



The Bank with a human face

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	Note	2001 \$m	Consolidated 2000 \$m	1999 \$m	The Company 2001 \$m	The Company 2000 \$m
Total income	2	12,863	14,031	11,061	10,140	11,565
Interest income	2	10,251	10,241	8,684	7,479	6,984
Interest expense	3	(6,418)	(6,440)	(5,029)	(4,828)	(4,728)
Net interest income		3,833	3,801	3,655	2,651	2,256
Other operating income	2	2,612	2,583	2,377	2,661	4,230
Prior period abnormal income	5	–	1,207	–	–	351
Operating income		6,445	7,591	6,032	5,312	6,837
Operating expenses	3	(3,131)	(3,314)	(3,300)	(2,641)	(2,474)
Prior period abnormal expenses	5	–	(986)	–	–	(901)
Profit before debt provision		3,314	3,291	2,732	2,671	3,462
Provision for doubtful debts	15	(531)	(502)	(510)	(414)	(353)
Profit before income tax		2,783	2,789	2,222	2,257	3,109
Income tax expense		(911)	(863)	(736)	(647)	(584)
Prior period abnormal tax	5	–	(177)	–	–	(218)
Total income tax expense	6	(911)	(1,040)	(736)	(647)	(802)
Profit after income tax		1,872	1,749	1,486	1,610	2,307
Net profit attributable to outside equity interests		(2)	(2)	(6)	–	–
Net profit attributable to shareholders of the Company		1,870	1,747	1,480	1,610	2,307
Currency translation adjustments, net of hedges after tax		197	170	(215)	195	177
Revaluation of investments in controlled entities		–	–	–	–	(910)
Revaluation of properties		–	31	–	–	18
Total adjustments attributable to shareholders of the company recognised directly into equity		197	201	(215)	195	(715)
Total changes in equity other than those resulting from transactions with shareholders as owners		2,067	1,948	1,265	1,805	1,592
Earnings per ordinary share (cents)	8					
Basic		117.4	106.8	90.6	n/a	n/a
Diluted		116.3	106.3	90.3	n/a	n/a

The notes appearing on pages 6 to 78 form an integral part of these financial statements

	Note	2001 \$m	Consolidated 2000 \$m	The Company 2001 \$m	The Company 2000 \$m
Assets					
Liquid assets	9	7,794	5,648	5,981	4,381
Due from other financial institutions	10	4,829	5,822	4,234	4,620
Trading securities	11	4,827	4,126	4,438	3,451
Investment securities	12	3,487	3,006	2,400	1,795
Net loans and advances	13	123,657	116,315	92,393	87,540
Customers' liabilities for acceptances	16	14,324	15,482	14,324	15,482
Due from controlled entities		–	–	5,031	6,962
Life insurance investment assets		4,774	4,739	–	–
Regulatory deposits	17	133	103	98	75
Shares in controlled entities and associates	18	64	29	6,101	6,348
Income tax assets	19	1,200	1,227	866	978
Goodwill	20	137	145	87	92
Other assets	21	18,906	14,566	16,774	12,249
Premises and equipment	22	1,361	1,259	731	572
Total assets		185,493	172,467	153,458	144,545
Liabilities					
Due to other financial institutions	23	12,690	12,247	11,961	11,949
Deposits and other borrowings	24	104,874	100,602	76,552	74,618
Liability for acceptances		14,324	15,482	14,324	15,482
Due to controlled entities		–	–	5,052	5,826
Income tax liabilities	25	1,335	1,303	899	958
Creditors and other liabilities	26	15,948	13,371	13,874	11,550
Provisions	27	2,142	2,089	1,981	1,872
Life insurance policy liabilities		4,458	4,360	–	–
Bonds and notes	28	15,340	9,519	15,175	9,369
Loan capital	29	3,831	3,687	3,576	3,457
Total liabilities		174,942	162,660	143,394	135,081
Net assets		10,551	9,807	10,064	9,464
Shareholders' equity					
Ordinary share capital	30	3,733	4,028	3,733	4,028
Preference share capital	30	1,526	1,374	1,526	1,374
Reserves		717	786	1,089	894
Retained profits		4,562	3,607	3,716	3,168
Share capital and reserves attributable to shareholders of the Company		10,538	9,795	10,064	9,464
Outside equity interests	31	13	12	–	–
Total shareholders' equity		10,551	9,807	10,064	9,464
Derivative financial instruments	38				
Commitments	45				
Contingent liabilities and credit related commitments	46				

The notes appearing on pages 6 to 78 form an integral part of these financial statements

Note	2001 \$m	Consolidated 2000 \$m	1999 \$m	The Company 2001 \$m	The Company 2000 \$m
Share capital					
Ordinary shares					
Balance at start of year	4,028	4,770	4,581	4,028	4,770
Dividend reinvestment plan	86	236	176	86	236
Group employee share acquisition scheme	65	26	4	65	26
Group share option scheme	21	10	9	21	10
Group share purchase scheme	–	#	#	–	#
Small shareholder voluntary top up scheme	12	–	–	12	–
New Issues	16	–	–	16	–
Share buyback	30 (495)	(1,014)	–	(495)	(1,014)
Balance at end of year	3,733	4,028	4,770	3,733	4,028
Preference shares	30				
Balance at start of year	1,374	1,145	1,223	1,374	1,145
Retranslation of preference share issues	152	229	(78)	152	229
Balance at end of year	1,526	1,374	1,145	1,526	1,374
Total share capital	5,259	5,402	5,915	5,259	5,402
Asset revaluation reserve ¹					
Balance at start of year	31	–	–	401	1,293
Revaluation of investments in controlled entities	–	–	–	–	(910)
Revaluation of properties	–	31	–	–	18
Total asset revaluation reserve	31	31	–	401	401
Foreign currency translation reserve ²					
Balance at start of year	18	(152)	63	438	261
Currency translation adjustments, net of hedges after tax	197	170	(215)	195	177
Total foreign currency translation reserve	215	18	(152)	633	438
General reserve ³					
Balance at start of year	588	539	485	55	55
Transfers (to) from retained profits	(266)	49	54	–	–
Total general reserve	322	588	539	55	55
Capital reserve ³					
Total reserves	717	786	536	1,089	894
Retained profits					
Balance at start of year	3,607	2,952	2,412	3,168	1,802
Net profit attributable to shareholders of the Company	1,870	1,747	1,480	1,610	2,307
Total available for appropriation	5,477	4,699	3,892	4,778	4,109
Transfers from (to) reserves	266	(49)	(54)	–	–
Ordinary share dividends provided for or paid	7 (1,062)	(941)	(814)	(1,062)	(941)
Preference share dividends paid	7 (119)	(102)	(72)	–	–
Retained profits at end of year	4,562	3,607	2,952	3,716	3,168
Total shareholders' equity attributable to shareholders of the Company	10,538	9,795	9,403	10,064	9,464

The notes appearing on pages 6 to 78 form an integral part of these financial statements
Amounts less than \$500,000

Nature and purpose of reserves

- ¹ Asset revaluation reserve
Prior to 1 October 2000, the asset revaluation reserve was used to record certain increments and decrements on the revaluation of non-current assets. As the Group has elected to adopt deemed cost in accordance with AASB1041, the balance of the reserve is not available for future non-current asset write downs while the Group remains on the deemed cost basis.
- ² Foreign currency translation reserve
Exchange differences arising on translation of foreign self-sustaining operations are taken to the foreign currency translation reserve, as described in accounting policy note 1(v).
- ³ General reserve and Capital reserve
The balance of these reserves have resulted from prior period allocations of retained profits and is currently being released progressively to retained profits.

Note	2001 \$m	Consolidated 2000 \$m	1999 \$m	The Company 2001 \$m	The Company 2000 \$m
Cash flows from operating activities					
Interest received	11,054	9,916	8,679	7,683	6,453
Dividends received	75	192	157	565	2,490
Fees and other income received	2,783	2,460	2,089	2,230	1,916
Interest paid	(6,703)	(6,108)	(5,039)	(5,112)	(4,279)
Personnel expenses paid	(1,827)	(1,735)	(1,840)	(1,466)	(1,357)
Premises expenses paid	(253)	(283)	(282)	(245)	(238)
Other operating expenses paid	(1,775)	(1,199)	(977)	(769)	(646)
Income taxes paid	(823)	(754)	(535)	(667)	(478)
Goods and services tax (paid) received	(53)	4	–	(18)	(1)
Net (increase) decrease in trading securities	(629)	(25)	1,442	(987)	(511)
Net cash provided by operating activities	42(a) 1,849	2,468	3,694	1,214	3,349
Cash flows from investing activities					
Net decrease (increase)					
Due from other financial institutions	909	(792)	616	263	(469)
Regulatory deposits	(27)	(90)	828	(20)	(20)
Loans and advances	(4,829)	(17,633)	(12,936)	(4,064)	(14,902)
Shares in controlled entities and associates	(36)	(50)	–	251	(2,189)
Investment securities					
Purchases	(4,005)	(8,109)	(5,527)	(2,319)	(2,779)
Proceeds from sale or maturity	3,630	8,553	4,670	1,802	2,926
Controlled entities and associates					
Purchased (net of cash acquired)	42(c) (36)	(43)	(2)	–	–
Proceeds from sale (net of cash disposed)	–	1,510	–	–	2,360
Transferred from controlled entities to associates (net of cash)	–	–	(94)	–	–
Premises and equipment					
Purchases	(452)	(275)	(177)	(218)	(189)
Proceeds from sale	127	249	142	43	147
Other	529	(3,160)	(610)	(179)	(693)
Net cash (used in) investing activities	(4,190)	(19,840)	(13,090)	(4,441)	(15,808)
Cash flows from financing activities					
Net (decrease) increase					
Due to other financial institutions	(826)	3,111	(779)	(1,228)	3,036
Deposits and other borrowings	890	12,763	5,202	463	12,696
Due from/to controlled entities	–	–	–	1,159	(3,855)
Creditors and other liabilities	581	(843)	743	225	(1,089)
Bonds and notes					
Issue proceeds	7,542	5,555	4,330	7,542	5,555
Redemptions	(2,878)	(1,341)	(479)	(2,878)	(1,341)
Loan capital					
Issue proceeds	–	152	–	–	–
Redemptions	(244)	(147)	(256)	(164)	–
Decrease in outside equity interests	(1)	(19)	(1)	–	–
Dividends paid	(1,028)	(749)	(671)	(909)	(647)
Share capital issues	114	36	591	114	36
Share buyback	(495)	(1,014)	–	(495)	(1,014)
Net cash provided by (used in) financing activities	3,655	17,504	8,680	3,829	13,377
Net cash provided by operating activities	1,849	2,468	3,694	1,214	3,349
Net cash (used in) investing activities	(4,190)	(19,840)	(13,090)	(4,441)	(15,808)
Net cash provided by financing activities	3,655	17,504	8,680	3,829	13,377
Net (decrease) increase in cash and cash equivalents	1,314	132	(716)	602	918
Cash and cash equivalents at beginning of year	6,462	6,634	8,981	4,724	4,177
Foreign currency translation on opening balances	1,295	(304)	(1,631)	1,421	(371)
Cash and cash equivalents at end of year	42(b) 9,071	6,462	6,634	6,747	4,724

The notes appearing on pages 6 to 78 form an integral part of these financial statements

1: Accounting Policies**(i) Bases of preparation**

This general purpose financial report complies with the accounts provisions of the Banking Act, applicable Australian Accounting Standards, the accounts provisions of the Corporations Act 2001, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board. The accounting policies are consistent with those of the previous year except for the changes disclosed in note (ii).

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

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

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

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

(ii) Changes in accounting policy

On applying AASB 1041 'Revaluation of Non-Current Assets' with effect from 1 October, 2000, the Group has elected to revert to the cost basis for measuring the class of assets land and buildings. Previously this class of assets was revalued periodically.

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. Writedowns of previously revalued assets may no longer be made through the asset revaluation reserve. This change in accounting policy had no impact for the year ended 30 September 2001.

The directors have elected to adopt early the revised Accounting Standard AASB 1005 'Segment Reporting'.

(iii) Consolidation

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

Shares in controlled entities are stated at deemed cost in the statement of financial position.

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

The Group adopts the equity method of accounting for associates. Shares in associates are stated in the consolidated statement of financial position at cost plus the Group's share of post acquisition net assets. The Group's share of results of associates is included in the consolidated statement of financial performance.

(iv) Goodwill

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

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

(v) Foreign currency

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

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

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

(vi) Fee income

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

(vii) Net loans and advances

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

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

Finance leases and hire purchase contracts are accounted for using the finance method whereby income is taken to account progressively over the life of the lease or the contract in proportion to the outstanding investment balance. Customer financing through redeemable preference shares is included within net loans and advances. Dividends received on redeemable preference shares are taken to the statement of financial performance as part of interest income.

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

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

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

(viii) Bad and doubtful debts

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

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

The specific provision requirement (representing new and increased specific provisions less specific provision releases) is transferred from the general provision to the specific provision. Recoveries, representing excess transfers to the specific provision, are credited to the general provision.

Provisions for doubtful debts are deducted from loans and advances in the statement of financial position.

(ix) Acceptances

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

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

(x) Trading securities

Securities held for trading purposes are recorded at market value. Unrealised gains and losses on revaluation are taken to the statement of financial performance.

(xi) Investment securities

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

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

(xii) Repurchase agreements

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

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

(xiii) Derivative financial instruments

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

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

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

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

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

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

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

(xiv) Premises and equipment

Premises and equipment (including computer equipment) are carried at cost less depreciation or amortisation.

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

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

Buildings	1%
Building integrals	10%
Furniture & equipment	10%
Computer & office equipment	12.5% to 33%
Software	20% to 33%

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

The carrying values of all non-current assets have been assessed and are not in excess of their recoverable amounts. The expected net cash flows included in determining recoverable amounts of non-current assets are discounted to their present values using a market determined, risk adjusted discount rate. The discount rate used ranged from 9% to 15% depending on the nature of the assets.

(xv) Income tax

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

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

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

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

(xvi) Employee entitlements

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

(xvii) Superannuation commitments

Contributions, which are determined on an actuarial basis, to superannuation schemes are charged to personnel expenses in the statement of financial performance.

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

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

(xviii) Leasing

Leases entered into by the Group as lessee are predominantly operating leases, and the operating lease payments are included in the statement of financial performance in equal instalments over the lease term.

(xix) Goods and services tax

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

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

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

(xx) Life insurance

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

Components of life insurance margin on services operating income disclosed are premium revenue and related revenue, investment revenue, claims expense and insurance policy liabilities expense (refer note 40).

