AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED
ABN 11 005 357 522
CONSOLIDATED FINANCIAL REPORT AND DIVIDEND ANNOUNCEMENT
Half-Year Ended 31 March 2001

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All amounts are in Australian dollars unless otherwise stated. The information on which this announcement is based has been reviewed by the Group's auditors, KPMG. The Company has a formally constituted Audit Committee of the Board of Directors. This report was approved by resolution of a Committee of the Board of Directors on 26 April 2001.

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Media Release

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For Release: 26 April 2001

ANZ earnings per share up 13%

Earnings on continuing operations up 18%

Australia and New Zealand Banking Group Limited (ANZ) today announced a record operating profit after tax of $895 million for the half year ended March against $817 million for the same period last year, which included Grindlays earnings prior to sale. Earnings from continuing operations were $907 million against $771 million. Earnings per share were up 13% to 55.8 cents.

Results Summary[1]

- **Profit after Tax on continuing operations $907 million up 18%**
- **Net Profit after Tax $895 million up 10%**
- **Earnings per ordinary share 55.8 cents up 13%**
- **Return on ordinary shareholders' equity 19.6% up from 17.8%[2]**
- **Cost income ratio below 50% for the first time to 49.4% from 51.4%**
- **Credit quality sound:**
  - **Economic loss provision down to 35 basis points**
  - **Total non-accrual loans down**
  - **Net specific provisions flat**
- **Profit on sale of stake in St George $65 million after tax offset by $84 million write-downs in investments**
- **Market leading disclosure – results provided for each business unit**
- **Interim dividend 33 cents, up 4 cents with 100% franking**

1. *Comparisons are against half year ended March 2000*
2. *Refer page 67 for explanation of comparative methodologies*

ANZ Chairman, Mr Charles Goode said: "This is another good result for ANZ shareholders. The results of three years of hard work at ANZ have created a stronger company well positioned to continue to deliver on its commitments to shareholders, customers and the community in a less certain economic environment. Management and staff are to be congratulated on their achievements."

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ANZ's 2001 Interim Results are available on www.anz.com

Chief Executive Officer's Review

2001 Interim Results

The considerable energy that has gone into the process of rebuilding ANZ in recent years, has helped produce another strong financial result in this first half. We have also made good progress in the implementation of our new strategy, which we announced last year.

ANZ is now managed as a portfolio of specialist businesses. A unique feature of these results is the disclosure of the earnings from each of the specialised businesses, which provides a greatly increased level of disclosure. It is pleasing to report that most of our businesses are performing strongly, and there is scope for further improvement. Many of these businesses hold leadership positions and have the management and product leadership to grow at a faster rate than the industry, domestically and internationally. This provides us with a portfolio of businesses that is not only performing well but has significant growth opportunities.

We are on track to deliver on our three-year financial commitments

Following the success against our previous three-year targets, in October 2000 we announced new commitments for the next three years. We have made good progress against each of these commitments in the first half and are on track to achieve them:

Measure	Target	March 2001
EPS growth	>10%	13%
Return on equity	>20%	19.6% [1]
Cost-income ratio	mid 40s	49.4%
Inner tier 1	6%	6.2%
Credit rating	AA category	maintained

Following the sale of Grindlays last year, earnings from continuing businesses were up 18% on the previous first half and up 10% on the second half of last year. Earnings per share were up 13%, and the interim dividend of 33 cents per share was up 14% from that declared for the first half of last year.

Return on equity[1] of 19.6%, up from 17.8%, was achieved through strong earnings performance and our capital management program. The $1 billion buyback announced in April last year is now almost complete. Inner tier 1 capital ratio is now approaching our target of 6%.

[1] *Refer page 67 for explanation of comparative methodologies*

Once again we improved the cost-income ratio to 49.4% from 51.4%. This is the first time it has been below 50% and positions us well to achieve our new target of mid 40s by September 2003. We were able to hold the increase in costs to 4%, which largely reflected the increase in costs associated with GST and costs from the acquired EFTPOS New Zealand. At the same time we were able to grow assets by 8% and income by 10%.

We have continued our prudent approach and reassessed the market value of several investments. As a result we wrote down the carrying value of Panin by $43m, E*Trade by $21m and other internet investments by $20m. These write downs were partially offset by a profit of $65m after tax realised on the sale of our stake in St George Bank, which we sold as it no longer fitted our strategic plans.

Risk levels remain stable across the group. The Economic Loss Provision percentage charge was reduced, and non-accrual loans and specific provisions were down. While non-accrual loans increased in Australia, mainly due to sporadic credit situations against which we have made appropriate specific provisions in the first half, we are not yet experiencing a systemic shift in credit quality. We nevertheless remain cautious in our risk approach given the marked slowdown in the economy.

Implementation of our new strategy is progressing well

Our strategy is based around three themes - specialisation, e-transformation, and growth. Specialisation means we will focus on areas where we have real capability and can deliver a unique experience to our customers. E-transformation requires that we use new internet technologies to revolutionise the way we do banking in the future, whilst maintaining a human face to our customers and to the community. Growth requires us to deliver superior earnings performance by growing revenues faster than system growth, by controlling our costs, by reducing risk, and by controlling capital. It also requires us to position ourselves strategically in faster growing markets and to breakout from current operating paradigms by having the courage to be both bold and different.

Specialisation. During the first half, we consolidated smaller profit centres into the main businesses. Additionally in February, we announced that our largest business, General Banking would be split into two new customer businesses – Metrobanking and Regionalbanking. As a result, ANZ now has 16 main specialist business units, each being part of ANZ but also having the freedom to develop within its own competitive space. We believe this will allow a more entrepreneurial spirit within our businesses whilst benefiting from the synergy of cross business collaboration. In line with our earlier commitments we have, for the first time, disclosed the earnings of the main business units. The performance and growth of the businesses are now transparent, and can be monitored by shareholders, customers and by the community.

eTransformation is gathering pace. For our customers this is about providing first-class, low-cost internet banking solutions with a personal touch and automated processing of supporting functions to ensure efficient and responsive service. For staff this is about providing a common customer view through all channels and about removing bureaucracy and routine manual activities. For shareholders it means lower costs and higher returns as a result of streamlined straight-through electronic processes.

We continued to invest heavily in new technology platforms and have a number of major projects in train such as a new sales and service platform for our branch network, enhanced internet banking, Peoplesoft human resource and general ledger system, and customer value management for our Personal businesses. The implementation of our Windows 2000 platform is now almost complete. Our e-transformation strategy has been assisted by the $361m restructuring charge taken last year, to support a program of 35 discrete initiatives to restructure our technology and operational infrastructure. This program is on track with some $65m of this provision utilised in the first six months. In addition to this our Perform and Grow program has identified several other cost reduction initiatives and a range of revenue enhancement opportunities which we are currently prioritising for action.

Growth. Successful revenue enhancement, combined with cost and risk containment has led to higher than system earnings growth in a significant number of businesses. In the first half, 80% of our specialist business segments had annualised double-digit earnings growth.

Over the past few years we have successfully repositioned our portfolio towards higher growth, higher return businesses. This has been particularly successful in Mortgages and Cards, where we have achieved substantial market share increases. However, we continue to be relatively underweight in overall market share of Personal, and there is considerable opportunity for further growth through leveraging the success of Mortgages and Cards across our other businesses. In Corporate we achieved strong revenue growth in Institutional, Global Capital Markets, Global Foreign Exchange and Global Transaction Services.

We recognise that the market is focused on the attractiveness of the opportunity in funds management. However, we believe our prime focus lies in the development of our distribution capability across our customer businesses. We have therefore decided to seek an alliance with a global player to develop our position in Investment Management, allowing us to concentrate on the opportunity to service our own customer base with greater choice of product than we could supply on our own.

Ensuring earnings growth momentum has also required us to make decisions on investments where the potential has been less than we anticipated. In March we announced the unwinding of our joint venture with OCBC Bank. Despite its initial promise the economic prospects for this proposition became increasingly challenging and both parties made a decision to withdraw at an early stage.

Our focus on individual segments and our systematic reallocation of resources should enable us to take advantage of growth opportunities as they present themselves, and to be more agile to respond to changes in their individual marketplaces. This, combined with a breakout cultural environment should be an effective combination and act as a catalyst for significant new growth in future periods.

Changing the culture in ANZ

The substantial progress we have made in the rebuilding phase at ANZ over the last few years has created a much stronger foundation for the future. This is a significant step forward, but in conjunction with our new strategy we have set ourselves on a path to create a much stronger, more dynamic and growth oriented company in the years ahead.

To achieve this we will need to dramatically transform the culture and working environment at ANZ. Balancing the tensions of specialist businesses within a single entity requires greatly increased openness, flexibility and trust. eTransformation requires us to be lean, agile and tolerant of change. Breakout growth will require passion, boldness, inspiration and much closer relationships with our customers.

As an initial step, in the first half we launched “breakout” workshops for management across the company to transform the leadership practices and to help change the overall culture of the organisation.

We are working to earn the trust of our customers and the community

While we are rated very highly by our customers in some businesses, particularly Corporate and Institutional Banking, there is much we can do to replicate this perception more broadly across the organisation. Our biggest challenge is with general consumers and with the image of banking in the community. Last week, we announced a range of initiatives, which we believe will begin to make a real difference:

- Unlimited fee-free transactions for customers aged 60 or over from their ANZ personal transaction account. The change, effective 1 July 2001, acknowledges the greater reliance that older customers have on face to face banking and the difficulties some experience in adapting to new technology.

- A new Customer Charter, which will set clear, benchmarks for the provision of service to customers including commitments on access to services, personal information and an improved complaint resolution process.

- Appointment of a senior Customer Advocate to ensure the satisfactory resolution of customer issues and complaints.

- Improvements and greater funding for ANZ’s community relations program which will become more focused on issues affecting ANZ customers and the communities in which ANZ operates.

- Paid leave for staff who volunteer for community service.

Over the past three years ANZ has made considerable progress in rebuilding its reputation for financial performance. We are now intent on replicating this success with customers and with the wider community. We realise we still have a long way to go, but these initiatives are an important step in redressing that imbalance and demonstrate our commitment to change.

We are in good shape to prosper through a softer economic environment

Overall risk continues to reduce in line with our strategy of rebalancing the portfolio and emphasising growth sectors and lower risk businesses. Having grown profits over the last 3 - 4 years at over 20% compound, our Personal businesses together with Investment Management now for the first time contribute in excess of 50% of Group profits.

Credit quality remains acceptable despite slowing economic conditions, and the ELP charge reduced further to 0.35% in line with the steadily improving mix and quality of the portfolio.

At the Group level total non-accrual loans are down 7% on September 2000, although in Australia there has been a 15% increase in non-accruals due to the less favourable economic environment. As expected in any economic downturn there has been a modest increase in the incidence of delinquencies and businesses incurring financial stress. However this is broadly consistent with our expectations given the economic environment and well within our planned provisioning levels. Total capital adequacy remains strong at 10.5%

In October last year we highlighted several areas, that had not gone as well as hoped in 2000 and we outlined firm action to address these. I am pleased to report that good progress has been made with respect to each of these issues as follows:

- Unsecured personal loan portfolio – the tightening of credit criteria and review of processes has lead to a steady reduction in the size of the portfolio and an improvement in the quality of new loans.
- Panin write down – As mentioned earlier we have taken a further write down to market value.
- International provisioning – there has been no need for any material new provisioning following the losses incurred in 2000 from the Asian crisis and Grindlays.

Outlook

While the economic environment is less certain, at this stage we continue to expect a positive overall performance for the full year. However, the weaker economy, combined with the strength of our earnings in the first half, may make it difficult to replicate the strong underlying first half earnings growth in the second half. Having said this, we are confident the considerably stronger foundation we have now established puts us in a good position to continue to perform well and achieve our targets over the medium term.

Australia and New Zealand Banking Group Limited

ABN 11 005 357 522

Consolidated Financial Report Dividend Announcement and Appendix 4B

Half-Year 31 March 2001

HIGHLIGHTS

CHIEF EXECUTIVE OFFICER
John McFarlane

Continuing operations

- Operating profit after tax up 18% to $907 million
- Total income up 10%; non interest income up 11%
- Gain on sale of St. George investment offset by writedown of investments including Panin and E*Trade
- Operating expenses steady after adjusting for GST and acquisitions
- Cost income 49.4% down 3% and below 50% for the first time

Net operating result

- Operating profit after tax $895 million up 10%
- Earnings per ordinary share up 13% to 55.8 cents
- Return on ordinary shareholders' equity 19.6%
- Interim dividend 33 cents per share, fully franked, compared with previous periods 35 cents (Sep 00) and 29 cents (Mar 00)
- Credit quality sound
  - ELP charge down to 35 basis points
  - total non-accruals down
  - net specific provision flat

Comparisons are against half year ended March 2000

Continuing operations exclude prior year abnormals and the results of our discontinued operations (principally Grindlays)

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FINANCIAL HIGHLIGHTS

CONTINUING OPERATIONS

	Half year Mar 01 $M	Half year Sep 00 $M	Half year Mar 00 $M	Movt Mar 01 v. Sep 00 %	Movt Mar 01 v. Mar 00 %
Net interest income	**1,859**	1,775	1,689	5%	10%
Other operating income	**1,280**	1,189	1,157	8%	11%
Operating income	**3,139**	2,964	2,846	6%	10%
Operating expenses	**(1,559)**	(1,525)	(1,499)	2%	4%
Profit before debt provision	**1,580**	1,439	1,347	10%	17%
Provision for doubtful debts	**(233)**	(219)	(221)	6%	5%
Profit before income tax	**1,347**	1,220	1,126	10%	20%
Income tax expense	**(439)**	(393)	(354)	12%	24%
Outside equity interests	**(1)**	(1)	(1)	-	-
Continuing operations	**907**	826	771	10%	18%

NET OPERATING RESULT RECONCILIATION

	Half year Mar 01 $M	Half year Sep 00 $M	Half year Mar 00 $M	Movt Mar 01 v. Sep 00 %	Movt Mar 01 v. Mar 00 %
Continuing operations	**907**	826	771	10%	18%
Net abnormals	**-**	45	(1)	n/a	n/a
Discontinued businesses	**(12)**	59	47	n/a	n/a
Net profit attributable to members of the Company	**895**	930	817	-4%	10%

NET OPERATING RESULT

	Half year Mar 01 $M	Half year Sep 00 $M	Half year Mar 00 $M	Movt Mar 01 v. Sep 00 %	Movt Mar 01 v. Mar 00 %
Net interest income	**1,879**	1,929	1,872	-3%	-
Other operating income	**1,261**	1,293	1,290	-2%	-2%
Abnormal income	**-**	1,144	63	n/a	n/a
Operating income	**3,140**	4,366	3,225	-28%	-3%
Operating expenses	**(1,560)**	(1,651)	(1,663)	-6%	-6%
Abnormal expenses	**-**	(986)	-	n/a	n/a
Profit before debt provision	**1,580**	1,729	1,562	-9%	1%
Provision for doubtful debts	**(241)**	(246)	(256)	-2%	-6%
Profit before income tax	**1,339**	1,483	1,306	-10%	3%
Income tax expense	**(443)**	(439)	(424)	1%	4%
Abnormal tax	**-**	(113)	(64)	n/a	n/a
Outside equity interests	**(1)**	(1)	(1)	-	-
Net profit attributable to members of the Company	**895**	930	817	-4%	10%

FINANCIAL HIGHLIGHTS (continued)

PERFORMANCE MEASUREMENTS

	Half year Mar 01	Half year Sep 00	Half year Mar 00
Profitability ratios			
Return on:			
Average ordinary shareholders' equity[1, 2]	**19.6%**	19.7%	17.8%
Average assets	**1.04%**	1.09%	1.02%
Average risk weighted assets	**1.35%**	1.45%	1.34%
Total income	**12.5%**	11.1%	12.5%
Net interest average margin	**2.77%**	2.83%	2.92%
Efficiency ratios[3]			
Operating expenses to operating income	**49.4%**	60.2%	51.4%
Operating expenses to operating income - continuing businesses	**49.4%**	51.2%	52.5%
Operating expenses to average assets	**1.8%**	3.1%	2.1%
Debt provisioning			
Economic loss provisioning ($M)	**241**	246	256
Net specific provisions ($M)	**181**	186	197
Earnings per ordinary share (cents)			
Earnings per ordinary share (basic)	**55.8**	57.6	49.3
Earnings per ordinary share (diluted)	**55.4**	57.3	49.1
Ordinary share dividends (cents)			
Interim - 100% franked (2000: 100% franked)	**33**	n/a	29
Final - 100% franked (2000: 100% franked)	**n/a**	35	n/a
Dividend payout ratio	**58.7%**	60.2%	57.9%
Preference share dividend			
Dividend paid ($M)	**59**	53	49

[1] *Ordinary shareholders' equity excluding outside equity interests*
[2] *Refer page 67 for explanation of comparative methodologies*
[3] *Exclude goodwill amortisation*

STATEMENT OF FINANCIAL POSITION

	As at Mar 01 $M	As at Sep 00 $M	As at Mar 00 $M
Assets			
Liquid assets	**5,113**	5,648	5,410
Due from other financial institutions	**4,076**	5,822	4,543
Trading and investment securities	**8,122**	7,132	9,280
Net loans and advances including acceptances	**137,439**	131,797	129,386
Other	**26,217**	22,068	18,339
Total assets	**180,967**	172,467	166,958
Liabilities			
Due to other financial institutions	**13,376**	12,247	8,796
Deposits and other borrowings	**102,046**	100,602	106,157
Liability for acceptances	**14,532**	15,482	15,364
Bonds and notes	**13,108**	9,519	6,910
Other	**27,705**	24,810	20,069
Total liabilities	**170,767**	162,660	157,296
Total shareholders' equity	**10,200**	9,807	9,662

FINANCIAL HIGHLIGHTS (continued)

ASSETS AND CAPITAL

	As at Mar 01	As at Sep 00	As at Mar 00	Movt Mar 01 v. Sep 00 %	Movt Mar 01 v. Mar 00 %
Total assets ($M)	**180,967**	172,467	166,958	5%	8%
Risk weighted assets ($M)	**137,000**	129,688	126,553	6%	8%
Shareholders' equity[1, 2] ($M)	**10,188**	9,795	9,649	4%	6%
Total advances ($M)	**140,974**	134,888	132,307	5%	7%
Specific provisions ($M)	**(579)**	(709)	(896)	-18%	-35%
Net advances ($M)	**140,395**	134,179	131,411	5%	7%
Net tangible assets per ordinary share ($)	**5.71**	5.49	5.42	4%	5%
Net tangible assets attributable to ordinary shareholders ($M)	**8,492**	8,276	8,313	3%	2%
Total number of ordinary shares (M)	**1,486.8**	1,506.2	1,533.4	-1%	-3%
Capital adequacy ratio (%)					
- Inner Tier 1	**6.2%**	6.4%	6.5%	n/a	n/a
- Tier 1	**7.3%**	7.4%	7.5%	n/a	n/a
- Tier 2	**3.4%**	3.4%	3.3%	n/a	n/a
- Total	**10.5%**	10.2%	10.1%	n/a	n/a
General provision ($M)	**1,460**	1,373	1,436	6%	2%
General provision as a % of risk weighted assets	**1.1%**	1.1%	1.1%	n/a	n/a
Non-accrual loans ($M)					
Non-accrual loans	**1,295**	1,391	1,425	-7%	-9%
Specific provisions	**(568)**	(692)	(871)	-18%	-35%
Net non-accrual loans	**727**	699	554	4%	31%
Specific provision as a % of total non-accrual loans	**43.9%**	49.7%	61.1%	n/a	n/a
Net non-accrual loans as a % of net advances	**0.5%**	0.5%	0.4%	n/a	n/a
Net non-accrual loans as a % of shareholders' equity[3]	**7.1%**	7.1%	5.7%	n/a	n/a
Other information					
Full time equivalent staff (FTE's)	**22,815**	23,134	28,940	-1%	-21%
Profit per average FTE ($)	**40,062**	33,329	27,715	20%	45%
Assets per FTE ($M)	**7.9**	7.5	5.8	5%	36%
Market capitalisation of ordinary shares ($M)	**20,488**	20,002	15,948	2%	28%

[1] *Excludes outside equity interests*
[2] *Includes preference share capital of $1,526 million (Sep 00: $1,374 million, Mar 00: $1,232 million)*
[3] *Includes outside equity interests*

CHIEF FINANCIAL OFFICER'S REVIEW

OVERVIEW

Australia and New Zealand Banking Group Limited (ANZ) recorded a profit after tax of $895 million for the half-year ended 31 March 2001. Earnings per ordinary share were 55.8 cents, and return on ordinary shareholders' equity was 19.6%.

The September 2000 half year result included $59 million principally from the Grindlays operations sold on 31 July 2000, together with $44 million net abnormals. The following overview compares the current half-year with the continuing operating results of the September 2000 half-year excluding net abnormals (refer table on page 2).

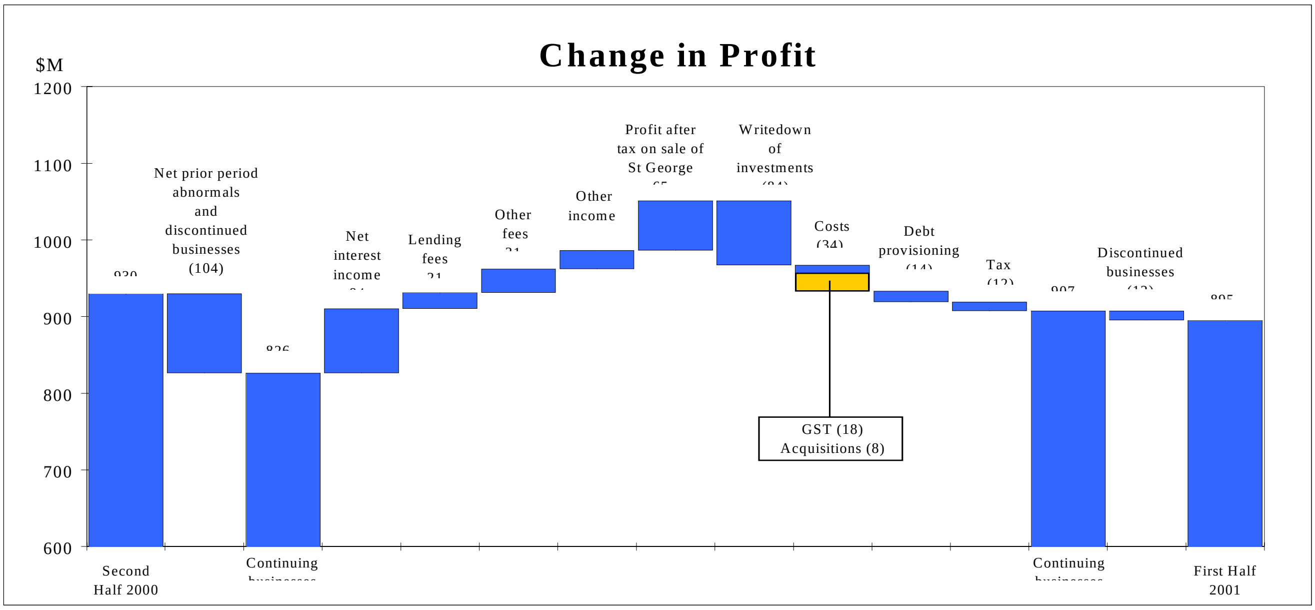
The Group's continuing operations recorded a profit of $907 million, up 10% over the September 2000 half-year. This result reflects the success of the Group's focus on Specialisation, eTransformation, and the Growth strategy which was announced on 18 July 2000.

