

**Australia and New Zealand
Banking Group Limited**
ACN 005 357 522

**Consolidated Results
and
Dividend Announcement**

**Year Ended
30 September 1997**



FOR PRIORITY TRANSMISSION

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

Report for the year ended 30 September 1997

A\$ Million

Group operating revenue		
- before abnormal items		11,846
- after abnormal items		11,991
Group operating profit after income tax and outside equity interests		
- before abnormal items		1,171
- after abnormal items		1,024
Group net abnormal (loss) after tax		(147)
Final dividend per share		
This year	fully franked at 36%	26 cents
Last year	fully franked at 36%	24 cents
Books close for final ordinary dividend		12 December 1997
Payment of final ordinary dividend		21 January 1998

The final dividend will be payable to shareholders registered in the books of the Company at close of business on 12 December 1997. Transfers must be lodged before 5:00 pm on that day to participate.

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED
ACN 005 357 522
CONSOLIDATED RESULTS AND DIVIDEND ANNOUNCEMENT
Year Ended 30 September 1997

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All amounts are in Australian dollars unless otherwise stated. The results on which this announcement is based have been audited by the Group's auditors, KPMG. The Company has a formally constituted Audit and Compliance Committee of the Board of Directors. This report was approved by resolution of a Committee of the Board of Directors on 19 November 1997.

HIGHLIGHTS

- Underlying profit after tax¹ up 17% to \$1,308 million, with Australia up 16% and the rest of the world up 19%
- Final dividend increased to 26 cents, making 48 cents for the year fully franked, up 14%
- Additional general provision transfer of \$137 million
- Abnormal charge after tax of \$147 million, comprising restructuring costs less NHB interest
- Operating profit after tax and abnormals of \$1,024 million
- Non-accrual loans at \$872 million, down 29%
- Growth in total assets of 8%

¹ See definition on page 48

CONSOLIDATED RESULTS

	1997 \$M	1996 \$M	Movt %
Before additional general provision and abnormal items			
Operating profit before income tax and abnormal items	1,895	1,615	17%
Income tax expense	(579)	(490)	18%
Outside equity interests	(8)	(9)	-11%
Underlying profit after tax	1,308	1,116	17%
Before abnormal items			
Operating profit before income tax and abnormal items	1,758	1,615	9%
Income tax expense	(579)	(490)	18%
Outside equity interests	(8)	(9)	-11%
Operating profit after income tax and before abnormal items	1,171	1,116	5%
After abnormal items			
Operating profit after income tax and before abnormal items	1,171	1,116	5%
Abnormal (loss) after tax	(147)	-	n/a
Operating profit after income tax and abnormal items	1,024	1,116	-8%

FINANCIAL HIGHLIGHTS (continued)

PERFORMANCE MEASUREMENTS

	1997	1996
Profitability ratios		
Before additional general provision and abnormal items		
Return on:		
Average shareholders' equity ¹	18.9%	18.3%
Average assets	1.0%	0.9%
Average risk weighted assets	1.3%	1.3%
Total income	11.0%	9.8%
After abnormal items		
Return on:		
Average shareholders' equity ¹	14.8%	18.3%
Average assets	0.7%	0.9%
Average risk weighted assets	1.0%	1.3%
Total income	8.5%	9.8%
Net interest average margin	3.0%	3.3%
Efficiency ratios²		
Operating expenses to net operating income	64.9%	67.3%
Operating expenses to average assets	2.7%	3.0%
Doubtful debts charge		
Specific provision charge for doubtful debts (\$M)	86	117
General provision charge for doubtful debts (\$M)	201	37
Specific provision charge as a % of average net advances	0.1%	0.1%
Earnings per share (cents)		
Basic		
Before abnormal items	78.4	76.3
After abnormal items	68.6	76.3
Diluted		
Before abnormal items	78.2	76.1
After abnormal items	68.4	76.1
DIVIDENDS		
Dividend rate (cents)		
Interim - fully franked (1996: franked to 9 cents)	22	18
Final - fully franked (1996: fully franked)	26	24

¹ Excluding outside

equity interests

² Before abnormal items

FINANCIAL HIGHLIGHTS (continued)

ASSETS AND CAPITAL

	1997	1996	Movt %
Total assets (\$M)	138,241	127,604	8%
Risk weighted assets (\$M)	106,147	93,517	14%
Shareholders' equity ¹ (\$M)	6,943	6,290	10%
Total advances (\$M)	101,405	92,572	10%
Net tangible assets ² per share (\$)	4.59	4.24	8%
Capital adequacy ratio (%)			
- Tier 1	6.6%	6.7%	n/a
- Total	9.8%	10.5%	n/a
General provision as a % of risk weighted assets	0.9%	0.8%	n/a
Non-accrual loans (\$M)			
Non-accrual loans	872	1,225	-29%
Specific provisions	(444)	(501)	-11%
Net non-accrual loans	428	724	-41%
Specific provision as a % of total non-accrual loans	50.9%	40.9%	n/a
Net non-accrual loans as a % of net advances	0.4%	0.8%	n/a
Net non-accrual loans as a % of shareholders' equity ³	6.1%	11.4%	n/a

Excluding

outside equity interests

² Including net future income tax benefit

³ Includes outside equity interests

CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS

Overview

Australia and New Zealand Banking Group Limited recorded a 17% increase in underlying profit after tax for the year ended 30 September 1997 to \$1,308 million. This was prior to an additional transfer to the general provision of \$137 million and abnormal items of \$147 million (both after tax) leading to an operating profit after tax and abnormal items of \$1,024 million.

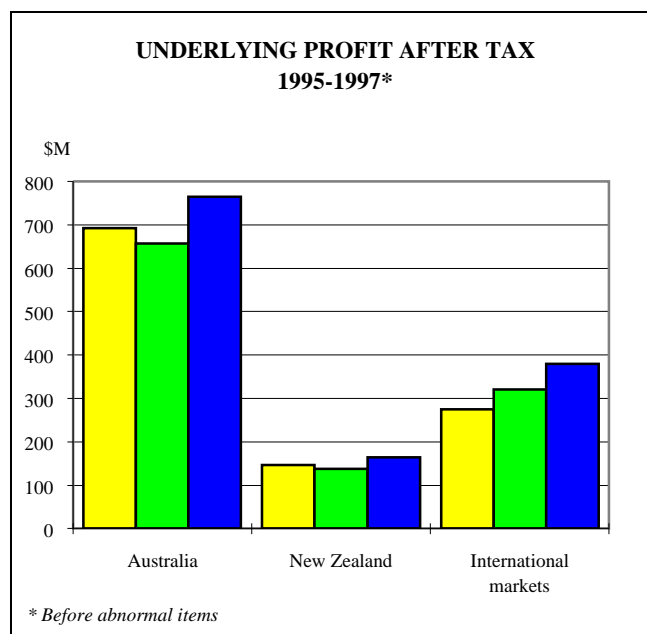
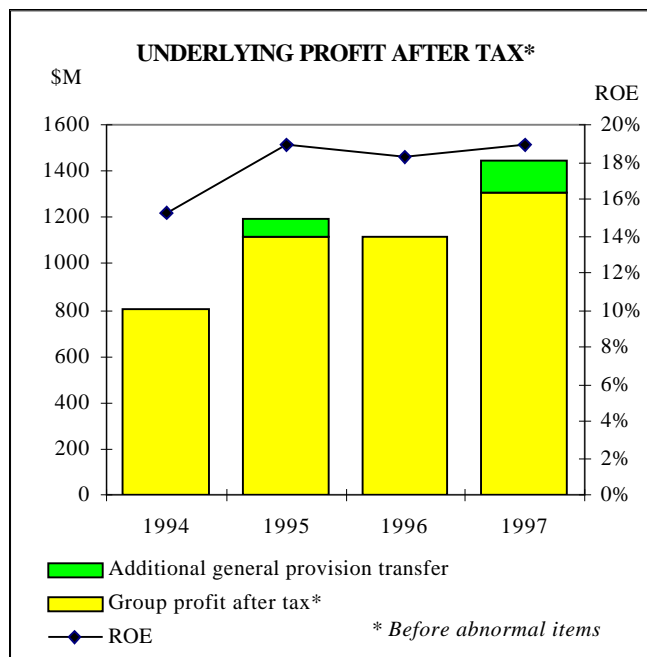
Interest margins declined reflecting competitive pressures and falling interest rates. Despite this, net interest income increased by 3% from strong growth in business lending in Australia and across the international network, particularly South Asia, Asia Pacific and the Middle East.

Non-interest income was strong with growth of 15%. Good trading performances in buoyant global markets led to the significant increase in trading, fee and other income. There was also growth in the Cards business and increased retail transaction fees.

Core costs increased by 2%. Staff numbers in Australia and New Zealand declined as a result of branch closures and increased automation and centralisation of processes particularly in retail banking and Esanda. Non-lending losses were favourable, particularly in the second half. These were offset, however, by higher profit related bonuses in our investment banking activities together with the fees of the consultants engaged on the ANZ Global program.

There was again a low specific provision charge for doubtful debts of \$86 million, and a further fall in non-accrual loans. In recognition that loan losses would normally be higher than current levels across the economic cycle, an additional general provision transfer of \$137 million was made. This was based on the annual average provision implied in our portfolio risk management models and is not linked to any need to provide against specific regions, industries or individual borrowers. The general provision now stands at 0.9% of risk weighted assets, well in excess of the Reserve Bank of Australia guideline of 0.5%.

Cost reduction is a major priority for the Group. We are proceeding with the implementation of ANZ Global. The change programs resulted in a \$417 million before tax restructuring charge. This amount covers both completed restructuring programs and those ANZ Global projects in train to which the Group is demonstrably committed. Of this charge, \$327 million is abnormal.



CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS (continued)

The effective tax rate is 32.9% (1996: 30.3%), impacted by the increased general provision charge and the level of rebateable dividends.

The Arbitrators of the long running dispute with the National Housing Bank of India ("NHB") handed down their award in the Group's favour on 29 March. The NHB has repaid the deposit together with interest at 18% in accordance with the decision. Given its size, the \$65 million interest receipt (after tax) is disclosed as an abnormal item. Subsequently, NHB filed documents with the relevant Court to challenge the award. ANZ is confident that the award will stand.

The final dividend is increased to 26 cents per share, fully franked, bringing the full year dividend to 48 cents per share compared to 42 cents for 1996. We said last year that there would be some limit on our future franking capacity as the proportion of Group profits earned offshore increases. Furthermore, the restructuring costs do impact our franking capacity. As a result, we do not expect that dividends in 1998 will be fully franked.

At year end, the Group had total assets of \$138 billion, shareholders' equity of \$6.9 billion, and a Tier 1 capital ratio of 6.6%.