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

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

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

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

2: Income

	2001 \$m	Consolidated 2000 \$m	1999 \$m	The Company 2001 \$m	2000 \$m
Interest income					
From other financial institutions	214	243	227	153	174
On regulatory deposits	1	5	9	1	1
On trading and investment securities	471	573	534	340	320
On loans and advances	9,122	8,930	7,549	6,613	5,729
Other	443	490	365	185	285
	10,251	10,241	8,684	7,292	6,509
From controlled entities	–	–	–	187	475
Total interest income	10,251	10,241	8,684	7,479	6,984
Other operating income					
(i) Fee income					
Lending	786	727	679	686	598
Other, commissions ¹	1,145	1,133	1,022	794	722
	1,931	1,860	1,701	1,480	1,320
From controlled entities	–	–	–	372	222
Total fee income	1,931	1,860	1,701	1,852	1,542
(ii) Other income					
Foreign exchange earnings	348	342	340	279	223
Profit on sale of strategic investments	99	–	–	–	–
Life insurance margin on services operating income (refer note 40)	190	175	174	–	–
Profit on trading instruments	63	87	89	40	79
Profit on sale of premises ²	3	13	16	3	–
Rental income	5	7	10	4	7
Share of associates profit (net of writeoffs)	(25)	3	(2)	–	–
Dividend income from strategic investments	21	19	–	–	–
Writedown of equity investments	(84)	–	–	(41)	–
Other ³	61	77	49	524	2,379
Total other income	681	723	676	809	2,688
Total other operating income	2,612	2,583	2,377	2,661	4,230
Items reported as abnormal in prior periods (refer note 5)	–	1,207	–	–	351
Total income⁴	12,863	14,031	11,061	10,140	11,565

¹ Includes commissions from funds management business

² Gross proceeds on sale of premises is \$98 million (2000: \$164 million, 1999: \$127 million)

³ The Company's 'other other income' include dividends received from controlled entities of \$516 million (2000: \$2,363 million)

⁴ Includes external dividend income of \$75 million (2000: \$192 million, 1999: \$157 million) for the Group and \$47 million (2000: \$127 million) for the Company

3: Expenses

Interest expense					
To other financial institutions	590	577	518	568	522
On deposits	3,597	4,082	3,299	2,860	2,953
On borrowing corporations' debt	454	409	382	–	–
On commercial paper	584	486	315	211	206
On loan capital, bonds and notes	797	596	301	768	568
Other	396	290	214	224	117
	6,418	6,440	5,029	4,631	4,366
To controlled entities	–	–	–	197	362
Total interest expense	6,418	6,440	5,029	4,828	4,728

3: Expenses (continued)

	2001 \$m	Consolidated 2000 \$m	1999 \$m	The Company 2001 2000 \$m	
Operating expenses					
(i) Personnel					
Employee taxes					
Payroll	60	68	63	57	63
Fringe benefits tax	40	33	38	32	26
Pension fund	93	99	95	79	77
Provision for employee entitlements	31	33	33	30	32
Salaries and wages	1,124	1,201	1,237	893	880
Other	328	324	266	280	264
Total personnel expenses	1,676	1,758	1,732	1,371	1,342
(ii) Premises					
Amortisation of leasehold improvements	15	13	14	8	8
Depreciation of buildings and integrals	18	23	31	3	4
Rent	152	145	159	129	109
Utilities and other outgoings	89	101	102	70	73
Other	11	12	8	10	5
	285	294	314	220	199
To controlled entities	–	–	–	34	38
Total premises expenses	285	294	314	254	237
(iii) Computer					
Computer contractors	53	34	32	50	33
Data communication	49	41	43	37	31
Depreciation	86	96	94	62	67
Rentals and repairs	61	71	65	51	59
Other	115	101	110	87	69
Total computer expenses	364	343	344	287	259
(iv) Other					
Advertising and public relations	106	103	84	76	74
Amortisation of goodwill	17	12	10	8	8
Audit fees (refer note 4)	3	3	3	2	1
Depreciation of furniture and equipment	42	42	46	31	29
Freight and cartage	32	28	29	27	24
Loss on sale of equipment	5	6	6	1	4
Non-lending losses, frauds and forgeries	45	55	53	30	20
Postage	42	45	44	32	32
Professional fees	114	136	130	91	106
Stationery	52	63	61	33	41
Telephone	70	79	90	49	51
Travel	79	83	77	58	55
Other	114	157	186	218	116
Total other expenses	721	812	819	656	561
(v) Restructuring¹	85	107	91	73	75
Total operating expenses	3,131	3,314	3,300	2,641	2,474
Items reported as abnormal in prior periods (refer note 5)	–	986	–	–	901
Total expenses	9,549	10,740	8,329	7,469	8,103

¹ In addition for 2000 restructuring costs of \$361 million (Company \$276 million) have been treated as abnormal (Group 1999: nil). Refer note 5

4: Remuneration of Auditors

	2001 \$'000	Consolidated 2000 \$'000	1999 \$'000	The Company 2001 2000 \$'000	
Amounts received and due and receivable					
Auditing or reviewing the financial report					
By KPMG	3,016	2,865	3,135	1,504	1,490
By other Group auditors	–	12	36	–	–
	3,016	2,877	3,171	1,504	1,490
Other services					
By KPMG					
Audit related services ¹	3,812	3,310	2,339	1,657	1,148
Accounting and other services	3,748	1,842	1,741	2,978	1,152
Consulting	10,867	11,391	11,482	10,867	9,538
Taxation	2,133	4,900	1,160	1,964	4,791
By other Group auditors	26	19	51	26	–
	20,586	21,462	16,773	17,492	16,629
Total remuneration of auditors	23,602	24,339	19,944	18,996	18,119

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

By virtue of an Australian Securities and Investments Commission class order dated 30 September 1998, the auditors of Australia and New Zealand Banking Group Limited and its related bodies corporate, KPMG, have been exempted from compliance with the requirements of Section 324 of the Corporations Act 2001. The class order exemption applies in that partners and associates of KPMG not engaged on the audit of Australia and New Zealand Banking Group Limited and its related bodies corporate may be indebted to the Company, provided that such indebtedness arose upon ordinary commercial terms and conditions.

5: Items Reported as Abnormal in Prior Periods

	2001 \$m	Consolidated 2000 \$m	1999 \$m	The Company 2001 2000 \$m	
Profit before tax					
Revaluation of properties	–	30	–	–	30
Gain on sale of investment in Colonial	–	33	–	–	–
Income from sale of Grindlays and associated businesses	–	1,225	–	–	321
(Loss) before tax					
Provisions raised on sale of Grindlays and associated businesses	–	(575)	–	–	(575)
Restructuring provision	–	(361)	–	–	(276)
Provision for litigation	–	(50)	–	–	(50)
Writedown of investment in Panin	–	(81)	–	–	–
Total prior period abnormal profit (loss) before tax	–	221	–	–	(550)
Income tax (expense) benefit applicable to					
Restatement of deferred tax balances	–	(64)	–	–	(77)
Sale of Grindlays and associated businesses and provisions raised	–	(246)	–	–	(246)
Restructuring provision	–	116	–	–	88
Provision for litigation	–	17	–	–	17
Total prior period abnormal tax (expense)	–	(177)	–	–	(218)
Total prior period abnormal profit (loss) after tax	–	44	–	–	(768)

6: Income Tax Expense

	2001 \$m	Consolidated 2000 \$m	1999 \$m	The Company 2001 \$m	2000 \$m
Reconciliation of the prima facie income tax payable on profit with the income tax expense charged in the statement of financial performance					
Profit before income tax	2,783	2,789	2,222	2,257	3,109
Prima facie income tax at 34% (2000, 1999: 36%)	946	1,004	800	767	1,119
Tax effect of permanent differences					
Overseas tax rate differential	2	10	2	12	9
Other non-assessable income	(36)	(9)	(21)	(1)	(2)
Rebateable and non-assessable dividends	(32)	(70)	(55)	(191)	(892)
Application of available capital losses	–	(10)	(3)	–	–
Life insurance accounting	18	17	17	–	–
Revaluation of properties	–	(11)	–	–	(11)
Sale of Grindlays and associated business (net permanent difference)	–	12	–	–	339
Impact of corporate tax rate change	–	64	–	–	77
Writedown of investments	27	29	–	12	–
Restructuring provision (composite tax rate)	–	15	–	–	11
Gain on sale of strategic investment	–	(12)	–	–	–
Other	(18)	12	6	32	156
	907	1,051	746	631	806
Income tax under/(over) provided in prior years	4	(11)	(10)	16	(4)
Total income tax expense	911	1,040	736	647	802

7: Dividends**Ordinary dividends**

Interim dividend	491	445	404	491	445
Proposed final dividend	595	528	470	595	528
Bonus option plan adjustment	(24)	(32)	(60)	(24)	(32)
Dividends on ordinary shares	1,062	941	814	1,062	941

A final dividend of 40 cents, fully franked, is proposed to be paid on each fully paid ordinary share on 14 December 2001 (2000: final dividend of 35 cents, paid 15 December 2000, fully franked; 1999: final dividend of 30 cents, paid 20 December 1999, partially franked to 80%). The 2001 interim dividend of 33 cents, paid 2 July 2001, was fully franked, (2000: interim dividend of 29 cents, paid 3 July 2000, fully franked; 1999: interim dividend of 26 cents, paid 5 July 1999, partially franked to 75%).

The tax rate applicable to the franking credits attached to the interim dividend and to be attached to the proposed final dividend is 30% (2000: 34%, 1999: 36%).

7: Dividends (continued)

	2001 \$m	Consolidated 2000 \$m	1999 \$m	The Company 2001 \$m	2000 \$m
Dividends on preference shares	119	102	72	–	–

The Company has issued 124,032,000 preference shares, raising USD 775 million via Trust Securities issues. The Trust Securities carry an entitlement to a distribution of 8% (USD 400 million) or 8.08% (USD 375 million). The amounts are payable quarterly in arrears. Shown above are amounts paid for the year to 30 September 2001 (2000: full year to 30 September 2000; 1999: from the dates of issue, 23 September 1998 and 19 November 1998, to 30 September 1999). Payment dates are the fifteenth days of January, April, July and October in each year.

Dividend Franking Account

The amount of franking credits available for the subsequent financial year is nil (2000 and 1999: nil), after adjusting for franking credits that will arise from the payment of tax on Australian profits for the 2001 financial year, less franking credits which will be utilised in franking the proposed final dividend and franking credits that may not be accessible by the Company at present.

Restrictions which Limit the Payment of Dividends

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

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

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

Dividend Reinvestment Plan

During the year, 2,967,156 ordinary shares were issued at \$14.45 per share, and 2,861,147 ordinary shares at \$15.05 per share, under the Dividend Reinvestment Plan.

Bonus Option Plan

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

During the year, 818,341 ordinary shares were issued at \$14.45 per share, and 736,112 ordinary shares at \$15.05 per share, under the Bonus Option Plan.

	Declared dividend \$m	Bonus options exercised \$m	Amount paid \$m
Final dividend 2000	528	(12)	516
Interim dividend 2001	491	(12)	479
	1,019	(24)	995

8: Earnings per Ordinary Share

	2001 \$m	Consolidated 2000 \$m	1999 \$m
Basic			
Net profit attributable to shareholders of the Company	1,870	1,747	1,480
Less: preference share dividend paid	119	102	72
Net profit attributable to shareholders of the Company after preference share dividend	1,751	1,645	1,408
Weighted average number of ordinary shares (millions)	1,492.1	1,540.3	1,553.5
Basic earnings per share (cents)	117.4	106.8	90.6
Diluted			
Net profit attributable to shareholders of the Company after preference share dividend	1,751	1,645	1,408
Add: notional interest earned on capital raised from exercise of options	10	5	2
Total adjusted earnings	1,761	1,650	1,410
Weighted average number of ordinary shares (millions)	1,492.1	1,540.3	1,553.5
Add: potential dilution of options to ordinary shares	21.8	12.1	7.5
Total adjusted number of shares	1,513.9	1,552.4	1,561.0
Diluted earnings per share (cents)	116.3	106.3	90.3

9: Liquid Assets

	2001 \$m	Consolidated 2000 \$m	2001 \$m	The Company 2000 \$m
Australia				
Coins, notes and cash at bankers	571	558	495	536
Money at call	191	201	86	121
Securities purchased under agreement to resell less than 90 days	753	437	752	407
Bills receivable and remittances in transit	269	84	269	84
	1,784	1,280	1,602	1,148
Overseas				
Coins, notes and cash at bankers	231	148	82	49
Money at call	483	457	1	-
Other banks' certificates of deposit	3,934	3,046	3,637	2,916
Securities purchased under agreement to resell less than 90 days	326	49	-	-
Bills receivable and remittances in transit	1,036	668	659	268
	6,010	4,368	4,379	3,233
Total liquid assets	7,794	5,648	5,981	4,381
Maturity analysis based on original term to maturity at 30 September				
Less than 90 days	5,504	2,662	3,692	1,404
More than (and including) 90 days	2,290	2,986	2,289	2,977
Total liquid assets	7,794	5,648	5,981	4,381

10: Due from Other Financial Institutions

	2001 \$m	Consolidated 2000 \$m	2001 \$m	The Company 2000 \$m
Australia	951	2,741	946	2,109
Overseas	3,878	3,081	3,288	2,511
Total due from other financial institutions	4,829	5,822	4,234	4,620
Maturity analysis based on remaining term to maturity at 30 September				
Overdraft	794	934	792	934
Less than 3 months	3,070	4,175	2,561	3,058
Between 3 months and 12 months	816	606	794	572
Between 1 year and 5 years	121	75	65	27
After 5 years	28	32	22	29
Total due from other financial institutions	4,829	5,822	4,234	4,620

11: Trading Securities

Trading securities are allocated between Australia and Overseas based on the domicile of the issuer

Listed – Australia

Commonwealth securities	58	190	58	190
Local and semi-government securities	805	816	805	816
	863	1,006	863	1,006

Listed – Overseas

Equity securities	-	478	-	-
Other non-government securities	6	1	-	1
	6	479	-	1

Total listed	869	1,485	863	1,007
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Unlisted – Australia

Other government securities	761	915	761	915
ANZ accepted bills	1,933	1,009	1,933	1,009
Other securities and equity securities	875	520	875	520
	3,569	2,444	3,569	2,444

Unlisted – Overseas

Other government securities	198	96	6	-
Other securities and equity securities	191	101	-	-
	389	197	6	-

Total unlisted	3,958	2,641	3,575	2,444
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Total trading securities	4,827	4,126	4,438	3,451
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12: Investment Securities