Balance sheet growth has slowed, due to slowing mortgage growth and securitisation of mortgage assets and deliberately limiting growth in Corporate assets (focus has been on fee income).

Income grew 6% with costs flat after allowing for GST, the acquisition of NZ EFTPOS, and exchange rates.

The cost income ratio from the continuing operations reduced to 49.4% from 51.2% in the half-year to September 2000, reflecting income growth and the results of efficiency initiatives. This result represents significant progress towards the Group's aim of a cost income ratio in the mid 40's.

A gain of $99 million ($65 million after tax) on the sale of ANZ's strategic holding in St. George Bank was offset by a writedown of investments of $84 million (no tax effect).



Income

Net interest income increased by $84 million over the previous half-year. The 5% increase has been driven by increased lending volume growth and margin growth of 2 basis points for the continuing businesses. Mortgage lending in Australia and New Zealand accounted for the majority of the lending growth with mortgage margins strengthening as interest rates fell ahead of customer lending rates, following two consecutive half years of rising interest rates.

Growth in fee income at 6% reflected increased fee volumes in Cards, Structured Finance and Institutional Banking. Transaction fees in all areas continue to be reviewed and repriced as necessary to reflect the changing cost of providing services.

Expenses

Operating expenses were well contained, with the increase resulting from acquisitions including EFTPOS New Zealand ($6 million), the introduction of GST ($18 million), and exchange rates ($8 million). Cost efficiency initiatives saw staff numbers reduce by 1.4%.

CHIEF FINANCIAL OFFICER'S REVIEW (continued)

Restructuring Initiatives

During the September 2000 half-year, a $361 million provision was recognised for a 2-year program to restructure the technology, premises and operational infrastructure across the Group. Spend against the provision to the end of March 2001 was $65 million. Progress on these initiatives includes:

- significant work has been undertaken in conjunction with external advisors to determine the optimal branch configuration
- progress has been made on the delivery of our new sales and service platform
- the imaging technology pilot has been completed and is now being rolled out to improve productivity of processes and workflow
- strategic re-positioning of the EFTPOS network to facilitate the introduction of smart card technology is underway
- Esanda back office processes are being re-engineered as planned and operations are being moved towards web based platforms
- the simplification of Asia Pacific business platforms is progressing
- the decommissioning of mid range IT systems, workflow improvements and hardware upgrades is on schedule, including the development of Common Administration Systems where software has been selected and implementation partners and the ANZ project team have commenced work

The benefits of this extensive restructuring program will emerge progressively, but principally in 2002 and beyond. These savings will be used to maintain our philosophy of costs that are 'flat' and enable investment in growth options.

Unusual profit and loss items

On 8 March 2001, ANZ announced the sale of its 8.3% stake in St George Bank realising a profit before tax of $99 million ($65 million after tax). The holding of a stake in St George was not central to the Group's new strategy and with significant challenges surrounding a future acquisition, the sale presented a good opportunity to realise value.

During the March 2001 half year the Group has reassessed the market value of certain investments recognising the continued weakness of Indonesian equity markets and global decline in the value of internet investments. In light of this assessment the carrying value of Panin Bank has been written down by $43 million, E*Trade by $21 million and other investments by $20 million.

Discontinued business

On 5 March 2001 ANZ and OCBC Bank announced their decision to withdraw from the joint venture to develop a web-led bank in Asia, as it became clear that the venture's projected financial returns were not sufficiently compelling in light of market entry costs and the softer economic environment. The results include an equity accounted loss of $25 million, which is the Group's share of the loss.

Grindlays has successfully petitioned India's Supreme Court to expedite its dispute with the state-owned National Housing Bank (NHB) and cap its exposure to prevent further increases in potential liabilities. On 19 January 2001, INR 15.3 billion was placed on deposit to cap interest accruals on Grindlays exposure. Discontinued businesses includes interest earned on the monies in dispute prior to lodgement of the deposit.

Risk

Risk levels remain stable across the Group. Whilst the Group ELP declined from 36 basis points to 35 basis points, for continuing businesses the trend in ELP has flattened at 34 basis points with some modest increase evident in the Corporate businesses. Risk profiles are being closely monitored in the current economic environment. Non accrual loans reduced and net specific provisions fell $5 million over the half-year to $181 million from $186 million in the September 2000 half year.

Specific provisions declined in Personal but a prudent approach to Corporate exposures following difficulties encountered by some larger customers saw a modest increase. Similarly, non accrual loans increased 15% in Australia driven by Corporate, but this was offset by significant recoveries and write-offs of Asian non accruals.

The sale of the Grindlays businesses on 31 July 2000 resulted in a significant improvement in the Group's risk profile, with the economic loss provisioning charge as a percentage of net lending assets being 1.13% for the sold businesses compared to 0.36% for the continuing businesses.

CHIEF FINANCIAL OFFICER'S REVIEW (continued)

Capital management

The Group's Tier 1 position reduced by 0.1% to 7.3% (September 2000: 7.4%), reflecting our continued focus on capital management. Inner Tier 1 reduced by 0.2% to 6.2% , close to our target of 6.0%. This includes $413 million share buy-backs. The current $1 billion share buy-back was 92% completed at 31 March 2001 and is expected to be finalised shortly. The total capital adequacy ratio remains strong at 10.5% with a smaller deduction from capital following the sale of our stake in St George.

The Group is being managed to maximise value for our shareholders. Performance against targets is measured through EVA™ (Economic Value Added). EVA™ is a measure of economic profit and is based on operating profits after tax adjusted for prior year abnormals, the cost of equity, the assessed value of imputation credits, and economic credit costs. EVA™ for the half-year ended 31 March 2001 was $594 million up from $565 million for the half-year ended 30 September 2000, using a cost of capital of 11%.

EVA™ principles are also used to enhance comparability of business unit performance. Business unit results are equity standardised, by eliminating the impact of earnings on each business unit's book capital and attributing earnings on the business unit's risk adjusted capital.

During the half year the Group has implemented a new framework to allocate capital to business units for operating risk using a scorecard approach. This methodology significantly strengthens the Group's overall process for the management of economic capital and was designed to drive appropriate risk management behaviour through the Group and particularly to line management.

CHIEF FINANCIAL OFFICER'S REVIEW (continued)

BUSINESS SEGMENT PERFORMANCE

ANZ is managed as 15 specialist businesses. A description of each of these, and of segment totals, together with analysis of results is contained on pages 10 to 30.

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

	Half year Mar 01 $M	Half year Sep 00 $M	Half year Mar 00 $M	Movt Mar 01 v. Sep 00 %	Movt Mar 01 v. Mar 00 %
Personal					
General Banking	**191**	197	181	-3%	6%
Small Business	**48**	44	45	9%	7%
Wealth Management	**11**	14	15	-21%	-27%
Cards	**58**	45	34	29%	71%
Mortgages	**112**	80	58	40%	93%
Segment total	**420**	380	333	11%	26%
Corporate					
Corporate Banking	**65**	60	61	8%	7%
Institutional Banking	**88**	70	67	26%	31%
Global Capital Markets	**24**	18	16	33%	50%
Global Foreign Exchange	**40**	34	32	18%	25%
Global Structured Finance	**85**	89	69	-4%	23%
Global Transaction Services	**54**	40	46	35%	17%
Segment total	**356**	311	291	14%	22%
International and Subsidiaries					
Asset Finance	**47**	44	46	7%	2%
Investment Management	**34**	27	43	26%	-21%
Asia	**31**	8	11	large	large
Pacific	**21**	19	22	11%	-5%
Segment total	**133**	98	122	36%	9%
Operating segments total	**909**	789	746	15%	22%
Operating segments total	**909**	789	746	15%	22%
Corporate Centre, Technology and Finance	**(2)**	37	25	n/a	n/a
Continuing businessses	**907**	826	771	10%	18%
Net abnormals	**-**	45	(1)	n/a	n/a
Discontinued businesses	**(12)**	59	47	n/a	n/a
Net profit attributable to members of the Company	**895**	930	817	-4%	10%

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

CHIEF FINANCIAL OFFICER'S REVIEW (continued)

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

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

Discontinued Businesses includes the results of the Grindlays and associated businesses sold to Standard Chartered Bank Plc and the proposed joint venture to establish an eBank in Asia. This joint venture (with OCBC) was discontinued in March as it became clear that the venture's projected financial returns were not sufficiently compelling in light of market entry costs and the softer economic environment.

CHIEF FINANCIAL OFFICER'S REVIEW (continued)

PERSONAL

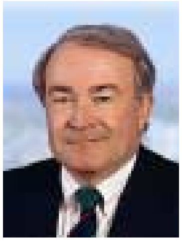
Peter Hawkins

Comprises the General Banking, Small Business and Wealth Management customer segments, and Cards and Mortgages specialist products, in Australia and New Zealand

	Half year Mar 01 $M	Half year Sep 00 $M	Half year Mar 00 $M
Net interest income	**1,085**	1,029	957
Other external operating income	**456**	436	433
Net inter business unit fees	**58**	73	73
Operating income	**1,599**	1,538	1,463
External operating expenses	**(685)**	(655)	(669)
Net inter business unit expenses	**(181)**	(189)	(193)
Operating expenses	**(866)**	(844)	(862)
Profit before debt provision	**733**	694	601
Provision for doubtful debts	**(95)**	(107)	(84)
Income tax expense and outside equity interests	**(218)**	(207)	(184)
Net profit attributable to members of the Company	**420**	380	333
Net loans and advances including acceptances	**69,445**	65,920	60,951
Other external assets	**1,508**	978	1,002
External assets	**70,953**	66,898	61,953
Deposits and other borrowings	**35,526**	34,180	34,366
Other external liabilities	**1,739**	1,824	1,544
External liabilities	**37,265**	36,004	35,910
Net interest average margin	**3.22%**	3.23%	3.35%
Return on assets	**1.22%**	1.17%	1.14%
Return on risk weighted assets	**2.11%**	2.02%	1.94%
Operating expenses to operating income	**53.7%**	54.5%	58.7%
Operating expenses to average assets	**2.49%**	2.58%	2.94%
Net specific provisions	**88**	115	87
Net specific provision as a % of average net advances	**0.26%**	0.36%	0.30%
Net non-accrual loans	**90**	69	69
Net non-accrual loans as a % of net advances	**0.1%**	0.1%	0.1%
Total employees	**11,319**	11,608	11,858

The results for Personal include the business units General Banking, Small Business, Wealth Management, Cards and Mortgages, and the Personal central support unit. The services provided by the central support unit are allocated to the business units and are fully recovered. As a result of this allocation, the sum of individual profit and loss line items of the business units does not equal the corresponding line item in the profit and loss of Personal.

CHIEF FINANCIAL OFFICER'S REVIEW (continued)



GENERAL BANKING

Larry Crawford (to 31 March 2001)

Specialised retail banking sales and servicing network devoted to the metropolitan consumer sector and the regional and rural communities. Also encompassing retail on-line banking services.

	Half year Mar 01 $M	**Half year Sep 00 $M**	**Half year Mar 00 $M**
Net interest income	**440**	445	430
Other external operating income	**205**	206	214
Net inter business unit fees	**180**	181	187
Operating income	**825**	832	831
External operating expenses	**(396)**	(388)	(407)
Net inter business unit expenses	**(129)**	(128)	(135)
Operating expenses	**(525)**	(516)	(542)
Profit before debt provision	**300**	316	289
Provision for doubtful debts	**(11)**	(12)	(12)
Income tax expense and outside equity interests	**(98)**	(107)	(96)
Net profit attributable to members of the Company	**191**	197	181
Operating expenses to operating income	**63.6%**	62.0%	65.2%
Net specific provisions	**10**	14	13
Net non-accrual loans	**15**	14	16
Total employees	**7,938**	8,285	8,568

General Banking manages transaction accounts and deposit products across the ANZ customer base. Customers can access the services of General Banking using call centres, ATM's, the internet (anz.com) and bank branches. Products sold through these channels include transactional accounts, mortgages, credit cards, insurance and investment products. General Banking is focusing on further developing channels that allow customers to be self-directed, improve customer satisfaction and lower the costs of service delivery.

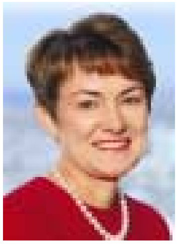
General Banking contributed $191 million to the group operating result. Key drivers of the result are:

- net interest income was flat with growth in lending and deposit volumes being offset by a margin contraction as cash rates have fallen more than interest rates on deposits
- other operating income remaining flat with increased transaction fees offset by reduced lending fees
- operating costs increasing by $9 million with additional GST costs offsetting cost savings from efficiency gains

CHIEF FINANCIAL OFFICER'S REVIEW (continued)

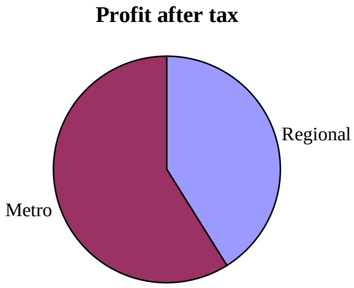
The Group has announced that General Banking will be managed as two distinct business units.

Metrobanking will be headed by Elizabeth Proust, and Regionalbanking by Alison Watkins.



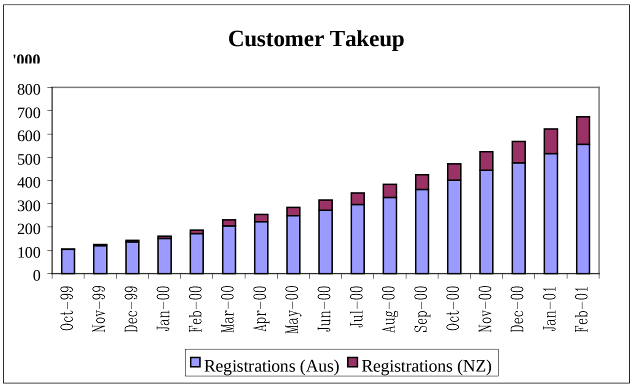
METROBANKING
Elizabeth Proust
(from 1 April 2001)

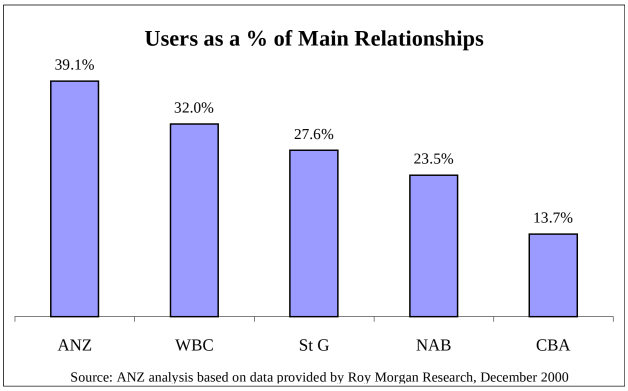
REGIONALBANKING
Alison Watkins
(from 1 April 2001)



eCommerce

General Banking includes B2C eCommerce. ANZ internet banking continues to grow strongly; internet banking's penetration of our customer base, with over 720,000 registered users, is the highest of our competitor banks. At the end of March 2001 we had 590,000 internet users in Australia and 130,000 in New Zealand. anz.com was named the Best Financial Site by the prestigious AFR Internet Awards in December 2000.





Customers are very active users of the service, conducting more value transactions through the internet than via phone banking. In addition, the majority of ANZ BPAY payments (by value) are now conducted over the internet. Online sales are increasing, with more than 3,000 credit card sales per month. The "pay anyone" functionality was introduced first in Australia by ANZ and has proved very popular with customers.

CHIEF FINANCIAL OFFICER'S REVIEW (continued)

SMALL BUSINESS
Graham Hodges

Provides a full range of banking services for metropolitan based small businesses.

	Half year Mar 01 $M	Half year Sep 00 $M	Half year Mar 00 $M
Net interest income	**121**	123	122
Other external operating income	**30**	30	31
Net inter business unit fees	**(26)**	(30)	(29)
Operating income	**125**	123	124
External operating expenses	**(34)**	(33)	(36)
Net inter business unit expenses	**(10)**	(16)	(14)
Operating expenses	**(44)**	(49)	(50)
Profit before debt provision	**81**	74	74
Provision for doubtful debts	**(8)**	(6)	(5)
Income tax expense and outside equity interests	**(25)**	(24)	(24)
Net profit attributable to members of the Company	**48**	44	45
Operating expenses to operating income	**35.2%**	39.8%	40.3%
Net specific provisions	**7**	8	6
Net non-accrual loans	**13**	14	16
Total employees	**673**	627	777

Small Business manages banking relationships with metropolitan based small to medium enterprises (less than $10 million turnover) and the manufacturing and distribution of business lending, transaction and deposit products. In addition, Small Business distributes products sourced from products businesses including Cards, Mortgages, Investment Management, Asset Finance and Global Transaction Services.

Small Business is in its start up phase as a stand alone service proposition. Profit increased 9% to $48 million over the September 2000 half. This result has been achieved by maintaining a low risk profile and focusing on cost management. Key factors of the result are:

- net interest remained flat and balance sheet growth subdued in line with the broader economic environment faced by our customers, and reduced margins on deposits, but also partly due to an increased focus on the management of credit risk
- the subdued balance sheet growth has resulted in flat lending fee income
- the flat market conditions have led to a strong focus on cost management and costs overall have come down resulting in the improved profit result

Small Business is in the process of implementing an enhanced customer focused service proposition. This proposition will enable service to be provided via a number of different channels including traditional face to face service and eCommerce channels. Small Business is also driving the development of web based customer tools to enable customers to run sensitivity analysis of their businesses. An example of the enhanced eCommerce proposition is the initial release of 'runningmybusiness' on anz.com.

CHIEF FINANCIAL OFFICER'S REVIEW (continued)

WEALTH MANAGEMENT

Craig Coleman

Private Bank and Premier staff provide investment advice and comprehensive financial solutions to meet the wealth creation, management and protection needs of high net worth customers

	Half year Mar 01 $M	Half year Sep 00 $M	Half year Mar 00 $M
Net interest income	**46**	42	39
Other external operating income	**12**	6	6
Net inter business unit fees	**26**	45	39
Operating income	**84**	93	84
External operating expenses	**(57)**	(58)	(54)
Net inter business unit expenses	**(9)**	(10)	(6)
Operating expenses	**(66)**	(68)	(60)
Profit before debt provision	**18**	25	24
Provision for doubtful debts	**(1)**	(2)	(1)
Income tax expense and outside equity interests	**(6)**	(9)	(8)
Net profit attributable to members of the Company	**11**	14	15
Operating expenses to operating income	**78.6%**	73.1%	71.4%
Net specific provisions	**1**	2	1
Net non-accrual loans	**1**	2	1
Total employees	**886**	856	853

Wealth Management provides advice-focussed financial management to high net worth customers. It manufactures and distributes lending, transaction and deposit products including cash management and margin lending products while sourcing and distributing investment, Mortgages, Cards and third party products including ANZ E*Trade.

Wealth Management commenced as a stand-alone service proposition on 1 October 2000. Key factors contributing to the result are:

- increased net interest income with volume growth being partly offset by market rate cuts of 0.75% adversely affecting interest margins on deposits
- other operating income has increased as a result of growth in product sales, including third party investment products, consistent with our strategy to offer investment choice
- inter business unit income has reduced in the current half year as result of an increase in the up-front commissions paid to General Banking as part of a campaign to strongly promote the sales of investment products, and a GST related increase in processing fees
- operating costs reducing by 3%

The bringing together of the Private Bank and Premier Financial Services businesses delivers a scale which makes it possible to extend this proposition to the broader mass affluent market in an efficient way. This will be achieved by leveraging our existing distribution capacity and further developing our direct channels.

Wealth Management's cash management, margin lending and online share trading product businesses, together with expertise in capital markets and other specialist products, provide the foundation for the development of a comprehensive offering including ANZ and third party product, which enables our customers to confidently consolidate their business with ANZ.

CHIEF FINANCIAL OFFICER'S REVIEW (continued)

CARDS

Brian Hartzer

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

	Half year Mar 01 $M	Half year Sep 00 $M	Half year Mar 00 $M
Net interest income	**155**	139	125
Other external operating income	**180**	165	151
Net inter business unit fees	**(31)**	(28)	(37)
Operating income	**304**	276	239
External operating expenses	**(119)**	(105)	(94)
Net inter business unit expenses	**(32)**	(27)	(28)
Operating expenses	**(151)**	(132)	(122)
Profit before debt provision	**153**	144	117
Provision for doubtful debts	**(63)**	(74)	(57)
Income tax expense and outside equity interests	**(32)**	(25)	(26)
Net profit attributable to members of the Company	**58**	45	34
Operating expenses to operating income	**48.7%**	47.1%	51.0%
Net specific provisions	**64**	81	59
Net non-accrual loans	**2**	3	3
Total employees	**869**	777	590

Cards provides proprietary and co-branded credit cards to consumers and businesses in Australia, New Zealand and Hong Kong. Integrated merchant payment facilities are available to customers in Australia, and New Zealand through subsidiary EFTPOS New Zealand Ltd. Unsecured personal lending to consumers through instalment loans and revolving lines of credit is a further Cards product.

Cards profit increased 29% over the September 2000 half year to $58 million. Key drivers of the result are:

- net interest income increasing 12%, due to modestly increased margins, and a 14% increase in total credit card outstandings. Market share of credit card outstandings has increased to 18.4%[1]
- other external income increasing 9% through increased volumes, the introduction of new fees, and a rebalancing of fee pricing
- operating expenses increasing $19 million and $10 million over each of last two half years, primarily as a result of the purchase of EFTPOS New Zealand on 1 June 2000. This purchase resulted in the addition of 189 staff. The launch of a new Cards Issuing business in Hong Kong will result in the addition of 47 staff and an annualised cost of $10 million. The introduction of GST has added $3 million to operating costs in the half year

Cards includes the unsecured personal lending portfolio. Changes to the credit scoring cut offs for this product have decreased the level of provisioning required. Loss rates on the residual portfolio remain unacceptable but are declining as the portfolio ages. Specific provisions on personal loans totalled $32 million, decreasing from an annual $76 million in 2000.