PROFIT AND LOSS

	1997 \$M	1996 \$M
Net interest income	3,413	3,317
<u>Other operating income</u>	<u>2,415</u>	<u>2,096</u>
Net operating income	5,828	5,413
<u>Operating expenses</u>	<u>(3,783)</u>	<u>(3,644)</u>
Operating profit before debt provisions	2,045	1,769
Provisions for doubtful debts	(287)	(154)
Income tax expense	(579)	(490)
<u>Outside equity interests</u>	<u>(8)</u>	<u>(9)</u>
Operating profit after income tax before abnormal items	1,171	1,116
Abnormal (loss) before tax	(182)	-
<u>Income tax benefit - abnormal items</u>	<u>35</u>	<u>-</u>
Abnormal (loss) after tax	(147)	-
<u>Operating profit attributable to members of the Company</u>	<u>1,024</u>	<u>1,116</u>

CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS (continued)

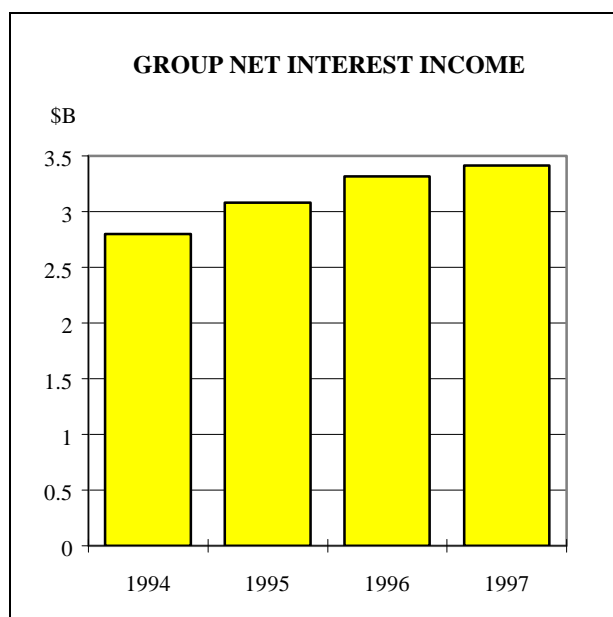
Net interest income

	1997 \$M	1996 \$M
Interest income	9,431	9,286
Interest expense	(6,018)	(5,969)
Net interest income	3,413	3,317
Interest spread and net interest average margin	%	%
Gross interest spread	2.48	2.67
Interest forgone on impaired assets	(0.06)	(0.10)
Net interest spread	2.42	2.57
Interest attributable to net non-interest bearing items	0.60	0.77
Net interest average margin	3.02	3.34
Average interest earning assets (\$M)	113,142	99,671

Net interest income grew by 3% as asset growth offset reduced margins in the domestic markets.

Competitive pressures in Australia and New Zealand led to the 19 point decline in gross interest spread. Lower levels of non-accrual loans and lower interest rates reduced the related funding costs. However, the lower interest rates also reduced the earning rate on non-interest bearing items, resulting in a 32 point reduction in overall margins.

The reduction in margins was more than offset by strong growth in interest earning assets in International markets, particularly South Asia, Asia Pacific and the Middle East, the investment bank and business lending in Australia.



CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS (continued)

Other operating income

	1997 \$M	1996 \$M
Fee income		
Lending	570	550
Other including commissions	964	854
Total fee income	1,534	1,404
Foreign exchange earnings	245	231
Profit on trading instruments	192	113
Other income	444	348
Total other operating income	2,415	2,096

Non-interest income increased by 15%. Strong growth in our Cards business together with higher transaction and corporate advisory fees lifted fee income.

Foreign exchange continues to be a stable core business. Good trading performances in buoyant global markets led to the significant increase in trading, fee and other income. The Group is involved in investment banking capital markets activities. This portion of the Group's earnings is sensitive to asset prices in the global financial markets. Profits before tax from these activities were \$208 million in 1997 (1996: \$100 million). Refer page 32.

Strong growth in operating lease income and the profit on the sale of the Omani operation also lifted other income.

Operating expenses

Personnel expenses	1,949	1,805
Premises expenses	362	385
Computer expenses	330	328
Other expenses	715	774
Total core operating expenses	3,356	3,292
Direct income-related expenditure	337	295
Restructuring costs ¹	90	57
Total operating expenses	3,783	3,644
Employees (FTE)	35,926	39,721

¹ In addition, restructuring costs of \$327 million have been treated as abnormal in the year ended 30 September 1997

Core costs increased by 2%. Staff numbers in Australia and New Zealand declined as a result of branch closures and increased automation and centralisation of processes particularly in retail banking and Esanda, albeit there were higher overtime and temporary staff costs relating to these major change programs. Personnel costs grew by 8% as a result of higher performance related bonuses in our investment banking activities and higher overtime and temporary staff costs. The recruitment of relatively highly paid professional staff in the investment bank and the impact of high salary inflation in South Asia and Middle East also contributed to the increase in personnel expenses.

Premises costs fell due to branch closures while computer expenses were steady. Expansion of our Cards and operating lease business underpinned the growth in direct income-related costs.

Other expenses fell reflecting a favourable non-lending loss experience both in Australia and following resolution of certain Indian scam related issues in the second half.

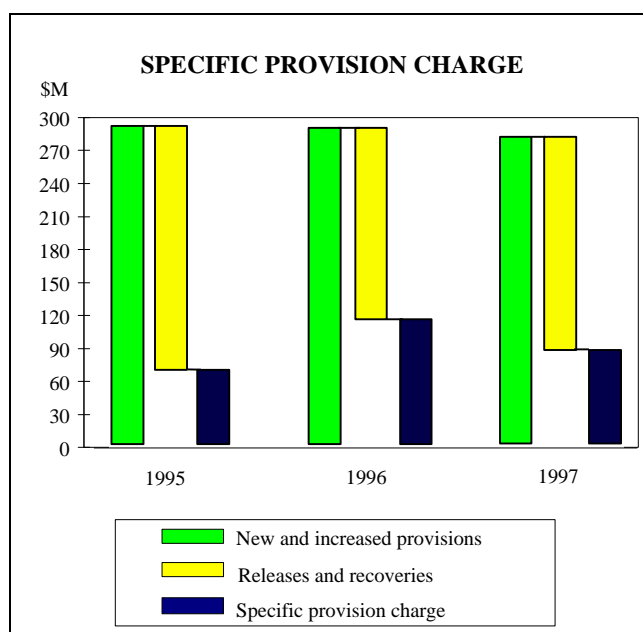
CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS (continued)

Provisions for doubtful debts

	1997 \$M	1996 \$M
Specific provision charge (credit)		
Australia	95	108
New Zealand	(8)	11
Principal domestic markets	87	119
International markets	(1)	(2)
Total specific provision charge	86	117
General provision charge	201	37
Total provisions for doubtful debts	287	154

The specific provision charge fell by 26%, reflecting continued good credit conditions and experience. New and increased provisions were slightly down while releases and recoveries were also favourable to last year.

The general provision charge was \$201 million, including an additional transfer of \$137 million. The latter was in recognition that loan losses would normally be higher than current levels across the economic cycle. The additional general provision transfer was based on the annual average provision implied in our portfolio risk management models and is not linked to any need to provide against specific regions, industries or individual borrowers. The general provision now stands at 0.9% of risk weighted assets, well in excess of the Reserve Bank of Australia guideline of 0.5%.

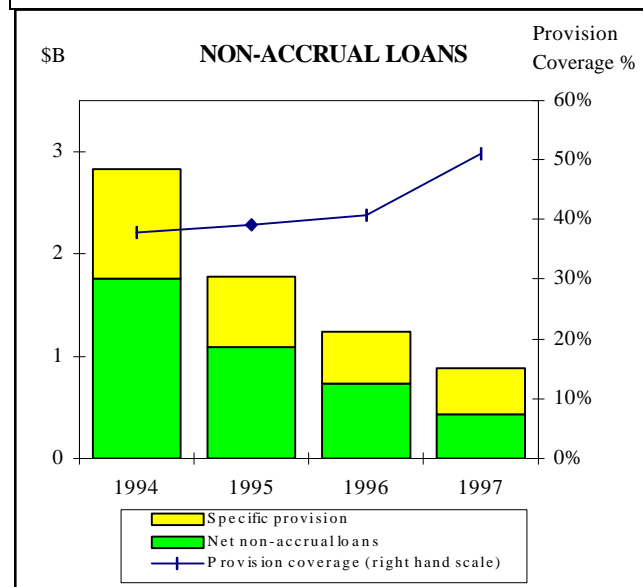


Non-accrual loans

Gross non-accruals were reduced by \$353 million to \$872 million through asset realisations and reduced new non-accrual loans.

Net non-accrual loans fell to \$428 million and represent 6% of shareholders' equity at September 1997, down from 11% in 1996.

The Group remains well provided with the coverage ratio (specific provisions to gross non-accrual loans) now above 50%.



CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS (continued)

Balance Sheet

Group assets grew by 8%.

Good lending growth was achieved, particularly in business lending in Australia, the investment bank and international markets (South Asia, Asia Pacific and the Middle East).

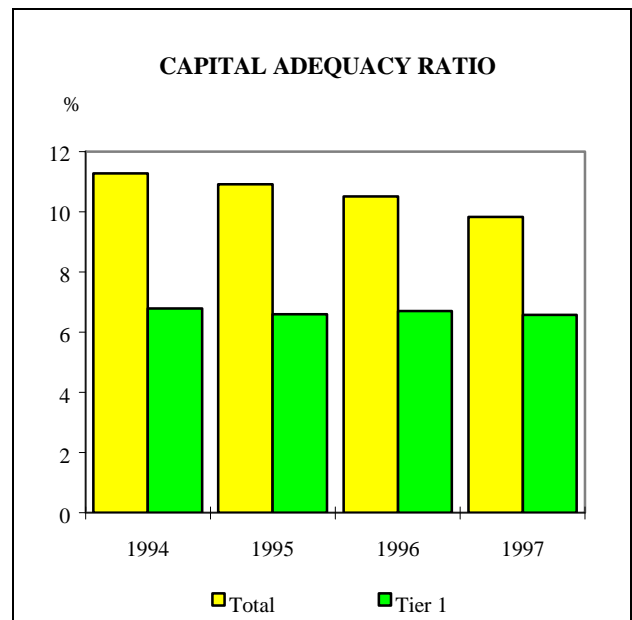
Funding for asset growth came from the wholesale market, as well as from increased retail and corporate deposits.

Total shareholders' equity increased to \$7 billion and capital resources increased to \$10.4 billion, after the redemption of some subordinated debt.

