, subject by virtue of the Deed of Cross Guarantee.

Signed in accordance with a resolution of the directors



Charles Goode
Chairman



John McFarlane
Chief Executive Officer

6 November 2000

Auditors' Report

To the Members of Australia and New Zealand Banking Group Limited

Scope

We have audited the financial report of Australia and New Zealand Banking Group Limited for the financial year ended 30 September 2000, consisting of the profit and loss statements, balance sheets, statements of changes in shareholders' equity, statements of cash flows, accompanying notes and the directors' declaration set out on pages 3 to 83. The financial report includes the consolidated financial statements of the consolidated entity, comprising the Company and the entities it controlled at the year's end or from time to time during the financial year. The Company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Auditing Standards of Australia and the United States of America to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements in Australia so as to present a view which is consistent with our understanding of the Company's and the consolidated entity's financial position and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of Australia and New Zealand Banking Group Limited is in accordance with:

- (a) the Corporations Law, including:
 - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 September 2000 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.

Accounting principles generally accepted in Australia vary in certain respects from accounting principles generally accepted in the United States of America. An explanation of the major differences between the two sets of principles is presented in note 50 to the financial statements. The application of the United States principles would have affected the determination of consolidated net profit for each of the three years in the period ended 30 September 2000 and the determination of the consolidated financial position as of 30 September 2000, 1999 and 1998 to the extent summarised in note 50 to the financial statements.

KPMG
Chartered Accountants

P S Nash
Partner

Melbourne
6 November 2000

Risk Management

ANZ has engendered a robust culture of sound risk management principles and processes throughout all lines of business and across all risk dimensions, and is committed to achieving global best practice in our risk management processes. During 2000 ANZ has continued to reduce risk across the Group by re-balancing the risk profile towards lower risk business.

Sale of Grindlays

The sale of Grindlays Bank was completed in July 2000. The transaction is a substantial step in our strategy to reduce the Group's risk and complexity. It reduced ANZ's exposure to high risk countries by approximately USD 4.6 billion and will enable us to improve our return on capital, through a lower tier one capital ratio more in line with our domestic peers.

Risk Management Processes

ANZ's risk management function supports the business objective of creating shareholder value. In order to establish a common 'language' for risk across all risk types, ANZ allocates economic capital to each line of business and key product areas. This enables business units and decision-makers to evaluate the real contribution of their activities against the risk capital they use, aligning the performance of individual managers with the interests of shareholders.

The Group's risk management processes are subject to oversight by the Risk Management Committee of the Board. This includes the review of risk portfolios and the establishment of prudential policies and controls. Core risk management functions, including market risk and corporate lending approvals are independent of the business units.

The Group's risk management processes have served to foster the development of a Risk Management culture within the lines of business and to enhance the awareness of risk across the Group's activities. In this context, 2000 saw substantial progress towards the objective of creating a culture of transparency and dialogue about risk at all levels within ANZ.

Credit Risk:

Credit risk is the potential financial loss resulting from the failure of a customer to honour fully the terms of a loan or contract. The Risk Management Committee of the Board approves a set of policy controls that aim to develop and maintain a well-diversified credit portfolio. The authority for individual credit decisions that are within policy has been delegated to the Credit and Trading Risk Committee. The Credit and Trading Risk Committee is also responsible for the ongoing development of credit policy, while at operational levels, all major lending decisions are made under dual authority, involving signoff by a separate and independent credit line.

The credit process is supported by an advanced risk grading system that allows for the objective measurement of the customer's default risk.

Under Group policy, the expected loss on the portfolio of credit risks is charged to profit and added to the general provision. ANZ believes that this expectation provides a better reflection of the fundamental risk of the portfolio for the year than the actual losses brought to account in that period. Actual credit losses are subsequently transferred from the general provision.

The improvement in the Group's risk profile is clearly reflected in its Economic Loss Provisioning (ELP). The ELP as a percentage of average net lending assets has declined from 0.43% in September 1999 to 0.39% as a result of lower risk in International (including the Grindlays sale) and strong mortgages growth in the Australian portfolio.