[1] Source: Reserve Bank of Australia Transaction Cards Statistics Bulletin – January 2001

CHIEF FINANCIAL OFFICER'S REVIEW (continued)

MORTGAGES
Greg Camm

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

	Half year Mar 01 $M	Half year Sep 00 $M	Half year Mar 00 $M
Net interest income	**323**	282	238
Other external operating income	**29**	30	31
Net inter business unit fees	**(92)**	(99)	(94)
Operating income	**260**	213	175
External operating expenses	**(56)**	(49)	(52)
Net inter business unit expenses	**(23)**	(28)	(25)
Operating expenses	**(79)**	(77)	(77)
Profit before debt provision	**181**	136	98
Provision for doubtful debts	**(12)**	(13)	(9)
Income tax expense and outside equity interests	**(57)**	(43)	(31)
Net profit attributable to members of the Company	**112**	80	58
Operating expenses to operating income	**29.2%**	34.3%	42.3%
Net specific provisions	**6**	10	8
Net non-accrual loans	**59**	36	33
Total employees	**845**	907	944

Mortgages provides consumers with instalment loans and lines of credit secured by first mortgages on residential real estate. Key products include owner occupied home loans, residential investment loans, and home equity loans. Products are distributed by ANZ's Personal customer businesses and by third party mortgage introducers. Mortgages also provides funding and processing services for mortgage originators who market loans under their own brands.

Mortgages profit after tax increased by 40% over the September 2000 half year to $112 million.

Key drivers of this result are as follows:
- volume growth of $2.9 billion since September 2000 and increased portfolio margins of 0.07%, delivering $41 million in additional net interest income
- a marginal increase in operating expenses due to the higher seasonal marketing spend in March 2001 half
- economic loss provisioning levels continue to exceed specific provisions by $6 million
- cost to income ratio fell by 5% to 29.2%

The increase in net non-accrual loans during the March half year is partly due to a change in classification procedures in New Zealand. This change in procedures, which brings New Zealand into line with Australian practice, has been made to improve management of the assets, and has resulted in recognition of an additional $15 million non-accrual loans.

Portfolio margins are expected to decrease in the second half. Key reasons for this expectation include the favourable impact of yield curve movements in the March half, and the impact of a slowing Australian economy on new business in the second half.

The Mortgage Group's response to the slowing economy involves increasing focus on customer retention, product and service innovation, risk management, productivity improvement, and origination and servicing alliances. Specific examples in this period include:

Product Quality	Retained Cannex 5 star key product category ratings, and improved ratings for fixed rate categories.
eTransformation	Introduced Home buying site on anz.com (HomeVillage) and self service mortgage site.
Funding	Issued second domestic securitisation tranche ($500 million).
Straight through processing	Implemented first two phases of new origination system.

CHIEF FINANCIAL OFFICER'S REVIEW (continued)

CORPORATE
Roger Davis

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

	Half year Mar 01 $M	Half year Sep 00 $M	Half year Mar 00 $M
Net interest income	**391**	369	354
Other external operating income	**565**	513	491
Net inter business unit fees	**(20)**	(25)	(20)
Operating income	**936**	857	825
External operating expenses	**(291)**	(297)	(277)
Net inter business unit expenses	**(77)**	(72)	(69)
Operating expenses	**(368)**	(369)	(346)
Profit before debt provision	**568**	488	479
Provision for doubtful debts	**(88)**	(72)	(81)
Income tax expense and outside equity interests	**(124)**	(105)	(107)
Net profit attributable to members of the Company	**356**	311	291
Net loans and advances including acceptances	**50,804**	49,146	46,854
Other external assets	**18,744**	16,015	15,228
External assets	**69,548**	65,161	62,082
Deposits and other borrowings	**25,174**	21,681	18,213
Other external liabilities	**30,239**	29,024	23,844
External liabilities	**55,413**	50,705	42,057
Net interest average margin	**1.91%**	1.90%	1.90%
Return on assets	**1.05%**	0.99%	0.96%
Return on risk weighted assets	**1.02%**	0.91%	0.96%
Operating expenses to operating income	**39.3%**	43.1%	41.9%
Operating expenses to average assets	**1.09%**	1.17%	1.14%
Net specific provisions	**60**	(30)	11
Net specific provision as a % of average net advances	**0.24%**	(0.12%)	0.05%
Net non-accrual loans	**391**	314	184
Net non-accrual loans as a % of net advances	**0.7%**	0.6%	0.4%
Total employees	**3,188**	3,226	3,290

The results for Corporate include the business units and the Corporate central support unit. The services provided by the central support unit are allocated to the business units and are fully recovered. As a result of this allocation, the sum of individual profit and loss line items of the business units does not equal the corresponding line item in the profit and loss of Corporate.

INVESTMENT BANK
Grahame Miller

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

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CHIEF FINANCIAL OFFICER'S REVIEW (continued)

CORPORATE BANKING
Bob Edgar

Managing customer relationships and developing product strategies for medium sized businesses

	Half year Mar 01 $M	Half year Sep 00 $M	Half year Mar 00 $M
Net interest income	**122**	120	117
Other external operating income[1]	**71**	72	70
Net inter business unit fees	**(5)**	(5)	(4)
Operating income	**188**	187	183
External operating expenses	**(45)**	(52)	(45)
Net inter business unit expenses	**(20)**	(19)	(19)
Operating expenses	**(65)**	(71)	(64)
Profit before debt provision	**123**	116	119
Provision for doubtful debts	**(25)**	(23)	(24)
Income tax expense and outside equity interests	**(33)**	(33)	(34)
Net profit attributable to members of the Company	**65**	60	61
Operating expenses to operating income	**34.6%**	38.0%	35.0%
Net specific provisions	**27**	10	8
Net non-accrual loans	**322**	216	114
Total employees	**756**	769	762

[1] *Includes commercial bill income*

Corporate Banking manages the relationship with medium to large sized corporate customers (turnover $10 million to $100 million) by developing and distributing lending, corporate leasing, deposit and transaction products. Corporate Banking also utilises specialist product offerings from ANZ Investment Bank, Investment Management and Cards to ensure complete financial solutions are provided to its customers.

The Corporate Banking result increased 8% over the September half year to $65 million. This result reflects the contribution to profit from lending, leasing and deposit products, with revenues from other ANZ products used by corporate clients being booked in Corporate product business units (for example, foreign exchange, capital markets and trade services). Approximately 50% of total customer profitability is booked in these other business units.

Corporate Banking manages its middle market customer base on a geographic basis and has a high proportion of sole bank relationships. A heavy emphasis on cross selling and solution selling has enabled ANZ to build and maintain overall market share at just under one third of all primary bank relationships of middle market companies[2].

Key drivers of the result are:

- flat income due to deliberately constrained balance sheet growth in a slowing economy
- stable risk profile; prudent provisioning for some larger customers increased net specific provisions from the below average levels of prior periods
- flat costs due to the ongoing focus on technology driven process efficiencies

Going forward, the economic slowdown may impact certain sectors of the corporate market and therefore the continuation of current risk monitoring and mitigation strategies will be key in order to minimise potential losses.

[2] Source: Roberts Research

CHIEF FINANCIAL OFFICER'S REVIEW (continued)

INSTITUTIONAL BANKING

Bob Edgar

Managing customer relationships and developing financial services solutions and strategies for large businesses and specialised industry segments (including property lending)

	Half year Mar 01 $M	Half year Sep 00 $M	Half year Mar 00 $M
Net interest income	**93**	75	72
Other external operating income[1]	**116**	101	100
Net inter business unit fees	**-**	-	(1)
Operating income	**209**	176	171
External operating expenses	**(32)**	(30)	(26)
Net inter business unit expenses	**(12)**	(12)	(12)
Operating expenses	**(44)**	(42)	(38)
Profit before debt provision	**165**	134	133
Provision for doubtful debts	**(32)**	(30)	(29)
Income tax expense and outside equity interests	**(45)**	(34)	(37)
Net profit attributable to members of the Company	**88**	70	67
Operating expenses to operating income	**21.1%**	23.9%	22.2%
Net specific provisions	**11**	-	-
Net non-accrual loans	**21**	57	31
Total employees	**422**	435	430

[1] *Includes commercial bill income*

Institutional Banking manages the relationship with large institutional customers (turnover greater than $100 million) and specialist industry groups by developing and distributing lending and corporate leasing products. In addition, Institutional Banking also utilises specialist product offerings from ANZ Investment Bank and Investment Management to ensure complete financial solutions are provided to its customers.

Institutional Banking profit increased 26% over the September half year to $88 million. This result reflects the contribution to profit from lending based products, with revenues from other products used by institutional clients being booked in other CFS business units (for example, foreign exchange, capital markets, trade and transaction services).

Institutional Banking's primary focus is to develop and grow the overall value of its customer relationships across all ANZ Group financial products with the above results representing approximately one third of total customer profitability.

Institutional Banking's customer management strategy is based around nine specialist industry segments, being:

- Business Services, Contracting and Health
- Financial Institutions and Government
- Food, Beverages and Agribusiness
- Utilities and Infrastructure
- Manufacturing
- Property and Construction Finance
- Natural Resources
- Retail and Distribution
- Telecommunications, Media and Entertainment

Institutional Banking has consolidated its leading market position, with a 43% share of significant bank institutional customer relationships[2].

Key drivers of the result were:

- increased net interest income resulting from increased margins, with improving pricing for risk
- a focus on fee based income
- tight cost control as evidenced by the decline in cost to income ratio
- risk profile held constant with non-performing assets being very low

[2] Source: Greenwich Research

CHIEF FINANCIAL OFFICER'S REVIEW (continued)

GLOBAL CAPITAL MARKETS
David Hornery

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

	Half year Mar 01 $M	Half year Sep 00 $M	Half year Mar 00 $M
Net interest income	**35**	28	25
Other operating income	**46**	43	44
Net inter business unit fees	**(1)**	-	(1)
Operating income	**80**	71	68
External operating expenses	**(19)**	(19)	(18)
Net inter business unit expenses	**(24)**	(23)	(24)
Operating expenses	**(43)**	(42)	(42)
Profit before debt provision	**37**	29	26
Provision for doubtful debts	**(1)**	(1)	(2)
Income tax expense and outside equity interests	**(12)**	(10)	(8)
Net profit attributable to members of the Company	**24**	18	16
Operating expenses to operating income	**53.8%**	59.2%	61.8%
Net specific provisions	**-**	-	-
Total employees	**176**	183	180

Global Capital Markets (GCM) is a specialised business unit operating in the derivatives and credit markets. The derivatives business covers a range of products including interest rate, credit and equity derivatives. The credit business incorporates all securities products, securitisation and loan syndication.

GCM derives and manages its revenue from the mark-to-market of its trading portfolios less holding costs and receipt of fee income. For disclosures purposes, the business is required to separately identify net interest income, notwithstanding that performance is best assessed on a total revenue basis.

GCM's profit contribution increased by 33% to $24 million over the September 2000 half year result reflecting:
- business growth and development supported by strong line management and capabilities within each team
- a good performance from existing businesses including securitisation, credit trading and structured derivative product, the exit of non-strategic businesses such as client futures execution and clearing operations, and the introduction of Equity and Credit Derivative product businesses
- increased net operating income despite a difficult market trading environment, relatively low levels of liquidity and a contraction in margins
- operating expenses remain flat. Whilst employee levels are lower, overall capabilities are much stronger

Key achievements include:
- Arranger and Lead Manager of INSTO's Securitisation deal of the year
- IFR – Number 1 Lead Arranger Australian Syndicated loan league tables by number and Number 2 by volume in 2000
- IFR – Number 2 by number and volume NZ Syndicated Loans
- Lead Arranger INSTO Project deal of the year
- Number 1 issuer of Put Equity Warrants and Number 3 Overall Equity Warrants issue of the year to date

GCM has established a specialist group to review and replace its core infrastructure including the development of an eCommerce capability. The project is well advanced with expected releases of the technology over the next six months.

GLOBAL FOREIGN EXCHANGE

Chris Cooper

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

	Half year Mar 01 $M	Half year Sep 00 $M	Half year Mar 00 $M
Net interest income	**(5)**	(1)	3
Other operating income	**125**	107	102
Net inter business unit fees	**-**	(1)	(1)
Operating income	**120**	105	104
External operating expenses	**(24)**	(21)	(21)
Net inter business unit expenses	**(33)**	(30)	(31)
Operating expenses	**(57)**	(51)	(52)
Profit before debt provision	**63**	54	52
Provision for doubtful debts	**(3)**	(2)	(2)
Income tax expense and outside equity interests	**(20)**	(18)	(18)
Net profit attributable to members of the Company	**40**	34	32
Operating expenses to operating income	**47.5%**	48.6%	50.0%
Net specific provisions	**1**	-	-
Total employees	**197**	199	199

Global Foreign Exchange (GFX) is a specialised business unit operating in the foreign exchange and commodity derivatives markets. The foreign exchange business covers foreign exchange sales, spot, forward and derivatives trading. It also offers an online foreign exchange management tool to business customers (FX Online). The commodities business includes derivatives trading in base and precious metals and is developing its soft commodities business. The bulk of customers are directly serviced globally by specialist sales teams.

GFX has increased its contribution to the Group result by 18% to $40 million for the half year. The growth in profit reflects:

- a 14% increase in income attributed to increases in customer activity and volatility in the spot and forward markets, together with initiatives to provide extended coverage of European and US time zones. Derivative trading remained strong
- a $6 million increase in operational expenditure due to the enhancement and upgrading of our risk management and client services systems, supporting existing foreign exchange business and expansion into commodities
- our eCommerce investment in anz.com\fxonline.com. This has contributed strongly to our customer growth and accessibility, with over 700 FX Online users now registered, generating over 24,000 transactions for the half year with a value in excess of $3 billion

ANZ Global Foreign Exchange has maintained its leading market position, being rated:

- Number 1 AUD/USD Options Trading Team[1]
- Number 1 Foreign Exchange House in the Interbank Poll[2]
- A top 10 Asian FX House[3]

Strategically, the globalisation of Global Foreign Exchange's commodities business is progressing to plan. Complementing globalisation is the pursuit of other eCommerce opportunities to deliver commoditised foreign exchange products to its world-wide customer base.

[1] Euro money
[2] Greenwich
[3] Asia money

CHIEF FINANCIAL OFFICER'S REVIEW (continued)

GLOBAL STRUCTURED FINANCE AND OTHER FINANCIAL SERVICES

Gordon Branston

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

	Half year Mar 01 $M	**Half year Sep 00 $M**	**Half year Mar 00 $M**
Net interest income	**65**	69	66
Other external operating income	**111**	101	84
Net inter business unit fees	**(1)**	-	-
Operating income	**175**	170	150
External operating expenses	**(122)**	(126)	(120)
Net inter business unit expenses	**45**	47	48
Operating expenses	**(77)**	(79)	(72)
Profit before debt provision	**98**	91	78
Provision for doubtful debts	**(27)**	(15)	(24)
Income tax expense and outside equity interests	**14**	13	15
Net profit attributable to members of the Company	**85**	89	69
Operating expenses to operating income	**44.0%**	46.5%	48.0%
Net specific provisions	**21**	(40)	2
Net non-accrual loans	**48**	41	39
Total employees	**777**	802	886

Global Structured Finance (GSF) and other Financial Services is a specialised business unit that provides a range of structured debt, corporate finance, leasing and leveraged financial products. GSF operates globally across a number of industry sectors, in particular, institutional banking businesses in London and New York. GSF delivers tailored products and advice via its direct channel and by leveraging off Corporate and Institutional Banking, Asia and Pacific relationships.

The costs of total Investment Bank back office functions, which are included in this unit, are fully recovered from each Investment Bank line of business.

The Global Structured Finance and Other Financial Services result reduced by $4 million over the September 2000 half year to $85 million. Key drivers of the result were:

- a decrease in net interest income of $4 million with the current half impacted by the repayment of several high-yielding assets and offsetting volume growth
- a 9% increase in other income especially fees from structured financing areas
- reduced operating costs and employee levels
- volume related increase in the provision charge for doubtful debts in the current half. The September 2000 half benefited from a one-off release of provision no longer required for a sold entity

During the September 2000 half, specific provisions were released in respect of a number of customers.

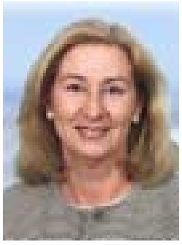
A substantial portion of the earnings of this business are denominated in foreign currencies. Excluding the impact of exchange rate movements, costs in local currency terms were 8% lower than the September half.

Strategic initiatives focus on the selective use of the balance sheet to optimise growth in fee income and continually building specialist fee generative activities.

Balance sheet growth is in high quality assets and risk mitigated structured project finance, as well as selective growth in high quality corporate client loan assets.

The percentage of revenue represented by fee income continues to grow on the back of fee generative advisory and structuring activities.

CHIEF FINANCIAL OFFICER'S REVIEW (continued)



GLOBAL TRANSACTION SERVICES

Carole Anderson (from 7 March 2001)

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

	Half year Mar 01 $M	Half year Sep 00 $M	Half year Mar 00 $M
Net interest income	**79**	77	73
Other external operating income	**98**	90	91
Net inter business unit fees	**(13)**	(16)	(16)
Operating income	**164**	151	148
External operating expenses	**(47)**	(48)	(41)
Net inter business unit expenses	**(36)**	(40)	(36)
Operating expenses	**(83)**	(88)	(77)
Profit before debt provision	**81**	63	71
Provision for doubtful debts	**-**	(1)	-
Income tax expense and outside equity interests	**(27)**	(22)	(25)
Net profit attributable to members of the Company	**54**	40	46
Operating expenses to operating income	**50.6%**	58.3%	52.0%
Net specific provisions	**-**	-	1
Total employees	**848**	826	825

Global Transaction Services (GTS) provides a range of specialist products and services for corporate and institutional clients including cash management, trade finance, payments, clearing, custodian services and B2B eCommerce capabilities.

The GTS profit increased 35% over the September 2000 half year to $54 million.

The growth in GTS primarily reflects:

- higher net interest income from growth in deposit volumes, partly offset by continued margin contraction from increased competitive pressures
- a 9% increase in other external income as a result of the introduction of new international payment products and a review of pricing structures
- a significant improvement in inter business unit income following successful implementation of workflow management and processing efficiencies in sales of international payment products
- contained operating expenses resulting from re-engineered and streamlined internal processes within trade, payments and transaction processing centres
- a one-off equity investment write off in September 2000

During the half year to 31 March 2001, a number of projects were commenced to further improve cost structures, customer service and utilise internet technologies. These include the new joint venture trade processing business with enhanced system capability and web-enabling the corporate and institutional on-line banking portal and enquiry platform.

Business eCommerce's focus remains on realising the benefits from internal and external investments by continuing to deliver in core strategic areas:

- Corporate Banking Portal - the usage of established online services (FX Online and ANZ Connect) continues to grow, and the introduction of web based workflow automation tools is improving customer service and operating efficiency
- eProducts - the first stage of a Secure Access and Authetication System, a key plank in our trust and authentication strategy, has been implemented. Our investment in Identrus has been increased and our ePayments capability strengthened by an upgrade to the ANZ eGate platform
- B2B Trading Solutions – sales of anzebiz.com eProcurement and eAuctions have increased in the Australian and New Zealand markets. With our investment in Mosaic, the initial trading solutions offerings have been completed

CHIEF FINANCIAL OFFICER'S REVIEW (continued)

INTERNATIONAL AND SUBSIDIARIES
Elmer Funke Kupper

Comprises the Group's operations in the Asia Pacific region together with the Asset Finance and ANZ Investments businesses

	Half year Mar 01 $M	Half year Sep 00 $M	Half year Mar 00 $M
Net interest income	**312**	303	310
Other external operating income	**238**	208	238
Net inter business unit fees	**(45)**	(49)	(43)
Operating income	**505**	462	505
External operating expenses	**(217)**	(231)	(219)
Net inter business unit expenses	**(40)**	(23)	(17)
Operating expenses	**(257)**	(254)	(236)
Profit before debt provision	**248**	208	269
Provision for doubtful debts	**(45)**	(40)	(47)
Income tax expense and outside equity interests	**(70)**	(70)	(100)
Net profit attributable to members of the Company	**133**	98	122
Net loans and advances including acceptances	**16,784**	16,072	15,106
Other external assets	**8,765**	8,300	7,568
External assets	**25,549**	24,372	22,674
Deposits and other borrowings	**16,580**	15,312	14,458
Other external liabilities	**11,694**	10,013	9,185
External liabilities	**28,274**	25,325	23,643
Net interest average margin	**2.62%**	2.81%	3.12%
Return on assets	**0.91%**	0.63%	1.18%
Return on risk weighted assets	**1.34%**	1.01%	1.41%
Operating expenses to operating income	**50.7%**	54.8%	46.3%
Operating expenses to average assets	**1.75%**	1.63%	2.26%
Net specific provisions	**29**	78	76
Net specific provision as a % of average net advances	**0.36%**	1.00%	1.02%
Net non-accrual loans	**208**	248	215
Net non-accrual loans as a % of net advances	**1.2%**	1.5%	1.4%
Total employees	**3,973**	4,079	4,156

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

CHIEF FINANCIAL OFFICER'S REVIEW (continued)

ASSET FINANCE
Peter McMahon

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

	Half year Mar 01 $M	Half year Sep 00 $M	Half year Mar 00 $M
Net interest income	**177**	178	186
Other external operating income	**27**	28	22
Net inter business unit fees	**(5)**	(6)	(6)
Operating income	**199**	200	202
External operating expenses	**(81)**	(85)	(84)
Net inter business unit expenses	**(15)**	(16)	(14)
Operating expenses	**(96)**	(101)	(98)
Profit before debt provision	**103**	99	104
Provision for doubtful debts	**(33)**	(32)	(33)
Income tax expense and outside equity interests	**(23)**	(23)	(25)
Net profit attributable to members of the Company	**47**	44	46
Operating expenses to operating income	**47.7%**	50.0%	48.0%
Net specific provisions	**36**	36	24
Net non-accrual loans	**80**	60	67
Total employees	**1,378**	1,491	1,484

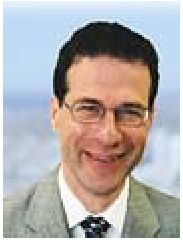
Asset Finance operates as Esanda in Australia and as UDC in New Zealand, and as Esanda FleetPartners in Australia and New Zealand. Asset Finance distributes a range of vehicle, equipment and financing products to the retail and commercial markets. Financing products are distributed through intermediaries, Esanda FleetPartners and telephone/internet based sales centres. The business also offers debentures to investors, marketed through the customer business units, investment brokers and financial planners.