	1997	1996
BALANCE SHEET	\$B	\$B
Assets		
Interbank balances	11.6	11.4
Loan portfolio	98.2	89.9
Trading and investment securities	10.4	9.9
Other	18.0	16.4
	<u>138.2</u>	<u>127.6</u>
Liabilities and equity		
Interbank balances	10.9	12.7
Deposits and borrowings	89.2	79.7
Acceptances	14.0	14.0
Other	13.7	11.3
Capital resources	10.4	9.9
	<u>138.2</u>	<u>127.6</u>

Capital adequacy

The Reserve Bank of Australia's guideline ratio of qualifying capital to risk weighted assets is a minimum of 8.0%, of which Tier 1 capital must be at least 4.0%. The Group's capital adequacy ratio is 9.8%, with a Tier 1 ratio of 6.6%, down 0.1% from September 1996. Retained earnings and dividend reinvestment supported the 14% growth in risk weighted assets achieved over the year. The Group seeks to maintain the Tier 1 ratio in the range of 6.5% to 7.0%.



CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS (continued)

Risk management

Effective management of risk is a core competency of all major financial institutions. The major risk areas are broadly defined as follows:

- **Credit Risk** - risk of financial loss from the failure of customers to honour fully the terms of a credit facility.
- **Market Risk** - comprises balance sheet and trading risk which involve risk to earnings and capital from changes in interest rates and liquidity, currency fluctuations, foreign currency capital fluctuations, equity and commodity prices.
- **Operating Risk** - the risks of day to day business operations, including preparedness to recover from a disaster, processing and settling of transactions, safeguarding of assets and adherence to laws and regulations etc.

These risks are managed within an overall risk management framework that provides defined standards, policies and processes and is co-ordinated by Group Risk Management.

The risk management processes are subject to the oversight of the Risk Management Committee of the Board. This includes the review of risk exposures and credit portfolio strategy, policy, process and controls (including establishing approval authorities for the management of exposures).

Specialist units assist the Risk Management Committee in its oversight capacity and are responsible for the strategic co-ordination of risk matters. For example, with respect to credit risk management, the Board has delegated specific credit authority limits to the Credit Approvals Committee. The Global Funds Management Committee co-ordinates matters relating to market risk. The Operating Risk Executive Committee maintains and reviews operating risk policy and monitors operating practices.

We have reviewed our exposures in Asia and are satisfied that there are no immediate concerns. Non-accrual loans in Asia total \$16 million and loans to higher risk counterparties (equivalent to a Moody's rating of B+ or less) total \$111 million. Further information is provided at Appendix A.

CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS (continued)

AUSTRALIA

	1997	1996	Movt %
Operating profit before debt provisions ¹ (\$M)	1,158	1,016	14%
Underlying profit after tax ¹ (\$M)	764	657	16%
<u>Operating profit after tax¹ (\$M)</u>	<u>627</u>	<u>657</u>	<u>-5%</u>
Operating profit after tax ¹ as a % of average risk weighted assets	1.0%	1.2%	n/a
Operating expenses to net operating income ¹	69.0%	70.7%	n/a
<u>Operating expenses¹ to average assets</u>	<u>3.3%</u>	<u>3.5%</u>	<u>n/a</u>
Specific provision charge as a % of average net advances	0.1%	0.2%	n/a
Net non-accrual loans (\$M)	313	586	-47%
<u>Net non-accrual loans as a % of net advances</u>	<u>0.4%</u>	<u>0.9%</u>	<u>n/a</u>
Lending growth (%)	8.9%	9.8%	n/a
Total assets (\$M)	80,321	75,110	7%
<u>Risk weighted assets (\$M)</u>	<u>66,687</u>	<u>59,681</u>	<u>12%</u>
<u>Employees (FTE)</u>	<u>21,113</u>	<u>23,727</u>	<u>-11%</u>

¹ Before abnormal items

Notwithstanding competitive pressures, underlying profit after tax showed strong growth of 16%. Operating profit after tax was impacted by the additional general provision charge of \$137 million.

Reduced housing margins, together with falling interest rates, resulted in a decline in overall margins. However, this was offset by good growth in business lending and, to a lesser extent, housing lending.

Strong growth in the Cards business through the co-branded Telstra/Qantas card and higher transaction fee income lifted total fee income. Strong trading profits and corporate advisory fees, together with the impact of market appreciation on the life surplus also boosted total income. Operating expenses were higher with increased personnel costs reflecting higher profit share. The retail transformation programs resulted in the closure of 200 branches and staff numbers falling by 11%. Esanda's operations also underwent major transformation during the year which will result in significant efficiency improvements.

Our Funds Management activities again grew strongly with funds under management growing by 16%.

Asset quality continues to improve with net non-accrual loans now approaching \$300 million or 0.4% of net advances.

CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS (continued)

NEW ZEALAND

	1997	1996	Movt %
Operating profit before debt provisions ¹ (\$M)	225	222	1%
<u>Underlying/Operating profit after tax¹ (\$M)</u>	<u>165</u>	<u>138</u>	<u>20%</u>
Operating profit after tax ¹ as a % of average risk weighted assets	1.2%	1.1%	n/a
Operating expenses to net operating income ¹	75.0%	74.3%	n/a
<u>Operating expenses¹ to average assets</u>	<u>3.7%</u>	<u>4.0%</u>	<u>n/a</u>
Specific provision (credit)/charge as a % of average net advances	(0.1%)	0.1%	n/a
Net non-accrual loans (\$M)	74	80	-8%
<u>Net non-accrual loans as a % of net advances</u>	<u>0.5%</u>	<u>0.6%</u>	<u>n/a</u>
Lending growth (%)	6.0%	13.1%	n/a
Total assets (\$M)	18,831	17,463	8%
<u>Risk weighted assets (\$M)</u>	<u>14,332</u>	<u>13,492</u>	<u>6%</u>
<u>Employees (FTE)</u>	<u>5,564</u>	<u>5,939</u>	<u>-6%</u>

¹ Before abnormal items

While New Zealand profit before debt provisions was steady, the profit after tax increased by 20% benefiting from net provision releases and a lower effective tax rate.

Competitive pressures remained intense which, together with the impact of the capital repatriation to Australia, led to a 47 basis point fall in margins. Lending growth, while down on 1996 levels, improved in the second half with strong housing growth.

The deterioration in the cost to income ratio reflects, inter alia, higher restructuring costs and adjustments to the residual value of leased assets. Core costs were stable.

The UDC leasing business continued to grow, driving the increase in non-fee income.

Restructuring of the operations in New Zealand continued with a further 62 branches closed, resulting in a 6% fall in staff numbers.

The funds management operation in New Zealand had a very successful year with excellent investment results attracting a strong inflow of new funds, lifting funds under management by 17%.

CHIEF EXECUTIVE OFFICER'S REVIEW OF OPERATIONS (continued)

INTERNATIONAL

	1997	1996	Movt %
Operating profit before debt provisions ¹ (\$M)	662	531	25%
Underlying/Operating profit after tax ¹ (\$M)			
UK and Europe	112	106	6%
Asia Pacific	95	99	-4%
South Asia	82	36	128%
Americas	36	38	-5%
Middle East	54	42	29%
	379	321	18%
Operating profit after tax ¹ as a % of average risk weighted assets	1.6%	1.7%	n/a
Operating expenses to net operating income ¹	44.8%	50.9%	n/a
Operating expenses ¹ to average assets	1.3%	1.6%	n/a
Specific provision credit as a % of average net advances	(0.0%)	(0.0%)	n/a
Net non-accrual loans (\$M)	41	58	-29%
Net non-accrual loans as a % of net advances	0.3%	0.4%	n/a
Lending growth (%)	17.0%	18.4%	n/a
Total assets (\$M)	39,089	35,031	12%
Risk weighted assets (\$M)	25,128	20,344	24%
Employees (FTE)			
UK and Europe	848	938	-10%
Asia Pacific	2,725	2,651	3%
South Asia	4,209	4,902	-14%
Americas	162	162	0%
Middle East	1,305	1,402	-7%
Employees (FTE)	9,249	10,055	-8%

¹ Before abnormal items

ANZ's international businesses have continued to perform well. Profit before debt provisions increased by 25% driven by lending growth of 17% at stable spreads and strong growth in non-interest income. Asset quality remained good. In Asia, non-accrual loans total \$16 million and loans to higher risk counterparties (equivalent to a Moody's rating of B+ or less) total \$111 million.

Strong trading profits and portfolio management performance fees underpinned the continuing strong UK earnings.

Asia Pacific experienced good lending growth, but profits were constrained by increased provisioning in Sri Lanka in the first half.

South Asia again achieved strong lending growth and benefited from the removal of the funding drag relating to the NHB deposit, which was repaid in April, and the release of non-lending loss provisions.

The Middle East also had good lending growth and benefited from the sale of Omani operations in the first half.

FINANCIAL INFORMATION
Year Ended 30 September 1997

PROFIT AND LOSS ACCOUNT

	Page Ref	Full year Sep 97 \$M	Half year Sep 97 \$M	Half year Mar 97 \$M	Full year Sep 96 \$M	Movt Sep 97 v. Sep 96 %
Total income¹	19	11,991	5,982	6,009	11,382	5%
Interest income		9,431	4,711	4,720	9,286	2%
Interest expense		(6,018)	(2,991)	(3,027)	(5,969)	1%
Net interest income		3,413	1,720	1,693	3,317	3%
Other operating income	19	2,415	1,271	1,144	2,096	15%
Total net operating income		5,828	2,991	2,837	5,413	8%
Operating expenses	20	(3,783)	(1,970)	(1,813)	(3,644)	4%
Operating profit before debt provisions		2,045	1,021	1,024	1,769	16%
Provisions for doubtful debts	21					
Specific		(86)	(49)	(37)	(117)	-26%
General		(201)	(163)	(38)	(37)	443%
Operating profit before abnormal items		1,758	809	949	1,615	9%
Abnormal loss	21	(182)	(177)	(5)	-	n/a
Operating profit before tax		1,576	632	944	1,615	-2%
Income tax (expense)benefit						
Operating profit		(579)	(280)	(299)	(490)	18%
Abnormal loss	21	35	61	(26)	-	n/a
Income tax expense	22	(544)	(219)	(325)	(490)	11%
Operating profit after income tax		1,032	413	619	1,125	-8%
Outside equity interests		(8)	(4)	(4)	(9)	-11%
Operating profit after income tax attributable to members of the Company		1,024	409	615	1,116	-8%
Retained profits at start of period		1,583	1,846	1,583	1,106	43%
Total available for appropriation		2,607	2,255	2,198	2,222	17%
Transfers to reserves		(82)	(47)	(35)	(55)	49%
Dividends provided for or paid	23	(695)	(378)	(317)	(584)	19%
Retained profits at end of period		1,830	1,830	1,846	1,583	16%