	Consolidated		The Company	
	2001 \$m	2000 \$m	2001 \$m	2000 \$m
Investment securities are allocated between Australia and Overseas based on the domicile of the issuer				
Listed – Australia				
Other securities and equity investments	15	472	13	52
	15	472	13	52
Listed – Overseas				
Other government securities	167	139	167	135
Other securities and equity investments	96	165	43	29
	263	304	210	164
Total listed	278	776	223	216
Unlisted – Australia				
Commonwealth government securities	145	100	–	100
Local and semi-government securities	917	610	903	610
Other securities and equity investments	60	35	46	35
	1,122	745	949	745
Unlisted – Overseas				
New Zealand government securities	425	489	–	–
US government securities	1,025	605	1,025	605
Other government securities	189	378	189	216
Other securities and equity investments	448	13	14	13
	2,087	1,485	1,228	834
Total unlisted	3,209	2,230	2,177	1,579
Total investment securities	3,487	3,006	2,400	1,795
Market value information				
Listed – Australia				
Other securities and equity investments	15	458	13	29
	15	458	13	29
Listed – Overseas				
Other government securities	168	139	168	135
Other securities and equity investments	96	165	43	29
	264	304	211	164
Total market value of listed investment securities	279	762	224	193
Unlisted – Australia				
Commonwealth government securities	145	100	–	100
Local and semi-government securities	917	610	903	610
Other securities and equity investments	60	25	46	23
	1,122	735	949	733
Unlisted – Overseas				
New Zealand government securities	426	489	–	–
US government securities	1,025	605	1,025	605
Other government securities	189	378	189	216
Other securities and equity investments	448	13	14	13
	2,088	1,485	1,228	834
Total market value of unlisted investment securities	3,210	2,220	2,177	1,567
Total market value of investment securities	3,489	2,982	2,401	1,760

12: Investment Securities (continued)**Investment Securities by Maturities and Yields**

Based on remaining term to maturity at 30 September 2001

At book value	Less than 3 months \$m	Between 3 months and 12 months \$m	Between 1 year and 5 years \$m	Between 5 years and 10 years \$m	After 10 years \$m	No maturity specified \$m	Total \$m	Market Value \$m
Australia								
Commonwealth securities	145	–	–	–	–	–	145	145
Local and semi-government securities	814	1	100	2	–	–	917	917
Other securities and equity investments	–	–	30	–	–	45	75	75
	959	1	130	2	–	45	1,137	1,137
Overseas								
New Zealand government securities	275	150	–	–	–	–	425	426
US government securities	–	–	1,025	–	–	–	1,025	1,025
Other government securities	209	119	28	–	–	–	356	357
Other securities and equity investments	24	48	267	185	–	20	544	544
	508	317	1,320	185	–	20	2,350	2,352
Total book value	1,467	318	1,450	187	–	65	3,487	n/a
Total market value	1,467	319	1,451	187	–	65	n/a	3,489

Weighted average yields¹

	Less than 1 year %	Between 1 year and 5 years %	Between 5 years and 10 years %	After 10 years %
Australia				
Commonwealth securities	7.10	–	–	–
Local and semi-government securities	5.60	6.57	6.35	–
Other securities and equity investments	–	0.85	–	–
Overseas				
New Zealand government securities	5.52	–	–	–
US government securities	–	6.30	–	–
Other government securities	7.37	8.21	–	–
Other securities and equity investments	7.36	4.03	3.84	–

¹ Based on effective yields for fixed interest and discounted securities and dividend yield for equity investments at 30 September 2001

12: Investment Securities (continued)**Investment Securities by Maturities and Yields**

Based on remaining term to maturity at 30 September 2000

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

Weighted average yields¹

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

¹ Based on effective yields for fixed interest and discounted securities and dividend yield for equity investments at 30 September 2000**13: Net Loans and Advances**

Loans and advances are classified between Australia, New Zealand and Overseas markets based on the domicile of the lending point

	Consolidated		The Company	
	2001 \$m	2000 \$m	2001 \$m	2000 \$m
Australia				
Overdrafts	2,430	2,877	2,430	2,877
Credit card outstandings	3,352	2,837	3,352	2,837
Term loans – housing	43,969	40,571	43,969	40,571
Term loans – non-housing	31,381	31,446	28,685	29,528
Lease finance (refer below)	2,524	2,821	767	746
Hire purchase	8,075	7,958	302	173
Other	724	510	724	510
	92,455	89,020	80,229	77,242
New Zealand				
Overdrafts	707	569	–	–
Credit card outstandings	409	311	–	–
Term loans – housing	9,394	8,487	–	–
Term loans – non-housing	6,154	5,688	–	–
Lease finance (refer below)	294	201	–	–
Hire purchase	445	394	–	–
Other	902	838	–	–
	18,305	16,488	–	–
Overseas markets				
Overdrafts	579	655	426	556
Credit card outstandings	70	27	20	7
Term loans – housing	320	370	251	345
Term loans – non-housing	14,291	12,708	12,737	10,839
Lease finance (refer below)	642	303	382	278
Commercial bills	28	22	28	22
Other	–	39	–	39
	15,930	14,124	13,844	12,086
Total gross loans and advances	126,690	119,632	94,073	89,328
Provisions for doubtful debts (refer note 15)	(1,886)	(2,082)	(1,680)	(1,787)
Income yet to mature	(1,147)	(1,235)	–	(1)
	(3,033)	(3,317)	(1,680)	(1,788)
Total net loans and advances	123,657	116,315	92,393	87,540
Lease finance consists of gross lease receivables				
Current	463	487	135	208
Non-current	2,997	2,838	1,014	816
	3,460	3,325	1,149	1,024

13: Net Loans and Advances (continued)**Maturity Distribution and Concentrations of Credit Risk**

Based on remaining term to maturity at 30 September 2001	Overdraft ¹ \$m	Less than 3 months \$m	Between 3 months and 12 months \$m	Between 1 year and 5 years \$m	After 5 years \$m	Total \$m
Australia						
Agriculture, forestry, fishing and mining	345	1,007	649	565	934	3,500
Business service	251	190	328	600	675	2,044
Entertainment, leisure and tourism	96	218	617	542	820	2,293
Financial, investment and insurance	1,282	155	849	1,866	159	4,311
Government and official institutions	4	43	1	28	46	122
Lease finance	–	95	327	1,550	552	2,524
Manufacturing	424	1,164	802	1,025	619	4,034
Personal ²	2,406	3,690	570	6,269	500	13,435
Real estate – construction	212	39	107	357	483	1,198
Real estate – mortgage ³	116	1,354	1,321	8,038	38,298	49,127
Retail and wholesale trade	664	1,745	1,005	924	1,679	6,017
Other	157	1,208	931	739	815	3,850
New Zealand						
Agriculture, forestry, fishing and mining	37	54	150	455	274	970
Business service	4	3	8	77	16	108
Entertainment, leisure and tourism	8	4	9	155	44	220
Financial, investment and insurance	45	9	379	287	444	1,164
Government and official institutions	4	2	5	83	16	110
Lease finance	11	4	15	35	229	294
Manufacturing	53	68	70	762	58	1,011
Personal ²	42	79	252	565	144	1,082
Real estate – construction	9	23	49	120	40	241
Real estate – mortgage ³	391	92	84	955	8,967	10,489
Retail and wholesale trade	45	387	78	506	143	1,159
Other	57	86	149	647	518	1,457
Overseas markets						
Agriculture, forestry, fishing and mining	92	454	400	648	122	1,716
Business service	9	8	33	52	4	106
Entertainment, leisure and tourism	2	17	5	94	23	141
Financial, investment and insurance	494	170	84	93	271	1,112
Government and official institutions	28	11	61	45	117	262
Lease finance	–	–	11	462	169	642
Manufacturing	112	1,204	1,151	1,259	416	4,142
Personal ²	21	137	108	201	255	722
Real estate – construction	10	188	36	436	10	680
Real estate – mortgage ³	8	72	138	575	356	1,149
Retail and wholesale trade	150	479	62	149	22	862
Other	299	698	958	1,286	1,155	4,396
Gross loans and advances	7,888	15,157	11,802	32,450	59,393	126,690
Specific provision for doubtful debts	(500)	–	–	–	–	(500)
Income yet to mature	–	(276)	(287)	(575)	(9)	(1,147)
	(500)	(276)	(287)	(575)	(9)	(1,647)
Loans and advances net of specific provision and income yet to mature	7,388	14,881	11,515	31,875	59,384	125,043
General provision	–	–	–	–	(1,386)	(1,386)
Net loans and advances	7,388	14,881	11,515	31,875	57,998	123,657
Interest rate sensitivity						
Fixed interest rates ⁴	589	6,873	7,140	21,744	16,859	53,205
Variable interest rates	7,299	8,284	4,662	10,706	42,534	73,485
	7,888	15,157	11,802	32,450	59,393	126,690

13: Net Loans and Advances (continued)**Maturity Distribution and Concentrations of Credit Risk**

Based on remaining term to maturity at 30 September 2000	Overdraft ¹ \$m	Less than 3 months \$m	Between 3 months and 12 months \$m	Between 1 year and 5 years \$m	After 5 years \$m	Total \$m
Australia						
Agriculture, forestry, fishing and mining	732	1,292	533	766	834	4,157
Business service	568	180	272	624	562	2,206
Entertainment, leisure and tourism	94	391	310	581	686	2,062
Financial, investment and insurance	472	440	700	3,781	139	5,532
Government and official institutions	23	–	1	21	58	103
Lease finance	–	87	311	2,368	55	2,821
Manufacturing	646	1,194	921	1,001	474	4,236
Personal ²	1,952	3,516	571	6,167	522	12,728
Real estate – construction	230	68	194	435	449	1,376
Real estate – mortgage ³	141	1,128	1,828	7,680	33,135	43,912
Retail and wholesale trade	721	1,715	748	885	1,622	5,691
Other	275	1,542	405	918	1,056	4,196
New Zealand						
Agriculture, forestry, fishing and mining	30	46	109	185	508	878
Business service	8	6	40	145	22	221
Entertainment, leisure and tourism	11	8	22	198	74	313
Financial, investment and insurance	40	75	187	839	29	1,170
Government and official institutions	8	1	60	154	8	231
Lease finance	5	4	50	135	7	201
Manufacturing	32	82	237	486	92	929
Personal ²	38	92	199	530	246	1,105
Real estate – construction	8	16	44	149	8	225
Real estate – mortgage ³	325	449	255	781	7,601	9,411
Retail and wholesale trade	30	63	305	340	171	909
Other	32	87	189	466	121	895
Overseas Markets						
Agriculture, forestry, fishing and mining	21	116	724	266	424	1,551
Business service	4	16	13	14	6	53
Entertainment, leisure and tourism	4	23	22	112	31	192
Financial, investment and insurance	6	388	137	229	22	782
Government and official institutions	54	7	147	136	52	396
Lease finance	–	14	16	64	209	303
Manufacturing	117	1,519	627	1,162	427	3,852
Personal ²	15	214	78	226	238	771
Real estate – construction	13	156	80	339	7	595
Real estate – mortgage ³	10	293	193	425	296	1,217
Retail and wholesale trade	215	373	72	256	125	1,041
Other	93	435	389	1,537	917	3,371
Gross loans and advances	6,973	16,036	10,989	34,401	51,233	119,632
Specific provision for doubtful debts	(709)	–	–	–	–	(709)
Income yet to mature	–	(294)	(309)	(626)	(6)	(1,235)
	(709)	(294)	(309)	(626)	(6)	(1,944)
Loans and advances net of specific provision and income yet to mature	6,264	15,742	10,680	33,775	51,227	117,688
General provision	–	–	–	–	(1,373)	(1,373)
Net loans and advances	6,264	15,742	10,680	33,775	49,854	116,315
Interest rate sensitivity						
Fixed interest rates ⁴	472	5,598	6,220	24,216	16,024	52,530
Variable interest rates	6,501	10,438	4,769	10,185	35,209	67,102
	6,973	16,036	10,989	34,401	51,233	119,632

¹ Overdraft includes credit cards and unsecured lending² Personal includes non-business loans to individuals through overdrafts, personal loans, credit cards and fully drawn advances³ Real estate mortgage includes residential and commercial property exposure. Loans within this category are for the purchase of such properties and must be secured by property⁴ Housing loans and other loans that are capped for an initial period are fixed interest rate loans and their maturities based on the principal repayments due over the term of the loan

14: Impaired Assets

	Consolidated		The Company	
	2001 \$m	2000 \$m	2001 \$m	2000 \$m
Summary of impaired assets				
Non-accrual loans	1,260	1,391	961	1,016
Restructured loans	1	1	1	1
Unproductive facilities	41	73	39	58
Gross impaired assets	1,302	1,465	1,001	1,075
Specific provisions				
Non-accrual loans	(490)	(692)	(388)	(495)
Unproductive facilities	(10)	(17)	(9)	(12)
Net impaired assets	802	756	604	568
Non-accrual loans				
Non-accrual loans	1,260	1,391	961	1,016
Specific provisions	(490)	(692)	(388)	(495)
Total net non-accrual loans	770	699	573	521
Restructured loans				
For these loans interest and fees are recognised as income on an accrual basis	1	1	1	1
Other real estate owned				
In the event of customer default, any loan security is held as mortgagee in possession and therefore the Group does not hold any other real estate owned assets	–	–	–	–
Unproductive facilities				
Unproductive facilities	41	73	39	58
Specific provisions	(10)	(17)	(9)	(12)
Net unproductive facilities	31	56	30	46
Accruing loans past due 90 days or more				
These amounts, comprising loans less than \$100,000 or fully secured, are not classified as impaired assets and therefore are not included within the above summary	351	406	265	293

14: Impaired Assets (continued)

Further analysis of impaired assets at 30 September 2001 and interest and/or other income received during the year under Australian Prudential Regulation Authority guidelines is as follows:

	Gross balance outstanding \$m	Consolidated		Gross balance outstanding \$m	The Company	
		Specific provision \$m	Interest and/or other income received \$m		Specific provision \$m	Interest and/or other income received \$m
Non-accrual loans						
Without provisions						
Australia	195	–	9	190	–	7
New Zealand	6	–	3	–	–	–
Overseas markets	119	–	1	70	–	–
	320	–	13	260	–	7
With provisions and no, or partial performance ¹						
Australia	582	292	8	486	256	8
New Zealand	74	32	1	–	–	–
Overseas markets	236	149	10	179	118	10
	892	473	19	665	374	18
With provisions and full performance ¹						
Australia	15	8	3	15	8	3
New Zealand	–	–	–	–	–	–
Overseas markets	33	9	3	21	6	–
	48	17	6	36	14	3
Total non-accrual loans	1,260	490	38	961	388	28
Restructured loans	1	–	–	1	–	–
Unproductive facilities	41	10	–	39	9	–
Total	1,302	500	38	1,001	397	28

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

	Consolidated		The Company	
	2001 \$m	2000 \$m	2001 \$m	2000 \$m
Gross interest and other income receivable on non-accrual loans, restructured loans and unproductive facilities				
Australia	47	48	37	39
New Zealand	12	6	–	–
Overseas markets	67	92	38	41
Total gross interest and other income receivable on non-accrual loans, restructured loans and unproductive facilities	126	146	75	80
Interest and other income received				
Australia	(20)	(20)	(18)	(16)
New Zealand	(4)	(2)	–	–
Overseas markets	(14)	(32)	(10)	(14)
Total interest and other income received	(38)	(54)	(28)	(30)
Net interest and other income forgone				
Australia	27	28	19	23
New Zealand	8	4	–	–
Overseas markets	53	60	28	27
Total net interest and other income forgone	88	92	47	50