The Asset Finance result increased 7% over the September half year to $47 million. Key drivers of the result were:

- a 5% reduction in operating expenses, reflecting the success of technology driven efficiency initiatives, including some re-engineering of its back office processes. Asset Finance is progressively moving its operations to web-based platforms in line with the eTransformation strategy
- operating income remaining flat. Subdued growth resulting from continued competitive pressure on margins, together with a slowing economy, offset strong contributions from its finance company, UDC, in New Zealand and from the Australian Fleet business
- $2 million of costs associated with the introduction of GST were absorbed into the existing Esanda cost base during the current half year

The increase in net non-accrual loans reflects a modest deterioration in the credit environment.

CHIEF FINANCIAL OFFICER’S REVIEW (continued)



INVESTMENT MANAGEMENT

Bruce Bonyhady

Sourcing and product development of managed investments and insurance products

	Half year Mar 01 $M	Half year Sep 00 $M	Half year Mar 00 $M
Net interest income	**28**	28	29
Other external operating income	**134**	124	140
Net inter business unit fees	**(40)**	(40)	(35)
Operating income	**122**	112	134
External operating expenses	**(56)**	(53)	(41)
Net inter business unit expenses	**(8)**	(8)	(7)
Operating expenses	**(64)**	(61)	(48)
Profit before debt provision	**58**	51	86
Provision for doubtful debts	**-**	-	-
Income tax expense and outside equity interests	**(24)**	(24)	(43)
Net profit attributable to members of the Company	**34**	27	43
Operating expenses to operating income	**52.5%**	54.5%	35.8%
Net specific provisions	**-**	-	-
Total employees	**676**	627	626
Retail FUM ($B)	**12.6**	11.6	10.8
Net Retail flows	**1.0**	0.6	0.2
Assirt ranking Flows[1]	**6**	6	12
Wholesale FUM ($B)	**4.6**	4.8	4.4
Underlying expenses as a % of total average FUM	**0.64%**	0.74%	0.55%

[1] *Quarter ending 31 December 2000*

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

Investment Management has not structured its funds management entities in a way that allows a market value of those entities to be recognised, consequently these results do not include any appraisal or embedded value. The profit of Investment Management increased $7 million over the September 2000 half year. Key drivers of the result were:

- strong growth in funds under management contributing to higher fee income
- additional Life Company shareholder investment earnings as shareholder funds were largely invested in fixed interest securities in a falling interest rate environment
- increased expenses, as higher volumes resulted in increased policy acquisition and maintenance expenses ($8 million), while improved cost controls and lower one off expenses reduced operating expenses ($5 million)

Compared to the March 2000 half year, operating income for the current half year was adversely impacted by lower Policy holder investment income due to weak equity markets. Operating expenses have increased since March 2000, mainly in the launch of new products/marketing ($3 million) and personnel ($7 million) costs, as the Group invests further to grow this business.

Life Company planned margins have been taxed at the full corporate rate from 1 July 2000, resulting in a $4 million increase in shareholder tax expense for half year to 31 March 2001 (results for September 2000 were impacted only for one quarter). Policyholder tax expense has decreased due to lower investment income, with the net result being flat. In the half year ended 30 March 2000, higher policy-holder investment income resulted in higher tax expense.

CHIEF FINANCIAL OFFICER'S REVIEW (continued)

ASIA
John Winders

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

	Half year Mar 01 $M	Half year Sep 00 $M	Half year Mar 00 $M
Net interest income	**65**	56	57
Other external operating income	**43**	36	36
Net inter business unit fees	**-**	-	-
Operating income	**108**	92	93
External operating expenses	**(48)**	(52)	(46)
Net inter business unit expenses	**(8)**	(13)	(5)
Operating expenses	**(56)**	(65)	(51)
Profit before debt provision	**52**	27	42
Provision for doubtful debts	**(8)**	(4)	(11)
Income tax expense and outside equity interests	**(13)**	(15)	(20)
Net profit attributable to members of the Company	**31**	8	11
Operating expenses to operating income	**51.9%**	69.6%	54.8%
Net specific provisions	**(9)**	30	51
Net non-accrual loans	**118**	178	141
Total employees	**581**	592	626

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

Asia profit increased by $23 million over the September 2000 half year. Key drivers of the result are:

- net interest income increasing 16% with higher volumes resulting from a refocussed asset writing strategy to target multinational corporate clients and trade finance, together with interest recoveries in the current half year
- other income increasing $7 million with higher foreign exchange revenue earned from volatility in foreign exchange markets, combined with profits on the sale of a Singapore property and the wind up of a superannuation scheme in Hong Kong
- operating costs have reduced by $9 million from the September 2000 half year which included a full year allocation of head office cost. Lower staff numbers from several voluntary retirement schemes are driving reductions in external expenses
- effective tax rate reducing over the previous two half years which included the write-off of tax assets of $7 million in March 2000 and $3 million in September 2000

New specific provisions returned to more normal levels as the asset writing strategy focussed on lower risk and re-balancing the credit portfolio and there were recoveries on past provisions. The 2000 specific provision included $81 million provided for two corporate customers.

CHIEF FINANCIAL OFFICER'S REVIEW (continued)

PACIFIC
Bob Lyon

Provision of primarily retail banking services in 9 countries in the Pacific region

	Half year Mar 01 $M	Half year Sep 00 $M	Half year Mar 00 $M
Net interest income	**41**	40	40
Other external operating income	**34**	31	29
Net inter business unit fees	**-**	-	-
Operating income	**75**	71	69
External operating expenses	**(31)**	(30)	(27)
Net inter business unit expenses	**(10)**	(9)	(6)
Operating expenses	**(41)**	(39)	(33)
Profit before debt provision	**34**	32	36
Provision for doubtful debts	**(4)**	(4)	(3)
Income tax expense and outside equity interests	**(9)**	(9)	(11)
Net profit attributable to members of the Company	**21**	19	22
Operating expenses to operating income	**54.7%**	54.9%	47.8%
Net specific provisions	**2**	12	1
Net non-accrual loans	**10**	10	7
Total employees	**1,281**	1,297	1,344

Pacific manufactures and distributes a range of retail banking and corporate lending products and services. Pacific's business mix is 80% retail and 20% corporate. Pacific's branches and overseas offices provide a distribution/customer servicing network for Pacific manufactured products as well as Global Transaction Services and Global Foreign Exchange.

Pacific profit increased 11% over the September 2000 half. Key drivers of the result are:

- increased net interest income with volume growth being partly offset by reduced margins and competitive conditions in the region
- other income increasing $3 million reflecting volume growth, and higher foreign exchange revenue
- operating costs increasing by $2 million from the September 2000 half year primarily reflecting higher head office charges

Bad debt provisioning remains low with increased focus on risk in the current economic environment. Net specific provisions are again below economic provisioning levels following an increase in Fiji in the September 2000 half year.

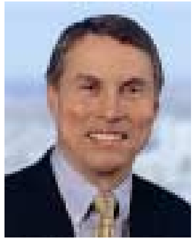
ANZ's presence in the Pacific region has increased over the half year and now includes East Timor and American Samoa from 1 April 2001.

CHIEF FINANCIAL OFFICER'S REVIEW (continued)

CORPORATE CENTRE, TECHNOLOGY AND FINANCE

Peter Marriott David Boyles

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



	Half year Mar 01 $M	Half year Sep 00 $M	Half year Mar 00 $M
Net interest income	**71**	74	68
Other external operating income	**21**	32	(5)
Net inter business unit fees	**7**	1	(10)
Operating income	**99**	107	53
External operating expenses	**(370)**	(357)	(360)
Net inter business unit expenses	**302**	299	305
Operating expenses	**(68)**	(58)	(55)
Profit before debt provision	**31**	49	(2)
Provision for doubtful debts	**(5)**	-	(9)
Income tax expense and outside equity interests	**(28)**	(12)	36
Net profit attributable to members of the Company	**(2)**	37	25
Net loans and advances including acceptances	**(108)**	(136)	(60)
Other external assets	**13,717**	15,263	9,491
External assets	**13,609**	15,127	9,431
Deposits and other borrowings	**23,638**	28,089	27,864
Other external liabilities	**24,144**	20,353	14,936
External liabilities	**47,782**	48,442	42,800
Total employees	**4,313**	4,220	4,234

Corporate centre, Technology and Finance combines the central support and shared service units of the Group. Costs incurred in central support units are charged out to business units.

The CFO units are responsible for the overall financial management of the Group, through development and implementation of risk policy, balance sheet management and performance management.

Technology, e-commerce and payments aims to develop and maintain a leading eCommerce presence, while supporting the drive to build stronger customer relationships and greater customer satisfaction globally. Continual improvements in efficiency and service platforms are delivered along with reliable support for traditional banking products and services.

Corporate Centre, Technology and Finance also includes the results of asset and liability management, earnings on central capital, costs allocated to hedging capital positions and certain central costs.

The result for the current half year includes:

- write downs of investments in Panin ($43 million), E*Trade ($21 million) and other equity investments
- receipt of dividends (St. George $10 million, Panin $11 million)
- profit on sale of St. George investment ($65 million after tax)
- losses on foreign currency revenue hedges of $14 million
- sundry asset write-offs and reduced earnings from asset and liability management

Prior periods benefited from recognition of revenue from the E*Trade alliance of $19 million (September 2000) and $7 million (March 2000).

CHIEF FINANCIAL OFFICER'S REVIEW (continued)

DISCONTINUED BUSINESSES

	Half year Mar 01 $M	Half year Sep 00 $M	Half year Mar 00 $M
Net interest income	**20**	154	183
Other external operating income	**(19)**	104	133
Operating income	**1**	258	316
Operating expenses	**(1)**	(126)	(164)
Profit before debt provision	**-**	132	152
Provision for doubtful debts	**(8)**	(27)	(35)
Income tax expense and outside equity interests	**(4)**	(46)	(70)
Net profit attributable to members of the Company	**(12)**	59	47
Net loans and advances including acceptances	**514**	795	6,535
Other external assets	**794**	114	4,283
External assets	**1,308**	909	10,818
Deposits and other borrowings	**1,128**	1,340	11,256
Other external liabilities	**905**	844	1,630
External liabilities	**2,033**	2,184	12,886
Net interest average margin	**2.30%**	3.28%	2.77%
Return on assets	**n/a**	1.18%	0.66%
Return on risk weighted assets	**n/a**	1.90%	1.15%
Operating expenses to operating income	**n/a**	48.8%	51.9%
Operating expenses to average assets	**n/a**	2.52%	2.30%
Net specific provisions	**4**	23	23
Net specific provision as a % of average net advances	**1.33%**	1.00%	0.80%
Net non-accrual loans	**38**	68	86
Net non-accrual loans as a % of net advances	**7.2%**	9.4%	1.3%
Total employees	**22**	1	5,402

CHIEF FINANCIAL OFFICER'S REVIEW (continued)

GEOGRAPHIC SEGMENT PERFORMANCE

	Half year Mar 01 $M	%	Half year Sep 00 $M	%	Half year Mar 00 $M	%
Net profit attributable to members of the Company						
Australia	**704**	**79%**	806	87%	565	69%
New Zealand	**126**	**14%**	94	10%	116	14%
Overseas Markets	**65**	**7%**	30	3%	136	17%
	895	**100%**	930	100%	817	100%

	As at Mar 01 $M	As at Sep 00 $M	As at Mar 00 $M
Total assets			
Australia	**129,321**	127,306	116,352
New Zealand	**22,891**	20,354	21,542
Overseas Markets	**28,755**	24,807	29,064
	180,967	172,467	166,958
Risk weighted assets			
Australia	**96,650**	93,809	85,198
New Zealand	**14,871**	13,578	15,025
Overseas Markets	**25,479**	22,301	26,330
	137,000	129,688	126,553

CHIEF FINANCIAL OFFICER'S REVIEW (continued)

GEOGRAPHIC SEGMENT - AUSTRALIA

	Half year Mar 01 $M	Half year Sep 00 $M	Half year Mar 00 $M
Net interest income	**1,414**	1,360	1,263
Fee income	**685**	645	623
Other operating income	**276**	223	242
Operating income	**2,375**	2,228	2,128
Operating expenses	**(1,131)**	(1,112)	(1,114)
Profit before debt provision	**1,244**	1,116	1,014
Provision for doubtful debts	**(177)**	(176)	(173)
Income tax expense	**(363)**	(306)	(275)
Net profit after income tax before abnormal items	**704**	634	566
Net prior period abnormal profit	**-**	172	(1)
Net profit attributable to members of the Company	**704**	806	565
Ratios exclude abnormal items			
Net interest average margin	**2.97%**	2.92%	2.98%
Return on ordinary book equity[1]	**25.9%**	20.5%	19.0%
Return on risk weighted assets	**1.49%**	1.43%	1.37%
Operating expenses to operating income	**47.5%**	49.7%	52.2%
Operating expenses to average assets	**1.79%**	1.81%	1.98%
Net specific provision	**177**	136	102
Net specific provision as a % of average net advances	**0.34%**	0.28%	0.22%
Net non-accrual loans	**430**	393	257
Net non-accrual loans as a % of net advances	**0.4%**	0.4%	0.3%
Total employees	**16,309**	16,570	16,742
Lending growth	**1.8%**	8.4%	7.0%
Total assets	**129,321**	127,306	116,352
Risk weighted assets	**96,650**	93,809	85,198

Profit after tax in Australia, at $704 million, was 11% ($70 million) higher than the September 2000 half year excluding prior year abnormals. This increase reflects the following main influences:

- net interest income was up 4%, due to lending growth of 1.8% and a 5 basis point increase in average margin
  - lending growth, in particular from mortgages, was significantly lower than in 2000 due to the slowing economy and housing market coupled with short term operational problems which curtailed the level of third party mortgage sales
  - average margin benefited from the fall in wholesale interest rates ahead of mortgage rates and from repricing of corporate loans
- fee income was 6% higher due to transaction volume growth in fees from Cards, Institutional Banking, Global Structured Finance and Global Transaction Services
- other income was up 24% due to strong growth in foreign exchange earnings and the sale of the investment in St. George, offset by equity investment write-downs and lower E*Trade milestone income
- operating expenses were flat after allowing for the impact of GST, which added costs of $18 million. Performance related salary increases were absorbed by other cost reductions
- the economic loss provision was in line with the provisions in 2000, reflecting the low growth in lending during the March 2001 half year
- specific provisions were $41 million higher, reflecting the prudent assessment of potential losses on certain larger corporate exposures

[1] Refer page 67 for explanation of comparative methodologies

CHIEF FINANCIAL OFFICER'S REVIEW (continued)

GEOGRAPHIC SEGMENT - NEW ZEALAND

Murray Horn

	Half year Mar 01 $M	Half year Sep 00 $M	Half year Mar 00 $M
Net interest income	**246**	237	240
Fee income	**143**	140	133
Other operating income	**39**	33	30
Operating income	**428**	410	403
Operating expenses	**(232)**	(223)	(227)
Profit before debt provision	**196**	187	176
Provision for doubtful debts	**(19)**	(17)	(18)
Income tax expense	**(51)**	(45)	(42)
Net profit after income tax before abnormal items	**126**	125	116
Net prior period abnormal profit	**-**	(31)	-
Net profit attributable to members of the Company	**126**	94	116
Ratios exclude abnormal items			
Net interest average margin	**2.60%**	2.59%	2.66%
Return on ordinary book equity	**25.1%**	24.0%	24.8%
Return on risk weighted assets	**1.76%**	1.74%	1.62%
Operating expenses to operating income	**53.3%**	53.7%	56.1%
Operating expenses to average assets	**2.12%**	2.14%	2.25%
Net specific provision	**10**	24	18
Net specific provision as a % of average net advances	**0.12%**	0.29%	0.22%
Net non-accrual loans	**68**	33	46
Net non-accrual loans as a % of net advances	**0.4%**	0.2%	0.3%
Total employees	**3,831**	3,918	4,053
Lending growth (including FX impact)	**9.4%**	(8.2%)	14.5%
Lending growth (excluding FX impact)	**(0.4%)**	(0.1%)	11.2%
Total assets	**22,891**	20,354	21,542
Risk weighted assets	**14,871**	13,578	15,025

The environment in New Zealand has been subdued, with limited new lending and stable margins. Excluding restructuring costs, the current result was 1% up on the previous half. The September 2000 half included $31 million of abnormal costs relating to the substantial restructuring of the Bank's technology, premises and operational infrastructure. Key impacts were:

- increase in net interest income from asset growth, with margins remaining constrained due to competitive pressures and lower asset and liability management earnings
- fee income slightly above the levels of the preceding half, with limited volume growth
- continued improvement in foreign exchange and treasury trading income, with market conditions more conducive to trading
- operating costs continue to be contained. The acquisition of EFTPOS NZ Limited, however, has added to the cost base in New Zealand
- lending growth has been impacted by the slow housing market in New Zealand
- credit quality remains sound. Non-accrual loans remain at low levels, although they have increased compared with the preceding half. $15 million of the increase arose from standardising the classification and management of the mortgage portfolio with Australian practice and is, therefore, not comparable to the preceding years figures. $5 million of the increase is due to a reduction in specific provisions

ANZ New Zealand will continue to focus on transforming its IT infrastructure in order to better serve its customers, in particular retail customers. In a highly competitive environment, growing the business whilst containing costs, and maintaining credit quality, remains crucial.

CHIEF FINANCIAL OFFICER'S REVIEW (continued)

GEOGRAPHIC SEGMENT - OVERSEAS MARKETS

	Half year Mar 01 $M	Half year Sep 00 $M	Half year Mar 00 $M
Net interest income	**219**	332	369
Fee income	**110**	148	171
Other operating income	**8**	104	91
Operating income	**337**	584	631
Operating expenses	**(197)**	(316)	(322)
Profit before debt provision	**140**	268	309
Provision for doubtful debts	**(45)**	(53)	(65)
Income tax expense	**(29)**	(88)	(107)
Outside equity interests	**(1)**	(1)	(1)
Net profit after income tax before abnormal items	**65**	126	136
Net prior period abnormal profit	**-**	(96)	-
Net profit attributable to members of the Company	**65**	30	136
Ratios exclude abnormal items			
Net interest average margin	**1.35%**	1.97%	2.14%
Return on ordinary book equity	**5.1%**	11.4%	12.1%
Return on risk weighted assets	**0.56%**	0.99%	1.07%
Operating expenses to operating income	**58.2%**	54.1%	51.0%
Operating expenses to average assets	**1.08%**	1.72%	1.73%
Net specific provision	**(6)**	26	77
Net specific provision as a % of average net advances	**(0.08%)**	0.31%	0.91%
Net non-accrual loans	**229**	273	251
Net non-accrual loans as a % of net advances	**1.4%**	2.0%	1.4%
Total employees	**2,675**	2,646	8,145
Lending growth (including FX impact)	**20.6%**	(21.6%)	8.0%
Lending growth (excluding FX impact)	**11.0%**	(25.5%)	1.5%
Total assets	**28,755**	24,807	29,064
Risk weighted assets	**25,479**	22,301	26,330

The overseas market result comparatives for 2000 are dominated by the effect of the sale of Grindlays in July 2000. The profit after tax for the March 2001 half year includes a net loss of $12 million from discontinued businesses, including the joint venture with OCBC. If the results of discontinued overseas businesses are excluded from the March 2001 and September 2000 results, March 2001 shows a profit increase of $10 million from September 2000. This increase in underlying profit is due to the following

- interest income increased 11% ($19 million), of which $14 million was due to the impact of exchange rate movements and the remainder to lending volume growth
- fee income increased 11% ($11 million), with $6 million due to the impact of exchange rate movements. The underlying growth was mainly in US fee income from structured financing areas
- other income decreased by $19 million, due to the $43 million write-down of the investment in Panin offset by a dividend of $11 million from Panin. In the September 2000 half year result a write-down of the Panin investment was included in abnormal items. There was underlying growth of $5 million in foreign exchange income
- after adjusting for the $8 million impact of exchange rate movements, operating expenses were $2 million lower showing the benefit of rationalisation and restructuring activities

FOUR YEAR SUMMARY BY HALF YEAR

	Mar 01 $M	Sep 00 $M	Mar 00 $M	Sep 99 $M	Mar 99 $M	Sep 98 $M	Mar 98 $M	Sep 97 $M
Statement of Financial Performance[1]								
Net interest income	**1,879**	1,929	1,872	1,839	1,816	1,774	1,773	1,719
Other operating income	**1,261**	2,437	1,353	1,221	1,156	901	1,128	1,110
Operating expenses	**(1,560)**	(2,637)	(1,663)	(1,654)	(1,646)	(1,733)	(1,737)	(1,985)
Provision for doubtful debts	**(241)**	(246)	(256)	(252)	(258)	(250)	(237)	(203)
Profit before income tax	**1,339**	1,483	1,306	1,154	1,068	692	927	641
Income tax expense	**(443)**	(552)	(488)	(389)	(347)	(206)	(298)	(162)
Outside equity interests	**(1)**	(1)	(1)	(2)	(4)	(5)	(4)	(4)
Net profit attributable to members of the Company	**895**	930	817	763	717	481	625	475
Statement of Financial Position								
Assets	**180,967**	172,467	166,958	152,801	152,417	153,215	147,681	138,241
Net assets	**10,200**	9,807	9,662	9,429	9,234	8,391	7,388	6,993
Ratios								
Return on average ordinary equity[2]	**19.6%**	19.7%	17.8%	17.1%	17.3%	12.3%	17.1%	13.3%
Return on average assets	**1.0%**	1.1%	1.0%	1.0%	0.9%	0.6%	0.8%	0.7%
Tier 1 capital ratio	**7.3%**	7.4%	7.5%	7.9%	7.7%	7.2%	6.5%	6.6%
Cost to income[3]	**49.4%**	60.2%	51.4%	53.9%	55.2%	64.7%	59.8%	70.1%
Shareholder value - ordinary shares								
Total return to shareholders (share price movement plus dividends)	**6.4%**	30.5%	4.4%	-8.2%	30.0%	-8.3%	-8.2%	42.3%
Market capitalisation	**20,488**	20,002	15,948	16,045	17,797	13,885	15,385	17,017
Dividend	**33.0c**	35.0c	29.0c	30.0c	26.0c	28.0c	24.0c	26.0c
Franked portion	**100%**	100%	100%	80%	75%	60%	60%	100%
Share price								
- high	**$16.08**	$13.46	$11.67	$12.45	$11.69	$11.88	$11.44	$11.58
- low	**$13.20**	$9.60	$9.71	$8.58	$8.58	$8.45	$9.09	$7.56
- closing	**$13.78**	$13.28	$10.40	$10.25	$11.45	$9.02	$10.10	$11.28
Share information (per fully paid ordinary share)								
Earnings per share - basic	**55.8c**	57.6c	49.3c	45.9c	44.7c	31.3c	41.3c	31.6c
Dividend payout ratio	**58.7%**	60.2%	57.9%	65.6%	58.4%	89.6%	58.6%	82.5%
Net tangible assets	**5.71**	5.49	5.42	5.21	5.09	4.98	4.81	4.59
Number of fully paid ordinary shares on issue (millions)	**1,486.8**	1,506.2	1,533.4	1,565.4	1,554.3	1,539.4	1,523.3	1,508.6
Other information								
Permanent employees (FTE's)	**21,617**	21,774	27,703	28,744	29,648	30,827	34,695	35,926
Temporary employees (FTE's)	**1,198**	1,360	1,237	1,427	1,331	1,245	1,243	904
Total employees	**22,815**	23,134	28,940	30,171	30,979	32,072	35,938	36,830
Number of shareholders	**180,108**	200,798	223,803	214,151	184,183	151,564	138,056	132,450

1 Prior years restated for AASB 1038 gross up from Mar 1999
2 Refer page 67 for explanation of comparative methodologies
3 Excludes the impact of goodwill amortisation

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

FINANCIAL REPORT

Half-Year Ended

31 March 2001

This Financial Report on the consolidated Group constitutes the Appendix 4B required by the Australian Stock Exchange, and should be read in conjunction with the September 2000 Annual Financial Report. The financial statements and notes to the financial statements have been reviewed by KPMG. ANZ has a formally constituted audit committee.