¹ Includes abnormal items

BALANCE SHEET

	Page Ref	As at Sep 97 \$M	As at Mar 97 \$M	As at Sep 96 \$M	Movt Sep 97 v. Sep 96 %
Assets					
Liquid assets		6,298	8,253	6,901	-9%
Due from other financial institutions		11,588	10,785	11,352	2%
Trading securities		7,266	7,864	7,334	-1%
Investment securities	24	3,139	3,119	2,570	22%
Net loans and advances	24	84,148	81,051	75,901	11%
Customers' liability for acceptances		14,040	14,000	14,013	0%
Regulatory deposits		1,206	1,116	1,163	4%
Shares in associates ¹		7	9	10	-30%
Other assets		8,490	6,851	6,340	34%
Premises and equipment		2,059	2,038	2,020	2%
Total assets		138,241	135,086	127,604	8%
Liabilities					
Due to other financial institutions		10,874	13,727	12,682	-14%
Deposits and other borrowings		89,152	85,408	79,709	12%
Liability for acceptances		14,040	14,000	14,013	0%
Income tax liability		778	740	575	35%
Creditors and other liabilities		9,807	7,698	7,471	31%
Provisions		1,218	918	954	28%
Bonds and notes		1,990	2,017	2,264	-12%
Loan capital		3,389	3,834	3,600	-6%
Total liabilities		131,248	128,342	121,268	8%
Net assets		6,993	6,744	6,336	10%
Shareholders' equity					
Paid-up capital		1,509	1,496	1,478	2%
Reserves		3,604	3,357	3,229	12%
Retained profits		1,830	1,846	1,583	16%
Share capital and reserves attributable to members of the Company		6,943	6,699	6,290	10%
Outside equity interests		50	45	46	9%
Total shareholders' equity and outside equity interests		6,993	6,744	6,336	10%
Derivative financial instruments	33				
Contingent liabilities	38				

¹ The Group has adopted equity accounting for the year ended 30 September 1997

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Full year Sep 97 \$M	Half year Sep 97 \$M	Half year Mar 97 \$M	Full year Sep 96 \$M	Movt Sep 97 v. Sep 96 %
Issued and paid-up capital					
Balance at start of period	1,478	1,496	1,478	1,446	2%
Ordinary shares					
Dividend reinvestment plan	22	11	11	23	-4%
Employee share purchase scheme	4	-	4	3	33%
Bonus option plan	3	1	2	6	-50%
Group share option scheme	2	1	1	-	n/a
Senior officers' share purchase scheme	#	#	#	#	n/a
Directors' share and option purchase scheme	#	#	#	#	n/a
Total issued and paid-up capital	1,509	1,509	1,496	1,478	2%
Share premium reserve					
Balance at start of period	2,637	2,733	2,637	2,516	5%
Premium on issue of shares	189	93	96	121	56%
	2,826	2,826	2,733	2,637	7%
Foreign currency translation reserve					
Balance at start of period	(183)	(186)	(183)	(88)	108%
Currency translation adjustments, net of hedges after tax	104	107	(3)	(95)	-209%
	(79)	(79)	(186)	(183)	-57%
General reserve					
Balance at start of period	626	661	626	571	10%
Transfers from retained profits	82	47	35	55	49%
	708	708	661	626	13%
Capital reserves	149	149	149	149	0%
Total reserves	3,604	3,604	3,357	3,229	12%

Amounts less than \$500,000

STATEMENT OF CASH FLOWS

	Page Ref	Full year Sep 97 Inflows (Outflows) \$M	Half year Sep 97 Inflows (Outflows) \$M	Half year Mar 97 Inflows (Outflows) \$M	Full year Sep 96 Inflows (Outflows) \$M
Cash flows from operating activities					
Interest received		9,364	4,970	4,394	9,458
Dividends received		327	200	127	111
Fees and other income received		1,970	1,045	925	1,946
Interest paid		(5,995)	(3,145)	(2,850)	(6,136)
Personnel expenses paid		(2,155)	(1,204)	(951)	(1,850)
Premises expenses paid		(315)	(160)	(155)	(351)
Other operating expenses paid		(1,041)	(522)	(519)	(1,134)
Income taxes paid					
Australia		(201)	(67)	(134)	(183)
Overseas		(225)	(131)	(94)	(170)
Net decrease(increase) in trading securities		304	761	(457)	(1,595)
Net cash provided by operating activities	40	2,033	1,747	286	96
Cash flows from investing activities					
Net (increase)decrease					
Due from other financial institutions		1,840	1,822	18	(171)
Regulatory deposits		(14)	(61)	47	(28)
Loans and advances		(7,447)	(2,354)	(5,093)	(8,269)
Investment securities					
Purchases		(3,140)	(1,078)	(2,062)	(2,166)
Proceeds from sale or maturity		2,803	1,227	1,576	2,381
Controlled entities					
Purchased (net of cash acquired)		(11)	(6)	(5)	13
Proceeds from sale (net of cash disposed)		41	17	24	14
Premises and equipment					
Purchases		(457)	(255)	(202)	(412)
Proceeds from sale		110	66	44	104
Other		982	865	117	(954)
Net cash (used in)provided by investing activities		(5,293)	243	(5,536)	(9,488)
Cash flows from financing activities					
Net (decrease)increase					
Due to other financial institutions		(2,787)	(3,611)	824	2,094
Deposits and other borrowings		7,861	2,508	5,353	10,109
Creditors and other liabilities		425	702	(277)	879
Bonds and notes					
Issue proceeds		973	435	538	1,427
Redemptions		(1,434)	(647)	(787)	(655)
Loan capital					
Issue proceeds		323	-	323	634
Redemptions		(851)	(762)	(89)	(110)
(Decrease)increase in outside equity interests		(3)	2	(5)	(8)
Dividends paid		(478)	(216)	(262)	(354)
Share capital issues		39	7	32	18
Net cash provided by(used in) financing activities		4,068	(1,582)	5,650	14,034
Net cash provided by operating activities		2,033	1,747	286	96
Net cash used in investing activities		(5,293)	243	(5,536)	(9,488)
Net cash provided by(used in) financing activities		4,068	(1,582)	5,650	14,034
Net (decrease)increase in cash and cash equivalents		808	408	400	4,642
Cash and cash equivalents at beginning of period		11,246	11,834	11,246	7,079
Foreign currency translation on opening balances		402	214	188	(475)
Cash and cash equivalents at end of period	40	12,456	12,456	11,834	11,246

INCOME

	Full year Sep 97 \$M	Half year Sep 97 \$M	Half year Mar 97 \$M	Full year Sep 96 \$M	Movt Sep 97 v. Sep 96 %
Interest income	9,431	4,711	4,720	9,286	2%
Other operating income					
Fee income					
Lending	570	295	275	550	4%
Other including commissions	964	514	450	854	13%
Total fee income	1,534	809	725	1,404	9%
Other income					
Foreign exchange earnings	245	130	115	231	6%
Profit on trading instruments	192	107	85	113	70%
Operating lease income	146	76	70	116	26%
Life insurance fund surplus	94	59	35	55	71%
Rental income	35	17	18	36	-3%
Development ventures					
Income	10	4	6	6	67%
Diminution in value	-	-	-	7	-100%
Profit on sale of premises and equipment	5	3	2	10	-50%
Other ¹	154	66	88	118	31%
Total other income	881	462	419	692	27%
Total other operating income	2,415	1,271	1,144	2,096	15%
Total income before abnormal items	11,846	5,982	5,864	11,382	4%
Abnormal profit	145	-	145	-	n/a
Total income after abnormal items²	11,991	5,982	6,009	11,382	5%

¹ Includes dividend income of \$327 million (Half-year Sep 97: \$200 million; Half-year Mar 97: \$127 million; Full year Sep 96: \$111 million)

² Refer page 30 for a geographic split of income

OPERATING EXPENSES

	Full year Sep 97 \$M	Half year Sep 97 \$M	Half year Mar 97 \$M	Full year Sep 96 \$M	Movt Sep 97 v. Sep 96 %
Operating expenses					
Personnel					
Salaries and wages	1,453	711	742	1,387	5%
Pension fund	114	59	55	105	9%
Employee taxes					
Payroll tax	76	37	39	73	4%
Fringe benefits tax	46	21	25	53	-13%
Provision for employee entitlements	19	11	8	29	-34%
Other	241	156	85	158	53%
Total personnel expenses	1,949	995	954	1,805	8%
Premises					
Rent	189	94	95	204	-7%
Depreciation of buildings	31	16	15	31	0%
Amortisation of leasehold improvements	16	9	7	13	23%
Other	126	59	67	137	-8%
Total premises expenses	362	178	184	385	-6%
Other					
Computer costs					
Depreciation	98	49	49	97	1%
Other	232	108	124	231	0%
Non-lending losses, frauds and forgeries	2	(12)	14	55	-96%
Depreciation of furniture and equipment	52	26	26	52	0%
Loss on disposal of premises and equipment	7	2	5	24	-71%
Other	654	343	311	643	2%
Total other expenses	1,045	516	529	1,102	-5%
Total core operating expenses	3,356	1,689	1,667	3,292	2%
Direct income-related expenditure					
Brokerage and commission	49	33	16	61	-20%
Interchange and card costs	197	105	92	172	15%
Operating lease depreciation	91	53	38	62	47%
	337	191	146	295	14%
Restructuring ¹	90	90	-	57	58%
Total operating expenses	3,783	1,970	1,813	3,644	4%
Total operating expenses by geographic segmentation²					
Australia	2,572	1,328	1,244	2,452	5%
New Zealand	674	357	317	641	5%
Principal domestic markets	3,246	1,685	1,561	3,093	5%
International markets	537	285	252	551	-3%
Total Group	3,783	1,970	1,813	3,644	4%

¹ In addition, restructuring costs of \$327 million have been treated as abnormal in the year ended 30 September 1997

² Segmentation is based upon the domicile of the entity incurring the external expense

DOUBTFUL DEBTS CHARGE

	Full year Sep 97 \$M	Half year Sep 97 \$M	Half year Mar 97 \$M	Full year Sep 96 \$M
New and increased provisions	280	172	108	292
Provision releases	(145)	(97)	(48)	(129)
	135	75	60	163
Recoveries of amounts previously written off	(49)	(26)	(23)	(46)
Specific provision	86	49	37	117
General provision	201	163	38	37
Total provision for doubtful debts	287	212	75	154

ABNORMAL ITEMS

	Full year Sep 97 \$M	Half year Sep 97 \$M	Half year Mar 97 \$M	Full year Sep 96 \$M
Profit before tax				
Interest on National Housing Bank deposit	145	-	145	-
	145	-	145	-
Loss before tax				
Restructuring costs	327	177	150	-
	327	177	150	-
Total abnormal loss before tax	(182)	(177)	(5)	-
Income tax benefit(expense) applicable to				
Interest on National Housing Bank deposit	(80)	-	(80)	-
Restructuring costs	115	61	54	-
Total income tax benefit(expense) on abnormal items	35	61	(26)	-
Abnormal (loss) after tax	(147)	(116)	(31)	-