International

The sale of Grindlays has had significant impact on the International portfolio reducing the book by nearly 32% and also reducing risk. Higher risk exposures as a result of the Asian crisis continue to be managed down with focus being maintained on higher quality credit exposures and developing network business, particularly trade finance.

Australia and New Zealand

Strong growth in the mortgage lending book continues to influence the shape of the portfolio with continued strategic emphasis towards consumer related business. Within Australia and New Zealand, consumer related lending now accounts for 50% of on-balance sheet lending exposures (46% in 1999) with the mortgage lending portfolio increasing by 24%. The Corporate portfolio profile continues to improve driven by an emphasis towards lower risk lending. This reduction in risk and further diversification continues with no individual industry's exposures exceeding 10% of Australian and New Zealand lending assets.

R i s k M a n a g e m e n t

Traded Market Risk:

Trading risk is controlled by a specialist function within Group Risk Management. This function provides specific oversight of each of the main trading areas and is responsible for the establishment of Value at Risk and supplementary limits. ANZ has implemented models across all trading areas that provide Value at Risk information and comparison against risk limits on a daily basis. These models comply with the Australian Prudential Regulation Authority Prudential Supervision Statement C3 (Capital for Market Risk). Increasingly the principal focus of attention of the management of traded market risk is stress testing. Stress tests are conducted daily and the results are used to identify and rectify areas of excessive risk concentrations.

Balance Sheet Risk Management:

The balance sheet risk management process embraces the management of balance sheet interest rate risk, liquidity and risk to capital and earnings as a result of exchange rate movements. The objective of balance sheet management is to produce strong and stable net interest income over time. ANZ uses models to simulate the impact of interest rate changes on earnings and on the market value of the balance sheet. A specialist balance sheet management unit manages these risks and is overseen by the Group Asset and Liability Committee.

Operational Risk:

Operating risk arises from the potential break down of day to day operational processes, which directly or indirectly can result in loss. This may arise from failure to comply with policies, laws and regulations, from fraud or forgery or from a breakdown in the availability or integrity of services, systems and information.

A structured methodology is in place to support the business areas in the identification and management of key operating risks. The Operating Risk Executive Committee, supported by specialist staff, is responsible for the development and implementation of the policies surrounding operating risk. In light of the push towards greater reliance on automation of banking operations, more sophisticated banking products and disciplined cost management strategies, this element of our risk management framework will continue to receive increasing emphasis going forward.

During 2000, ANZ has initiated and completed a project to establish a sophisticated methodology for operational risk measurement and capital allocation. This process gives managers strong and clear incentives to reduce operational risks over time.

As a result of this process, ANZ has considerably extended the depth and breadth of operational risk awareness across the Group, and expects that the longer-term outcome will be a continuing improvement in its operational risk profile over a sustained period. The project also places ANZ in a strong position to contribute to the evolving discussions with other banks and regulators regarding the evolution of an appropriate methodology for determining minimum regulatory capital requirements for operational risk.

Financial Information

1: Cross Border Outstandings

Cross border outstandings of the Group to countries which individually represented in excess of 0.75% of the Group's total assets and certain selected countries are shown below. There were no cross border outstandings to any other country exceeding 0.75% of total assets.

Cross border foreign outstandings are based on the country of domicile of the borrower or guarantor of the ultimate risk and comprise loans (including accrued interest), placements with banks, acceptances and other monetary assets denominated in currencies other than the borrower's local currency. For certain countries, local currency obligations are also included. Cross border foreign outstandings are before specific and general provisions.