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DIRECTORS' REPORT

The directors present their report on the consolidated accounts for the half year ended 31 March 2001.

Directors

The names of the directors of the Company who held office during and since the end of the half-year are:

Mr C B Goode - Chairman
Mr J McFarlane OBE - Chief Executive Officer
Mr J C Dahlsen
Dr R S Deane
Mr J K Ellis
Ms M A Jackson
Dr B W Scott AO
Mr G K Toomey

Result

The consolidated profit from ordinary activities after income tax attributable to shareholders of the Company was $895 million. Further details are contained in the Chief Financial Officer's Review on pages 5 to 34 and in the financial report.

Review of Operations

A review of the operations of the Group during the half-year and the results of those operations are contained in the Chief Financial Officer's Review on pages 5 to 34 and in the financial report.

Rounding of Amounts

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 pursuant to section 341(1) of the Corporations Law. Consequently, amounts in this report and the accompanying financial report have been rounded to the nearest million dollars except where otherwise indicated.

Signed in accordance with a resolution of the directors.

Charles Goode
Chairman

John McFarlane
Chief Executive Officer

26 April 2001

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

	Note	Half year Mar 01 $M	Half year Sep 00 $M	Half year Mar 00 $M	Movt Mar 01 v. Sep 00 %	Movt Mar 01 v. Mar 00 %
Total income	2	**6,679**	7,905	6,126	-16%	9%
Interest income		**5,418**	5,468	4,773	-1%	14%
Interest expense		**(3,539)**	(3,539)	(2,901)	-	22%
Net interest income		**1,879**	1,929	1,872	-3%	-
Other operating income	2	**1,261**	1,293	1,290	-2%	-2%
Prior period abnormal income	4	**-**	1,144	63	n/a	n/a
Operating income		**3,140**	4,366	3,225	-28%	-3%
Operating expenses	3	**(1,560)**	(1,651)	(1,663)	-6%	-6%
Prior period abnormal expenses	4	**-**	(986)	-	n/a	n/a
Profit before debt provision		**1,580**	1,729	1,562	-9%	1%
Provision for doubtful debts	11	**(241)**	(246)	(256)	-2%	-6%
Profit before income tax		**1,339**	1,483	1,306	-10%	3%
Income tax expense	5	**(443)**	(439)	(424)	1%	4%
Prior period abnormal tax	4	**-**	(113)	(64)	n/a	n/a
Profit after income tax		**896**	931	818	-4%	10%
Net profit attributable to outside equity interests		**(1)**	(1)	(1)	-	-
Net profit attributable to members of the Company		**895**	930	817	-4%	10%
Currency translation adjustments, net of hedges after tax		**201**	12	158	large	27%
Increase in asset revaluation reserve		**-**	-	31	n/a	-100%
Total changes in equity other than those resulting from transactions with shareholders as owners		**1,096**	942	1,006	16%	9%

The notes appearing on pages 43 to 78 form an integral part of these financial statements

	Half year Mar 01	Half year Sep 00	Half year Mar 00	Movt Mar 01 v. Sep 00 %	Movt Mar 01 v. Mar 00 %
Earnings per ordinary share (cents)					
Basic	**55.8**	57.6	49.3	-3%	13%
Diluted	**55.4**	57.3	49.1	-3%	13%
Dividend per ordinary share (cents)	**33**	35	29	-6%	14%
Net tangible assets per ordinary share ($)	**5.71**	5.49	5.42	4%	5%

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at Mar 01 $M	As at Sep 00 $M	As at Mar 00 $M	Movt Mar 01 v. Sep 00 %	Movt Mar 01 v. Mar 00 %
Assets						
Liquid assets		**5,113**	5,648	5,410	-9%	-5%
Due from other financial institutions		**4,076**	5,822	4,543	-30%	-10%
Trading securities[1]		**4,670**	4,126	4,871	13%	-4%
Investment securities	8	**3,452**	3,006	4,409	15%	-22%
Net loans and advances	9	**122,907**	116,315	114,022	6%	8%
Customers' liability for acceptances		**14,532**	15,482	15,364	-6%	-5%
Life insurance investment assets		**4,786**	4,739	4,443	1%	8%
Regulatory deposits		**162**	103	608	57%	-73%
Shares in associates		**24**	29	44	-17%	-45%
Deferred tax assets		**1,206**	1,227	1,206	-2%	-
Other assets[2]		**18,690**	14,711	10,554	27%	77%
Premises and equipment		**1,349**	1,259	1,484	7%	-9%
Total assets		**180,967**	172,467	166,958	5%	8%
Liabilities						
Due to other financial institutions		**13,376**	12,247	8,796	9%	52%
Deposits and other borrowings		**102,046**	100,602	106,157	1%	-4%
Liability for acceptances		**14,532**	15,482	15,364	-6%	-5%
Income tax liabilities		**1,213**	1,303	1,021	-7%	19%
Creditors and other liabilities		**15,943**	13,371	10,697	19%	49%
Provisions		**2,126**	2,089	979	2%	large
Life insurance policy liabilities		**4,418**	4,360	3,978	1%	11%
Bonds and notes		**13,108**	9,519	6,910	38%	90%
Loan capital		**4,005**	3,687	3,394	9%	18%
Total liabilities		**170,767**	162,660	157,296	5%	9%
Net assets		**10,200**	9,807	9,662	4%	6%
Shareholders' equity						
Ordinary share capital		**3,711**	4,028	4,399	-8%	-16%
Preference share capital		**1,526**	1,374	1,232	11%	24%
Reserves		**1,011**	786	753	29%	34%
Retained profits		**3,940**	3,607	3,265	9%	21%
Share capital and reserves attributable to members of the Company		**10,188**	9,795	9,649	4%	6%
Outside equity interests		**12**	12	13	-	-8%
Total shareholders' equity		**10,200**	9,807	9,662	4%	6%
Derivative financial instruments	17					
Contingent liabilities	18					

[1] Includes bills held in portfolio (Mar 2001: $1,496 million, Sep 2000: $1,009 million, Mar 2000: $589 million) which are part of net advances
[2] Includes interest revenue receivable (Mar 2001: $1,566 million, Sep 2000: $1,368 million, Mar 2000: $1,314 million)
The notes appearing on pages 43 to 78 form an integral part of these financial statements

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STATEMENT OF CHANGES IN EQUITY

	Half year Mar 01 $M	Half year Sep 00 $M	Half year Mar 00 $M	Movt Mar 01 v. Sep 00 %	Movt Mar 01 v. Mar 00 %
Share capital					
Balance at start of period	**5,402**	5,631	5,915	-4%	-9%
Ordinary share					
Dividend reinvestment plan	**43**	123	113	-65%	-62%
Group employee share acquisition scheme	**37**	6	20	large	85%
Group share option scheme	**4**	6	4	-33%	-
Group share purchase scheme	**-**	#	#	n/a	n/a
Small shareholder voluntary top up scheme	**12**	-	-	n/a	n/a
Share buyback	**(413)**	(505)	(509)	-18%	-19%
Retranslation of preference shares	**152**	141	88	8%	73%
Total share capital	**5,237**	5,402	5,631	-3%	-7%
Foreign currency translation reserve					
Balance at start of period	**18**	6	(152)	large	n/a
Currency translation adjustments, net of hedges after tax	**201**	12	158	large	27%
	219	18	6	large	large
Asset revaluation reserve					
Balance at start of period	**31**	31	-	-	n/a
Revaluation of properties	**-**	-	31	n/a	-100%
	31	31	31	-	-
General reserve					
Balance at start of period	**588**	567	539	4%	9%
Transfers from retained profits	**24**	21	28	14%	-14%
	612	588	567	4%	8%
Capital reserve	**149**	149	149	-	-
Total reserves	**1,011**	786	753	29%	34%
Retained profits					
Balance at start of period	**3,607**	3,265	2,952	10%	22%
Net profit attributable to members of the Company	**895**	930	817	-4%	10%
Total available for appropriation	**4,502**	4,195	3,769	7%	19%
Transfers to reserves	**(24)**	(21)	(28)	14%	-14%
Ordinary share dividends provided for or paid	**(479)**	(514)	(427)	-7%	12%
Preference share dividends paid	**(59)**	(53)	(49)	11%	20%
Retained profits at end of period	**3,940**	3,607	3,265	9%	21%
Total shareholders' equity attributable to members of the Company	**10,188**	9,795	9,649	4%	6%

 # Amounts less than $500,000

The notes appearing on pages 43 to 78 form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Half year Mar 01 Inflows (Outflows) $M	Half year Sep 00 Inflows (Outflows) $M	Half year Mar 00 Inflows (Outflows) $M
Cash flows from operating activities				
Interest received		**5,585**	5,484	4,432
Dividends received		**58**	101	91
Fees and other income received		**1,390**	1,235	1,225
Interest paid		**(3,521)**	(3,448)	(2,660)
Personnel expenses paid		**(891)**	(805)	(930)
Premises expenses paid		**(127)**	(144)	(139)
Other operating expenses paid		**(836)**	(680)	(519)
Income taxes paid				
Australia		**(355)**	(178)	(265)
Overseas		**(86)**	(152)	(159)
Goods and services tax received (paid)		**(45)**	4	-
Net (increase) decrease in trading securities		**(478)**	549	(574)
Net cash provided by operating activities	19	**694**	1,966	502
Cash flows from investing activities				
Net decrease (increase)				
Due from other financial institutions		**926**	(563)	(229)
Regulatory deposits		**(55)**	(141)	51
Loans and advances		**(4,065)**	(8,272)	(9,361)
Shares in controlled entities and associates		**(4)**	(50)	-
Investment securities				
Purchases		**(3,135)**	(4,250)	(3,859)
Proceeds from sale or maturity		**2,685**	4,194	4,359
Controlled entities and associates				
Purchased (net of cash acquired)		**-**	(43)	-
Proceeds from sale (net of cash disposed)		**-**	1,456	54
Premises and equipment				
Purchases		**(239)**	(112)	(163)
Proceeds from sale		**75**	196	53
Other		**1,425**	(2,347)	(810)
Net cash provided by (used in) investing activities		**(2,387)**	(9,932)	(9,905)
Cash flows from financing activities				
Net (decrease) increase				
Due to other financial institutions		**72**	3,767	(656)
Deposits and other borrowings		**(1,607)**	4,442	8,321
Creditors and other liabilities		**(334)**	(499)	(344)
Bonds and notes				
Issue proceeds		**3,193**	2,696	2,859
Redemptions		**(628)**	(666)	(675)
Loan capital				
Issue proceeds		**-**	75	77
Redemptions		**(80)**	(75)	(72)
Decrease in outside equity interests		**-**	(5)	(14)
Dividends paid		**(532)**	(364)	(388)
Share capital issues		**53**	36	-
Share buyback		**(413)**	(505)	(509)
Net cash provided by (used in) financing activities		**(276)**	8,902	8,599
Net cash provided by operating activities		**694**	1,966	502
Net cash provided by (used in) investing activities		**(2,387)**	(9,932)	(9,905)
Net cash provided by (used in) financing activities		**(276)**	8,902	8,599
Net increase (decrease) in cash and cash equivalents		**(1,969)**	936	(804)
Cash and cash equivalents at beginning of period		**6,462**	6,697	6,634
Foreign currency translation on opening balances		**1,178**	(1,171)	867
Cash and cash equivalents at end of period	19	**5,671**	6,462	6,697

The notes appearing on pages 43 to 78 form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The half year report should be read in conjunction with the Annual Financial Report of the ANZ Group as at 30 September 2000 and with any public announcements made by the Group and its controlled entities during the half year ended 31 March 2001 in accordance with the continuous disclosure obligations under the Corporations Law.

These half year consolidated financial statements are a general purpose financial report made out in accordance with the Corporations Law, applicable Accounting Standards including AASB 1029: Interim Financial Reporting, Urgent Issues Group Consensus Views and other mandatory reporting requirements. This half year report does not include all notes of the type normally included in the annual financial report.

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

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

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

CHANGES IN ACCOUNTING STANDARDS AND POLICY

The directors have elected to adopt early the following Accounting Standards:

- AASB: 1029 Interim Financial Reporting
- AASB: 1005 Segment Reporting

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

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

In changing from a revaluation to a cost policy, the carrying amount of the class of assets land and buildings at the date of first applying the standard is deemed to be their cost. Write downs of previously revalued assets may no longer be made through the asset revaluation reserve. This change in accounting policy had no impact for the period ended 31 March 2001.

NOTES TO THE FINANCIAL STATEMENTS

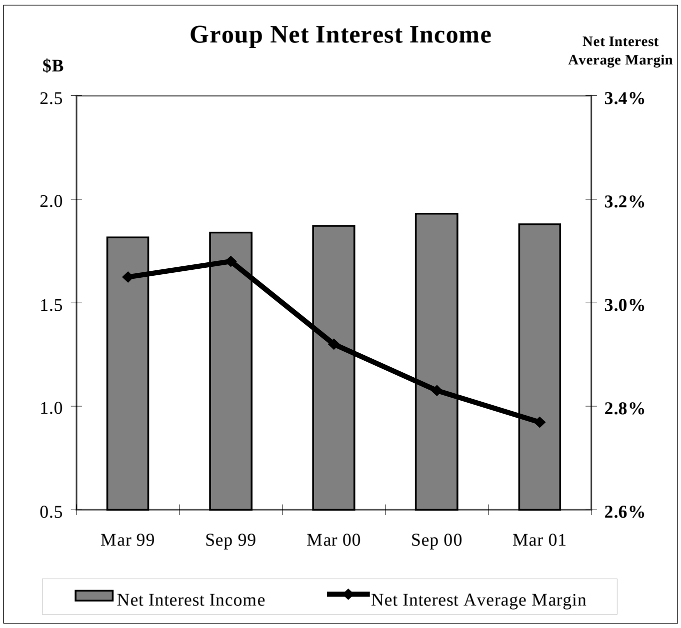
2. INCOME

	Half year Mar 01 $M	Half year Sep 00 $M	Half year Mar 00 $M	Movt Mar 01 v Sep 00 %	Movt Mar 01 v Mar 00 %
Interest income	**5,418**	5,468	4,773	-1%	14%
Interest expense	**(3,539)**	(3,539)	(2,901)	-	22%
Net interest income	**1,879**	1,929	1,872	-3%	-
Interest spread and net interest average margin (%)					
Gross interest spread	**2.14**	2.24	2.38	n/a	n/a
Interest forgone on impaired assets	**(0.06)**	(0.07)	(0.07)	n/a	n/a
Net interest spread	**2.08**	2.17	2.31	n/a	n/a
Interest attributable to net non-interest bearing items	**0.69**	0.66	0.61	n/a	n/a
Net interest average margin	**2.77**	2.83	2.92	n/a	n/a
Average interest earning assets ($M)	**137,087**	137,481	128,873	-	6%

Net interest income decreased by 3% compared to the September 2000 half year with lower average asset volumes following the sale of the Grindlays business on 31 July 2000 and reduced interest margin. However, for continuing businesses net interest income was up 5%.

The 6 basis point reduction in the Group's net interest margin reflects:

- the sale of high margin Grindlays business which had an net negative effect of 8 basis points
- reduced deposit margins as cash rates have fallen, combined with competition for customer deposits
- asset growth largely occurring in fixed rate housing loans, which have margins significantly lower than the portfolio average
- a continuing reassessment of lending policies, leading to a reduction of high yielding, high risk asset volumes and further constraints on asset volume growth



Offset by

- increased margins on the mortgage and card portfolios as wholesale rates have fallen ahead of customer rates on these products
- increased margins in Corporate and Institutional Banking, reflecting conservative pricing in the current economic environment
- an increased benefit from non-interest bearing liability volumes

NOTES TO THE FINANCIAL STATEMENTS

2. INCOME

Continuing businesses

	Half year Mar 01 $M	Half year Sep 00 $M	Half year Mar 00 $M	Movt Mar 01 v. Sep 00 %	Movt Mar 01 v. Mar 00 %
Interest income	**5,406**	5,155	4,382	5%	23%
Other operating income					
Fee income					
Lending	**372**	351	351	6%	6%
Other, commissions[1]	**560**	529	496	6%	13%
Total fee income	**932**	880	847	6%	10%
Other income					
Foreign exchange earnings	**173**	147	140	18%	24%
Profit on trading instruments	**32**	37	44	-14%	-27%
Life insurance margin on services operating income (refer below)	**86**	77	98	12%	-12%
Profit on sale of strategic investment	**99**	-	-	n/a	n/a
Writedown of equity investments	**(84)**	-	-	n/a	n/a
Dividend income from strategic investments	**21**	10	9	large	large
Other	**21**	38	19	-45%	11%
Total other income	**348**	309	310	13%	12%
Total other operating income	**1,280**	1,189	1,157	8%	11%
Total income - continuing businesses	**6,686**	6,344	5,539	5%	21%

[1] *Includes commissions from funds management business*

Other operating income in the continuing businesses, at $1,280 million, was 8% ($91 million) higher than the September 2000 half year, continuing the Group's commitment to reduce reliance on net interest income and to diversify and grow income streams. The impact of exchange rate movements was an increase of $7 million in other operating income.

Total fee income was 6% ($52 million) higher, with increases in lending and non-lending income:

- lending fees increased 6% largely due to volume related fee increases within Institutional Banking, and increased fee generating activity in Global Structured Finance
- non-lending fees increased 6%, due to volume related increases in Card fees, the introduction of new payment products and a review of pricing structures in Global Transaction Services

Other income was 13% ($39 million) higher, largely as a result of

- the sale of our stake in St George which realised income of $99 million
- foreign exchange revenue increasing 18% ($26 million) due to increased customer activity and volatility in the currency markets

offset by:

- the write down of investments in Panin ($43 million), E*Trade ($21 million) and other equity investments ($20 million) recognising the further decline in Indonesian equity markets and the global decline in market value of internet related businesses
- reduced income from property sales and E*Trade

NOTES TO THE FINANCIAL STATEMENTS

2. INCOME (continued)

	Half year Mar 01 $M	Half year Sep 00 $M	Half year Mar 00 $M	Movt Mar 01 v. Sep 00 %	Movt Mar 01 v. Mar 00 %
Interest income					
Continuing businesses	**5,406**	5,155	4,382	5%	23%
Discontinued businesses	**12**	313	391	-96%	-97%
Total interest income	**5,418**	5,468	4,773	-1%	14%
Fee income					
Continuing businesses	**932**	880	847	6%	10%
Discontinued businesses	**6**	53	80	-89%	-93%
Total fee income	**938**	933	927	1%	1%
Other income					
Continuing businesses	**348**	309	310	13%	12%
Prior period abnormal income	**-**	1,144	63	n/a	n/a
Discontinued businesses	**(25)**	51	53	n/a	n/a
Total other income	**323**	1,504	426	-79%	-24%
Total income[1]	**6,679**	7,905	6,126	-16%	9%
Operating profit before tax as a % of interest income	**24.7%**	27.1%	27.4%	n/a	n/a

[1] *Includes dividend income of $72 million (Sep 2000: $97 million; Mar 2000: $95 million)*

Discontinued businesses income includes the following:

- the Group's share of the loss from the joint venture with OCBC ($25 million)
- income from residual "exited" portfolios relating to the sale of Grindlays
- interest on National Housing Bank monies prior to lodgement with the Court (refer note 18)

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

NOTES TO THE FINANCIAL STATEMENTS

2. INCOME (continued)

Margin on Services

	Half year Mar 01 $M	Half year Sep 00 $M	Half year Mar 00 $M	Movt Mar 01 v. Sep 00 %	Movt Mar 01 v. Mar 00 %
Life insurance margin on services operating income					
Premium and related revenue	**679**	1,036	653	-34%	4%
Investment revenue	**123**	138	231	-11%	-47%
Claims expense	**(648)**	(718)	(531)	-10%	22%
Insurance policy liabilities expense	**(68)**	(379)	(255)	-82%	-73%
	86	77	98	12%	-12%

	Half year Mar 01 $M	Half year Sep 00 $M	Half year Mar 00 $M	Movt Mar 01 v. Sep 00 %	Movt Mar 01 v. Mar 00 %
Life insurance profit after tax arose from					
Movement in policy liabilities separated between					
Planned margins of revenues over expenses released	**18**	18	18	-	-
Difference between actual and assumed experience	**(4)**	(5)	1	-20%	n/a
Investment earnings of assets in excess of policy liabilities	**10**	8	9	25%	11%
Operating profit after income tax	**24**	21	28	14%	-14%

Premium and related revenue includes gross inflows from Life Investment products and premiums from Risk products. Premiums are lower in the March half year when compared to the prior period, mainly due to second half seasonality of superannuation business. Gross inflows from Investment products are generally lower in the first half.

Investment revenue is lower due to the impact that declining equity markets had on Policyholder income.