INCOME TAX EXPENSE

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

	Full year Sep 97 \$M	Half year Sep 97 \$M	Half year Mar 97 \$M	Full year Sep 96 \$M
Operating profit before income tax and abnormal items	1,758	809	949	1,615
Prima facie income tax at 36%	632	290	342	581
Tax effect of permanent differences				
Overseas tax rate differential	14	4	10	1
Rebateable and non-assessable dividends	(117)	(71)	(46)	(41)
Other non-assessable income	(25)	(6)	(19)	(27)
Non-allowable depreciation and amortisation	3	2	1	4
General provision for doubtful debts	72	58	14	13
Other	10	2	8	(19)
	589	279	310	512
Income tax (over)under provided in prior years	(10)	1	(11)	(22)
Total income tax expense on operating profit	579	280	299	490
Abnormal items				
Prima facie income tax (benefit) at 36%	(65)	(63)	(2)	-
Tax effect of permanent differences				
Overseas tax rate differential	30	2	28	-
Total income tax (benefit)expense on abnormal items	(35)	(61)	26	-
Total income tax expense on operating profit after abnormal items	544	219	325	490
Australia	178	72	106	229
Overseas	366	147	219	261
	544	219	325	490
Effective tax rate				
- before abnormal items	32.9%	34.6%	31.5%	30.3%
- after abnormal items	34.5%	34.7%	34.4%	30.3%

DIVIDENDS

	Full year Sep 97	Half year Sep 97	Half year Mar 97	Full year Sep 96
Dividend per ordinary share (cents)				
Interim ¹	22	n/a	22	18
Final ²	26	26	n/a	24
Ordinary share dividend (\$M)				
Interim ¹	329	n/a	329	264
Final ²	392	392	n/a	355
Bonus option plan	(26)	(14)	(12)	(35)
Total	695	378	317	584
Dividend payout ratio (%)				
Before abnormal items	61.6%	74.7%	50.9%	55.5%
After abnormal items	70.4%	95.8%	53.5%	55.5%

¹ The Mar 1997 interim dividend of 22 cents was fully franked (1996: franked to 9 cents)

² The Sep 1997 final dividend of 26 cents is fully franked (1996: fully franked)

The directors propose that a final dividend of 26 cents per share be paid on each fully paid ordinary share. The dividend will be fully franked. Non-resident shareholders will be exempt from dividend withholding tax on the full dividend.

Dividend payout on ordinary shares (before bonus option plan) is \$721 million for the 1997 financial year (final \$392 million and interim \$329 million) compared to 1996 full year of \$619 million (final \$355 million and interim \$264 million).

The proposed final dividend will be formally declared on 15 December 1997 and will be payable on 21 January 1998 to shareholders registered in the books of the Company at close of business on 12 December 1997. Transfers must be lodged before 5.00 pm on that day to participate. Dividends payable to shareholders on the United Kingdom and New Zealand registers will be converted to local currency at the appropriate rate for telegraphic transfers on 12 December 1997.

Dividend Franking Account

The amount of franking credits available for the subsequent financial year is nil, after adjusting for franking credits that will arise from the payment of tax on Australian profits for the 1997 financial year, less franking credits which will be utilised in franking the proposed final dividend and franking credits that may be prevented from being distributed in the subsequent year.

EARNINGS PER SHARE

	Full year Sep 97	Half year Sep 97	Half year Mar 97	Full year Sep 96
Earnings per share (cents)				
Basic				
Before abnormal items	78.4	35.0	43.5	76.3
After abnormal items	68.6	27.2	41.4	76.3
Diluted				
Before abnormal items	78.2	34.8	43.4	76.1
After abnormal items	68.4	27.2	41.3	76.1
Weighted average number of shares used in the calculation of basic earnings per share (millions)	1,492.9	1,501.8	1,483.8	1,462.3
Weighted average number of shares used in the calculation of diluted earnings per share (millions)	1,500.1	1,509.2	1,491.0	1,469.9

INVESTMENT SECURITIES

	As at Sep 97 \$M	As at Mar 97 \$M	As at Sep 96 \$M	Movt Sep 97 v. Sep 96 %
Total book value	3,139	3,119	2,570	22%
<u>Total market value</u>	<u>3,149</u>	<u>3,124</u>	<u>2,567</u>	<u>23%</u>

NET LOANS AND ADVANCES

Total gross loans and advances ¹	85,519	82,297	77,119	11%
Less: provisions for doubtful debts	(1,371)	(1,246)	(1,218)	13%
Total net loans and advances	84,148	81,051	75,901	11%

¹ Net of income yet to mature

IMPAIRED ASSETS

	As at Sep 97 \$M	As at Mar 97 \$M	As at Sep 96 \$M	Movt Sep 97 v. Sep 96 %
Summary of impaired assets				
Non-accrual loans	872	1,079	1,225	-29%
Restructured loans	13	29	33	-61%
Unproductive facilities	75	82	82	-9%
Gross impaired assets	960	1,190	1,340	-28%
Less: specific provisions				
Non-accrual loans	(444)	(488)	(501)	-11%
Unproductive facilities	(9)	(7)	(8)	13%
Net impaired assets	507	695	831	-39%
Non-accrual loans				
Non-accrual loans	872	1,079	1,225	-29%
Specific provisions	(444)	(488)	(501)	-11%
Total net non-accrual loans	428	591	724	-41%
Before specific provisions				
Australia	625	784	911	-31%
New Zealand	94	117	128	-27%
Principal domestic markets	719	901	1,039	-31%
International markets	153	178	186	-18%
Total non-accrual loans	872	1,079	1,225	-29%
After specific provisions				
Australia	313	440	586	-47%
New Zealand	74	75	80	-8%
Principal domestic markets	387	515	666	-42%
International markets	41	76	58	-29%
Total net non-accrual loans	428	591	724	-41%

IMPAIRED ASSETS (continued)

	As at Sep 97 \$M	As at Mar 97 \$M	As at Sep 96 \$M	Movt Sep 97 v. Sep 96 %
Restructured loans				
Australia	4	13	29	-86%
New Zealand	-	-	4	-100%
International markets	9	16	-	n/a
	13	29	33	-61%
Other real estate owned (OREO)	-	-	-	-

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

Unproductive facilities				
Australia	17	14	19	-11%
New Zealand	49	49	43	14%
International markets	9	19	20	-55%
	75	82	82	-9%
Specific provisions	(9)	(7)	(8)	13%
Net unproductive facilities	66	75	74	-11%

Accruing loans past due 90 days or more¹

The following amounts are not classified as impaired assets and therefore are not included within the summary on page 25.

Australia	210	190	178	18%
New Zealand	25	31	21	19%
International markets	8	14	13	-38%
	243	235	212	15%

¹ Less than \$100,000 or fully secured

IMPAIRED ASSETS (continued)

Further analysis of non-accrual loans at 30 September 1997 and interest and/or other income received during the period is as follows:

	Gross balance outstanding \$M	Specific provision \$M	Interest and/or other income received \$M
Non-accrual loans			
Without provisions			
Australia	89	-	13
New Zealand	35	-	2
International markets	39	-	1
	163	-	16
With provisions and no. or partial. performance ¹			
Australia	404	263	17
New Zealand	59	20	1
International markets	113	112	3
	576	395	21
With provisions and full performance ¹			
Australia	132	49	11
New Zealand	-	-	-
International markets	1	-	-
	133	49	11
Total non-accrual loans	872	444	48

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

Interest and other income forgone on impaired assets

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

	Full year Sep 97 \$M	Half year Sep 97 \$M	Half year Mar 97 \$M	Full year Sep 96 \$M
Gross interest and other income receivable on impaired assets				
Australia	96	44	52	149
New Zealand	10	5	5	13
International markets	15	9	6	19
Total gross interest and other income receivable on impaired assets	121	58	63	181
Interest income and other income received				
Australia	(42)	(20)	(22)	(69)
New Zealand	(3)	(1)	(2)	(4)
International markets	(5)	(3)	(2)	(8)
Total interest income and other income received	(50)	(24)	(26)	(81)
Net interest and other income forgone				
Australia	54	24	30	80
New Zealand	7	4	3	9
International markets	10	6	4	11
Total net interest and other income forgone	71	34	37	100

PROVISIONS FOR DOUBTFUL DEBTS

	As at Sep 97 \$M	As at Mar 97 \$M	As at Sep 96 \$M
Specific provision balance			
Australia	315	345	327
New Zealand	20	42	48
Principal domestic markets	335	387	375
International markets	118	108	134
Total specific provision	453	495	509
General provision	918	751	709
Total provisions for doubtful debts	1,371	1,246	1,218

	Full year Sep 97 \$M	Half year Sep 97 \$M	Half year Mar 97 \$M	Full year Sep 96 \$M
Specific provision				
Balance at start of period	509	495	509	702
Adjustment for exchange rate fluctuations	8	15	(7)	(10)
Bad debts written off	(199)	(132)	(67)	(346)
Transfer from profit and loss	135	75	60	163
	453	453	495	509
General provision				
Balance at start of period	709	751	709	678
Adjustment for exchange rate fluctuations	8	4	4	(6)
Charge to profit and loss	201	163	38	37
	918	918	751	709
Total provisions for doubtful debts	1,371	1,371	1,246	1,218

SHARE CAPITAL AND OPTIONS

	As at Sep 97	As at Mar 97	As at Sep 96
Number of issued shares			
Ordinary shares of \$1 each fully paid (listed)	1,508,550,854	1,495,566,924	1,478,089,641
Ordinary shares of \$1 each paid to 10 cents per share	274,500	604,500	687,500
Total number of issued shares	1,508,825,354	1,496,171,424	1,478,777,141

Options	Latest date of conversion	Number	Conversion price
Directors' Share and Option Purchase Scheme			
On issue at 30 September 1997	1 March 1998	50,000	3.44
Exercised during the year	-	50,000	3.44
ANZ Group Share Option Scheme			
On issue at 30 September 1997	31 January 1999	5,530,000	5.34
Expired during the year	-	60,000	-
Exercised during the year	-	2,040,000	5.34
On issue at 30 September 1997	31 January 2002	366,753	8.76
Issued during the year	-	376,512	8.76
Exercised during the year	-	9,611	8.76
On issue at 30 September 1997	13 February 2002	36,338	8.76
Issued during the year	-	36,338	8.76
Expired during the year	-	148	-
On issue at 30 September 1997	23 March 2002	100,000	8.76
Issued during the year	-	100,000	8.76
On issue at 30 September 1997	1 June 2002	900,000	8.76
Issued during the year	-	900,000	8.76

SEGMENT ANALYSIS

The following analysis shows segment income, operating profit, total assets and risk weighted assets based on geographical locations and income, operating profit and total assets by industry segments.