	Governments and other official institutions \$M	Banks and other financial institutions \$M	Other commercial and industrial \$M	Total \$M	% of Group assets
At 30 September 2000					
United Kingdom	49	1,189	4,312	5,550	3.2
New Zealand	–	280	4,364	4,644	2.7
USA	–	174	2,591	2,765	1.6
Japan ¹	–	898	1,418	2,316	1.3
France	–	617	1,537	2,154	1.2
Germany	–	443	1,642	2,085	1.2
South Korea ¹	–	1,666	187	1,853	1.1
Hong Kong ¹	–	175	1,572	1,747	1.0
Singapore ¹	–	253	1,043	1,296	0.8
India ¹	–	347	593	940	0.5
Taiwan ¹	–	415	487	902	0.5
China ¹	–	400	465	865	0.5
Brazil ¹	–	367	320	687	0.4
Indonesia ¹	75	186	322	583	0.3
Philippines ¹	–	298	250	548	0.3
At 30 September 1999					
United Kingdom	74	760	3,789	4,623	3.1
India ¹	6	1,022	2,982	4,010	2.7
New Zealand	–	348	2,609	2,957	2.0
USA	9	283	2,379	2,671	1.8
Germany	5	390	2,079	2,474	1.7
Japan ¹	2	621	1,675	2,298	1.5
U.A.E ¹	–	681	1,298	1,979	1.3
South Korea ¹	–	1,257	306	1,563	1.0
France	8	472	808	1,288	0.9
Switzerland	–	665	580	1,245	0.8
Pakistan ¹	–	274	804	1,078	0.7
Hong Kong ¹	–	219	692	911	0.6
China	–	349	453	802	0.5
Brazil	–	429	328	757	0.5
Singapore ¹	–	196	537	733	0.5
Taiwan ¹	–	285	415	700	0.5
Indonesia ¹	–	205	355	560	0.4

¹ Includes local lending in local currency

Financial Information

2: Certificates of Deposit and Term Deposit Maturities

The following table shows the maturity profile of the Group's certificates of deposit and term deposits in excess of \$100,000 issued at 30 September 2000

	Less than 3 months \$M	Between 3 months and 6 months \$M	Between 6 months and 12 months \$M	After 1 year \$M	Total \$M
Australia					
Certificates of deposit	5,043	1,083	48	1,480	7,654
Term deposits	10,048	864	565	226	11,703
	15,091	1,947	613	1,706	19,357
Overseas					
Certificates of deposit	3,340	284	2,412	240	6,276
Term deposits	10,114	781	612	262	11,769
	13,454	1,065	3,024	502	18,045
Total	28,545	3,012	3,637	2,208	37,402

3: Volume and Rate Analysis

The following table allocates changes in interest income and interest expense between changes in volume and changes in rate for the past two years. Volume and rate variances have been calculated on the movement in average balances and the change in the interest rates on average interest earning assets and average interest bearing liabilities. The variance caused by the change of both volume and rate has been allocated in proportion to the relationship of the absolute dollar amounts of each change to the total.

	2000 over 1999 Change due to			1999 over 1998 Change due to		
	Volume \$M	Rate \$M	Total \$M	Volume \$M	Rate \$M	Total \$M
Interest earning assets						
Due from other financial institutions						
Australia	(4)	21	17	18	(3)	15
New Zealand	(9)	7	(2)	12	(7)	5
Overseas markets	(5)	6	1	(324)	(25)	(349)
Regulatory deposits with						
Reserve Bank of Australia	–	–	–	–	–	–
Investments in public securities						
Australia	10	57	67	(7)	(25)	(32)
New Zealand	1	12	13	(46)	(42)	(88)
Overseas markets	(36)	(7)	(43)	(186)	25	(161)
Loans, advances and bills discounted						
Australia	906	280	1,186	743	(348)	395
New Zealand	107	83	190	54	(319)	(265)
Overseas markets	17	–	17	(53)	(20)	(73)
Other assets						
Australia	6	10	16	(28)	(2)	(30)
New Zealand	4	2	6	(13)	(21)	(34)
Overseas markets	12	87	99	(138)	(51)	(189)
Intragroup assets						
Overseas markets	88	(56)	32	240	(17)	223
Change in interest income	1,097	502	1,599	272	(855)	(583)
Intragroup elimination	(88)	56	(32)	(240)	17	(223)
	1,009	558	1,567	32	(838)	(806)

Financial Information

3: Volume and Rate Analysis (continued)