Claims expense includes redemptions from investment products and claims from Risk products. Claims expense is lower than the prior half year as there are generally higher redemptions of superannuation business investment products in the second half.

NOTES TO THE FINANCIAL STATEMENTS

3. OPERATING EXPENSES

Continuing businesses

	Half year Mar 01 $M	Half year Sep 00 $M	Half year Mar 00 $M	Movt Mar 01 v. Sep 00 %	Movt Mar 01 v. Mar 00 %
Personnel					
Employee taxes					
Fringe benefits tax	**20**	15	18	33%	11%
Payroll tax	**31**	32	36	-3%	-14%
Pension fund	**46**	46	45	-	2%
Provision for employee entitlements	**12**	16	17	-25%	-29%
Salaries and wages	**566**	538	568	5%	-
Other	**161**	164	137	-2%	18%
Total personnel expenses	**836**	811	821	3%	2%
Premises					
Amortisation of leasehold improvements	**6**	7	6	-14%	-
Depreciation of buildings and integrals	**9**	7	12	29%	-25%
Rent	**78**	68	65	15%	20%
Utilities and other outgoings	**44**	44	45	-	-2%
Other	**7**	3	6	large	17%
Total premises expenses	**144**	129	134	12%	7%
Computer					
Computer contractors	**27**	9	25	large	8%
Data communications	**21**	19	19	11%	11%
Depreciation and amortisation	**42**	46	41	-9%	2%
Rentals and repairs	**30**	34	33	-12%	-9%
Other	**59**	57	42	4%	40%
Total computer expenses	**179**	165	160	8%	12%
Other					
Advertising and public relations	**54**	52	44	4%	23%
Amortisation of goodwill	**9**	7	5	29%	80%
Audit fees	**2**	1	3	100%	-33%
Depreciation of furniture and equipment	**20**	18	21	11%	-5%
Freight and cartage	**15**	14	13	7%	15%
Loss on disposal of premises and equipment	**1**	4	1	-75%	-
Non-lending losses, frauds and forgeries	**17**	31	19	-45%	-11%
Postage	**20**	21	21	-5%	-5%
Professional fees	**54**	64	63	-16%	-14%
Stationery	**25**	29	29	-14%	-14%
Telephone	**37**	37	37	-	-
Travel	**38**	39	34	-3%	12%
Other	**65**	50	47	30%	38%
Total other expenses	**357**	367	337	-3%	6%
Restructuring	**43**	53	47	-19%	-9%
Total operating expenses - continuing businesses	**1,559**	1,525	1,499	2%	4%

NOTES TO THE FINANCIAL STATEMENTS

3. OPERATING EXPENSES (continued)

Operating expenses in the continuing businesses, as shown in the table on page 48, increased by 2% ($34 million) to $1,559 million. After allowing for exchange rate movement, acquisitions and GST, expenses were essentially flat against an adjusted cost base for the September 2000 half year of $1,550 million. The impact of exchange rate movements on operating expenses was an increase of $8 million.

Personnel costs increased 3% largely due to CPI and performance related salary increases, partly offset by a 1% reduction in staff.

Premises costs increased 12% due to the introduction of GST on 1 July 2000, rent increases on leased properties and the impact of sale and lease back transactions. GST has added $8 million to the Group's annual property rent cost.

Computer expenses increased by 8% reflecting the continued investment in technology which has increasingly been resourced by specialist contractors, the impact of GST, and the timing of software license renewals which traditionally fall in the first half year.

Overall other expenses decreased 3%, despite the impact of GST, with a $10 million reduction in professional fees and reduced non-lending losses.

	Half year Mar 01 $M	Half year Sep 00 $M	Half year Mar 00 $M	Movt Mar 01 v. Sep 00 %	Movt Mar 01 v. Mar 00 %
Discontinued businesses					
Personnel	**-**	54	72	n/a	n/a
Premises	**-**	13	18	n/a	n/a
Computer	**-**	6	12	n/a	n/a
Other	**1**	52	56	n/a	n/a
Restructuring	**-**	1	6	n/a	n/a
Total discontinued businesses	**1**	126	164	n/a	n/a
Prior period abnormal expenses					
Other	**-**	625	-	n/a	n/a
Restructuring	**-**	361	-	n/a	n/a
Total prior period abnormal expenses	**-**	986	-	n/a	n/a
Continuing businesses	**1,559**	1,525	1,499	2%	4%
Total operating expenses	**1,560**	2,637	1,663	-41%	-6%
Employees (FTE) - Permanent	**21,617**	21,774	27,703	-1%	-22%
Employees (FTE) - Temporary	**1,198**	1,360	1,237	-12%	-3%
Total employees	**22,815**	23,134	28,940	-1%	-21%

Total operating expenses were down $1,077 million, mainly as a result of the inclusion in the September 2000 half year of $986 million abnormal expenses and $126 million expenses from the sold Grindlays businesses.

NOTES TO THE FINANCIAL STATEMENTS

4. ITEMS REPORTED AS ABNORMALS IN PRIOR PERIODS

	Half year Mar 01 $M	**Half year Sep 00 $M**	**Half year Mar 00 $M**	**Movt Mar 01 v. Sep 00 %**	**Movt Mar 01 v. Mar 00 %**
Profit before tax					
Revaluation of properties	-	-	30	n/a	n/a
Gain on sale of investment in Colonial	-	-	33	n/a	n/a
Income from sale of Grindlays and associated businesses	-	1,225	-	n/a	n/a
(Loss) before tax					
Provisions raised on sale of Grindlays and associated businesses	-	(575)	-	n/a	n/a
Restructuring provision	-	(361)	-	n/a	n/a
Provision for litigation	-	(50)	-	n/a	n/a
Writedown of investment in Panin	-	(81)	-	n/a	n/a
Total prior period abnormal profit	-	158	63	n/a	n/a
Income tax (expense)benefit applicable to					
Restatement of deferred tax balances	-	-	(64)	n/a	n/a
Sale of Grindlays and associated businesses and provision raised	-	(246)	-	n/a	n/a
Restructuring provision	-	116	-	n/a	n/a
Provision for litigation	-	17	-	n/a	n/a
Total prior period abnormal income tax expense	-	(113)	(64)	n/a	n/a
Net prior period abnormals	-	45	(1)	n/a	n/a

The September 2000 Consolidated Results and Dividend Announcement provides further details of prior year abnormals. Provisions for contingent liabilities relating to Grindlays are further discussed at note 18.

NOTES TO THE FINANCIAL STATEMENTS

5. INCOME TAX EXPENSE

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

	Half year Mar 01 $M	Half year Sep 00 $M	Half year Mar 00 $M	Movt Mar 01 v. Sep 00 %	Movt Mar 01 v. Mar 00 %
Operating profit before income tax	**1,339**	1,483	1,306	-10%	3%
Prima facie income tax at 34% (prior periods 36%)	**455**	534	470	-15%	-3%
Tax effect of permanent differences					
Overseas tax rate differential	**1**	4	3	-75%	-67%
Rebateable and non-assessable dividends	**(27)**	(35)	(35)	-23%	-23%
Other non-assessable income	**(14)**	(6)	(3)	large	large
Life insurance accounting	**4**	5	12	-20%	-67%
Application of available capital losses	**-**	(1)	(9)	-100%	-100%
Sale of Grindlays (net permanent difference)	**-**	12	-	-100%	n/a
Impact of corporate tax rate change	**-**	-	64	n/a	-100%
Property revaluations	**-**	-	(11)	n/a	-100%
Restructuring (composite tax rate)	**-**	15	-	-100%	n/a
Writedown of investments	**28**	29	-	-3%	n/a
Profit on sale of strategic investment	**-**	-	(12)	n/a	-100%
Other	**(9)**	9	6	n/a	n/a
	438	566	485	-23%	-10%
Income tax (over) under provided in prior years	**5**	(14)	3	n/a	67%
Total income tax expense on profit	**443**	552	488	-20%	-9%
Australia	**363**	443	339	-18%	7%
Overseas	**80**	109	149	-27%	-46%
	443	552	488	-20%	-9%
Effective tax rate	**33.1%**	37.2%	37.4%	-11%	-11%

The Group’s effective tax rate decreased 4% largely as a result of the 2% reduction in the Australian prima facie tax rate and the unfavourable impact of one-off items ($81 million write-down of investment in Panin, restructuring and sale of Grindlays) had on the prior year effective tax rate.

NOTES TO THE FINANCIAL STATEMENTS

6. DIVIDENDS

	Half year Mar 01	Half year Sep 00	Half year Mar 00
Dividend per ordinary share[1] (cents)			
Interim (fully franked)	**33**	n/a	29
Final (fully franked)	**n/a**	35	n/a
Ordinary share dividend[1] ($M)			
Interim dividend	**491**	n/a	445
Proposed final dividend	**n/a**	528	n/a
Bonus option plan adjustment	**(12)**	(14)	(18)
Total	**479**	514	427
Ordinary share dividend payout ratio (%)	**58.7%**	60.2%	57.9%

[1] *There were no foreign sourced dividends included in the dividends per share*

The directors propose that an interim dividend of 33 cents per share be paid on each fully paid ordinary share. The dividend will be fully franked. The Group expects to pay full franked dividends for the year as a whole.

The Group has a dividend reinvestment plan and a bonus option plan in operation. Participation in these plans is limited to 50,000 shares in each plan. Election notices for these plans must be received by 17 May 2001.

The proposed interim dividend will be payable on 2 July 2001 to shareholders registered in the books of the Company at close of business on 17 May 2001. Dividends payable to shareholders resident in the United Kingdom and New Zealand will be converted to local currency at ANZ's daily forward exchange rate on 17 May 2001.

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

	Half year Mar 01	Half year Sep 00	Half year Mar 00
Preference share dividend			
Dividend paid ($M)	**59**	53	49
Dividend per preference share (USD cents)			
Interim	**101**	n/a	101
Final	**n/a**	101	n/a

NOTES TO THE FINANCIAL STATEMENTS

7. EARNINGS PER ORDINARY SHARE

	Half year Mar 01	Half year Sep 00	Half year Mar 00
Basic			
Net profit attributable to members of the Company[1] ($M)	836	877	768
Weighted average number of ordinary shares (M)	1,498.1	1,522.1	1,558.5
Basic earnings per share (cents)	55.8	57.6	49.3
Diluted			
Adjustment to profit for interest on options ($M)	4	3	2
Weighted average number of shares - diluted (M)	1,515.5	1,535.0	1,569.7
Diluted earnings per share (cents)	55.4	57.3	49.1
Number of fully paid ordinary shares on issue (M)	1,486.8	1,506.2	1,533.4

[1] *Excludes preference share dividend*

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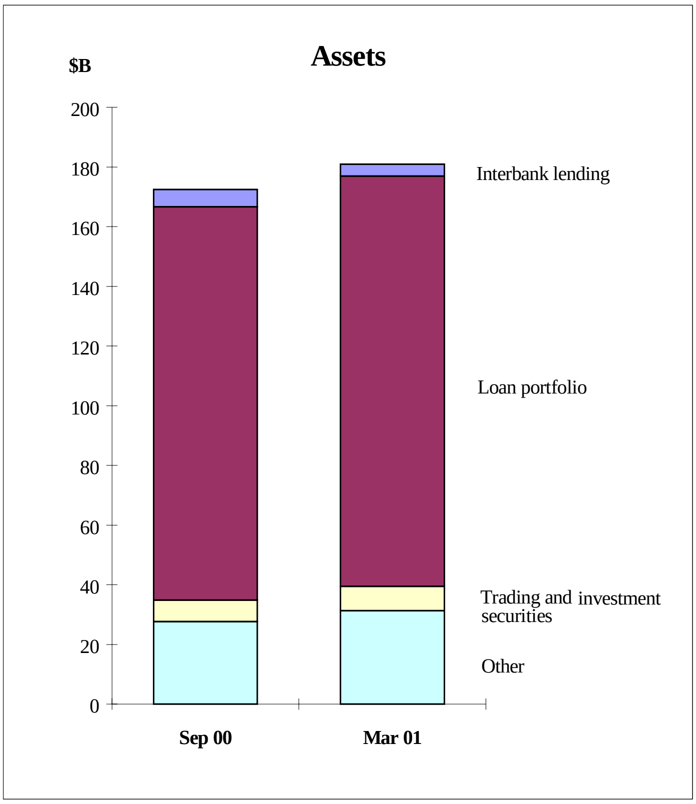
NOTES TO THE FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

Total Group assets increased by 5% ($8.5 billion) over September 2000. After adjusting for the impact of the depreciating Australian dollar growth was 2.5% ($4.3 billion), with slowing asset growth reflecting economic conditions and reductions in liquid assets.



Liquid assets, particularly due from other financial institutions, decreased by $2.3 billion due to reduced liquidity requirements, with the introduction of the APRA certified Interbank Deposit Agreement.

Trading and investment securities increased $1.0 billion driven by strong customer demand.

Net lending growth (including bills held in portfolio and securitised assets) grew by $6.5 billion (5%) and included growth of $2.8 billion from foreign exchange movements, with:

- growth in Mortgages $2.8 billion (5%) ($2.3 billion after securitisation of $500 million); short term operational problems in Australia curtailed the level of third party mortgage sales in the half year
- growth in GSF of $0.9 billion (6%)
- growth in Corporate and Institutional Banking of $0.4 billion (1%) including $0.5 billion bills held in portfolio
- reduction in discontinued businesses of $0.4 billion (31%)

Other assets increased $4.0 billion largely from the revaluation of off balance sheet derivative instruments. Increased volumes arose from customer activity in foreign exchange and interest rate products, and as many of these products are written in USD, the deterioration in the Australian dollar increased closing market values.

Total Group liabilities increased by 5% ($8.1 billion) over September 2000 (2% or $3.5 billion excluding the foreign exchange impact).

Deposits and other borrowings increased $1.4 billion. Significant growth in customer sourced current account and term deposit volumes in both Australia and New Zealand was partly offset by a decrease in wholesale certificates of deposit and commercial paper, with new sources of funding primarily through euro debt issues.

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

NOTES TO THE FINANCIAL STATEMENTS

8. INVESTMENT SECURITIES

	As at Mar 01 $M	As at Sep 00 $M	As at Mar 00 $M
Total book value	**3,452**	3,006	4,409
Total market value	**3,450**	2,982	4,444

9. NET LOANS AND ADVANCES

	As at Mar 01 $M	As at Sep 00 $M	As at Mar 00 $M
Australia			
Term loans - housing	42,495	40,571	36,155
Term loans - non housing	31,294	31,446	28,984
Lease finance/hire purchase	10,891	10,779	11,037
Overdrafts	2,992	2,877	2,640
Credit card oustandings	3,215	2,837	2,509
Other	484	510	375
	91,371	89,020	81,700
New Zealand			
Term loans - housing	9,333	8,487	8,947
Term loans - non housing	5,893	5,688	6,611
Lease finance/hire purchase	700	595	655
Overdrafts	686	569	622
Credit card oustandings	397	311	296
Other	1,028	838	819
	18,037	16,488	17,950
Overseas markets			
Term loans - housing	367	370	547
Term loans - non housing	15,177	12,708	14,200
Lease finance/hire purchase	521	303	279
Overdrafts	634	655	2,207
Credit card oustandings	38	27	207
Other	17	61	487
	16,754	14,124	17,927
Total gross loans and advances[1]	126,162	119,632	117,577
Less:			
Provisions for doubtful debts	(2,039)	(2,082)	(2,332)
Income yet to mature	(1,216)	(1,235)	(1,223)
Total net loans and advances[1]	122,907	116,315	114,022

[1] *Bills held in portfolio $1,496 million, (Sep 2000: $1,009 million, Mar 2000: $589 million) are included in trading securities*

NOTES TO THE FINANCIAL STATEMENTS

10. IMPAIRED ASSETS

Asset quality

The charge for doubtful debts was determined under economic loss provisioning principles (ELP) and represents the expected average annual loss on principal over the economic cycle for the current risk profile of the lending portfolio. The underlying ELP charge was $241 million for the first half of 2001 as compared to $246 million for the second half of 2000. The charge as a percentage of average net lending assets reduced to 35 basis points from 36 basis points at September 2000 principally as a result of improved asset quality in the International book.

Actual loss experience or net specific provisions during the half year totalled $181 million, a reduction of $5 million from the previous half year.

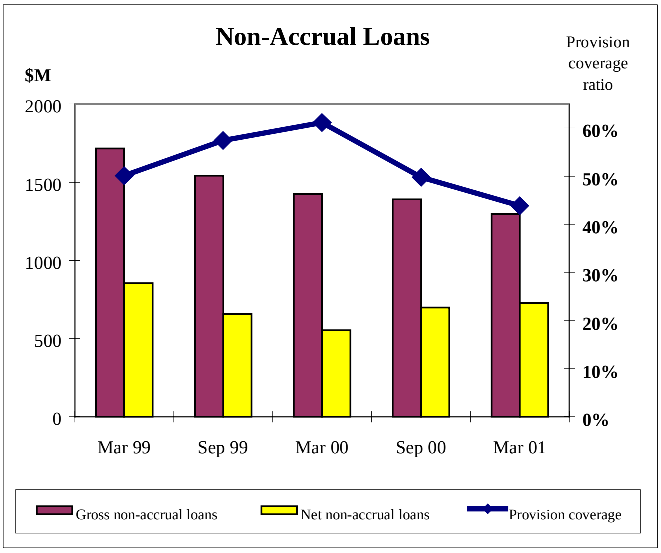
The reduction in net specific provisions is due to minimal international losses experienced in the first half of 2001. However, net specific provisions increased $41 million in Australia in response to prudent assessments of potential losses on some larger corporate exposures. Losses in this segment remain below average expected levels.

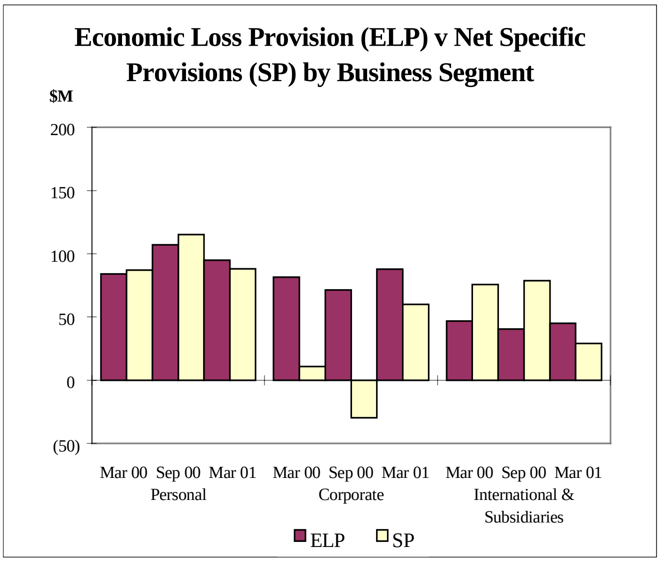
At 31 March 2001, the general provision stood at $1,460 million, a surplus of $448 million over the tax effected 0.5% of risk weighted assets guidelines indicated by the Australian Prudential Regulation Authority.

Non-accrual loans

Gross non-accrual loans have decreased to $1,295 million from $1,391 million at September 2000. New non-accruals of $605 million were booked of which 86% were in Australia and New Zealand and 3% in Asia.

The Group remains well provided with a coverage ratio of 43.9%. This is down from September 2000 due to the write off of non-accrual loans in Asia. Net non-accruals are $727 million (September 2000: $699 million) and represent 7.1% of shareholders' equity at March 2001.





NOTES TO THE FINANCIAL STATEMENTS

10. IMPAIRED ASSETS (continued)

	As at Mar 01 $M	As at Sep 00 $M	As at Mar 00 $M
Summary of impaired assets			
Non-accrual loans	1,295	1,391	1,425
Restructured loans	1	1	2
Unproductive facilities	30	73	57
Gross impaired assets	1,326	1,465	1,484
Less specific provisions:			
Non-accrual loans	(568)	(692)	(871)
Unproductive facilities	(11)	(17)	(25)
Net impaired assets	747	756	588
Non-accrual loans			
Non-accrual loans	1,295	1,391	1,425
Specific provisions	(568)	(692)	(871)
Total net non-accrual loans	727	699	554
Before specific provisions			
Australia	749	651	495
New Zealand	89	59	72
Overseas markets	457	681	858
Total non-accrual loans	1,295	1,391	1,425
After specific provisions			
Australia	430	393	257
New Zealand	68	33	46
Overseas markets	229	273	251
Total net non-accrual loans	727	699	554

NOTES TO THE FINANCIAL STATEMENTS

10. IMPAIRED ASSETS (continued)

	As at Mar 01 $M	As at Sep 00 $M	As at Mar 00 $M
Restructured loans			
Australia	**1**	1	2
New Zealand	**-**	-	-
Overseas markets	**-**	-	-
	1	1	2
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

	As at Mar 01 $M	As at Sep 00 $M	As at Mar 00 $M
Australia	**21**	48	26
New Zealand	**1**	5	1
Overseas markets	**8**	20	30
Gross unproductive facilities	**30**	73	57
Specific provision			
Australia	**3**	2	5
New Zealand	**1**	-	-
Overseas markets	**7**	15	20
Specific provision	**11**	17	25
Net unproductive facilities	**19**	56	32

The following amounts are not classified as impaired assets and therefore are not included within the summary on page 57.