GEOGRAPHICAL

	Full year Sep 97 \$M	Half year Sep 97 \$M	Half year Mar 97 \$M	Full year Sep 96 \$M	Movt Sep 97 v. Sep 96 %
Income¹					
Australia	6,534	3,212	3,322	6,623	-1%
New Zealand	2,020	999	1,021	1,886	7%
Principal domestic markets	8,554	4,211	4,343	8,509	1%
UK and Europe	1,191	673	518	1,000	19%
Asia Pacific	865	447	418	826	5%
South Asia	657	275	382	435	51%
Americas	364	183	181	325	12%
Middle East	360	193	167	287	25%
International markets	3,437	1,771	1,666	2,873	20%
	11,991	5,982	6,009	11,382	5%

Operating profit before tax

Australia	892	339	553	886	1%
New Zealand	233	124	109	203	15%
Principal domestic markets	1,125	463	662	1,089	3%
UK and Europe	160	84	76	155	3%
Asia Pacific	141	78	63	147	-4%
South Asia	166	96	70	81	105%
Americas	63	40	23	64	-2%
Middle East	103	48	55	79	30%
International markets	633	346	287	526	20%
	1,758	809	949	1,615	9%
Abnormal loss ²	(182)	(177)	(5)	-	n/a
	1,576	632	944	1,615	-2%

Operating profit after tax

Australia	627	222	405	657	-5%
New Zealand	165	88	77	138	20%
Principal domestic markets	792	310	482	795	n/a
UK and Europe	112	61	51	106	6%
Asia Pacific	95	53	42	99	-4%
South Asia	82	53	29	36	128%
Americas	36	24	12	38	-5%
Middle East	54	24	30	42	29%
International markets	379	215	164	321	18%
	1,171	525	646	1,116	5%
Abnormal loss ³	(147)	(116)	(31)	-	n/a
	1,024	409	615	1,116	-8%

SEGMENT ANALYSIS (continued)

	As at Sep 97 \$M	As at Mar 97 \$M	As at Sep 96 \$M	Movt Sep 97 v. Sep 96 %
Total assets				
Australia	80,321	77,066	75,110	7%
New Zealand	18,831	18,036	17,463	8%
Principal domestic markets	99,152	95,102	92,573	7%
UK and Europe	16,886	17,420	15,008	13%
Asia Pacific	9,844	10,070	9,163	7%
South Asia	3,959	3,863	3,333	19%
Americas	4,611	5,670	4,723	-2%
Middle East	3,789	2,961	2,804	35%
International markets	39,089	39,984	35,031	12%
	138,241	135,086	127,604	8%
Risk weighted assets				
Australia	66,687	62,987	59,681	12%
New Zealand	14,332	13,840	13,492	6%
Principal domestic markets	81,019	76,827	73,173	11%
UK and Europe	8,471	7,283	6,220	36%
Asia Pacific	6,489	5,860	5,358	21%
South Asia	2,897	2,600	2,244	29%
Americas	4,505	5,449	4,527	0%
Middle East	2,766	1,986	1,995	39%
International markets	25,128	23,178	20,344	24%
	106,147	100,005	93,517	14%

SEGMENT ANALYSIS (continued)

INDUSTRY

Income¹	Full year Sep 97 \$M	Half year Sep 97 \$M	Half year Mar 97 \$M	Full year Sep 96 \$M	Movt Sep 97 v. Sep 96 %
General banking	9,797	4,803	4,994	9,496	3%
Investment banking capital markets	708	420	288	480	48%
Finance	1,293	644	649	1,253	3%
Insurance and funds management	193	115	78	153	26%
	11,991	5,982	6,009	11,382	5%
Operating profit before debt provisions¹					
General banking	1,519	699	820	1,388	9%
Investment banking capital markets	213	163	50	100	113%
Finance	238	103	135	224	6%
Insurance and funds management	75	56	19	57	32%
	2,045	1,021	1,024	1,769	16%
Operating profit before tax¹					
General banking	1,272	511	761	1,257	1%
Investment banking capital markets	208	160	48	100	108%
Finance	203	82	121	201	1%
Insurance and funds management	75	56	19	57	32%
	1,758	809	949	1,615	9%
Operating profit after tax¹					
General banking	832	324	508	860	-3%
Investment banking capital markets	144	105	39	72	100%
Finance	130	53	77	133	-2%
Insurance and funds management	65	43	22	51	27%
	1,171	525	646	1,116	5%
Total assets					
General banking	120,319	120,319	117,244	112,169	7%
Investment banking capital markets	6,353	6,353	6,673	4,549	40%
Finance	11,258	11,258	10,899	10,639	6%
Insurance and funds management	311	311	270	247	26%
	138,241	138,241	135,086	127,604	8%

SEGMENT ANALYSIS (continued)

¹ Includes abnormal items

² Abnormal items before tax

	<i>Full year Sep 97 \$M</i>	<i>Half year Sep 97 \$M</i>	<i>Half year Mar 97 \$M</i>	<i>Full year Sep 96 \$M</i>
<i>Australia</i>	<i>(240)</i>	<i>(116)</i>	<i>(124)</i>	<i>-</i>
<i>New Zealand</i>	<i>(61)</i>	<i>(50)</i>	<i>(11)</i>	<i>-</i>
<i>UK and Europe</i>	<i>(13)</i>	<i>(3)</i>	<i>(10)</i>	<i>-</i>
<i>Asia Pacific</i>	<i>(1)</i>	<i>(1)</i>	<i>-</i>	<i>-</i>
<i>South Asia</i>	<i>136</i>	<i>(4)</i>	<i>140</i>	<i>-</i>
<i>Americas</i>	<i>(1)</i>	<i>(1)</i>	<i>-</i>	<i>-</i>
<i>Middle East</i>	<i>(2)</i>	<i>(2)</i>	<i>-</i>	<i>-</i>
<i>Total abnormal loss before tax</i>	<i>(182)</i>	<i>(177)</i>	<i>(5)</i>	<i>-</i>

³ Abnormal items after tax

	<i>Full year Sep 97 \$M</i>	<i>Half year Sep 97 \$M</i>	<i>Half year Mar 97 \$M</i>	<i>Full year Sep 96 \$M</i>
<i>Australia</i>	<i>(155)</i>	<i>(75)</i>	<i>(80)</i>	<i>-</i>
<i>New Zealand</i>	<i>(41)</i>	<i>(34)</i>	<i>(7)</i>	<i>-</i>
<i>UK and Europe</i>	<i>(9)</i>	<i>(3)</i>	<i>(6)</i>	<i>-</i>
<i>Asia Pacific</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>South Asia</i>	<i>59</i>	<i>(3)</i>	<i>62</i>	<i>-</i>
<i>Americas</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Middle East</i>	<i>(1)</i>	<i>(1)</i>	<i>-</i>	<i>-</i>
<i>Total abnormal loss after tax</i>	<i>(147)</i>	<i>(116)</i>	<i>(31)</i>	<i>-</i>

DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives

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

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

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

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

Credit risk

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

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

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

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

DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	30 September 1997			30 September 1996		
	Notional Principal Amount	Gross Replacement Cost	Credit Equiv. Amount	Notional Principal Amount	Gross Replacement Cost	Credit Equiv. Amount
	\$M	\$M	\$M	\$M	\$M	\$M
Foreign exchange contracts						
Spot and forward contracts	202,885	3,547	5,404	159,243	1,487	2,916
Swap agreements	10,810	321	678	5,872	127	355
Options purchased	11,537	182	325	5,637	47	111
Options sold ¹	11,033	n/a	n/a	5,385	n/a	n/a
	236,265	4,050	6,407	176,137	1,661	3,382
Interest rate contracts						
Forward rate agreements	66,719	37	122	95,994	65	137
Swap agreements	193,092	2,030	2,465	148,495	1,256	1,567
Futures contracts ²	125,942	n/a	n/a	87,864	n/a	n/a
Options purchased	13,548	27	38	4,001	8	15
Options sold ¹	20,899	n/a	n/a	3,632	n/a	n/a
Other contracts	944	3	13	248	3	4
	421,144	2,097	2,638	340,234	1,332	1,723
	657,409	6,147	9,045	516,371	2,993	5,105

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

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

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

	Remaining life 30 September 1997				Remaining life 30 September 1996			
	< 1yr	1-5 yrs	>5 yrs	Total	< 1yr	1-5 yrs	>5 yrs	Total
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Foreign exchange contracts								
Spot and forward contracts	200,173	2,680	32	202,885	157,429	1,800	14	159,243
Swap agreements	4,575	4,757	1,478	10,810	1,645	3,921	306	5,872
Options purchased	11,195	342	-	11,537	5,454	183	-	5,637
Options sold	10,492	541	-	11,033	5,239	146	-	5,385
	226,435	8,320	1,510	236,265	169,767	6,050	320	176,137
Interest rate contracts								
Forward rate agreements	49,731	16,988	-	66,719	81,573	14,421	-	95,994
Swap agreements	105,900	75,440	11,752	193,092	86,096	58,518	3,881	148,495
Futures contracts	97,043	27,479	1,420	125,942	64,403	22,926	535	87,864
Options purchased	9,613	2,034	1,901	13,548	2,576	1,293	132	4,001
Options sold	14,413	2,202	4,284	20,899	2,269	1,230	133	3,632
Other contracts	918	26	-	944	228	19	1	248
	277,618	124,169	19,357	421,144	237,145	98,407	4,682	340,234
Total	504,053	132,489	20,867	657,409	406,912	104,457	5,002	516,371

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 78% of the Group's exposures are with counterparties which are either Australian banks or banks based in other OECD countries.

Class of Counterparty	As at Sep 97 \$M	As at Sep 96 \$M
Commonwealth and OECD governments	55	60
Australian and OECD banks	7,062	4,200
Corporations, non-OECD banks and others	1,928	845
	9,045	5,105

Geographic location	As at Sep 97 \$M	As at Sep 96 \$M
Australia	4,007	1,959
New Zealand	601	486
International markets	4,437	2,660
	9,045	5,105

Market Risk

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

The Group calculates value at risk based on historical models of movements in interest rates and exchange rates, and using a 97.5% confidence level that the adverse movements will not exceed the value at risk. If value at risk is estimated to be \$1 million, then based on historical analysis over 500 working days there is approximately one chance in 40 of seeing an adverse movement in excess of \$1 million within the current trading day, on the basis of the opening position. Reflecting the nature of its trading activities, the Group monitors its value at risk by reference to close-to-close (overnight) risk levels.

Below are the Group's aggregate value at risk figures covering both physical and derivatives trading positions for its principal treasury trading centres. The increase in value at risk is due to the inclusion of the Group's Capital Market activities within the value at risk regime. Previously, the risks associated with these activities were managed as credit risks within Group's credit systems and controls.