15: Provisions for Doubtful Debts

	Consolidated		The Company	
	2001 \$m	2000 \$m	2001 \$m	2000 \$m
General provision				
Balance at start of year	1,373	1,395	1,280	1,182
Adjustment for exchange rate fluctuations	2	(51)	2	(13)
Sale of Grindlays	–	(90)	–	–
Charge to statement of financial performance	531	502	414	353
Transfer to specific provision	(595)	(429)	(461)	(273)
Recoveries	75	46	48	31
Total general provision	1,386	1,373	1,283	1,280
Specific provision				
Balance at start of year	709	907	507	475
Adjustment for exchange rate fluctuations	30	88	22	52
Sale of Grindlays	–	(176)	–	–
Transfers from controlled entities	–	–	–	30
Bad debts written off	(834)	(539)	(593)	(323)
Transfer from general provision	595	429	461	273
Total specific provision	500	709	397	507
Total provisions for doubtful debts	1,886	2,082	1,680	1,787
Provision movement analysis				
New and increased provisions				
Australia	562	319	461	243
New Zealand	67	52	–	–
Asia	17	98	20	93
Other overseas markets	30	79	26	14
	676	548	507	350
Provision releases	(81)	(119)	(46)	(77)
	595	429	461	273
Recoveries of amounts previously written off	(75)	(46)	(48)	(31)
Net specific provision	520	383	413	242
Net credit to general provision	11	119	1	111
Charge to statement of financial performance	531	502	414	353
Ratios				
Provisions ¹ as a % of total advances ²	%	%	%	%
Specific	0.4	0.5	0.4	0.5
General	1.0	1.0	1.2	1.2
Provisions ¹ as a % of risk weighted assets				
Specific	0.4	0.5	0.4	0.5
General	1.0	1.1	1.2	1.3
Bad debts written off as a % of total advances ²	0.6	0.4	0.5	0.3
Net specific provision as a % of total advances ²	0.4	0.2	0.4	0.2

¹ Excludes provisions for unproductive facilities
² See definitions on page 89

16: Customers' Liabilities for Acceptances

	Consolidated		The Company	
	2001 \$m	2000 \$m	2001 \$m	2000 \$m
Australia				
Agriculture, forestry, fishing and mining	823	808	823	808
Business service	574	594	574	594
Entertainment, leisure and tourism	1,017	1,469	1,017	1,469
Financial, investment and insurance	555	579	555	579
Manufacturing	3,204	3,559	3,204	3,559
Personal ¹	144	223	144	223
Real estate – construction	223	184	223	184
Real estate – mortgage ²	4,225	4,410	4,225	4,410
Retail and wholesale trade	2,349	2,700	2,349	2,700
Other	999	791	999	791
	14,113	15,317	14,113	15,317
Overseas				
Agriculture, forestry, fishing and mining	7	1	7	1
Business service	1	1	1	1
Financial, investment and insurance	137	130	137	130
Manufacturing	34	28	34	28
Retail and wholesale trade	12	–	12	–
Other	20	5	20	5
	211	165	211	165
Total customers' liabilities for acceptances	14,324	15,482	14,324	15,482

¹ Personal includes non-business acceptances to individuals

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

17: Regulatory Deposits

	Consolidated		The Company	
	2001 \$m	2000 \$m	2001 \$m	2000 \$m
Overseas central banks	133	103	98	75

18: Shares in Controlled Entities and Associates

Refer notes 43 and 44 for details of material controlled entities and associates

	Consolidated		The Company	
	2001 \$m	2000 \$m	2001 \$m	2000 \$m
Total shares in controlled entities			6,088	6,337
Total shares in associates	64	29	13	11
Total shares in controlled entities and associates	64	29	6,101	6,348

Acquisitions of controlled entities

There were no material controlled entities acquired during the year ended 30 September 2001.

Year ended 30 September 2000	Date acquired	Interest acquired %	Consideration \$m	Net tangible assets on acquisition \$m	Goodwill \$m

Disposals of controlled entities

There were no material controlled entities disposed of during the year ended 30 September 2001.

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

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

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

19: Income Tax Assets

	Consolidated		The Company	
	2001 \$m	2000 \$m	2001 \$m	2000 \$m
Future income tax assets comprises				
General provision for doubtful debts	436	454	383	402
Other	764	773	483	576
Total income tax assets	1,200	1,227	866	978
Future income tax assets				
Australia	920	914	714	778
Overseas	280	313	152	200
	1,200	1,227	866	978

Certain potential future income tax assets within the Group have not been recognised as assets because recovery cannot be regarded as virtually certain. These potential benefits arise from tax losses and timing differences (benefits could amount to \$7 million, 2000: \$4 million).

These benefits will only be obtained if

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

20: Goodwill

	Consolidated		The Company	
	2001 \$m	2000 \$m	2001 \$m	2000 \$m
Goodwill – at cost	187	177	111	110
Accumulated amortisation	(50)	(32)	(24)	(18)
Total goodwill	137	145	87	92

21: Other Assets

Property held for resale				
Cost of acquisition	18	28	–	–
Development expenses capitalised	20	20	–	–
	38	48	–	–
Provision for diminution in value	–	(4)	–	–
	38	44	–	–
Accrued interest/prepaid discounts	1,310	1,368	1,010	1,200
Accrued commission	118	81	70	38
Prepaid expenses	348	248	129	97
Treasury instruments revaluations	13,579	11,531	12,936	10,658
Security settlements	771	148	593	68
Operating leases residual value	410	415	–	–
Available for sale emerging markets portfolio	44	43	44	43
Other	2,288	688	1,992	145
Total other assets	18,906	14,566	16,774	12,249

22: Premises and Equipment

	Consolidated		The Company	
	2001 \$m	2000 \$m	2001 \$m	2000 \$m
Freehold and leasehold land and buildings				
At directors' valuation 2000	–	564	–	46
At cost ¹	494	–	28	–
Provision for depreciation	(11)	(5)	(1)	(1)
	483	559	27	45
Leasehold improvements				
At cost	145	131	96	92
Provision for amortisation	(102)	(94)	(68)	(68)
	43	37	28	24
Furniture and equipment				
At cost	1,097	911	768	580
Provision for depreciation	(551)	(518)	(325)	(298)
	546	393	443	282
Computer and office equipment				
At cost	768	777	582	589
Provision for depreciation	(508)	(548)	(367)	(409)
	260	229	215	180
Capital works in progress				
At cost	29	41	18	41
Total premises and equipment	1,361	1,259	731	572

¹ In accordance with AASB1041 this represents deemed cost

From 1 October 2000 as allowed by AASB 1041 'Revaluation of Non Current Assets' the Group elected to revert to the cost basis for measuring the class of assets land and building.

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

The Group revalued its class of assets freehold land and buildings at directors valuation at 31 March 2000, based on independent valuations by Arthur Andersen (most Australian and Pacific properties) and Jones Lang La Salle Advisory (other major International properties).

23: Due to Other Financial Institutions

	Consolidated		The Company	
	2001 \$m	2000 \$m	2001 \$m	2000 \$m
Australia	2,457	952	2,457	952
Overseas	10,233	11,295	9,504	10,997
Total due to other financial institutions	12,690	12,247	11,961	11,949
Maturity analysis based on remaining term to maturity at 30 September				
At call	2,636	1,641	2,185	1,453
Less than 3 months	7,890	8,252	7,612	8,142
Between 3 months and 12 months	2,124	2,322	2,124	2,322
Between 1 year and 5 years	40	32	40	32
Total due to other financial institutions	12,690	12,247	11,961	11,949

24: Deposits and Other Borrowings

Deposits and other borrowings are classified between Australia and Overseas based on the location of the deposit taking point.

	Consolidated		The Company	
	2001 \$m	2000 \$m	2001 \$m	2000 \$m
Australia				
Certificates of deposit	2,714	7,654	2,714	7,654
Term deposits	15,963	15,228	16,341	15,533
Other deposits bearing interest	33,552	28,323	33,552	28,323
Deposits not bearing interest	3,818	3,790	3,818	3,790
Commercial paper	5,043	6,098	3,265	4,275
Borrowing corporations' debt ¹	5,989	6,104	–	–
Securities sold under agreement to repurchase	604	741	604	741
	67,683	67,938	60,294	60,316
Overseas				
Certificates of deposit	5,062	6,284	3,472	4,693
Term deposits	19,032	14,359	11,580	8,376
Other deposits bearing interest	6,184	5,028	827	830
Deposits not bearing interest	1,470	1,207	348	251
Commercial paper	4,059	4,416	–	–
Borrowing corporations' debt ¹	1,353	1,218	–	–
Other unsecured borrowings	31	152	31	152
	37,191	32,664	16,258	14,302
Total deposits and other borrowings	104,874	100,602	76,552	74,618
Maturity analysis based on remaining term to maturity at 30 September				
At call	44,263	36,846	37,652	31,385
Less than 3 months	45,225	44,556	30,274	31,062
Between 3 months and 12 months	10,378	14,790	6,289	9,967
Between 1 year and 5 years	4,909	4,319	2,254	2,116
After 5 years	99	91	83	88
Total deposits and other borrowings	104,874	100,602	76,552	74,618

¹ Included in this balance is debenture stock of controlled entities. The debenture stock is secured by a trust deed and collateral debentures, giving floating charges upon the undertaking and all the assets of the entities involved other than land and buildings. All subsidiaries of the controlled entities (except for some subsidiaries which have been placed or are expected to be placed in voluntary deregistration and have minimal book value) have guaranteed the payment of principal, interest and other monies in relation to all debenture stock and unsecured notes issued by the controlled entity. No subsidiaries have given any charge over their respective assets in support of the above mentioned guarantees.

25: Income Tax Liabilities

	Consolidated		The Company	
	2001 \$m	2000 \$m	2001 \$m	2000 \$m
Australia				
Provision for income tax	460	237	357	261
Provision for deferred income tax	615	741	414	499
	1,075	978	771	760
Overseas				
Provision for income tax	49	159	65	102
Provision for deferred income tax	211	166	63	96
	260	325	128	198
Total income tax liabilities	1,335	1,303	899	958
Provision for deferred income tax comprises				
Lease finance	209	185	31	36
Other	617	722	446	559
	826	907	477	595

26: Creditors and Other Liabilities

	Consolidated		The Company	
	2001 \$m	2000 \$m	2001 \$m	2000 \$m
Australia				
Creditors	1,515	851	1,349	746
Accrued interest and unearned discounts	865	983	738	826
Treasury instruments revaluations	7,598	6,752	7,586	6,719
Accrued charges	261	310	394	282
Other liabilities	444	433	259	399
	10,683	9,329	10,326	8,972
Overseas				
Creditors	190	263	11	11
Accrued interest and unearned discounts	561	658	343	488
Treasury instruments revaluations	3,202	2,485	2,461	1,780
Accrued charges	136	118	62	52
Security settlements	327	8	318	–
Other liabilities	849	510	353	247
	5,265	4,042	3,548	2,578
Total creditors and other liabilities	15,948	13,371	13,874	11,550
27: Provisions				
Employee entitlements	242	233	213	204
Dividends (refer note 7)	595	528	595	528
Non-lending losses, frauds and forgeries	775	721	717	676
Restructuring costs and surplus leased space	280	401	231	299
Other	250	206	225	165
Total provisions	2,142	2,089	1,981	1,872
28: Bonds and Notes				
Bonds and notes by currency				
USD United States dollars	8,076	6,314	8,076	6,314
GBP Great British pounds	1,225	108	1,225	108
AUD Australian dollars	151	91	151	91
NZD New Zealand dollars	165	150	–	–
JPY Japanese yen	111	174	111	174
EUR Euro dollars	3,581	1,730	3,581	1,730
HKD Hong Kong dollars	1,854	803	1,854	803
CHF Swiss francs	177	149	177	149
Total bonds and notes	15,340	9,519	15,175	9,369
Bonds and notes by maturity				
Maturity analysis based on remaining term to maturity at 30 September				
Less than 3 months	995	342	995	342
Between 3 months and 12 months	2,856	2,573	2,856	2,573
Between 1 year and 5 years	11,428	6,549	11,263	6,399
After 5 years	61	55	61	55
Total bonds and notes	15,340	9,519	15,175	9,369

29: Loan Capital

	Interest Rate %	Consolidated		The Company	
		2001 \$m	2000 \$m	2001 \$m	2000 \$m
Perpetual subordinated notes					
USD 300m floating rate notes	LIBOR ¹ + 0.15	612	551	612	551
USD 258.7m fixed rate notes	9.125	528	475	528	475
		1,140	1,026	1,140	1,026
Subordinated notes					
GBP 60m fixed notes due 2001	12.625	–	161	–	161
USD 80m ² floating rate notes due 2002	LIBOR + 0.70	163	220	163	220
USD 250m fixed notes due 2004	6.25	510	460	510	460
USD 125m floating rate notes due 2005	LIBOR + 0.45	255	230	–	–
USD 500m fixed notes due 2006	7.55	1,020	919	1,020	919
USD 12.5m floating rate notes due 2007	LIBOR + 0.50	25	23	25	23
JPY 482m floating rate notes due 2007	LIBOR + 0.50	8	8	8	8
USD 250m floating rate notes due 2007 ³	LIBOR + 0.25	510	459	510	459
JPY 568.8m floating rate notes due 2008	LIBOR + 0.55	10	10	10	10
USD 14.3m floating rate notes due 2008	LIBOR + 0.50	29	26	29	26
USD 79m floating rate notes due 2008 ⁴	LIBOR + 1.03	161	145	161	145
		2,691	2,661	2,436	2,431
Total loan capital		3,831	3,687	3,576	3,457
Loan capital by currency					
USD United States dollars		3,813	3,508	3,558	3,278
GBP Great British pounds		–	161	–	161
JPY Japanese yen		18	18	18	18
		3,831	3,687	3,576	3,457
Loan capital by maturity					
Maturity analysis based on remaining term to maturity at 30 September					
Between 3 months and 12 months		–	161	–	161
Between 1 year and 5 years		1,948	910	1,693	680
After 5 years		743	1,590	743	1,590
Perpetual		1,140	1,026	1,140	1,026
		3,831	3,687	3,576	3,457

¹ LIBOR is an average of rates offered on loans to leading banks in the London inter-bank market² As at 30 September 1998 principal of note outstanding was US\$200 million. Note is repayable over 5 years (\$40 million (20%) per annum), commencing in October 1998³ After February 2002 the interest rate is LIBOR+ 0.75%⁴ After January 2002 the interest rate is LIBOR+ 0.53%

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

30: Share Capital

Number of issued shares	The Company		
	2001	2000	1999
Ordinary shares each fully paid	1,488,267,146	1,506,210,690	1,565,428,469
Ordinary shares each paid to 10 cents per share ¹	–	73,000	95,000
Preference shares each fully paid	124,032,000	124,032,000	124,032,000
Total number of issued shares	1,612,299,146	1,630,315,690	1,689,555,469

¹ 90 cents outstanding per share.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Number of issued shares	The Company		
	2001	2000	1999
Balance at start of year	1,506,210,690	1,565,428,469	1,539,440,677
Bonus option plan	1,554,453	2,786,360	5,513,162
Dividend reinvestment plan	5,828,303	20,416,971	16,166,135
Group employee share acquisition plan	5,925,928	4,346,635	2,610,129
Group share option plan	2,125,120	1,947,138	1,624,366
Group share purchase scheme	73,000	22,000	74,000
Share buy back	(34,626,158)	(88,736,883)	–
Purchase of Amerika Samoa Bank	1,175,810	–	–
Balance at end of year	1,488,267,146	1,506,210,690	1,565,428,469