Accruing loans past due 90 days or more

	As at Mar 01 $M	As at Sep 00 $M	As at Mar 00 $M
Australia	**352**	335	285
New Zealand	**38**	51	63
Overseas markets	**1**	20	32
	391	406	380

10. IMPAIRED ASSETS (continued)

Further analysis of non-accrual loans at 31 March 2001 and interest and/or other income received during the period is as follows:

	Gross balance outstanding $M	Specific provision $M	Interest and/or other income received $M
Non-accrual loans			
Without provisions			
Australia	**291**	-	**6**
New Zealand	**32**	-	**1**
Overseas markets	**32**	-	**2**
	355	-	**9**
With provisions and no, or partial, performance[1]			
Australia	**425**	**311**	**4**
New Zealand	**42**	**20**	-
Overseas markets	**401**	**221**	**7**
	868	**552**	**11**
With provisions and full performance[1]			
Australia	**33**	**8**	**2**
New Zealand	**15**	**1**	**1**
Overseas markets	**24**	**7**	**1**
	72	**16**	**4**
Total non-accrual loans	**1,295**	**568**	**24**
Restructured loans	**1**	-	-
Unproductive facilities	**30**	**11**	-
Total	**1,326**	**579**	**24**

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

Interest and other income forgone on impaired assets

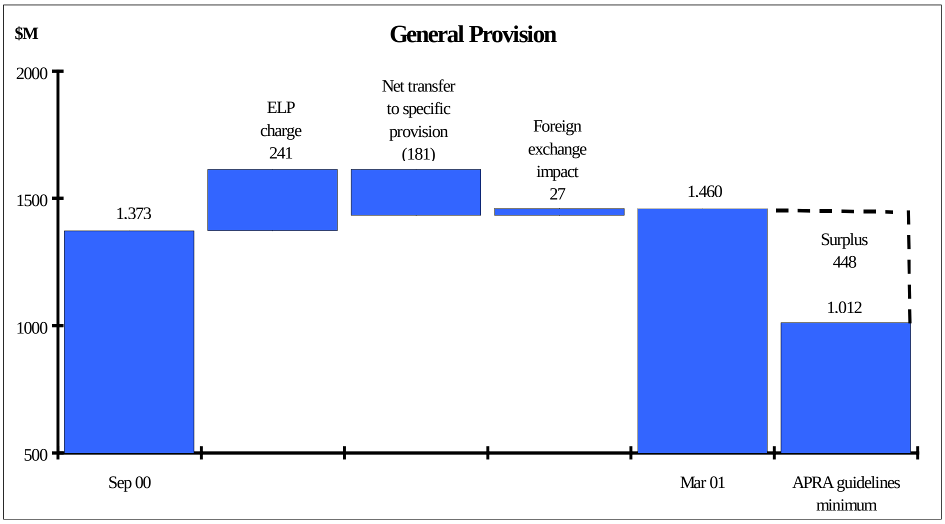
The following table shows the estimated amount of interest and other income forgone, net of interest recoveries, on average impaired assets during the period.

	Half year Mar 01 $M	Half year Sep 00 $M	Half year Mar 00 $M
Gross interest and other income receivable on non-accrual loans, restructured loans and unproductive facilities			
Australia	23	26	22
New Zealand	4	3	3
Overseas markets	37	43	49
Total gross interest and other income receivable on impaired assets	64	72	74
Interest and other income received			
Australia	(12)	(6)	(14)
New Zealand	(2)	(2)	-
Overseas markets	(10)	(17)	(15)
Total interest income and other income received	(24)	(25)	(29)
Net interest and other income forgone			
Australia	11	20	8
New Zealand	2	1	3
Overseas markets	27	26	34
Total net interest and other income forgone	40	47	45

NOTES TO THE FINANCIAL STATEMENTS

11. PROVISIONS FOR DOUBTFUL DEBTS

	Half year Mar 01 $M	Half year Sep 00 $M	Half year Mar 00 $M
General provision			
Balance at start of year	**1,373**	1,436	1,395
Adjustment for exchange rate fluctuations	**27**	(33)	(18)
Sale of Grindlays	**-**	(90)	-
Charge to profit and loss	**241**	246	256
Transfer to specific provision	**(211)**	(214)	(215)
Recoveries	**30**	28	18
Total general provision	**1,460**	1,373	1,436
Specific provision			
Balance at start of year	**709**	896	907
Adjustment for exchange rate fluctuations	**36**	39	49
Sale of Grindlays	**-**	(176)	-
Bad debts written off	**(377)**	(264)	(275)
Transfer from general provision	**211**	214	215
Total specific provision	**579**	709	896
Total provisions for doubtful debts	**2,039**	2,082	2,332



NOTES TO THE FINANCIAL STATEMENTS

11. PROVISIONS FOR DOUBTFUL DEBTS (continued)

	As at Mar 01 $M	As at Sep 00 $M	As at Mar 00 $M
Specific provision balance			
Australia	**322**	260	243
New Zealand	**22**	26	26
Domestic markets	**344**	286	269
Overseas markets	**235**	423	627
Total specific provision	**579**	709	896
General provision	**1,460**	1,373	1,436
Total provisions for doubtful debts	**2,039**	2,082	2,332

	Half year Mar 01 $M	Half year Sep 00 $M	Half year Mar 00 $M
Provision movement analysis			
New and increased provisions (by exposure)			
Australia	**215**	174	145
New Zealand	**26**	31	21
Asia	**1**	35	63
Other overseas markets	**15**	44	35
	257	284	264
Provision releases	**(46)**	(70)	(49)
	211	214	215
Recoveries of amounts previously written off	**(30)**	(28)	(18)
Net specific provisions	**181**	186	197
Net credit to general provision	**60**	60	59
Charge to profit and loss	**241**	246	256

NOTES TO THE FINANCIAL STATEMENTS

12. CAPITAL ADEQUACY

	As at Mar 01 $M	As at Sep 00 $M	As at Mar 00 $M	Movt Mar 01 v. Sep 00 %	Movt Mar 01 v. Mar 00 %
Qualifying capital					
Tier 1					
Total shareholders' equity and outside equity interests[1]	**10,169**	9,776	9,631	4%	6%
Less: net future income tax benefit	**-**	-	(26)	n/a	-100%
unamortised goodwill	**(113)**	(118)	(78)	-4%	45%
investment in ANZ Lenders Mortgage Insurance	**(18)**	(18)	(18)	-	-
Tier 1 capital	**10,038**	9,640	9,509	4%	6%
Tier 2					
Asset revaluation reserve	**31**	31	31	-	-
Perpetual subordinated notes	**1,140**	1,026	920	11%	24%
General provision for doubtful debts[2]	**988**	919	962	8%	3%
	2,159	1,976	1,913	9%	13%
Subordinated notes[3]	**2,514**	2,432	2,217	3%	13%
Tier 2 capital	**4,673**	4,408	4,130	6%	13%
Deductions					
Investment in Funds Management entities	**298**	298	298	-	-
Other	**32**	489	609	-93%	-95%
Total deductions	**330**	787	907	-58%	-64%
Total qualifying capital	**14,381**	13,261	12,732	8%	13%
Ratios (%)					
Inner Tier 1	**6.2%**	6.4%	6.5%	n/a	n/a
Tier 1	**7.3%**	7.4%	7.5%	n/a	n/a
Tier 2	**3.4%**	3.4%	3.3%	n/a	n/a
	10.7%	10.8%	10.8%	n/a	n/a
Less: deductions	**(0.2%)**	(0.6%)	(0.7%)	n/a	n/a
Total	**10.5%**	10.2%	10.1%	n/a	n/a
Risk weighted assets	**137,000**	129,688	126,553	6%	8%

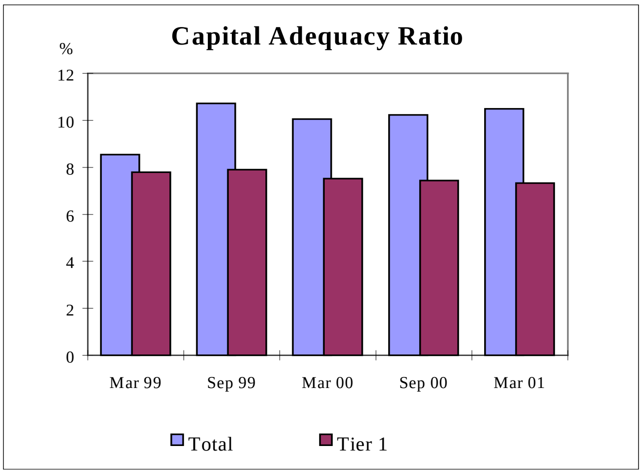
[1] *Excluding asset revaluation reserve which is included within tier 2 capital*
[2] *Excluding attributable future income tax benefit*
[3] *For capital adequacy calculation purposes, subordinated note issues are reduced each year by 20% of the original amount during the last five years to maturity*

Group capital position continues to be strong.

Tier 1 ratio has reduced by 0.1% as a result of the share buy back amounting to $413 million for the half year.

General provision increased to $988 million due to increased Economic Loss Provisioning and exchange rate movements.

Deductions from total capital comprise the Group's investment in Panin Bank Indonesia, and investments in other funds management entities. Prior periods include holdings in St George Bank and Colonial Bank.



13. SHARE CAPITAL AND OPTIONS

The company has conducted the following on-market buybacks to 31 March 2001 in accordance with directors' resolutions:

Date of announcement[1]	Number of ordinary shares bought back	Average price per share	Total consideration[2] $M
27 April 2000	28.7 million	$14.39	413

[1] Approval date of the buyback by director's resolution
[2] Consideration is allocated to share capital

Issued and quoted securities

	Total number	Number quoted	Issue price per share	Amount paid up per share
Ordinary shares				
Ordinary shares fully paid	1,486,753,799	1,486,753,799	$1.00	$1.00
Ordinary shares partly paid	73,000	73,000	$1.00	$0.10
Total at 31 March 2001	1,486,826,799	1,486,826,799	$1.00	$1.00
Issued during half year				
Bought back during half year				
Preference shares				
Total at 31 March 2001	124,032,000	-	US$6.25	US$6.25

	Half year Mar 01	Half year Sep 00	Half year Mar 00
Operating profit as a % of shareholders' equity (including preference shares) at end of period	**17.6%**	**19.0%**	**16.9%**

NOTES TO THE FINANCIAL STATEMENTS

13. SHARE CAPITAL AND OPTIONS (continued)

Options	Number issued	Exercise price	Expiry date
On issue	54,035	$8.76	30/01/2002
	21,890	$8.76	13/02/2002
	350,000	$8.76	01/06/2002
	500,000	$11.40	01/10/2002
	500,000	$12.12	01/10/2002
	70,330	$11.45	22/01/2003
	6,336	$11.45	17/02/2003
	1,450,000	$9.51	23/02/2003
	100,000	$10.64	21/06/2003
	150,000	$8.93	01/10/2003
	1,025,000	$8.97	27/10/2003
	615,000	$10.34	10/12/2003
	10,000	$10.41	27/01/2004
	150,000	$10.44	23/02/2004
	165,000	$11.44	24/03/2004
	2,780,000	$11.20	01/06/2004
	372,500	$11.20	01/06/2004
	7,500	$11.26	06/06/2004
	25,000	$11.29	04/07/2004
	150,000	$11.30	11/07/2004
	1,000,000	$9.94	26/10/2004
	750,000	$11.49	31/12/2004
	750,000	$14.78	31/12/2004
	140,000	$10.63	30/01/2005
	1,316,000	$10.11	22/02/2007
	350,000	$10.20	07/03/2007
	165,000	$11.81	22/05/2007
	515,000	$11.81	22/05/2007
	60,000	$11.64	25/05/2007
	200,000	$12.23	06/06/2007
	90,000	$12.75	25/09/2007
	2,619,258	$14.34	21/11/2007
	1,879,500	$14.63	07/02/2008
	1,215,000	$14.63	07/02/2008
	5,000,000	$14.92	20/02/2008
	85,000	$14.92	20/02/2008
	75,000	$15.47	26/02/2008
	50,000	$15.66	06/03/2008
Issued during current period	25,000	$10.76	31/12/2000
	750,000	$14.78	31/12/2004
	2,619,258	$14.34	21/11/2007
	1,879,500	$14.63	07/02/2008
	1,215,750	$14.63	07/02/2008
	5,000,000	$14.92	20/02/2008
	85,000	$14.92	20/02/2008
	75,000	$15.47	26/02/2008
	50,000	$15.66	06/03/2008
Exercised during current period	25,000	$10.76	31/12/2000
	44,507	$8.76	30/01/2002
	809	$8.76	13/02/2002
	150,000	$8.76	01/06/2002
	12,561	$11.45	22/01/2003
	4,144	$11.45	17/02/2003
	50,000	$8.93	01/10/2003
	45,000	$10.34	10/12/2003
	22,500	$11.20	01/06/2004
	25,000	$10.11	22/02/2007
Lapsed during current period	862	$8.76	30/01/2002
	750	$14.63	07/02/2008

NOTES TO THE FINANCIAL STATEMENTS

14. AVERAGE BALANCE SHEET AND RELATED INTEREST

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

HALF YEAR AVERAGE BALANCE SHEET

	Half year Mar 01			Half year Sep 00			Half year Mar 00		
	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	**925**	**27**	**5.9%**	1,419	40	5.6%	850	22	5.1%
New Zealand	**527**	**16**	**6.1%**	356	11	6.4%	332	8	4.7%
Overseas markets	**2,186**	**74**	**6.8%**	2,716	92	6.8%	2,098	70	6.7%
Investments in public securities									
Australia	**4,269**	**132**	**6.2%**	5,034	153	6.2%	4,729	136	5.8%
New Zealand	**1,382**	**45**	**6.5%**	968	31	6.6%	1,115	28	5.1%
Overseas markets	**1,495**	**53**	**7.1%**	2,150	107	10.0%	2,318	119	10.3%
Loans, advances and bills discounted									
Australia	**88,854**	**3,518**	**7.9%**	84,891	3,346	7.9%	77,855	2,810	7.2%
New Zealand	**17,014**	**756**	**8.9%**	16,927	736	8.7%	16,354	633	7.7%
Overseas markets	**14,772**	**537**	**7.3%**	17,005	703	8.3%	17,231	725	8.4%
Other assets									
Australia	**1,561**	**55**	**7.1%**	1,764	54	6.1%	1,647	44	5.3%
New Zealand	**1,099**	**33**	**6.0%**	1,041	42	8.0%	970	40	8.2%
Overseas markets	**3,003**	**185**	**12.4%**	3,210	168	10.5%	3,374	150	8.9%
Intragroup assets									
Overseas markets	**11,169**	**266**	**4.8%**	8,874	206	4.6%	9,210	214	4.7%
	148,256	**5,697**		146,355	5,689		138,083	4,999	
Intragroup elimination	**(11,169)**	**(266)**		(8,874)	(206)		(9,210)	(214)	
	137,087	**5,431**	**8.0%**	137,481	5,483	8.0%	128,873	4,785	7.4%
Non-interest earning assets									
Acceptances									
Australia	**15,530**			15,224			14,897		
Overseas markets	**207**			314			372		
Premises and equipment	**1,220**			1,288			1,419		
Other assets	**20,780**			19,278			16,906		
Provisions for doubtful debts									
Australia	**(1,713)**			(1,928)			(1,733)		
New Zealand	**(162)**			(165)			(162)		
Overseas markets	**(168)**			(346)			(416)		
	35,694			33,665			31,283		
Total assets	**172,781**			171,146			160,156		

14. AVERAGE BALANCE SHEET AND RELATED INTEREST (continued)

	Half year Mar 01			Half year Sep 00			Half year Mar 00		
	Ave bal $M	Int $M	Rate %	Ave bal $M	Int $M	Rate %	Ave bal $M	Int $M	Rate %
Interest bearing liabilities									
Time deposits									
Australia	**20,299**	**634**	**6.3%**	26,184	784	6.0%	23,315	603	5.2%
New Zealand	**8,138**	**264**	**6.5%**	8,391	268	6.4%	7,943	208	5.2%
Overseas markets	**12,385**	**352**	**5.7%**	15,044	473	6.3%	15,424	458	5.9%
Savings deposits									
Australia	**9,411**	**144**	**3.1%**	9,209	136	3.0%	9,153	111	2.4%
New Zealand	**2,775**	**46**	**3.3%**	2,794	44	3.2%	2,999	41	2.7%
Overseas markets	**341**	**4**	**2.4%**	1,148	24	4.2%	1,570	33	4.2%
Other demand deposits									
Australia	**19,753**	**494**	**5.0%**	17,978	457	5.1%	16,128	324	4.0%
New Zealand	**1,535**	**41**	**5.4%**	1,464	38	5.2%	1,477	28	3.9%
Overseas markets	**807**	**15**	**3.7%**	1,234	24	3.9%	1,508	28	3.7%
Due to other financial institutions									
Australia	**364**	**16**	**8.8%**	239	8	6.7%	226	7	5.8%
New Zealand	**396**	**8**	**4.0%**	408	9	4.6%	558	11	3.8%
Overseas markets	**10,528**	**318**	**6.1%**	9,937	303	6.1%	8,015	239	6.0%
Commercial paper									
Australia	**6,582**	**209**	**6.4%**	5,504	172	6.3%	5,008	135	5.4%
Overseas markets	**5,158**	**158**	**6.1%**	2,380	73	6.1%	3,778	107	5.6%
Borrowing corporations' debt									
Australia	**6,217**	**191**	**6.2%**	6,003	179	6.0%	5,867	161	5.5%
New Zealand	**1,320**	**45**	**6.8%**	1,185	37	6.4%	1,089	32	5.8%
Loan capital, bonds and notes									
Australia	**11,891**	**391**	**6.6%**	10,030	325	6.5%	7,409	229	6.2%
New Zealand	**392**	**15**	**7.7%**	320	12	7.5%	311	11	7.0%
Overseas markets	**605**	**20**	**6.6%**	311	11	7.1%	241	8	6.5%
Other liabilities[1]									
Australia	**1,957**	**50**	**n/a**	1,979	42	n/a	929	21	n/a
New Zealand	**119**	**95**	**n/a**	99	88	n/a	132	68	n/a
Overseas markets	**91**	**29**	**n/a**	188	32	n/a	304	38	n/a
Intragroup Liabilities									
Australia	**7,421**	**188**	**5.1%**	5,171	132	5.1%	5,845	154	5.3%
New Zealand	**3,748**	**78**	**4.2%**	3,703	74	4.0%	3,365	60	3.6%
	132,233	**3,805**		130,903	3,745		122,594	3,115	
Intragroup elimination	**(11,169)**	**(266)**		(8,874)	(206)		(9,210)	(214)	
	121,064	**3,539**	**5.9%**	122,029	3,539	5.8%	113,384	2,901	5.1%
Non-interest bearing liabilities									
Deposits									
Australia	**3,716**			3,875			3,397		
New Zealand	**836**			787			802		
Overseas markets	**395**			1,146			1,414		
Acceptances									
Australia	**15,530**			15,224			14,897		
Overseas markets	**207**			314			372		
Other liabilities[2]	**21,048**			17,551			16,073		
	41,732			38,897			36,955		
Total liabilities	**162,796**			160,926			150,339		

[1] *Includes foreign exchange swap costs*
[2] *Refer page 67 for explanation of comparative methodologies*

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NOTES TO THE FINANCIAL STATEMENTS

14. AVERAGE BALANCE SHEET AND RELATED INTEREST (continued)

	Half year Mar 01 $M	Half year Sep 00 $M	Half year Mar 00 $M
Total average assets			
Australia	125,813	122,250	112,115
New Zealand	21,573	20,618	20,093
Overseas markets	36,564	37,151	37,158
less intragroup elimination	(11,169)	(8,874)	(9,210)
	172,781	171,145	160,156
% of total average assets attributable to overseas activities	27.2%	28.6%	30.0%
Total average liabilities			
Australia[1]	119,559	115,673	105,397
New Zealand	20,566	19,574	19,156
Overseas markets	33,840	34,552	34,996
less intragroup elimination	(11,169)	(8,874)	(9,210)
	162,796	160,925	150,339
Total average shareholders' equity			
Ordinary share capital[1]	8,580	8,941	8,644
Preference share capital	1,405	1,279	1,173
	9,985	10,220	9,817
Total average liabilities and shareholders' equity	172,781	171,145	160,156
% of total average liabilities attributable to overseas activities[1]	31.1%	31.3%	33.8%

	Half year Mar 01 $M	Half year Sep 00 $M	Half year Mar 00 $M
Average interest earning assets			
Australia	95,609	93,108	85,081
New Zealand	20,022	19,292	18,771
Overseas markets	32,625	33,955	34,231
less intragroup elimination	(11,169)	(8,874)	(9,210)
	137,087	137,481	128,873

1 *The calculation of average ordinary equity for the March 2001 half year accrues the interim dividend over the half year. In prior periods the dividend for that period is excluded from the calculation of average ordinary equity. The outcomes of the two methodologies on return on equity and average ordinary equity are:*

	Half year Mar 01	*Half year Sep 00*	*Half year Mar 00*
Return on equity (%)			
Dividends accrued	*19.6*	*20.2*	*18.3*
Dividends excluded	*19.1*	*19.7*	*17.8*
Average ordinary shareholders equity ($billion)			
Dividends accrued	*8.6*	*8.7*	*8.4*
Dividends excluded	*8.8*	*8.9*	*8.6*

The return on equity for the geographic segment Australia is similarly affected.

NOTES TO THE FINANCIAL STATEMENTS

15. INTEREST SPREADS AND NET INTEREST AVERAGE MARGINS

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

	Half year Mar 01 %	Half year Sep 00 %	Half year Mar 00 %
Gross earnings rate[1]			
Australia	7.83	7.72	7.08
New Zealand	8.53	8.50	7.56
Overseas markets	6.86	7.53	7.47
Total Group	7.95	7.97	7.43

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

	Half year Mar 01 %	Half year Sep 00 %	Half year Mar 00 %
Australia			
Gross interest spread	2.31	2.33	2.37
Interest forgone on impaired assets	(0.02)	(0.04)	(0.02)
Net interest spread	2.29	2.29	2.35
Interest attributable to net non-interest bearing items	0.68	0.63	0.63
Net interest average margin - Australia	2.97	2.92	2.98
New Zealand			
Gross interest spread	2.12	2.29	2.45
Interest forgone on impaired assets	(0.03)	(0.01)	(0.03)
Net interest spread	2.09	2.28	2.42
Interest attributable to net non-interest bearing items	0.51	0.31	0.24
Net interest average margin - New Zealand	2.60	2.59	2.66
Overseas markets			
Gross interest spread	1.02	1.46	1.75
Interest forgone on impaired assets	(0.17)	(0.16)	(0.19)
Net interest spread	0.85	1.31	1.56
Interest attributable to net non-interest bearing items	0.50	0.68	0.58
Net interest average margin - Overseas markets	1.35	1.99	2.14
Group			
Gross interest spread	2.14	2.24	2.38
Interest forgone on impaired assets	(0.06)	(0.07)	(0.07)
Net interest spread	2.08	2.17	2.31
Interest attributable to net non-interest bearing items	0.69	0.66	0.61
Net interest average margin - Group	2.77	2.83	2.92

[1] *Average interest rate received on interest earning asset*

NOTES TO THE FINANCIAL STATEMENTS

16. SEGMENT ANALYSIS

The following analysis shows segment revenue and result for each business segment.