	As at Sep 97 \$M	Max for period Sep 97 \$M	Ave for period Sep 97 \$M	As at Sep 96 \$M	Max for period Sep 96 \$M	Ave for period Sep 96 \$M
Value at risk at 97.5% confidence						
Foreign exchange	4	4	3	2	5	2
Interest rate	19	23	18	10	13	6

DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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

	As at fair value		Average fair value	
	30 Sep 97	30 Sep 96	30 Sep 97	30 Sep 96
	\$M	\$M	\$M	\$M
Foreign exchange contracts				
Spot and forward contracts				
Unrealised gains	3,579	1,510	2,301	1,515
Unrealised losses	(3,503)	(1,778)	(2,450)	(1,736)
Swap agreements				
Unrealised gains	321	127	198	88
Unrealised losses	(274)	(343)	(273)	(325)
Options purchased	182	47	102	66
Options sold	(138)	(73)	(31)	(104)
	167	(510)	(153)	(496)
Interest rate contracts				
Forward rate agreements				
Unrealised gains	37	65	48	5
Unrealised losses	(46)	(71)	(48)	(23)
Swap agreements				
Unrealised gains	2,030	1,256	1,558	1,174
Unrealised losses	(2,741)	(1,579)	(2,111)	(1,385)
Futures contracts				
Unrealised gains	8	6	28	12
Unrealised losses	(9)	(26)	(46)	(30)
Options purchased	37	8	25	7
Options sold	(30)	-	(10)	(7)
Other contracts				
Unrealised gains	3	3	-	2
Unrealised losses	(11)	-	(1)	-
	(722)	(338)	(557)	(245)
Total	(555)	(848)	(710)	(741)

The fair values of derivatives vary over time depending on movements in interest and exchange rates and the trading or hedging strategies used. The negative fair value as at 30 September 1997 does not represent the profitability from such transactions. It arises from contracts that have generated net positive cash flows (on which interest is being earned) since their inception but which are expected to generate negative cash flows over their remaining term.

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. The principal objectives of asset/liability management are to hedge the market value of the Group's capital and to manage and control the sensitivity of the Group's income while maintaining acceptable levels of interest rate and liquidity risk. The Group also uses a variety of foreign exchange derivatives to hedge against adverse movements in the value of foreign currency denominated assets and liabilities.

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

	30 September 1997			30 September 1996		
	Notional Principal Amount \$M	Gross Replace- ment Cost \$M	Fair Value \$M	Notional Principal Amount \$M	Gross Replace- ment Cost \$M	Fair Value \$M
Foreign exchange contracts						
Customer-related and trading purposes	220,761	3,864	214	165,861	1,587	(323)
Balance sheet hedging purposes	15,504	186	(47)	10,276	74	(187)
	236,265	4,050	167	176,137	1,661	(510)
Interest rate contracts						
Customer-related and trading purposes	400,942	1,801	(790)	317,122	1,102	(396)
Balance sheet hedging purposes	20,202	296	68	23,112	230	58
	421,144	2,097	(722)	340,234	1,332	(338)
Total	657,409	6,147	(555)	516,371	2,993	(848)

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

	Balance sheet hedging contracts	
	Sep 97 \$M	Sep 96 \$M
Expected recognition in income		
Within one year	39	19
One to two years	(24)	(16)
Two to five years	45	39
Greater than five years	22	(20)
	82	22

CONTINGENT LIABILITIES

General

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

India - National Housing Bank

In 1992 the branch of ANZ Grindlays Bank Limited in India (“the Bank”) received a claim, aggregating approximately Indian Rupees 5.06 billion (\$194 million) from the National Housing Bank (“NHB”) in that country. The claim arose out of certain cheques drawn by NHB in favour of the Bank, the proceeds of which were credited into the account of one of the customers of the Bank.

On 29 March 1997, pursuant to an Arbitration Agreement entered into on 4 November 1992, the Arbitrators made an award on this dispute in favour of the Bank. NHB has paid to the Bank the principal and interest due under the award. Subsequently, NHB filed documents with the relevant Court to challenge the award. ANZ is confident that the award will stand.

India - Foreign Exchange Regulation Act

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

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

NOTES TO THE STATEMENT OF CASH FLOWS

	Full year Sep 97 Inflows (Outflows) \$M	Half year Sep 97 Inflows (Outflows) \$M	Half year Mar 97 Inflows (Outflows) \$M	Full year Sep 96 Inflows (Outflows) \$M
Reconciliation of operating profit after income tax to net cash provided by operating activities				
Operating profit after income tax	1,024	409	615	1,116
Adjustments to reconcile to net cash provided by operating activities				
Provision for doubtful debts	287	212	75	154
Depreciation and amortisation	288	153	135	255
Provision for employee entitlements and other	560	471	89	189
Payments from provisions	(362)	(256)	(106)	(194)
Provision for surplus lease space	29	22	7	(7)
Loss on property disposals	2	(1)	3	14
(Increase)decrease in interest receivable	(127)	158	(285)	230
Increase(decrease) in interest payable	23	(154)	177	(167)
Decrease(increase) in trading securities	304	761	(457)	(1,595)
Decrease in net tax assets	162	91	71	137
Other	(157)	(119)	(38)	(36)
Net cash provided by operating activities	2,033	1,747	286	96
Reconciliation of cash				
Cash at the end of the period as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows				
Liquid assets - less than 3 months	3,857	3,857	5,489	4,285
Due from other financial institutions - less than 3 months	8,599	8,599	6,345	6,961
	12,456	12,456	11,834	11,246
Non-cash financing and investment activities				
Share capital issues				
Dividend reinvestment plan	180	98	82	135
Bonus option plan	3	1	2	6

CAPITAL ADEQUACY

	As at Sep 97 \$M	As at Mar 97 \$M	As at Sep 96 \$M	Movt Sep 97 v. Sep 96 %
Qualifying capital				
Tier 1				
Total shareholders' equity and outside equity interests	6,993	6,744	6,336	10%
Less: net future income tax benefit	-	-	(46)	-100%
unamortised goodwill	(21)	(16)	(17)	24%
Tier 1 capital	6,972	6,728	6,273	11%
Tier 2				
Perpetual subordinated notes	776	902	896	-13%
General provision for doubtful debts	918	751	709	29%
	1,694	1,653	1,605	6%
Subordinated notes ¹	2,336	2,577	2,418	-3%
Tier 2 capital	4,030	4,230	4,023	n/a
Less: deductions ²	(587)	(522)	(476)	23%
Total qualifying capital	10,415	10,436	9,820	6%
Ratios (%)				
Tier 1	6.6%	6.7%	6.7%	n/a
Tier 2	3.8%	4.2%	4.3%	n/a
	10.4%	10.9%	11.0%	n/a
Less: deductions ²	(0.6%)	(0.5%)	(0.5%)	n/a
Total	9.8%	10.4%	10.5%	n/a
Risk weighted assets	106,147	100,005	93,517	14%

¹ For capital adequacy calculation purposes, subordinated note issues are reduced each year by 20% of the original amount during the last five years to maturity

² Investments in ANZ Life and entities involved in funds management and securitisation activities

AVERAGE BALANCE SHEET AND RELATED INTEREST

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

	Sep 1997 Full Year			Sep 1997 Half Year			Mar 1997 Half Year			Sep 1996 Full Year		
	Ave bal \$M	Int \$M	Rate %	Ave bal \$M	Int \$M	Rate %	Ave bal \$M	Int \$M	Rate %	Ave bal \$M	Int \$M	Rate %
Interest earning assets												
Due from other financial institutions												
Australia	480	32	6.7	380	12	6.3	577	20	6.9	630	41	6.5
New Zealand	359	21	5.8	320	8	5.0	396	13	6.6	346	27	7.8
International markets	10,380	700	6.7	10,231	359	7.0	10,472	341	6.5	10,209	699	6.8
Regulatory deposits with												
Reserve Bank of Australia	556	5	0.9	560	2	0.7	549	3	1.1	535	13	2.4
Investments in public securities												
Australia	4,770	301	6.3	4,369	125	5.7	5,145	176	6.8	4,897	380	7.8
New Zealand	1,603	107	6.7	1,679	50	5.9	1,518	57	7.5	1,090	88	8.1
International markets	5,094	427	8.4	5,489	233	8.5	4,671	194	8.3	2,973	289	9.7
Loans, advances and bills discounted												
Australia	52,827	4,657	8.8	53,826	2,283	8.5	51,539	2,374	9.2	48,399	4,939	10.2
New Zealand	14,089	1,384	9.8	14,167	682	9.6	13,934	702	10.1	12,619	1,315	10.4
International markets	14,578	1,258	8.6	15,181	670	8.8	13,895	588	8.5	11,770	1,084	9.2
Other assets												
Australia	1,655	105	6.3	1,898	57	6.0	1,403	48	6.8	618	53	8.6
New Zealand	831	80	9.6	828	34	8.2	829	46	11.1	760	77	10.1
International markets	5,920	361	6.1	6,847	199	5.8	4,961	162	6.5	4,825	293	6.1
	113,142	9,438	8.3	115,775	4,714	8.1	109,889	4,724	8.6	99,671	9,298	9.3
Non-interest earning assets												
Acceptances												
Australia	13,248			13,573			12,851			12,581		
New Zealand	244			176			311			597		
International markets	556			557			552			462		
Premises and equipment	1,975			1,954			1,985			2,027		
Other assets	9,740			10,916			8,511			6,842		
Provisions for doubtful debts												
Australia	(917)			(927)			(902)			(1,002)		
New Zealand	(118)			(112)			(123)			(118)		
International markets	(217)			(221)			(212)			(238)		
	24,511			25,916			22,973			21,151		
Total assets	137,653			141,691			132,862			120,822		

AVERAGE BALANCE SHEET AND RELATED INTEREST (continued)