Preference shares

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

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

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

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

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

		Consolidated		The Company	
		2001 \$m	2000 \$m	2001 \$m	2000 \$m
Preference share net proceeds at start and end of year	USD	748	748	748	748
Preference share net proceeds translated to AUD at 30 September rate	AUD	1,526	1,374	1,526	1,374

Share Buybacks

The Company conducted the following on-market buybacks for the year ended 30 September 2001 in accordance with a directors' resolution:

Date of Group Announcement ¹	Date Buyback Completed	No. of ordinary shares bought back	% of ordinary shares bought back	Average price per share	Total Consideration ² \$m
27 April 2000	8 May 2001	34.6 million	2.3	\$14.30	495

¹ Approval date of the buyback by directors' resolution

² Consideration is allocated to Share Capital

31: Outside Equity Interests

	Consolidated	
	2001 \$m	2000 \$m
Share capital	2	2
Retained Profits	11	10
Total outside equity interests	13	12

32: Capital Adequacy

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

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

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

Qualifying capital	Consolidated	
	2001 \$m	2000 \$m
Tier 1		
Total shareholders' equity and outside equity interests ¹	10,520	9,776
Unamortised goodwill	(115)	(118)
Investment in ANZ Lenders Mortgage Insurance	(18)	(18)
Tier 1 capital	10,387	9,640
Tier 2		
Asset revaluation reserve	31	31
Perpetual notes – subordinated	1,140	1,026
General provision for doubtful debts ²	950	919
	2,121	1,976
Subordinated notes ³	2,436	2,432
Tier 2 capital	4,557	4,408
Deductions		
Investment in Funds Management entities	(567)	(298)
Other	(37)	(489)
	(604)	(787)
Total qualifying capital	14,340	13,261

Statement of financial position	Assets		Risk weighted assets	
	2001 \$m	2000 \$m	2001 \$m	2000 \$m
Cash, claims on Australian Commonwealth and State Governments, and Territories, claims on OECD central governments, local currency claims on non-OECD governments and other zero weighted assets	28,173	24,497	–	–
Claims on approved banks and local governments	12,831	10,510	2,567	2,105
Advances secured by residential mortgages, approved merchant banks and stockbroking positions	57,420	53,543	28,710	26,771
Other assets – credit risk	84,283	78,868	84,283	78,868
Total statement of financial position assets – credit risk	182,707	167,418	115,560	107,744
Trading assets – market risk	2,786	5,049	n/a	n/a
Total statement of financial position assets	185,493	172,467	115,560	107,744

32: Capital Adequacy (continued)

Off balance sheet exposures	Contract/ notional amount		2001 \$m	Credit equivalent 2000 \$m	Risk weighted assets	
	2001 \$m	2000 \$m			2001 \$m	2000 \$m
Direct credit substitutes	8,268	6,323	8,268	6,323	6,503	4,846
Trade and performance related items	10,570	11,022	4,866	5,007	4,479	4,529
Commitments	56,976	49,087	7,241	8,038	7,010	7,758
Foreign exchange, interest rate and other market related transactions	779,830	559,150	16,446	14,008	5,025	4,010
Total off balance sheet exposures – credit risk	855,644	625,582	36,821	33,376	23,017	21,143
Total risk weighted assets – credit risk					138,579	128,887
Risk weighted assets – market risk					550	801
Total risk weighted assets					139,129	129,688
Capital adequacy ratios					%	%
Tier 1					7.5	7.4
Tier 2					3.2	3.4
Deductions					(0.4)	(0.6)
Total					10.3	10.2

¹ Excluding asset revaluation reserve

² Excluding attributable future income tax benefit

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

33: AVERAGE BALANCE SHEET AND RELATED INTEREST

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

	2001			2000			1999		
	Average balance \$m	Interest \$m	Average rate %	Average balance \$m	Interest \$m	Average rate %	Average balance \$m	Interest \$m	Average rate %
Interest earning assets									
Due from other financial institutions									
Australia	858	47	5.5	1,134	62	5.4	1,237	45	3.6
New Zealand	589	34	5.7	344	19	5.6	545	21	3.9
Overseas markets	2,326	133	5.7	2,407	162	6.7	2,486	161	6.5
Regulatory deposits with Reserve Bank of Australia	–	–	–	–	–	–	501	–	–
Investments in public securities									
Australia	4,517	254	5.6	4,881	289	5.9	4,686	222	4.7
New Zealand	1,690	103	6.1	1,040	60	5.8	1,009	47	4.7
Overseas markets	1,613	114	7.1	2,234	227	10.1	2,585	270	10.5
Loans, advances and bills discounted									
Australia	90,028	6,694	7.4	81,373	6,156	7.6	69,251	4,970	7.2
New Zealand	17,258	1,466	8.5	16,625	1,368	8.2	15,288	1,178	7.7
Overseas markets	15,087	986	6.5	17,118	1,428	8.3	16,918	1,411	8.3
Other assets									
Australia	1,475	98	6.7	1,705	98	5.7	1,593	82	5.1
New Zealand	1,109	69	6.3	1,005	81	8.1	960	75	7.9
Overseas markets	2,751	276	10.0	3,292	317	9.6	3,132	218	6.9
Intragroup assets									
Overseas markets	12,358	536	4.3	9,042	420	4.6	7,238	388	5.4
	151,659	10,810		142,200	10,687		127,429	9,088	
Intragroup elimination	(12,358)	(536)		(9,042)	(420)		(7,238)	(388)	
	139,301	10,274	7.4	133,158	10,267	7.7	120,191	8,700	7.2
Non-interest earning assets									
Acceptances									
Australia	15,421			15,061			16,045		
New Zealand	–			–			49		
Overseas markets	249			343			420		
Premises and equipment	1,264			1,353			1,457		
Other assets	19,957			18,090			15,908		
Provisions for doubtful debts									
Australia	(1,742)			(1,830)			(1,664)		
New Zealand	(166)			(163)			(168)		
Overseas markets	(156)			(381)			(437)		
	34,827			32,473			31,610		
Total assets	174,128			165,631			151,801		
Total average assets									
Australia	126,530			117,181			103,109		
New Zealand	21,925			20,337			19,366		
Overseas markets	38,031			37,155			36,564		
	186,486			174,673			159,039		
Intragroup elimination	(12,358)			(9,042)			(7,238)		
	174,128			165,631			151,801		
% of total average assets attributable to overseas activities	27.3%			29.3%			32.1%		

33: Average Balance Sheet and Related Interest (continued)

	2001			2000			1999		
	Average balance \$m	Interest \$m	Average rate %	Average balance \$m	Interest \$m	Average rate %	Average balance \$m	Interest \$m	Average rate %
Interest bearing liabilities									
Time deposits									
Australia	19,395	1,081	5.6	24,750	1,387	5.6	21,337	1,008	4.7
New Zealand	8,411	519	6.2	8,159	476	5.8	8,035	406	5.1
Overseas markets	13,156	658	5.0	15,234	931	6.1	14,569	872	6.0
Savings deposits									
Australia	9,623	269	2.8	9,181	247	2.7	9,006	202	2.3
New Zealand	2,832	89	3.1	2,894	85	2.9	3,330	90	2.7
Overseas markets	353	7	2.0	1,359	57	4.2	1,599	84	5.3
Other demand deposits									
Australia	20,456	872	4.3	17,053	781	4.6	14,638	522	3.6
New Zealand	1,621	82	5.0	1,469	66	4.5	1,633	58	3.5
Overseas markets	809	20	2.5	1,371	52	3.8	1,525	58	3.8
Due to other financial institutions									
Australia	434	31	7.2	232	15	6.3	276	12	4.3
New Zealand	481	20	4.2	482	20	4.1	631	20	3.2
Overseas markets	10,224	539	5.3	8,976	542	6.0	8,544	467	5.5
Commercial paper									
Australia	5,275	310	5.9	5,256	307	5.8	3,844	187	4.9
Overseas markets	5,408	274	5.1	3,079	180	5.8	2,597	127	4.9
Borrowing corporations' debt									
Australia	6,108	365	6.0	5,935	340	5.7	5,414	317	5.9
New Zealand	1,334	88	6.6	1,136	69	6.1	1,067	65	6.1
Loan capital, bonds and notes									
Australia	12,397	733	5.9	8,719	554	6.4	4,677	270	5.8
New Zealand	399	29	7.2	316	23	7.3	160	9	5.6
Overseas markets	600	35	5.9	276	19	7.0	380	22	5.7
Other liabilities ¹									
Australia	1,938	169	n/a	1,454	63	n/a	1,727	61	n/a
New Zealand	108	160	n/a	116	156	n/a	193	81	n/a
Overseas markets	47	66	n/a	246	70	n/a	508	91	n/a
Intragroup Liabilities									
Australia	8,763	395	4.5	5,511	286	5.2	5,018	280	5.6
New Zealand	3,595	141	3.9	3,531	134	3.8	2,220	108	4.9
	133,767	6,952		126,735	6,860		112,928	5,417	
Intragroup elimination	(12,358)	(536)		(9,042)	(420)		(7,238)	(388)	
	121,409	6,416	5.3	117,693	6,440	5.5	105,690	5,029	4.8

¹ Includes foreign exchange swap costs**33: Average Balance Sheet and Related Interest (continued)**

	2001 Average balance \$m	2000 Average balance \$m	1999 Average balance \$m
Non-interest bearing liabilities			
Deposits			
Australia	3,713	3,636	3,204
New Zealand	883	794	730
Overseas markets	432	1,280	1,481
Acceptances			
Australia	15,421	15,061	16,045
New Zealand	–	–	49
Overseas markets	249	343	420
Other liabilities	21,917	17,147	15,090
	42,615	38,261	37,019
Total liabilities	164,024	155,954	142,709
Total average liabilities			
Australia	120,416	110,875	95,735
New Zealand	20,988	19,347	18,548
Overseas markets	34,978	34,774	35,664
	176,382	164,996	149,947
Intragroup elimination	(12,358)	(9,042)	(7,238)
	164,024	155,954	142,709
Total average shareholders' equity			
Ordinary share capital	8,666	8,451	8,002
Preference share capital	1,438	1,226	1,090
	10,104	9,677	9,092
Total average liabilities and shareholders' equity	174,128	165,631	151,801
% of total average liabilities attributable to overseas activities	31.9%	32.4%	36.4%

34: Interest Spreads and Net Interest Average Margins

	2001 \$m	2000 \$m	1999 \$m
Net interest income¹			
Australia	2,868	2,625	2,460
New Zealand	544	499	484
Overseas markets	446	703	727
	3,858	3,827	3,671
Average interest earning assets			
Australia	96,878	89,093	77,268
New Zealand	20,646	19,014	17,802
Overseas markets	34,135	34,093	32,359
Intragroup elimination	(12,358)	(9,042)	(7,238)
	139,301	133,158	120,191
	%	%	%
Gross earnings rate²			
Australia	7.32	7.41	6.88
New Zealand	8.10	8.04	7.43
Overseas markets	5.99	7.49	7.56
Group	7.38	7.71	7.24
Interest spreads and net interest average margins may be analysed as follows			
Australia			
Gross interest spread	2.35	2.35	2.60
Interest forgone on impaired assets ³	(0.03)	(0.03)	(0.06)
Net interest spread	2.32	2.32	2.54
Interest attributable to net non-interest bearing items	0.64	0.63	0.64
Net interest average margin – Australia	2.96	2.95	3.18
New Zealand			
Gross interest spread	2.13	2.37	2.62
Interest forgone on impaired assets ³	(0.03)	(0.02)	(0.03)
Net interest spread	2.10	2.35	2.59
Interest attributable to net non-interest bearing items	0.54	0.28	0.14
Net interest average margin – New Zealand	2.64	2.63	2.73
Overseas markets			
Gross interest spread	0.92	1.61	1.99
Interest forgone on impaired assets ³	(0.16)	(0.18)	(0.22)
Net interest spread	0.76	1.43	1.77
Interest attributable to net non-interest bearing items	0.55	0.63	0.48
Net interest average margin – Overseas markets	1.31	2.06	2.25
Group			
Gross interest spread	2.15	2.31	2.58
Interest forgone on impaired assets ³	(0.06)	(0.07)	(0.10)
Net interest spread	2.09	2.24	2.48
Interest attributable to net non-interest bearing items	0.68	0.63	0.57
Net interest average margin – Group	2.77	2.87	3.05

¹ On a tax equivalent basis² Average interest rate received on interest earning assets. Overseas markets includes intragroup assets³ Refer note 14 to the financial report**35: Market Risk**

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

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

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

The Value at Risk (VaR) Measure

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

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

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

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

Traded Market Risks

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

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

	As at Sep 01 \$m	High for period Sep 01 \$m	Low for period Sep 01 \$m	Ave for period Sep 01 \$m	As at Sep 00 \$m	High for period Sep 00 \$m	Low for period Sep 00 \$m	Avg for period Sep 00 \$m
Value at risk at 97.5% confidence								
Foreign exchange	1.6	2.8	0.8	1.3	0.9	2.2	0.7	1.2
Interest rate	1.6	4.8	1.5	2.8	2.9	5.1	2.1	3.4
Diversification benefit	(0.3)	(2.5)	(0.4)	(0.9)	(1.1)	(1.3)	(0.1)	(0.2)
Total	2.9	5.1	1.9	3.2	2.7	6.0	2.7	4.4

VaR is calculated separately for Foreign Exchange/Commodities and for Interest Rate/Debt Markets businesses as well as Total Group. The diversification benefit reflects the correlation implied by historical rates between Foreign Exchange/Commodities and Interest Rate/Debt Markets.

Non-Traded Market Risks (Balance Sheet Risk)

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

Interest Rate Risk

The objective of balance sheet interest rate risk management is to secure stable and optimal net interest income over both the short (next 12 months) and long term. Non-traded interest rate risk relates to the potential adverse impact of changes in market interest rates on the Group's future net interest income. This risk arises from two principal sources: mismatches between the repricing dates of interest bearing assets and liabilities; and the investment of capital and other non-interest bearing liabilities in interest bearing assets. Interest rate risk is reported as follows using three measures: VaR, scenario analysis (to a 1% shock) and disclosure of the interest rate sensitivity gap (Note 36).