INDUSTRY

	Half year Mar 01 $M	Half year Sep 00 $M	Half year Mar 00 $M	Movt Mar 01 v. Sep 00 %	Movt Mar 01 v. Mar 00 %
Income (equity standardised)[1]					
Personal	**3,287**	3,171	2,654	4%	24%
Corporate	**2,356**	2,159	1,836	9%	28%
International and Subsidiaries	**950**	901	877	5%	8%
Corporate Centre, Technology and Finance	**93**	113	172	-18%	-46%
Net prior period abnormal income	**-**	1,144	63	-100%	-100%
Discontinued Businesses	**(7)**	417	524	n/a	n/a
	6,679	7,905	6,126	-16%	9%
Net profit after income tax (equity standardised)[1]					
Personal	**420**	380	333	11%	26%
Corporate	**356**	311	291	14%	22%
International and Subsidiaries	**133**	98	122	36%	9%
Corporate Centre, Technology and Finance	**(2)**	37	25	n/a	n/a
Net prior period abnormal profit	**-**	45	(1)	-100%	-100%
Discontinued Businesses	**(12)**	59	47	n/a	n/a
	895	930	817	-4%	10%

[1] *Refer definitions on page 84*

Further information on business segments is shown on pages 8 to 30 of the Consolidated Results and Dividend Announcement.

NOTES TO THE FINANCIAL STATEMENTS

17. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives

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

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

	31 March 2001			30 September 2000		
	Notional Principal Amount $M	Credit Equivalent Amount $M	Fair Value $M	Notional Principal Amount $M	Credit Equivalent Amount $M	Fair Value $M
Foreign exchange contracts						
Spot and forward contracts	**308,390**	**9,795**	**2,405**	170,328	6,731	507
Swap agreements	**30,687**	**3,402**	**949**	28,106	3,073	1,222
Options purchased	**15,650**	**1,281**	**1,228**	12,661	1,037	904
Options sold[1]	**14,115**	**n/a**	**(671)**	12,956	n/a	(457)
Other contracts	**3,915**	**536**	**156**	4,368	411	90
	372,757	**15,014**	**4,067**	228,419	11,252	2,266
Interest rate contracts						
Forward rate agreements	**70,736**	**35**	**(16)**	51,817	36	5
Swap agreements	**253,163**	**3,194**	**(65)**	230,885	2,674	(247)
Futures contracts[2]	**53,376**	**n/a**	**(11)**	52,127	n/a	(7)
Options purchased	**3,585**	**63**	**54**	8,857	46	31
Options sold[1]	**5,112**	**n/a**	**(57)**	6,789	n/a	(4)
	385,972	**3,292**	**(95)**	350,475	2,756	(222)
	758,729	**18,306**	**3,972**	578,894	14,008	2,044

[1] *Options sold have no credit exposures as they represent obligations rather than assets*
[2] *Credit equivalent amounts have not been included as there is minimal credit risk associated with exchange traded futures, where the clearing house is the counterparty*

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

17. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Market Risk

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

The Value at Risk (VaR) measure

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

The Bank's standard VaR approach is historical simulation. The bank calculates VaR using historical changes in market rates and prices over the previous 500 business days.

It should be noted that because VaR is driven by actual historical observations, the methodology is not an estimate of the maximum loss that the Bank could experience from an extreme market event.

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

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

	As at Mar 01 $M	Max for period Mar 01 $M	Min for period Mar 01 $M	Avg for period Mar 01 $M	As at Sep 00 $M	Max for period Sep 00 $M	Min for period Sep 00 $M	Avg for period Sep 00 $M
Value at risk at 97.5% confidence								
Foreign exchange	**1.3**	**2.2**	**0.8**	**1.2**	0.9	2.0	0.7	1.1
Interest rate	**2.5**	**4.8**	**2.2**	**3.4**	2.9	4.1	2.1	3.4
Equity derivatives	**0.2**	**0.2**	**-**	**0.1**	0.1	0.1	-	-
Diversification benefit[1]	**(0.5)**	**n/a**	**n/a**	**(0.7)**	(1.2)	n/a	n/a	(0.6)
Total VaR	**3.5**	**n/a**	**n/a**	**4.0**	2.7	n/a	n/a	3.9

[1] *Diversification benefit maximum and minimum not available*

Hedging

In addition to customer and trading activities, the Group uses, inter alia, derivatives to manage the risk associated with its balance sheet and future revenue streams.

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

	31 March 2001			30 September 2000		
	Notional Principal Amount $M	Credit Equiv. Amount $M	Fair Value $M	Notional Principal Amount $M	Credit Equiv. Amount $M	Fair Value $M
Foreign exchange contracts						
Customer-related and trading purposes	**344,603**	**10,468**	**797**	204,889	8,265	122
Other than trading purposes	**28,154**	**4,546**	**3,270**	23,530	2,987	2,144
	372,757	**15,014**	**4,067**	228,419	11,252	2,266
Interest rate contracts						
Customer-related and trading purposes	**350,011**	**2,695**	**(507)**	320,972	2,446	(379)
Other than trading purposes	**35,961**	**597**	**412**	29,503	310	157
	385,972	**3,292**	**(95)**	350,475	2,756	(222)
Total	**758,729**	**18,306**	**3,972**	578,894	14,008	2,044

18. CONTINGENT LIABILITIES

General

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

Sale of Grindlays businesses

As part of the sale on 31 July 2000 of ANZ Grindlays Bank Limited and the private banking business of ANZ in the United Kingdom and Jersey together with ANZ Grindlays (Jersey) Holdings Limited and its subsidiaries (the Grindlays businesses) to Standard Chartered Bank (SCB), ANZ provided warranties relating to those businesses. Where it is anticipated that payments are likely under these warranties, provisions have been made to cover the anticipated liability.

In addition ANZ provided SCB and/or Grindlays with certain indemnities, namely:

- an indemnity relating to liabilities Grindlays may incur as a result of certain claims made against Grindlays and its officers in India (the Indian Indemnity). Details of this indemnity are set out below;
- an indemnity in relation to certain customer accounts written by Grindlays prior to 31 July 2000. This indemnity covers 80% of losses emerging on accounts currently totalling up to USD144 million;
- 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 this indemnity is 1 year. This indemnity covers losses emerging on accounts totalling USD27 million. It is not currently anticipated that ANZ will be called on to make any material payments under this indemnity; and
- an indemnity relating to tax liabilities of Grindlays (and its subsidiaries) and the Jersey Sub-Group to the extent to which such liabilities have not been provided for in the Grindlays accounts as at 31 July 2000.

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

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

(a) National Housing Bank Litigation

In 1992 Grindlays in India received a claim, aggregating approximately Indian Rupees 5.06 billion ($221 million at 31 March 2001 rates) from the National Housing Bank (NHB) in that country. The claim arose out of certain cheques drawn by NHB in favour of Grindlays, the proceeds of which were credited into the account of one of the customers of Grindlays.

On 29 March 1997, pursuant to an Arbitration Agreement entered into on 4 November 1992, the Arbitrators made an award on this dispute in favour of Grindlays. Accordingly on 17 April 1997 NHB paid to Grindlays the principal and interest due under the award (aggregating Indian Rupees 9.12 billion ($399 million at 31 March 2001 rates)). Subsequently, NHB had the award reviewed by the Special Court at Mumbai, which on 4 February 1998 ordered that the award be set aside. Grindlays has filed an appeal with the Supreme Court of India seeking that the Special Court's order be set aside.

It is anticipated that this appeal will be heard during the second half of 2001. In the meantime, pursuant to an application filed by Grindlays, on 3 January 2001, the Supreme Court directed that Grindlays be permitted to deposit the sum of Indian Rupees 9.12 billion, plus interest at 18% from 17 April 1997 until the date of deposit, in a term deposit with the State Bank of India in the name of the Registrar of the Court. Accordingly on 19 January 2001 Grindlays deposited the sum of Indian Rupees 15.3 billion ($596 million at 19 January 2001 rates), thus stopping any interest accruing on the amount in dispute from that date.

NOTES TO THE FINANCIAL STATEMENTS

18. CONTINGENT LIABILITIES (continued)

(b) Foreign Exchange Regulation Act

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

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

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

Tax audit

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

Interbank Deposit Agreement

ANZ has entered into an Interbank Deposit Agreement with the major banks in the payments system. This agreement is a payment system support facility certified by the Australian Prudential Regulatory Authority, where the terms are such that if any bank is experiencing liquidity problems, the other participants are required to deposit equal amounts of up to $2 billion for a period of 30 days. At the end of 30 days the deposit holder has the option to repay the deposit in cash or by way of assignment of mortgages to the value of the deposit.

19. NOTES TO THE STATEMENT OF CASH FLOWS

	Half year Mar 01 Inflows (Outflows) $M	Half year Sep 00 Inflows (Outflows) $M	Half year Mar 00 Inflows (Outflows) $M
Reconciliation of net profit attributable to members of the Company to net cash provided by operating activities			
Net profit attributable to members of the Company	**895**	930	817
Adjustments to reconcile net profit attributable to members of the Company to net cash provided by operating activities			
Provision for doubtful debts	**241**	246	256
Depreciation and amortisation	**86**	93	93
Provision for restructuring and other provisions	**135**	1,265	89
Payments from provisions	**(82)**	(173)	(124)
Provision for surplus lease space	**-**	(11)	4
(Profit) loss on property disposals	**(3)**	(19)	2
(Increase) decrease in interest receivable	**(128)**	(15)	(310)
Increase (decrease) in interest payable	**18**	91	241
(Increase) decrease in trading securities	**(478)**	549	(574)
Decrease in net tax assets	**2**	222	64
Other	**8**	(1,212)	(56)
Net cash provided by operating activities	**694**	1,966	502
Reconciliation of cash and cash equivalents			
Cash at the end of the period as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows			
Liquid assets - less than 3 months	**2,834**	2,662	3,530
Due from other financial institutions - less than 3 months	**2,837**	3,800	3,167
	5,671	6,462	6,697
Non-cash financing and investment activities			
Share capital issues			
Dividend reinvestment plan	**43**	123	113

NOTES TO THE FINANCIAL STATEMENTS

20. CHANGES IN COMPOSITION OF THE GROUP

Acquisition and disposal of controlled entities

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

21. ASSOCIATED ENTITIES AND INVESTMENTS

	Contribution to Group profit	
	Half year Mar 01 $M	Half year Sep 00 $M
Aggregate associated entities		
Operating profit(loss)	**(28)**	(4)
Income tax (expense)benefit	**-**	-
Profit(loss) after income tax	**(28)**	(4)

	Contribution to Group profit		Ownership interest held by Group	
	Half year Mar 01 $M	Half year Sep 00 $M	Half year Mar 01 %	Half year Sep 00 %
Investments				
Panin Bank	**(32)**	(81)	**11**[1]	11[1]
E*Trade	**(21)**	12	**26**	10
St George Bank	**75**	10	**-**	8

[1] *In addition the Group holds options over a further 18% of Panin Bank*

NOTES TO THE FINANCIAL STATEMENTS

22. US GAAP RECONCILIATION

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

The following are reconciliations of the profit from ordinary activities after income tax, equity and total assets, applying US GAAP instead of Australian GAAP.

	Half year Mar 01 $M	Half year Sep 00 $M	Half year Mar 00 $M
Operating profit after income tax according to Australian GAAP	**895**	930	817
Items having the effect of increasing(decreasing) reported income:			
Employee share issue and options	**(23)**	(31)	(23)
Revaluation of properties	**-**	(42)	(30)
Depreciation charged on the difference between revaluation amount and historical cost of buildings	**1**	2	1
Difference in gain or loss on disposal of properties revalued under historical cost	**3**	159	9
Deferred profit on sale and leaseback transactions	**-**	(56)	(24)
Amortisation of sale and leaseback gain over lease term	**12**	15	4
Amortisation of goodwill	**(14)**	(30)	(18)
Pension expense adjustment	**4**	2	6
Provisions	**(361)**	361	-
Effect of the initial application of SFAS 133	**11**	-	-
Marked to market of non compliant derivative hedges (under SFAS 133)	**240**	-	-
Taxation on the above adjustments	**27**	(111)	(1)
Net income according to US GAAP	**795**	1,199	741
Other comprehensive income			
Currency translation adjustments, net of hedges after tax	**200**	12	158
Unrealised profit(loss) on available for sale securities	**16**	(11)	(12)
Effect of the initial application of SFAS 133	**(52)**	-	-
Marked to market of cash flow hedges (under SFAS 133)	**(76)**	-	-
Total comprehensive income according to US GAAP	**883**	1,200	887
Shareholders' equity according to Australian GAAP[1]	**10,188**	9,795	9,649
Elimination of gross asset revaluation reserves	**(327)**	(330)	(345)
Unrealised profit(loss) on available for sale securities	**1**	(16)	(12)
Adjustment to accumulated depreciation on buildings revalued	**45**	44	42
Restoration of previously deducted goodwill	**692**	692	807
Accumulated amortisation and write-off of goodwill	**(491)**	(477)	(562)
Deferred profit on sale and leaseback transactions	**(9)**	(12)	(19)
Provision for dividend	**491**	528	445
Provisions	**-**	245	-
Pension expense adjustment	**66**	62	62
Marked to market of derivative hedges (under SFAS 133)	**38**	-	-
Shareholders' equity according to US GAAP	**10,694**	10,531	10,067

[1] *Excluding outside equity interests*

NOTES TO THE FINANCIAL STATEMENTS

22. US GAAP RECONCILIATION (continued)

	Half year Mar 01 $M	Half year Sep 00 $M	Half year Mar 00 $M
Total assets according to Australian GAAP	**180,967**	172,467	166,958
Elimination of gross asset revaluation reserves	**(224)**	(227)	(315)
Unrealised profit(loss) on available for sale securities	**1**	(24)	(19)
Adjustment to accumulated depreciation on buildings revalued	**45**	44	42
Restoration of previously deducted goodwill	**692**	692	807
Accumulated amortisation and write-off of goodwill	**(491)**	(477)	(562)
Prepaid pension adjustment	**48**	45	43
Reclassification of deferred tax assets against deferred tax liabilities	**(684)**	(662)	(499)
Revaluation of hedges (under SFAS 133)	**363**	-	-
Total assets according to US GAAP	**180,717**	171,858	166,455

NOTES TO THE FINANCIAL STATEMENTS

23. EXCHANGE RATES

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

	Balance Sheet			Profit and Loss Average		
	As at Mar 01	As at Sep 00	As at Mar 00	Half year Mar 01	Half year Sep 00	Half year Mar 00
Great British pound	**0.3434**	0.3720	0.3808	**0.3662**	0.3867	0.3939
United States dollar	**0.4903**	0.5444	0.6073	**0.5326**	0.5824	0.6378
New Zealand dollar	**1.2136**	1.3324	1.2239	**1.2630**	1.2671	1.2623

24. SIGNIFICANT EVENTS SINCE BALANCE DATE

There have been no significant events since 31 March 2001 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 consolidated entity set out on pages 39 to 78 are in accordance with the Corporations Law, including

(a) complying with applicable Australian Accounting Standards and other mandatory professional reporting requirements; and

(b) giving a true and fair view of the financial position of the consolidated entity as at 31 March 2001 and of its performance as represented by the results of its operations and its cash flows, for the half year ended on that date.

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

Signed in accordance with a resolution of the directors.

Charles Goode
Chairman

John McFarlane
Chief Executive Officer

26 April 2001

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

Scope

We have reviewed the financial report of Australia and New Zealand Banking Group Limited for the half-year ended 31 March 2001, consisting of the consolidated statement of financial performance, consolidated statement of financial position, statement of changes in equity and consolidated statement of cash flows, accompanying notes and the directors' declaration set out on pages 39 to 78. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year. The company's directors are responsible for the financial report.

We have performed an independent review of the financial report in order to state whether, on the basis of procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting" 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 consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows and in order for the company to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. The review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. Our review has not involved a study and evaluation of internal accounting controls, tests of accounting records or tests of responses to inquiries by obtaining corroborative evidence from inspection, observation or confirmation. The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Australia and New Zealand Banking Group Limited are not in accordance with:

(a) the Corporations Law, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 March 2001 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations; and

(b) other mandatory professional reporting requirements.

KPMG
Chartered Accountants
Melbourne
26 April 2001

PS Nash
Partner

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 best practice in our risk management processes. During 2001 ANZ has continued to reduce risk across the Group by re-balancing the risk profile towards lower risk business.

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. Sophisticated portfolio modelling techniques are employed to assist in optimising the risk/reward profile of the businesses and ensure the efficient allocation of capital. These measures and tools help engender a strong risk management discipline throughout the Group's activities.

The Group's risk management processes are subject to oversight by the Risk Management Committee of the Board. This includes the review of the strategic risks for the Group, the 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. A small number of committees comprising management and risk professionals focus on the key risks the Group manages in the normal course of business Risk management information is provided regularly to these committees to ensure compliance with Group policies, ongoing maintenance of the policy framework and effective day to day management of risk throughout the Group.

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. These processes ensure accurate assessment of credit risk, appropriate approval and continuous monitoring.

The credit process is supported by advanced risk measurement systems that allow 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 0.39% in September 2000 to 0.35% as a result of lower risk in International.

International

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

Strategic emphasis remains towards consumer related business. Within Australia and New Zealand, consumer related lending now accounts for 52% of on-balance sheet lending exposures (50% in 2000). Within the Corporate portfolio diversification continues with no individual industry's exposures exceeding 10% of Australian and New Zealand lending assets.

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 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.

SUPPLEMENTARY FINANCIAL INFORMATION

COUNTRY EXPOSURES

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

Both local currency and cross border exposures are included.

Trade finance is captured at 100% of face value.

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

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

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

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

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

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

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

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SUPPLEMENTARY FINANCIAL INFORMATION

COUNTRY EXPOSURES

PRODUCT DISCLOSURE BY SELECTED REGIONS

As at 31 March 2001 in USD millions (net exposures)

	CROSS BORDER RISK & LOCAL CURRENCY RISK												
Countries	**Trade**	**Treasury On B/Sht**	**Treasury Off B/Sht**	**Performance Bonds**	**Financial Guarantees Securing Regional Lending in Countries not detailed**	**Export Credit Agency**	**Term Lending MNC's**	**Term Lending XBR**	**Term Lending LCY**	**Underwriting and Project Risk**	**Securities Investment at Market Value**	**Combined Total**	**Movement from Sep 00 increase (decrease)**
ASIA													
China	272	23	71	-	53	-	45	10	-	33	-	507	36
Hong Kong	15	-	11	28	329	-	194	125	237	-	-	939	(12)
Indonesia	63	18	1	3	7	-	41	39	35	67	8	282	(35)
Japan	59	-	573	117	209	109	127	17	25	-	-	1,236	(25)
Laos	-	-	-	-	-	-	-	-	-	1	-	1	-
Macau	-	-	1	-	-	-	-	1	-	-	-	2	(2)
Malaysia	116	-	1	-	54	-	-	13	-	21	-	205	26
North Korea	-	-	-	-	-	-	-		-	-	-	-	-
Philippines	24	197	5	-	1	-	-	52	27	39	-	345	47
Singapore	41	34	67	-	67	-	330	165	32	-	-	736	30
South Korea	747	44	4	21	14	-	-	15	2	-	-	847	(162)
Taiwan	169	12	3	34	11	-	-	7	186	-	-	422	(69)
Thailand	8	26	2	-	-	-	-	-	-	11	-	47	(25)
Vietnam	94	-	-	1	6	-	1	31	61	-	-	194	(8)
Total	**1,608**	**354**	**739**	**204**	**751**	**109**	**738**	**475**	**605**	**172**	**8**	**5,763**	**(199)**
SOUTH ASIA													
Bangladesh	108	-	-	-	-	-	-	-	-	18	-	126	15
India	92	-	16	1	78	-	-	79	-	116	16	398	(114)
Nepal	-	-	-	-	-	-	-	-	-	-	-	-	(1)
Sri Lanka	6	-	-	-	-	-	-	-	-	-	-	6	(7)
Total	**206**	**-**	**16**	**1**	**78**	**-**	**-**	**79**	**-**	**134**	**16**	**530**	**(107)**
LATIN AMERICA													
Argentina	102	-	2	-	-	-	-	31	-	24	-	159	(1)
Brazil	198	-	-	-	-	-	-	6	-	1	-	205	(169)
Chile	30	-	-	-	-	-	25	51	-	53	-	159	(52)
Colombia	-	-	-	-	-	-	-	5	-	-	-	5	(1)
Mexico	117	-	-	-	-	-	-	15	-	74	-	206	25
Peru	-	-	-	-	-	-	-	-	-	17	-	17	-
Venezuela	-	-	-	-	-	-	-	1	-	57	-	58	-
Total	**447**	**-**	**2**	**-**	**-**	**-**	**25**	**109**	**-**	**226**	**-**	**809**	**(198)**
MIDDLE EAST													
Bahrain	-	-	2	1	-	-	-	5	-	5	-	13	(1)
Eygpt	24	-	-	-	-	-	-	-	-	-	-	24	(9)
Geece	-	3	1	-	-	-	-	75	-	-	-	79	(7)
Iran	61	-	-	-	-	-	-	-	-	-	-	61	8
Israel	-	-	12	20	44	-	-	-	-	-	-	76	21
Jordan/West Bank	1	-	-	-	-	-	-	-	-	-	-	1	(7)
Kuwait	8	-	1	-	-	-	-	-	-	-	-	9	5
Lebanon	-	-	-	-	-	-	-	-	-	-	-	-	-
Oman	10	-	-	-	-	-	-	10	-	26	-	46	19
Pakistan	73	-	39	-	-	-	-	-	-	15	-	127	(28)
Qatar	5	-	-	-	-	-	-	33	-	59	-	97	(8)
Saudi Arabia	12	-	1	-	18	-	-	-	-	144	-	175	8
U.A.E.	170	-	14	-	-	-	-	12	-	196	-	392	146
Total	**364**	**3**	**70**	**21**	**62**	**-**	**-**	**135**	**-**	**445**	**-**	**1,100**	**147**

Total countries externally rated A or better	**3,824**	**100**
	46.6%	(28.0%)
Total countries externally rated below A	**4,378**	**(457)**
	53.4%	128.0%
Total all countries	**8,202**	**(357)**

ANZ

DEFINITIONS

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

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

Geographic segmentation
Asia includes Indonesia, Japan, Korea, Malaysia, Philippines, Singapore, Taiwan, Thailand, The People's Republic of China and Vietnam.
Pacific includes American Samoa, Cook Islands, Fiji, Papua New Guinea, Samoa, Solomon Islands, Tonga and Vanuatu.
Overseas Markets includes operations in US, UK, Asia and Pacific.
Prior periods Overseas Markets also includes the operations in Middle East and South Asia, sold on 31 July 2000.

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

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

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

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

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

Net prior year abnormals are items of profit and loss that were classified as abnormal, under Australian Accounting Standards in force during the 2000 year.

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

Operating expenses exclude charge for doubtful debts.

Service Transfer Pricing is in use throughout the Group, whereby business and support units recover the cost of services provided to other units. The basis of pricing for internal services varies from cost recovery, to market equivalent. There are some head office costs which are not recharged.

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

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

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ALPHABETICAL INDEX

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