	Sep 1997 Full Year			Sep 1997 Half Year			Mar 1997 Half Year			Sep 1996 Full Year		
	Ave bal \$M	Int \$M	Rate %	Ave bal \$M	Int \$M	Rate %	Ave bal \$M	Int \$M	Rate %	Ave bal \$M	Int \$M	Rate %
Interest bearing liabilities												
Time deposits												
Australia	18,495	1,097	5.9	18,715	521	5.6	18,174	576	6.3	18,542	1,340	7.2
New Zealand	8,304	658	7.9	8,339	312	7.5	8,224	346	8.4	7,313	622	8.5
International markets	15,904	1,015	6.4	17,559	563	6.4	14,162	452	6.4	11,722	785	6.7
Savings deposits												
Australia	8,216	222	2.7	8,236	102	2.5	8,151	120	2.9	7,530	264	3.5
New Zealand	2,462	96	3.9	2,497	47	3.8	2,414	49	4.1	2,183	83	3.8
International markets	1,266	69	5.5	1,351	37	5.5	1,174	32	5.5	1,142	57	5.0
Other demand deposits												
Australia	11,237	518	4.6	11,611	249	4.3	10,802	269	5.0	8,683	520	6.0
New Zealand	1,789	122	6.8	1,753	55	6.3	1,815	67	7.4	1,534	121	7.9
International markets	1,009	41	4.1	990	23	4.6	1,022	18	3.5	810	35	4.3
Due to other financial institutions												
Australia	300	15	5.0	270	7	5.2	328	8	4.9	397	27	6.8
New Zealand	843	73	8.7	811	42	10.3	870	31	7.1	732	72	9.8
International markets	11,549	716	6.2	11,475	364	6.3	11,560	352	6.1	11,501	763	6.6
Commercial paper												
Australia	3,081	181	5.9	3,344	95	5.7	2,801	86	6.1	2,469	186	7.5
New Zealand	-	-	-	-	-	-	-	-	-	-	-	-
International markets	1,731	94	5.4	1,858	51	5.5	1,595	43	5.4	1,087	61	5.6
Borrowing corporations' debt												
Australia	5,326	409	7.7	5,318	200	7.5	5,305	209	7.9	5,081	420	8.3
New Zealand	1,237	103	8.3	1,198	48	8.0	1,269	55	8.7	1,167	99	8.5
International markets	-	-	-	-	-	-	-	-	-	-	-	-
Loan capital, bonds and notes												
Australia	4,998	313	6.3	4,865	141	5.8	5,104	172	6.7	4,246	322	7.6
New Zealand	530	35	6.6	526	10	3.8	531	25	9.4	186	19	10.2
International markets	653	41	6.3	598	20	6.7	704	21	6.0	621	37	6.0
Other liabilities ¹												
Australia	425	49	n/a	462	30	n/a	386	19	n/a	676	76	n/a
New Zealand	199	33	n/a	272	9	n/a	125	24	n/a	-	7	n/a
International markets	2,010	118	n/a	2,305	65	n/a	1,704	53	n/a	698	53	n/a
	101,564	6,018	5.9	104,353	2,991	5.7	98,220	3,027	6.2	88,320	5,969	6.8
Non-interest bearing liabilities												
Deposits												
Australia	2,817			2,803			2,816			2,736		
New Zealand	1,288			1,241			1,328			1,139		
International markets	1,529			1,571			1,479			1,249		
Acceptances												
Australia	13,248			13,573			12,851			12,581		
New Zealand	244			176			311			597		
International markets	556			557			552			462		
Other liabilities	9,444			10,228			8,608			7,586		
	29,126			30,149			27,945			26,350		
Total liabilities	130,690			134,502			126,165			114,670		

¹Includes foreign exchange swap costs

AVERAGE BALANCE SHEET AND RELATED INTEREST (continued)

	Full year Sep 97 \$M	Half year Sep 97 \$M	Half year Mar 97 \$M	Full year Sep 96 \$M
Total average assets				
Australia	77,604	78,891	75,893	70,917
New Zealand	18,395	18,579	18,110	16,212
International markets	41,654	44,221	38,859	33,693
	137,653	141,691	132,862	120,822
% of total average assets attributable to overseas activities	43.6%	44.3%	42.9%	41.3%
Total average liabilities				
Australia	72,063	72,923	70,809	66,679
New Zealand	17,548	17,558	17,442	15,352
International markets	41,079	44,021	37,914	32,639
	130,690	134,502	126,165	114,670
Shareholders' equity	6,963	7,189	6,697	6,152
Total average liabilities and shareholders' equity	137,653	141,691	132,862	120,822
% of total average liabilities attributable to overseas activities	44.9%	45.8%	43.9%	41.9%

INTEREST SPREADS AND NET INTEREST AVERAGE MARGINS

	Full year Sep 97 \$M	Half year Sep 97 \$M	Half year Mar 97 \$M	Full year Sep 96 \$M
Average interest earning assets				
Australia	60,288	61,033	59,213	55,079
New Zealand	16,882	16,994	16,677	14,815
International markets	35,972	37,748	33,999	29,777
	113,142	115,775	109,889	99,671
	%	%	%	%
Gross earnings rate¹				
Australia	8.46	8.10	8.88	9.85
New Zealand	9.43	9.08	9.84	10.17
International markets	7.63	7.72	7.58	7.94
Total Group	8.34	8.12	8.62	9.33

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

Australia

Gross interest spread	3.16	3.10	3.24	3.37
Interest forgone on impaired assets	(0.09)	(0.08)	(0.10)	(0.15)
Net interest spread	3.07	3.02	3.14	3.22
Interest attributable to net non-interest bearing items	0.74	0.69	0.80	0.90
Net interest average margin - Australia	3.81	3.71	3.94	4.12

New Zealand

Gross interest spread	2.18	2.37	2.03	2.43
Interest forgone on impaired assets	(0.04)	(0.05)	(0.04)	(0.06)
Net interest spread	2.14	2.32	1.99	2.37
Interest attributable to net non-interest bearing items	0.66	0.63	0.67	0.90
Net interest average margin - New Zealand	2.80	2.95	2.66	3.27

International markets

Gross interest spread	1.53	1.55	1.49	1.49
Interest forgone on impaired assets	(0.03)	(0.03)	(0.02)	(0.04)
Net interest spread	1.50	1.52	1.47	1.45
Interest attributable to net non-interest bearing items	0.32	0.27	0.38	0.48
Net interest average margin - International markets	1.82	1.79	1.85	1.93

Group

Gross interest spread	2.48	2.47	2.51	2.67
Interest forgone on impaired assets	(0.06)	(0.06)	(0.07)	(0.10)
Net interest spread	2.42	2.41	2.44	2.57
Interest attributable to net non-interest bearing items	0.60	0.56	0.66	0.77
Net interest average margin - Group	3.02	2.97	3.10	3.34

¹ Average interest rate received on interest earning assets

US GAAP RECONCILIATION

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

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

	Full year Sep 97 \$M	Half year Sep 97 \$M	Half year Mar 97 \$M	Full year Sep 96 \$M
Operating profit after income tax according to Australian GAAP¹	1.024	409	615	1.116
Depreciation charged on the difference between revaluation amount and historical cost of buildings	3	1	2	1
Difference in gain or loss on disposal of properties revalued under historical cost	17	11	6	4
Amortisation of goodwill	(36)	(18)	(18)	(36)
Write-off of goodwill	-	-	-	(7)
Amortisation of sale-leaseback gain over lease term	-	-	-	4
Pension expense adjustment	10	8	2	5
Net income according to US GAAP	1.018	411	607	1.087
Shareholders' equity according to Australian GAAP²	6.943	6.943	6.699	6.290
Elimination of gross asset revaluation reserves	(349)	(349)	(360)	(366)
Adjustment to provision for depreciation on buildings revalued	36	36	35	33
Restoration of previously deducted goodwill	807	807	807	807
Accumulated amortisation and write-off of goodwill	(472)	(472)	(454)	(436)
Provision for final dividend	392	392	329	355
Pension expense adjustment	44	44	36	34
Shareholders' equity according to US GAAP	7.401	7.401	7.092	6.717
Total assets according to Australian GAAP	138,241	138,241	135,086	127,604
Elimination of gross asset revaluation reserves	(349)	(349)	(360)	(366)
Adjustment to provision for depreciation on buildings revalued	36	36	35	33
Restoration of previously deducted goodwill	807	807	807	807
Accumulated amortisation and write-off of goodwill	(472)	(472)	(454)	(436)
Prepaid pension adjustment	33	33	30	26
Reclassification of deferred tax assets against deferred tax liabilities	(392)	(392)	(395)	(388)
Total assets according to US GAAP	137.904	137.904	134.749	127.280

¹ After abnormal items

² Excludes outside equity interests

ACCOUNTING POLICIES

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

The accounting policies have been consistently applied by the entities in the Group and are consistent with those of the previous financial period except that effective 1 October 1996, the Group has adopted the equity method of accounting for associates.

The Group has elected to adopt early the Australian Accounting Standards: AASB 1014 "Set-off and Extinguishment of Debt"; AASB 1016 "Accounting for Investments in Associates"; AASB 1032 "Specific Disclosures by Financial Institutions"; and AASB 1033 "Presentation and Disclosure of Financial Instruments".

EXCHANGE RATES

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

	<u>Balance Sheet</u>			<u>Profit and Loss Average</u>			
	<u>As at Sep 97</u>	<u>As at Mar 97</u>	<u>As at Sep 96</u>	<u>Full year Sep 97</u>	<u>Half year Sep 97</u>	<u>Half year Mar 97</u>	<u>Full year Sep 96</u>
NZD/AUD	1.1272	1.1316	1.1314	1.1191	1.1236	1.1146	1.1340
GBP/AUD	0.4465	0.4815	0.5062	0.4694	0.4602	0.4786	0.4963
USD/AUD	0.7197	0.7861	0.7914	0.7679	0.7516	0.7842	0.7685

SIGNIFICANT EVENTS SINCE BALANCE DATE

There have been no significant events since 30 September 1997 to the date of this report.

For and on behalf of the directors

Charles Goode
Chairman

John McFarlane
Chief Executive Officer

Melbourne
19 November 1997

DEFINITIONS

Core operating expenses

Core operating expenses represents total operating expenses excluding direct income-related expenditure and restructuring expenses.

Geographic segmentation

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

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

South Asia includes Bangladesh, India and Nepal.

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

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

Impaired assets

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

Net advances

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

Net interest average margin

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

Net interest spread

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

Net non-interest bearing items

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

Operating expenses

Operating expenses exclude charges for doubtful debts and abnormal items.

Total advances

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

Underlying profit after tax

Underlying profit after tax represents operating profit after tax before additional transfer to general provision of \$137 million and abnormal items.

Unproductive facilities

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

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Appendix A Overview of Asian Exposure

ANZ's Asian exposures are a result of its operations in the financial markets and the provision of trade finance facilities and funding to network customers or local corporates. As at 30 September 1997, the profile of the Group's Asian exposures was as follows:

- Local on balance sheet (excluding banks)
 - \$3.3 billion, including \$1.8 billion in Hong Kong and Singapore
 - 44% rated the equivalent of investment grade
 - 3% or \$111 million rated as higher risk, the equivalent of a public rating of B+ or lower
 - gross non-accrual loans of \$16 million.
- Banks

Total global exposure to Asian banks is \$10.3 billion, of which 64% was to Japanese banks. Other aspects of our exposures included

- 91% of exposures at investment grade, including 99% for Japanese banks
- facilities, typically short term, with 88% maturing in less than one year
- outside of the main financial centres of Japan, Hong Kong and Singapore, 51% of bank exposures is directly related to trade or unfunded Treasury facilities.

- Cross border risk

Details of the cross border exposures are presented in the table below:

Country	Total \$M	Trade ¹ \$M	Funded Treasury ² \$M	Other ³ \$M	Maturing in less than 1 year
Japan	2,129	45	1,203	881	83%
Singapore	1,707	72	1,385	250	86%
Hong Kong	1,645	187	1,187	271	86%
South Korea	1,534	379	451	704	93%
Indonesia	1,103	342	87	674	83%
China	1,011	323	130	558	88%
Philippines	537	62	93	382	85%
Taiwan	524	194	144	186	79%
Thailand	411	152	129	130	82%
Vietnam	234	122	-	112	78%
Malaysia	156	5	71	80	74%
	10,991	1,883	4,880	4,228	86%

¹ Trade comprises L/C confirmations, sight negotiations and post/pre export bill financing

² Funded Treasury comprises money market loans, certificates of deposit and commercial bills accepted/purchased

³ Other comprises performance bonds, term loans and other cross border funding