35: Market Risk (continued)**a) VaR Interest Rate Risk**

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

	As at Sep 01 \$m	High for period Sep 01 \$m	Low for period Sep 01 \$m	Ave for period Sep 01 \$m	As at Sep 00 \$m	High for period Sep 00 \$m
Value at risk at 97.5% confidence						
ANZ (ex Grindlays)	44.7	48.0	31.5	39.7	42.0	44.5
Grindlays	–	–	–	–	–	2.6
Diversification impact	–	–	–	–	–	(2.8)
Total	44.7	48.0	31.5	39.7	42.0	44.3

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

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

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

	Impact of 1% Rate Shock Consolidated Group Position 2001		2000	
As at 30 September	(0.01%)	(0.22%)		
Maximum exposure (in absolute terms)	1.47%	0.75%		
Minimum exposure (in absolute terms)	0.01%	0.00%		
Average exposure (in absolute terms)	0.50%	0.37%		

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

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

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

Foreign Currency Related Risks

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

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

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

36: Interest Sensitivity Gap

The following table represents the interest rate sensitivity as at 30 September 2001 of the Group's assets, liabilities and off balance sheet instruments repricing (that is, when interest rates applicable to each asset or liability can be changed) in the periods shown.

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

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

	Less than 3 months \$m	Between 3 months and 6 months \$m	Between 6 months and 12 months \$m	Between 1 year and 5 years \$m	After 5 years \$m	Not bearing interest \$m	Total \$m
At 30 September 2001							
Liquid assets and due from							
other financial institutions	9,343	1,264	217	3	23	1,773	12,623
Trading and investment securities	5,531	815	343	1,484	23	118	8,314
Net loans and advances	90,137	8,045	7,774	18,332	594	(1,225)	123,657
Other assets	699	106	78	265	72	39,679	40,899
Total assets	105,710	10,230	8,412	20,084	712	40,345	185,493
Certificates of deposit							
and term deposits	33,270	3,856	3,163	2,467	15	–	42,771
Other deposits	35,167	728	874	3,966	17	4,272	45,024
Other borrowings and due to							
other financial institutions	19,683	3,609	2,510	1,780	–	2,187	29,769
Other liabilities	170	1	1	21	71	37,943	38,207
Bonds, notes and loan capital	11,576	1,151	474	5,381	589	–	19,171
Total liabilities	99,866	9,345	7,022	13,615	692	44,402	174,942
Shareholders' equity and							
outside equity interests	–	–	–	–	–	10,551	10,551
Off balance sheet items affecting							
interest rate sensitivity	(2,339)	(7,218)	(23)	10,182	(602)	–	–
Interest sensitivity gap							
– net	3,505	(6,333)	1,367	16,651	(582)	(14,608)	–
– cumulative	3,505	(2,828)	(1,461)	15,190	14,608	–	–

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

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

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

36: Interest Sensitivity Gap (continued)

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

At 30 September 2000	Less than 3 months \$m	Between 3 months and 6 months \$m	Between 6 months and 12 months \$m	Between 1 year and 5 years \$m	After 5 years \$m	Not bearing interest \$m	Total \$m
Liquid assets and due from other financial institutions	8,899	443	1,092	34	36	966	11,470
Trading and investment securities	4,244	428	792	667	325	676	7,132
Net loans and advances	85,771	6,179	7,595	16,972	514	(716)	116,315
Other assets	47	279	690	285	82	36,167	37,550
Total assets	98,961	7,329	10,169	17,958	957	37,093	172,467
Certificates of deposit and term deposits	32,430	3,964	4,863	2,246	22	–	43,525
Other deposits	28,785	395	791	3,556	–	4,821	38,348
Other borrowings and due to other financial institutions	20,239	4,662	3,606	2,036	113	320	30,976
Other liabilities	872	1	1	–	18	35,713	36,605
Bonds, notes and loan capital	7,968	1,179	214	2,351	1,494	–	13,206
Total liabilities	90,294	10,201	9,475	10,189	1,647	40,854	162,660
Shareholders' equity and outside equity interests	–	–	–	–	–	9,807	9,807
Off balance sheet items affecting interest rate sensitivity	(10,598)	1,413	2,354	5,957	874	–	–
Interest sensitivity gap							
– net	(1,931)	(1,459)	3,048	13,726	184	(13,568)	–
– cumulative	(1,931)	(3,390)	(342)	13,384	13,568	–	–

37: Net Fair Value of Financial Instruments

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

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

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

The fair values are based on relevant information available as at 30 September 2001. While judgement is used in obtaining the net fair value of financial instruments, there are inherent weaknesses in any estimation technique. Many of the estimates involve uncertainties and matters of significant judgement, and changes in underlying assumptions could significantly affect these estimates. Furthermore, market prices or rates of discount are not available for many of the financial instruments valued and surrogates have been used which may not reflect the price that would apply in an actual sale.

The net fair value amounts have not been updated for the purposes of these financial statements since 30 September 2001, and therefore the net fair value of the financial instruments subsequent to 30 September 2001 may be different from the amounts reported.

Financial Assets	Net fair value		Carrying value	
	2001 \$m	2000 \$m	2001 \$m	2000 \$m
Liquid assets	7,794	5,648	7,794	5,648
Due from other financial institutions	4,829	5,822	4,829	5,822
Trading securities	4,827	4,126	4,827	4,126
Investment securities and shares in associates	3,595	3,011	3,551	3,035
Loans and advances	125,687	117,661	123,657	116,315
Customers' liabilities for acceptances	14,324	15,482	14,324	15,482
Other financial assets	24,061	19,189	23,305	19,013

Liquid assets and Due from other financial institutions

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

Trading securities

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

Investment securities and Shares in associates

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

Loans, advances and Customers' liabilities for acceptances

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

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

The difference between estimated net fair values of loans, advances and acceptances and carrying value reflects changes in interest rates and the credit worthiness of borrowers since loan origination.

Net lease receivables, with a carrying value of \$3,249 million (2000: \$3,042 million) and a net fair value of \$3,259 million (2000: \$3,116 million), are included in loans and advances.

37: Net Fair Value of Financial Instruments (continued)**Other financial assets**

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

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

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

Financial Liabilities	Net fair value		Carrying value	
	2001 \$m	2000 \$m	2001 \$m	2000 \$m
Due to other financial institutions	12,690	12,247	12,690	12,247
Deposits and other borrowings	105,041	100,563	104,874	100,602
Liability for acceptances	14,324	15,482	14,324	15,482
Bonds and notes	15,525	9,515	15,340	9,519
Loan capital	3,888	3,743	3,831	3,687
Other financial liabilities	15,755	13,137	15,513	12,893

Due to other financial institutions

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

Deposits and other borrowings

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

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

Bonds and notes and Loan capital

The aggregate net fair value of bonds and notes and loan capital at 30 September 2001 was calculated based on quoted market prices. For those debt issues where quoted market prices were not available, a discounted cash flow model using a yield curve appropriate for the remaining term to maturity of the instrument was used.

Other financial liabilities

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

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

Commitments and contingencies

As outlined in note 46, the Group has various credit related commitments. Based upon the level of fees currently charged for granting such commitments, taking into account maturity and interest rates, together with any changes in the creditworthiness of counterparties since origination of the commitments, their estimated replacement or net fair value is not material.

Transaction costs

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

38: Derivative Financial Instruments**Derivatives**

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

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

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

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

38: Derivative Financial Instruments (continued)**Credit risk**

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

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

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

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

	Notional principal amount 2001 \$m	Credit equivalent amount 2001 \$m	Fair value 2001 \$m	Notional principal amount 2000 \$m	Credit equivalent amount 2000 \$m	Fair value 2000 \$m
Consolidated						
Foreign exchange contracts						
Spot and forward contracts	274,880	7,312	2,171	170,328	6,731	507
Swap agreements	34,507	3,519	959	28,106	3,073	1,222
Options purchased	13,586	1,068	834	12,661	1,037	904
Options sold ¹	13,481	n/a	(614)	12,956	n/a	(457)
Other contracts	3,776	580	363	4,368	411	90
	340,230	12,479	3,713	228,419	11,252	2,266
Interest rate contracts						
Forward rate agreements	68,997	84	13	51,817	36	5
Swap agreements	278,192	3,818	519	230,885	2,674	(247)
Futures contracts ²	97,825	n/a	(9)	52,127	n/a	(7)
Options purchased	8,067	65	76	8,857	46	31
Options sold ¹	11,766	n/a	(89)	6,789	n/a	(4)
	464,847	3,967	510	350,475	2,756	(222)
	805,077	16,446	4,223	578,894	14,008	2,044

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

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

38: Derivative Financial Instruments (continued)

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

Consolidated	Remaining life			Total \$m	Trading \$m	Other than Trading \$m
	Less than 1 year \$m	1 to 5 years \$m	Greater than 5 years \$m			
At 30 September 2001						
Foreign exchange contracts						
Spot and forward contracts	261,717	12,664	499	274,880	267,332	7,548
Swap agreements	10,581	18,090	5,836	34,507	11,123	23,384
Options purchased	11,294	2,029	263	13,586	13,586	–
Options sold	11,597	1,590	294	13,481	13,481	–
Other contracts	897	2,439	440	3,776	3,776	–
	296,086	36,812	7,332	340,230	309,298	30,932
Interest rate contracts						
Forward rate agreements	62,237	6,760	–	68,997	67,006	1,991
Swap agreements	126,912	114,695	36,585	278,192	242,082	36,110
Futures contracts	86,079	11,746	–	97,825	97,825	–
Options purchased	3,453	4,460	154	8,067	8,067	–
Options sold	11,319	442	5	11,766	11,766	–
	290,000	138,103	36,744	464,847	426,746	38,101
Total	586,086	174,915	44,076	805,077	736,044	69,033
At 30 September 2000						
Foreign exchange contracts						
Spot and forward contracts	162,336	7,506	486	170,328	162,944	7,384
Swap agreements	11,696	13,394	3,016	28,106	11,960	16,146
Options purchased	9,540	2,853	268	12,661	12,661	–
Options sold	10,349	2,436	171	12,956	12,956	–
Other contracts	2,174	1,806	388	4,368	4,368	–
	196,095	27,995	4,329	228,419	204,889	23,530
Interest rate contracts						
Forward rate agreements	49,373	2,444	–	51,817	51,719	98
Swap agreements	117,568	82,930	30,387	230,885	196,010	34,875
Futures contracts	41,726	10,401	–	52,127	52,127	–
Options purchased	5,306	3,384	167	8,857	8,857	–
Options sold	6,439	350	–	6,789	6,789	–
	220,412	99,509	30,554	350,475	315,502	34,973
Total	416,507	127,504	34,883	578,894	520,391	58,503

38: Derivative Financial Instruments (continued)

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

The following table shows the concentrations of credit risk, by class of counterparty and by geographic location, measured by credit equivalent amount. In excess of 55% (2000: 60%) of the Group's exposures are with counterparties which are either Australian banks or banks based in other OECD countries.

Consolidated				
	OECD governments \$m	Australian and OECD banks \$m	Corporations, non-OECD banks and others \$m	Total \$m
At 30 September 2001				
Australia	566	5,662	5,372	11,600
New Zealand	17	600	374	991
Overseas markets	2	3,425	428	3,855
	585	9,687	6,174	16,446
At 30 September 2000				
Australia	540	5,694	4,276	10,510
New Zealand	23	674	500	1,197
Overseas markets	2	2,011	288	2,301
	565	8,379	5,064	14,008

38: Derivative Financial Instruments (continued)

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

Consolidated	Other than Trading	Fair value	Trading	Fair value	Trading	Fair value
	Fair value as at 2001 \$m	as at 2000 \$m	Fair value as at 2001 \$m	as at 2000 \$m	Average 2001 \$m	Average 2000 \$m
Foreign exchange contracts						
Spot and forward contracts						
Gross unrealised gains	1,514	282	2,964	4,323	4,679	2,782
Gross unrealised losses	(41)	(62)	(2,266)	(4,036)	(4,252)	(2,164)
Swap agreements						
Gross unrealised gains	1,821	2,008	249	297	540	655
Gross unrealised losses	(33)	(84)	(1,078)	(999)	(1,063)	(836)
Options purchased	–	–	834	904	896	518
Options sold	–	–	(614)	(457)	(529)	(326)
Other contracts						
Gross unrealised gains	–	–	417	214	204	166
Gross unrealised losses	–	–	(54)	(124)	(142)	(144)
	3,261	2,144	452	122	333	651
Interest rate contracts						
Forward rate agreements						
Gross unrealised gains	6	1	44	22	34	25
Gross unrealised losses	(19)	–	(18)	(19)	(34)	(18)
Swap agreements						
Gross unrealised gains	470	347	2,379	1,486	2,339	1,886
Gross unrealised losses	(217)	(191)	(2,113)	(1,889)	(2,086)	(2,180)
Futures contracts						
Gross unrealised gains	–	–	84	18	80	18
Gross unrealised losses	–	–	(93)	(25)	(82)	(23)
Options purchased	–	–	76	31	50	4
Options sold	–	–	(89)	(3)	(56)	(3)
	240	157	270	(379)	245	(291)
Total	3,501	2,301	722	(257)	578	360

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

38: Derivative Financial Instruments (continued)

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

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

Consolidated	Notional principal amount 2001 \$m	Credit equivalent amount 2001 \$m	Fair value 2001 \$m	Notional principal amount 2000 \$m	Credit equivalent amount 2000 \$m	Fair value 2000 \$m
Foreign exchange contracts						
Customer-related and trading purposes	309,298	8,366	452	204,889	8,265	122
Other than trading purposes	30,932	4,113	3,261	23,530	2,987	2,144
	340,230	12,479	3,713	228,419	11,252	2,266
Interest rate contracts						
Customer-related and trading purposes	426,746	3,395	270	315,502	2,446	(379)
Other than trading purposes	38,101	572	240	34,973	310	157
	464,847	3,967	510	350,475	2,756	(222)
Total	805,077	16,446	4,223	578,894	14,008	2,044

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

Consolidated	Foreign Exchange Contracts		Interest Rate Contracts		Total	
	2001 \$m	2000 \$m	2001 \$m	2000 \$m	2001 \$m	2000 \$m
Expected recognition in income						
Within one year	(22)	(10)	183	(1)	161	(11)
One to two years	(36)	(10)	143	(23)	107	(33)
Two to five years	(46)	(34)	190	(23)	144	(57)
Greater than five years	–	–	101	32	101	32
	(104)	(54)	617	(15)	513	(69)

39: Securitisation

During the year ended 30 September 2001, the Group securitised residential mortgage loans amounting to \$2,470 million (2000: \$500 million) and commercial loans amounting to \$190 million (2000: nil).

These loans have been removed from the Group's balance sheet and transferred to third party special purpose entities (SPE's).

The Group retains servicing and (for some loans) custodian responsibilities for the loans sold. Following a securitisation, the Group receives fees for servicing the loans, custodian fees, fees for facilities provided and any excess income derived by the SPE after interest has been paid to investors and net credit losses and expenses absorbed.

The Group does not hold any material retained interest in the loans that have been sold. There is no recourse against the Group if cash flows from the securitised loans are inadequate to service the obligations of the SPE except to the limited extent provided in the transaction documents through the provision of arms length services and facilities.

The securities issued by the SPE's do not represent deposits or other liabilities of the Company or the Group. Neither the Company nor the Group in any way stands behind the capital value and/or performance of the securities or the assets of the SPE's except to the limited extent provided in the transaction documents through the provision of arms length services and facilities.