	Volume \$M	2000 over 1999 Change due to Rate \$M	Total \$M	Volume \$M	1999 over 1998 Change due to Rate \$M	Total \$M
Interest bearing liabilities						
Time deposits						
Australia	175	204	379	87	(54)	33
New Zealand	6	64	70	(25)	(226)	(251)
Overseas markets	40	19	59	(217)	(154)	(371)
Savings deposits						
Australia	4	41	45	7	9	16
New Zealand	(12)	7	(5)	15	(34)	(19)
Overseas markets	(12)	(15)	(27)	2	(5)	(3)
Other demand deposits						
Australia	95	164	259	54	(8)	46
New Zealand	(6)	14	8	(17)	(59)	(76)
Overseas markets	(6)	–	(6)	2	(6)	(4)
Due to other financial institutions						
Australia	(2)	5	3	(5)	–	(5)
New Zealand	(5)	5	–	(8)	(28)	(36)
Overseas markets	24	51	75	(92)	(55)	(147)
Commercial paper						
Australia	78	42	120	2	(3)	(1)
Overseas markets	26	27	53	92	(5)	87
Borrowing corporations' debt						
Australia	30	(7)	23	15	(30)	(15)
New Zealand	4	–	4	–	(18)	(18)
Loan capital, bonds and notes						
Australia	245	39	284	45	(22)	23
New Zealand	11	3	14	(1)	(5)	(6)
Overseas markets	(7)	4	(3)	(2)	(4)	(6)
Other liabilities						
Australia	(11)	13	2	(21)	(56)	(77)
New Zealand	(43)	118	75	(154)	95	(59)
Overseas markets	(60)	39	(21)	(90)	56	(34)
Intragroup liabilities						
Australia	26	(20)	6	199	(56)	143
New Zealand	54	(28)	26	42	38	80
Change in interest expense	654	789	1,443	(70)	(630)	(700)
Intragroup elimination	(80)	48	(32)	(241)	18	(223)
	574	837	1,411	(311)	(612)	(923)
Change in net interest income	435	(279)	156	343	(226)	117

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4: Concentrations of Credit Risk

Concentrations of credit risk exist if a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. Off balance sheet transactions of the Group are substantially with other banks.

	2000		1999		1998	
	Loans and advances ¹ \$M	Specific provision \$M	Loans and advances ¹ \$M	Specific provision \$M	Loans and advances ¹ \$M	Specific provision \$M
Australia						
Agriculture, forestry, fishing and mining	4,157	34	4,288	12	3,648	11
Business service	2,206	6	1,717	5	2,632	3
Entertainment, leisure and tourism	2,062	4	2,007	25	1,952	19
Financial, investment and insurance	5,532	1	4,438	5	4,501	3
Government and official institutions	103	–	106	–	63	–
Lease finance	2,821	8	3,585	5	3,505	4
Manufacturing	4,236	19	3,815	19	2,586	24
Personal ²	9,889	131	9,280	94	7,112	96
Real estate – construction	1,376	7	1,376	6	1,293	6
Real estate – mortgage ³	46,751	9	35,862	48	28,924	64
Retail and wholesale trade	5,691	24	4,946	23	4,860	19
Other	4,196	17	3,835	39	3,599	48
	89,020	260	75,255	281	64,675	297
Overseas						
Agriculture, forestry, fishing and mining	2,429	12	2,131	17	2,118	27
Business service	274	1	550	7	536	8
Entertainment, leisure and tourism	505	6	665	4	657	3
Financial, investment and insurance	1,952	128	2,214	156	2,843	66
Government and official institutions	627	25	750	–	821	30
Lease finance	504	–	405	1	115	–
Manufacturing	4,781	118	6,493	213	6,733	193
Personal ²	1,876	16	2,304	35	3,509	20
Real estate – construction	820	36	753	32	799	41
Real estate – mortgage ³	10,628	16	9,645	25	8,825	19
Retail and wholesale trade	1,950	35	2,010	72	2,180	37
Other	4,266	56	4,376	64	4,100	78
	30,612	449	32,296	626	33,236	522
Total portfolio	119,632	709	107,551	907	97,911	819

Financial Information

4: Concentrations of Credit Risk (continued)