The Group may also provide liquidity facilities and other forms of credit enhancement to ensure adequate funds are available to the SPE's. The facilities are undrawn and are classified as contingent liabilities. The Group also provides hedging facilities to the SPE's to mitigate interest rate and currency risks. All these transactions are completed on an arms length basis.

The following table summarises the cash flows between the Group and the SPE's in respect of securitisation activities.

	2001 \$m	2000 \$m
Proceeds from securitising loans	2,660	500
Servicing fees received	2	–
Other cash inflows	6	#

Amounts less than \$500,000

40: Life Insurance

	Consolidated	
	2001 \$m	2000 \$m
Reconciliation of Life Insurance margin on services operating income to profit after income tax:		
Premium and related revenue	1,600	1,689
Investment revenue	20	369
Claims expense	(1,330)	(1,249)
Insurance policy liabilities expense	(100)	(634)
Life insurance margin on services operating income	190	175
Operating expenses	(105)	(73)
Profit before income tax	85	102
Income tax expense	(47)	(53)
Profit after income tax	38	49
Profit after income tax arose from:		
Movements in policy liabilities separated between:		
Planned margin of revenues over expenses released	36	36
Difference between actual and assumed experience	(11)	(4)
Investment earnings on assets in excess of policy liabilities	13	17
Profit after income tax	38	49

41: Segment Analysis

For management purposes the Group is organised on a business basis into three major operating divisions being Personal, Corporate and International and Subsidiaries. Corporate Centre, Technology and Finance combines the central support and shared service units of the Group, including the results of asset and liability management and earnings on central capital. Each segment is identified by the type of products and services it provides to various customers. A description of each of the operating business segments, including the types of products and services that the segment provides to customers, is detailed in the Glossary on page 89.

The following analysis details financial information by business segment.

Business Segment Analysis^{1,2}

Consolidated 30 September 2001	Personal \$m	Corporate \$m	International and Subsidiaries ³ \$m	Corporate Centre, Technology and Finance \$m	Discontinued Businesses \$m	Consolidated Total \$m
Total income ¹	6,306	4,524	1,977	48	8	12,863
Net interest income	2,196	819	615	174	29	3,833
Other external operating income	951	1,140	508	31	(18)	2,612
Net intersegment income	118	(36)	(91)	9	-	-
Operating income	3,265	1,923	1,032	214	11	6,445
Other external operating expenses	(1,372)	(594)	(417)	(750)	2	(3,131)
Net intersegment expenses	(359)	(146)	(83)	593	(5)	-
Operating expenses	(1,731)	(740)	(500)	(157)	(3)	(3,131)
Profit before debt provision	1,534	1,183	532	57	8	3,314
Provision for doubtful debts	(205)	(178)	(91)	(42)	(15)	(531)
Income tax and outside equity interests	(450)	(268)	(157)	(33)	(5)	(913)
Net profit after income tax	879	737	284	(18)	(12)	1,870
Total assets	73,528	68,191	26,416	16,270	1,088	185,493
Total liabilities	40,228	58,818	26,978	47,950	968	174,942

Consolidated 30 September 2000	Personal \$m	Corporate \$m	International and Subsidiaries ³ \$m	Corporate Centre, Technology and Finance \$m	Discontinued Businesses and Abnormals ⁴ \$m	Consolidated Total \$m
Total income ¹	5,517	4,041	1,789	1,743	941	14,031
Net interest income	1,985	723	613	143	337	3,801
Other external operating income	869	1,004	446	27	1,444	3,790
Net intersegment income	146	(45)	(92)	(9)	-	-
Operating income	3,000	1,682	967	161	1,781	7,591
Other external operating expenses	(1,332)	(574)	(450)	(709)	(1,235)	(4,300)
Net intersegment expenses	(374)	(141)	(40)	596	(41)	-
Operating expenses	(1,706)	(715)	(490)	(113)	(1,276)	(4,300)
Profit before debt provision	1,294	967	477	48	505	3,291
Provision for doubtful debts	(192)	(153)	(87)	(8)	(62)	(502)
Income tax and outside equity interests	(391)	(212)	(170)	24	(293)	(1,042)
Net profit after income tax	711	602	220	64	150	1,747
Total assets	66,896	65,161	24,372	15,129	909	172,467
Total liabilities	36,004	50,705	25,325	48,442	2,184	162,660

¹ Results are 'Equity standardised'. See definition on page 89.

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

³ Includes Investment Management and Asset Finance.

⁴ Includes results of Grindlays and associated businesses sold on 31 July 2000 to Standard Chartered Bank.

41: Segment Analysis (continued)

The Group operates in Australia, New Zealand and Overseas markets. Overseas operations are conducted in UK and Europe, Asia Pacific and Americas.

The following analysis details financial information by geographic location.

Geographic Segment Analysis^{5,6}

Consolidated	2001		2000		1999	
	\$m	%	\$m	%	\$m	%
Income⁷						
Australia	9,046	70	7,991	57	6,867	62
New Zealand	2,024	16	1,843	13	1,624	15
Overseas markets	1,793	14	4,197	30	2,570	23
	12,863	100	14,031	100	11,061	100
Total assets						
Australia	133,035	72	127,306	74	107,551	71
New Zealand	22,337	12	20,354	12	19,730	13
Overseas markets	30,121	16	24,807	14	25,520	16
	185,493	100	172,467	100	152,801	100

⁵ Intersegment transfers are accounted for and determined on arms length basis

⁶ The geographic segments represent the locations in which the transaction was booked

⁷ 2000 and 1999 includes abnormal items

42: Notes to the Statements of Cash Flows

	2001 \$m	Consolidated 2000 \$m	1999 \$m	2001 \$m	The Company 2000 \$m
a) Reconciliation of net profit after income tax to net cash provided by operating activities		Inflows (Outflows)		Inflows (Outflows)	
Net profit after income tax	1,870	1,747	1,480	1,610	2,307
Adjustments to reconcile net profit after income tax to net cash provided by operating activities					
Provision for doubtful debts	531	502	510	414	353
Depreciation and amortisation	181	186	195	111	116
Provision for employee entitlements, restructuring and other provisions	300	1,354	272	221	1,152
Payments from provisions	(288)	(297)	(290)	(179)	(187)
(Profit) on sale of premises and equipment	(1)	(17)	(13)	(2)	(2)
Provision for surplus lease space	-	(7)	1	-	(7)
(Profit) on sale of controlled entities and associates	-	(1,239)	-	-	(331)
Net decrease (increase)	(629)	(25)	1,442	(987)	(511)
Trading securities	137	(325)	78	254	(415)
Interest receivable	(34)	23	(8)	(31)	17
Net debit tax balances	88	286	95	(20)	324
Amortisation of discounts/premiums included in interest income	(52)	(67)	(73)	(5)	(4)
Net increase (decrease)	(285)	332	(10)	(283)	449
Interest payable	(42)	89	15	117	111
Accrued expenses	73	(74)	-	(6)	(23)
Other					
Total adjustments	(21)	721	2,214	(396)	1,042
Net cash provided by operating activities	1,849	2,468	3,694	1,214	3,349

b) Reconciliation of cash and cash equivalents¹

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

	2001 \$m	Consolidated 2000 \$m	1999 \$m	2001 \$m	The Company 2000 \$m
Liquid assets – less than 90 days	5,504	2,662	4,243	3,692	1,404
Due from other financial institutions – less than 90 days	3,567	3,800	2,391	3,055	3,320
	9,071	6,462	6,634	6,747	4,724

¹ At 30 September 2001, cash and cash equivalents totalling nil (2000: \$2 million; 1999: \$357 million) were not available for use outside the local operations of India - nil (2000: \$2 million; 1999: \$123 million), Pakistan - nil (2000: nil; 1999: \$137 million), Bangladesh - nil (2000: nil; 1999: \$77 million), Sri Lanka - nil (2000: nil; 1999: \$2 million) and Nepal - nil (2000: nil; 1999: \$18 million) due to exchange control regulations

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

	2001 \$m	Consolidated 2000 \$m	1999 \$m
c) Acquisitions and disposals¹			
Details of aggregate assets and liabilities of controlled entities and branches acquired, and disposed of, by the Group are as follows:			
Fair value of net assets acquired			
Net loans and advances	408	–	–
Trading securities	4	–	–
Other assets	30	4	–
Premises and equipment	5	14	–
Creditors and other liabilities	(11)	(6)	–
Deposits and other borrowings	(348)	(9)	–
Income tax liability	(42)	(2)	–
Fair value of net assets acquired	46	1	–
Goodwill on acquisition	5	42	–
Consideration paid	51	43	–
Cash consideration paid	36	43	–
Fair value of net assets disposed			
Liquid assets	99	520	–
Due from other financial institutions	–	338	–
Trading securities	–	107	–
Investment securities	–	1,592	–
Net loans and advances	–	6,028	–
Customers' liabilities for acceptances	–	250	–
Regulatory deposits	–	661	–
Shares in controlled entities and associates	–	60	–
Other assets	–	3,333	–
Premises and equipment	–	272	–
Due to other financial institutions	–	(808)	–
Deposits and other borrowings	–	(10,589)	–
Liability for acceptances	–	(250)	–
Income tax liability	–	11	–
Creditors and other liabilities	–	(295)	–
Provisions	–	(25)	–
Loan capital	–	(76)	–
Fair Value of net assets disposed	99	1,129	–
Net profit on disposal	–	1,239	–
Consideration received/receivable	99	2,368	–
Cash consideration received	99	2,368	–

¹ For details on acquisitions and disposals refer to Note 18

d) Non-cash financing and investing activities

	2001 \$m	Consolidated 2000 \$m	1999 \$m	2001 \$m	The Company 2000 \$m
Share capital issues					
Dividend reinvestment plan	86	236	176	86	236

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

	2001		2000	
	Available \$m	Unused \$m	Available \$m	Unused \$m
e) Financing arrangements				
Financing arrangements which are available under normal financial arrangements				
Credit standby arrangements				
Standby lines	1,048	188	710	436
Other financing arrangements				
Overdrafts and other financing arrangements	1,273	64	880	92
Total finance available	2,321	252	1,590	528

43: Controlled Entities

	Incorporated in	Nature of Business
All controlled entities are 100% owned unless otherwise noted.		
The material controlled entities of the Group are		
Australia and New Zealand Banking Group Limited		Banking
ANZCover Insurance Pty Ltd	Australia	Insurance
ANZ Executors & Trustee Company Limited	Australia	Trustee/Nominee
ANZ Funds Pty Ltd	Australia	Holding Company
ANZ Holdings (New Zealand) Limited *	New Zealand	Holding Company
EFTPOS New Zealand Limited*	New Zealand	Eftpos Service Provider
ANZ Banking Group (New Zealand) Limited *	New Zealand	Banking
Tui Securities Limited *	New Zealand	Investment
UDC Finance Limited *	New Zealand	Finance
Endeavour Finance Limited *	New Zealand	Finance
Tui Endeavour Limited *	New Zealand	Finance
ANZ International Private Limited *	Singapore	Finance
ANZ Singapore Limited *	Singapore	Merchant Banking
Minerva Holdings Limited *	England	Holding Company
ANZEF Limited *	England	Export Finance
ANZ Lenders Mortgage Insurance Pty Limited	Australia	Mortgage Insurance
ANZ Holdings Pty Ltd	Australia	Property Owner
ANZ Investment Holdings Pty Ltd	Australia	Investment
530 Collins Street Property Trust	Australia	Investment Activities
ANZ Life Assurance Company Limited	Australia	Life Assurance
ANZ Managed Investments Limited	Australia	Investment Services
ANZ Properties (Australia) Pty Ltd	Australia	Property Owner
ANZ Securities (Holdings) Limited	Australia	Holding Company
Australia and New Zealand Banking Group (PNG) Limited *	Papua New Guinea	Banking
Esanda Finance Corporation Limited	Australia	General Finance
Fleet Partners Pty Limited	Australia	Finance
ANZ Capel Court Limited	Australia	Investment Banking
PT ANZ Panin Bank *¹	Indonesia	Banking
US Distribution Trust I	USA	Investment
US Distribution Trust II	USA	Investment
Alliance Holdings Limited	Australia	Investment
NMRSB Pty Ltd	Australia	Investment

* Audited by overseas KPMG firms

¹ Outside equity interests hold ordinary shares or units in the controlled entities listed above as follows:

PT ANZ Panin Bank – 7,500 IDR 1M shares (15%) (2000: 7,500 IDR 1M shares (15%))

44: Associates

Significant associates of the Group are as follows:

	Interest held	Incorporated in	Carrying Value \$m	Principal activity
PT Panin Indonesia Bank ¹	11%	Indonesia	37	Banking
ECard Pty Ltd ²	20%	Australia	10	Smart Cards
Alto Plastics Limited ³	25%	New Zealand	6	Manufacturing
Motion Industries Limited ⁴	25%	New Zealand	6	Manufacturing
Other associates			5	
Total shares in associates			64	

¹ An associate from 1 April 2001. In addition the Group holds options over a further 18% of PT Panin Indonesia Bank

² An associate from 1 June 2000

³ An associate from 31 October 2000

⁴ An associate from 1 April 2001

45: Commitments

	Consolidated		The Company	
	2001 \$m	2000 \$m	2001 \$m	2000 \$m
Capital expenditure				
Contracts for outstanding capital expenditure				
Not later than 1 year	32	23	9	4
Later than 1 year but not later than 5 years	1	12	–	–
Total capital expenditure commitments	33	35	9	4
Lease rentals				
Future rentals in respect of leases				
Land and buildings				
Not later than 1 year	133	127	110	105
Later than 1 year but not later than 5 years	359	302	290	246
Later than 5 years	471	401	450	385
	963	830	850	736
Furniture and equipment				
Not later than 1 year	9	6	4	5
Later than 1 year but not later than 5 years	17	4	14	4
	26	10	18	9
Total lease rental commitments	989	840	868	745
Total commitments	1,022	875	877	749

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

46: Contingent Liabilities and Credit Related Commitments**Credit related commitments**

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

	Consolidated		The Company		Controlled Entities	
	2001 Contract amount \$m	2000 Contract amount \$m	2001 Contract amount \$m	2000 Contract amount \$m	2001 Contract amount \$m	2000 Contract amount \$m
Undrawn facilities	56,766	48,816	49,751	42,927	7,014	5,889
Underwriting facilities	210	271	54	54	156	217
	56,976	49,087	49,805	42,981	7,170	6,106

Contingent liabilities

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

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

	Consolidated		The Company		Controlled Entities	
	2001 Contract amount \$m	2000 Contract amount \$m	2001 Contract amount \$m	2000 Contract amount \$m	2001 Contract amount \$m	2000 Contract amount \$m
Guarantees	4,496	3,315	4,417	3,265	79	50
Standby letters of credit	1,412	1,182	1,329	1,159	83	23
Bill endorsements	430	280	430	280	–	–
Documentary letters of credit	1,396	1,680	1,274	1,535	122	145
Performance related contingents	9,174	9,342	9,049	9,214	125	128
Other ¹	1,930	1,546	1,874	1,472	56	74
Total contingent liabilities	18,838	17,345	18,373	16,925	465	420

¹ In addition the Group had no equity underwriting commitments at 30 September 2001 (2000: nil) which are classified as market risk exposures

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

(i) Clearing and Settlement Obligations

In accordance with the clearing and settlement arrangements set out in the Australian Payments Clearing Association Limited (APCA) Regulations for the Australian Paper Clearing System, the Bulk Electronic Clearing System and the High Value Clearing System (HVCS) and in the Austraclear System Regulations, the Company has a commitment to participate in loss-sharing arrangements in the event of a failure to settle by a member institution. For both the APCA HVCS and Austraclear, the obligation arises only in limited circumstances.