	1997		1996	
	Loans and advances ¹ \$M	Specific provision \$M	Loans and advances ¹ \$M	Specific provision \$M
Australia				
Agriculture, forestry, fishing and mining	2,716	12	2,038	21
Business service	1,488	5	950	27
Entertainment, leisure and tourism	1,392	28	1,302	18
Financial, investment and insurance	3,997	6	2,472	22
Government and official institutions	68	–	70	–
Lease finance	3,152	5	3,116	8
Manufacturing	2,446	29	2,998	17
Personal ²	6,229	90	7,384	35
Real estate – construction	1,216	8	857	12
Real estate – mortgage ³	26,095	54	23,518	82
Retail and wholesale trade	4,375	14	4,210	51
Other	3,398	64	3,008	53
	56,572	315	51,923	346
Overseas				
Agriculture, forestry, fishing and mining	2,439	4	1,471	4
Business service	346	6	439	6
Entertainment, leisure and tourism	555	–	393	3
Financial, investment and insurance	3,189	4	4,493	23
Government and official institutions	656	–	377	3
Lease finance	299	–	284	–
Manufacturing	5,172	53	3,722	55
Personal ²	2,852	12	3,115	15
Real estate – construction	900	8	753	16
Real estate – mortgage ³	9,412	2	8,034	8
Retail and wholesale trade	1,851	15	1,711	28
Other	2,781	34	2,254	2
	30,452	138	27,046	163
Total portfolio	87,024	453	78,969	509

¹ Loans and advances exclude acceptances

² Personal includes non-business loans to individuals through overdrafts, personal loans, credit cards and fully drawn advances

³ Real estate mortgage includes residential and commercial property exposure. Loans within this category are for the purchase of such properties and must be secured by property

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5: Doubtful Debts – Industry Analysis

	2000 \$M	1999 \$M	1998 \$M	1997 \$M	1996 \$M
Balance at start of year	2,302	2,220	1,883	1,617	1,758
Adjustment for exchange rate fluctuations	37	(79)	34	16	(16)
Bad debts written off (refer (i) below)	(539)	(382)	(221)	(199)	(346)
Charge to profit and loss account	502	510	487	400	175
Recoveries (refer (ii) below)	46	33	37	49	46
Other ¹	(266)	–	–	–	–
Total provisions for doubtful debts	2,082	2,302	2,220	1,883	1,617
(i) Total write-offs by industry					
Australia					
Agriculture, forestry, fishing and mining	(12)	(6)	(4)	(5)	(11)
Business service	(5)	(4)	(4)	(3)	(17)
Entertainment, leisure and tourism	(10)	(3)	(3)	(11)	(19)
Financial, investment and insurance	(3)	(28)	(3)	(8)	(8)
Lease finance	(9)	(5)	(5)	(5)	(12)
Manufacturing	(11)	(18)	(11)	(10)	(49)
Personal ²	(133)	(67)	(81)	(55)	(46)
Real estate – construction	(5)	(8)	(5)	(6)	(6)
Real estate – mortgage	(51)	(16)	(40)	(26)	(77)
Retail and wholesale trade	(28)	(19)	(14)	(11)	(33)
Other	(8)	(48)	(4)	(4)	(23)
Overseas					
Other	(264)	(160)	(47)	(55)	(45)
Total write-offs	(539)	(382)	(221)	(199)	(346)
(ii) Total recoveries by industry					
Australia					
Agriculture, forestry, fishing and mining	4	–	–	4	3
Business service	–	–	3	1	1
Entertainment, leisure and tourism	1	–	1	1	2
Financial, investment and insurance	4	3	1	2	3
Lease finance	2	2	3	2	3
Manufacturing	5	1	4	4	2
Personal ²	9	8	10	9	9
Real estate – construction	1	–	1	–	1
Real estate – mortgage ³	4	1	2	7	9
Retail and wholesale trade	2	–	1	2	2
Other	2	2	1	7	2
Overseas					
Other	12	16	10	10	9
Total recoveries	46	33	37	49	46
Net write-offs	(493)	(349)	(184)	(150)	(300)
Ratio of net write-offs to average loans and acceptances	0.4%	0.3%	0.2%	0.1%	0.3%

¹ Includes \$266 million reduction from the sale of Grindlays

² Personal includes non-business loans to individuals through overdrafts, personal loans, credit cards and fully drawn advances

³ Real estate mortgage includes residential and commercial property exposure. Loans within this category are for the purchase of such properties and must be secured by property

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6: Short Term Borrowings

The Group's short-term borrowings comprise commercial paper, as well as unsecured notes issued by subsidiary borrowing corporations with an original term to maturity of less than one year. The Group has commercial paper programs in the United States, where it issues paper through ANZ (Delaware) Inc., and in Europe and Asia, where the Group issues paper direct.

	2000 \$M	1999 \$M	1998 \$M
Balance at end of year			
Commercial paper – ANZ (Delaware) Inc.	4,416	3,757	184
Commercial paper – other	6,098	4,836	3,264
Unsecured notes	98	856	683
Weighted average interest rate at end of year			
Commercial paper – ANZ (Delaware) Inc.	6.50%	5.27%	5.25%
Commercial paper – other	6.20%	4.69%	6.96%
Unsecured notes	5.57%	4.25%	6.71%
Maximum amount outstanding at any month end during year			
Commercial paper – ANZ (Delaware) Inc.	5,503	4,063	1,870
Commercial paper – other	6,209	4,847	4,555
Unsecured notes	742	858	686
Average amount outstanding during year			
Commercial paper – ANZ (Delaware) Inc.	3,079	2,597	490
Commercial paper – other	5,256	3,844	4,036
Unsecured notes	504	800	570
Weighted average interest rate during year			
Commercial paper – ANZ (Delaware) Inc.	5.84%	4.89%	5.51%
Commercial paper – other	5.83%	4.86%	4.96%
Unsecured notes	4.86%	4.53%	6.06%

GLOSSARY

Corporate Financial Services comprises Corporate and Institutional Banking, Structured Finance, Foreign Exchange, Capital Markets, Asset Finance, Global Transaction Services and Business e-Commerce operations in Australia, New Zealand, UK, Europe and the Americas. Corporate Financial Services provides a range of products and services to commercial customers from middle market companies to large corporates and institutions. Products include commercial bill lending, term lending, corporate and project financing, originations and syndications, tax based financing, transaction banking, insurance services, trade finance services, and asset based financing including motor vehicle and equipment leasing and hire purchase. The foreign exchange and capital markets operations provide foreign exchange and financial risk management products for customers. Business e-Commerce operations cover electronic business to business interactions such as secure online payments, direct and indirect procurement and on-line foreign exchange transactions.

Economic loss provisioning (ELP) charge is determined based on the expected average annual loss of principal derived from the Group's risk management models.

Equity standardisation Economic Value Added (EVATM) 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, Jersey, Switzerland and United Kingdom.

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

South Asia includes Bangladesh, India, Nepal and Sri Lanka (operations in these countries sold on 31 July 2000).

Americas includes United States of America.

Middle East includes Bahrain, Greece, Iran, Israel, Jordan, Pakistan, Palestine, Qatar and United Arab Emirates (operations in these countries sold on 31 July 2000).

Group comprises the results of asset and liability management, earnings on central capital, costs relating to hedging capital positions and certain central costs not recharged to business units.

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.

International comprises the result of operations outside Australia and New Zealand for Personal Banking (including Private Banking and Funds Management) and the Foreign Exchange, Capital Markets, Business Banking and Structured Finance operations of other countries, excluding the mature markets of UK, Europe and Americas. Products include trade finance, personal banking services, project and corporate finance, syndications and foreign exchange and financial risk management services. International also includes the recently announced joint e-venture with Overseas Chinese Banking Corporation.

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

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

Net interest spread is 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.

G L O S S A R Y

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

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

Operating expenses exclude charge for doubtful debts and abnormal items.

Overseas geographic segment includes the results of all operations outside Australia (except for Net Loans and Advances where this includes the results of all operations outside Australia and New Zealand).

Personal Financial Services comprises Personal Banking (including Private Banking) and Funds Management operations in Australia and New Zealand. Personal Financial Services provides a wide range of services and products to consumers and small and medium sized businesses. Products include current account facilities, credit card services, EFTPOS, electronic banking services, term deposits, money market and savings accounts, foreign exchange services, payroll, superannuation, insurance services, fixed and variable rate residential mortgage loans, overdraft facilities and term loans and other consumer and commercial loans. The funds management operations provide financial planning, estate planning and management, insurance, superannuation and investment management.

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

NOTES