(ii) The Group will indemnify each customer of controlled entities engaged in nominee activities against loss suffered by reason of such entities failing to perform any obligation undertaken by them to a customer.**(iii) 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.

(iv) Tax Audit

The ANZ Group in Australia is being audited by the Australian Taxation Office (ATO) as part of normal ATO procedure. The Group has received various 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.

46: Contingent Liabilities and Credit Related Commitments (continued)

(v) 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), the Group 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 the Group has provided SCB and/or Grindlays with certain indemnities. Those indemnities under which the Group remains exposed as at 30 September 2001 are:

- › 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 USD 144 million; 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 the Group to pay SCB for losses that Grindlays incurs as a result of certain claims that have been or may be made against Grindlays and its officers in India. Under the terms of the Indian Indemnity, the Group will have control of matters for which it is potentially liable. No settlement offer can be made or paid by Grindlays without the prior agreement of the Group. The Group 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 the Group is liable under the Indian Indemnity are set out below.

(a) National Housing Bank Litigation

In 1992 Grindlays in India received a claim, aggregating approximately Indian Rupees 5.06 billion (\$216 million at 30 September 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 (\$389 million at 30 September 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. ANZ expects the hearing of this appeal to commence during November 2001.

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. In response to a claim under the Indian Indemnity the Group provided to SCB funds equivalent to the deposit with the State Bank of India. The Group has made adequate provision for potential liabilities arising from this litigation.

(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 (at rates at date of sale) 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.

(vi) Pursuant to class order 98/1418 dated 13 August 1998, relief was granted on 21 August 2001 to a number of wholly owned controlled entities from the Corporations Act 2001 requirements for preparation, audit, and publication of financial statements. The entities to which relief was granted are

ANZ Properties (Australia) Pty Ltd	Binnstone Traders Pty Limited
Alliance Holdings Limited	Deori Pty Ltd
ANZ Capital Hedging Pty Ltd	ES&A Holdings Pty Ltd
ANZ Funds Pty Ltd	NMRSB Pty Ltd
ANZ Nominees Limited	Jikk Pty Ltd
ANZ Rural Products Pty Ltd	LFD Limited

46: Contingent Liabilities and Credit Related Commitments (continued)

It is the condition of the class order that the Company and each of the above controlled entities enter into a Deed of Cross Guarantee. A Deed of Cross Guarantee under the class order was lodged and approved by the Australian Securities and Investments Commission. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up any of the controlled entities under certain provisions of the Corporations Act 2001. The Company will only be liable in the event that after six months any creditor has not been paid in full. The controlled entities have also given similar guarantees in the event that the Company is wound up. The consolidated statement of financial performance and consolidated statement of financial position of the Company and its wholly owned controlled entities which have entered into the Deed of Cross Guarantee are:

	2001 \$m	Consolidated 2000 \$m
Profit before tax	2,841	3,177
Income tax expense	(674)	(788)
Profit after income tax	2,167	2,389
Retained profits at start of year ¹	3,363	1,876
Total available for appropriation	5,530	4,265
Ordinary share dividends provided for or paid	(1,062)	(941)
Retained profits at end of year	4,468	3,324
Assets		
Liquid assets	6,032	5,033
Investment securities	2,512	2,674
Net loans and advances	93,482	87,886
Other assets	47,396	49,286
Premises and equipment	1,070	927
Total assets	150,492	145,806
Liabilities		
Deposits and other borrowings	76,552	74,618
Income tax liability	989	987
Creditors and other liabilities	61,004	59,002
Provisions	1,981	1,872
Total liabilities	140,526	136,479
Net assets	9,966	9,327
Shareholders' equity	9,966	9,327

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

(vii) The Company has guaranteed payment on maturity of the principal and accrued interest of commercial paper notes issued by ANZ (Delaware) Inc. of \$4,059 million (2000: \$4,454 million).

(viii) The Company is party to an underpinning agreement with ANZ Banking Group (New Zealand) Limited whereby the Company undertakes to assume risk in relation to credit facilities extended by ANZ Banking Group (New Zealand) Limited to individual customers which exceed 35% of ANZ Banking Group (New Zealand) Limited's capital base.

(ix) The Company is party to an underpinning agreement with Australia and New Zealand Banking Group (PNG) Limited whereby the Company undertakes to assume risk in relation to credit facilities extended by Australia and New Zealand Banking Group (PNG) Limited to individual customers which exceed 50% of Australia and New Zealand Banking Group (PNG) Limited's capital base.

(x) The Company has guaranteed, on a subordinated basis, the issue of \$255 million (2000: \$230 million) Subordinated Floating Rate Notes issued by ANZ Banking Group (New Zealand) Limited.

General

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

47: Superannuation Commitments

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

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

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

¹ These schemes provide for pension benefits

² These schemes provide for lump sum benefits

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

⁴ Closed to new members on 31 March 1990. Operates to make pension payments to retirees who were members of that section of the scheme

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

2001 Schemes	Employer's contribution \$m	Accrued benefits \$m	Net market value of assets held by scheme \$m	(Deficiency) excess of net market value of assets over accrued benefits \$m	Vested benefits \$m
ANZ Australian Staff Superannuation Scheme Pension Section Account ¹	–	48	50	2	48
ANZ UK Staff Pension Scheme ¹	–	943	1,228	285	904

2000 Schemes	Employer's contribution \$m	Accrued benefits \$m	Net market value of assets held by scheme \$m	(Deficiency) excess of net market value of assets over accrued benefits \$m	Vested benefits \$m
ANZ Australian Staff Superannuation Scheme Pension Section Account ²	2	50	52	2	50
ANZ UK Staff Pension Scheme ²	–	828	1,153	325	785

¹ Amounts were measured at 31 December 2000

² Amounts were measured at 31 December 1999

48: Fiduciary Activities

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

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

The aggregate amounts of funds concerned are as follows:

	2001 \$m	2000 \$m
Funds managed	15,810	15,546
Trusteeships	3,240	2,928
	19,050	18,474

49: Employee Share and Option Plans

The Company has five share purchase and option incentive plans available for employees and directors of the Group: the ANZ Employee Share Acquisition Plan; the ANZ Share Purchase Scheme; the ANZ Employee Share Save Scheme¹; the ANZ Share Option Plan and the ANZ Directors' Share Plan. Shareholders of the Company have approved the implementation of each of the current plans. Fully paid ordinary shares issued under these plans rank equally with other existing fully paid ordinary shares. During the year all partly paid ordinary shares were paid up in full.

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

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

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

The closing market price of one ordinary share at 30 September 2001 was \$15.98.

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

	The Company	
	2001 \$	2000 \$
Share capital	21,426,988	9,679,911
General reserve	(12,113)	(17,154)

ANZ Employee Share Acquisition Plan

All permanent employees who have had continuous service for one year with the Company or any of its controlled entities may be eligible to participate in a scheme enabling the issue of up to \$1,000 of shares to an employee in each financial year. During the financial year, 1,179,903 shares with an average issue price of \$14.91 were issued under the \$1,000 scheme.

Selected employees may also be issued deferred shares which vest in the employee after a qualifying period. Ordinary shares acquired under this plan are held in trust and have restrictions on their disposal. During the financial year, 4,756,024 (2000: 2,565,559, 1999: 2,610,129) deferred shares were issued under this Plan.

¹ The ANZ Employee Share Save Scheme is a scheme which operates under the ANZ Employee Share Acquisition Plan

49: Employee Share and Option Plans (continued)**ANZ Share Purchase Scheme**

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

At 30 September 2001, 1,997,500 fully paid ordinary shares remained subject to the rules of this scheme. No partly paid ordinary shares remain as all partly paid shares were paid up in full during the year.

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

10,000	ordinary shares at \$3.65 per share
20,000	ordinary shares at \$5.26 per share
15,000	ordinary shares at \$4.94 per share
8,000	ordinary shares at \$5.36 per share
10,000	ordinary shares at \$4.50 per share
10,000	ordinary shares at \$5.10 per share

ANZ Employee Share Save Scheme

Employees have the opportunity to request that a proportion of their income be directed to the purchase of ANZ shares. The amount they elect to contribute is deducted fortnightly and shares are purchased on market quarterly in arrears. The Company contributes 5% of the purchase price and pays for brokers fees and (prior to 1 July 2001) stamp duty. During the financial year 2,300 employees participated in the scheme and 184,118 shares were purchased.

ANZ Share Option Plan

Selected employees may be granted options which entitle them to purchase ordinary fully paid shares in the Company at a price fixed at the time when the options are issued.

16,365,860 options with a weighted average grant date fair value of \$3.11 were issued during the financial year and 505,056 options lapsed during the financial year.

At 30 September 2001, 27,179,658 options were outstanding under this scheme.

No. of options outstanding at 30 September 2001	Exercise price	Earliest exercise date	Expiry date
12,114	\$8.76	31 Jan 2000	30 Jan 2002 ²
9,635	\$8.76	14 Feb 2000	13 Feb 2002 ²
150,000	\$8.76	2 Jun 2000	1 Jun 2002 ²
39,524	\$11.45	23 Jan 2001	22 Jan 2003 ²
500,000	\$12.12	1 Feb 2000	1 Oct 2002 ²
500,000	\$11.40	1 Jun 2001	1 Oct 2002 ²
925,000	\$9.51	24 Feb 2001	23 Feb 2003 ^{1,2}
50,000	\$10.64	22 Jun 2001	21 Jun 2003 ^{1,2}
150,000	\$8.93	2 Oct 2001	1 Oct 2003 ¹
875,000	\$8.97	28 Oct 2001	27 Oct 2003 ¹
505,000	\$10.34	11 Dec 2001	10 Dec 2003 ¹
10,000	\$10.41	28 Jan 2002	27 Jan 2004 ¹
150,000	\$10.44	24 Feb 2002	23 Feb 2004 ¹
155,000	\$11.44	25 Mar 2002	24 Mar 2004 ¹
380,000	\$11.20	2 Jun 2002	1 Jun 2004 ¹
2,342,500	\$11.20	2 Jun 2002	1 Jun 2004
2,500	\$11.26	7 Jun 2002	6 Jun 2004
25,000	\$11.29	5 Jul 2002	4 Jul 2004 ¹
150,000	\$11.30	12 Jul 2002	11 Jul 2004 ¹
900,000	\$9.94	27 Oct 2002	26 Oct 2004 ¹
750,000	\$11.49	31 Dec 2002	31 Dec 2004 ¹
100,000	\$10.63	31 Jan 2003	30 Jan 2005 ¹
1,170,000	\$10.11	23 Feb 2003	22 Feb 2007 ¹
350,000	\$10.20	8 Mar 2003	7 Mar 2007 ¹
165,000	\$11.81	23 May 2003	22 May 2007 ¹
485,000	\$11.81	23 May 2003	22 May 2007
60,000	\$11.64	26 May 2003	25 May 2007 ¹
200,000	\$12.23	7 Jun 2003	6 Jun 2007 ¹
85,000	\$12.75	26 Sept 2003	25 Sept 2007
2,510,258	\$14.34	22 Nov 2003	21 Nov 2007 ¹
1,818,000	\$14.63	25 Oct 2003	7 Feb 2008
750,000	\$14.78	31 Dec 2003	31 Dec 2004 ¹

49: Employee Share and Option Plans (continued)

No. of options outstanding at 30 September 2001	Exercise price	Earliest exercise date	Expiry date
1,173,000	\$14.63	7 Feb 2004	7 Feb 2008
4,887,775	\$14.92	21 Feb 2004	20 Feb 2008
75,000	\$15.47	27 Feb 2004	26 Feb 2008 ¹
50,000	\$15.66	7 Mar 2004	6 Mar 2008 ¹
1,185,300	\$13.70	25 Apr 2004	24 Apr 2008 ¹
2,670,952	\$13.70	25 Apr 2004	24 Apr 2008
206,850	\$13.70	7 May 2004	6 May 2008
486,500	\$15.33	1 June 2004	31 May 2008
76,000	\$16.49	21 Aug 2004	20 Aug 2008 ¹
93,750	\$16.81	27 Aug 2004	26 Aug 2008 ¹

¹ subject to performance condition

² options exercisable as at 30 September 2001

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

The following options were exercised by employees and former employees during the financial year:

446,895	options exercised at \$ 8.76 per share	345,000	options exercised at \$11.20 per share
50,000	options exercised at \$ 8.93 per share	5,000	options exercised at \$11.26 per share
100,000	options exercised at \$ 8.97 per share	53,500	options exercised at \$11.45 per share
525,000	options exercised at \$ 9.51 per share	10,000	options exercised at \$11.81 per share
100,000	options exercised at \$ 9.94 per share	4,975	options exercised at \$13.70 per share
151,000	options exercised at \$10.11 per share	96,000	options exercised at \$14.34 per share
155,000	options exercised at \$10.34 per share	7,500	options exercised at \$14.63 per share
40,000	options exercised at \$10.63 per share	10,250	options exercised at \$14.92 per share
25,000	options exercised at \$10.76 per share		

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

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

As at the date of the Directors' Report, unexercised options over ordinary shares are as per the table above, adjusted for the exercise of the following options which were exercised by employees and former employees since the end of the financial year:

4,685	options exercised at \$ 8.76 per share	7,813	options exercised at \$11.45 per share
100,000	options exercised at \$ 8.93 per share	7,500	options exercised at \$11.81 per share
50,000	options exercised at \$ 8.97 per share	12,175	options exercised at \$13.70 per share
50,000	options exercised at \$10.64 per share	26,250	options exercised at \$14.63 per share
7,500	options exercised at \$11.20 per share	29,250	options exercised at \$14.92 per share
5,000	options exercised at \$11.44 per share		

For options granted in the current year the valuation is based on a numerical pricing method which takes into account the probability of achieving the performance hurdle required for these options to vest. The following significant assumptions were adopted to determine the fair value of options:

Weighted Average	2001	2000	1999
Risk free interest rate	6.33%	5.98%	5.40%
Life of options	6.9 years	6.2 years	5.0 years
Volatility of share price	24.96%	24.88%	24.85%
Dividend rate	4.66%	6.03%	5.19%

The following table provides information in respect of movements in the number of options and the weighted average exercise price:

	2001 Number	Weighted Average Exercise Price \$	2000 Number	Weighted Average Exercise Price \$	1999 Number	Weighted Average Exercise Price \$
Options outstanding at the start of the year	13,443,974	10.53	10,018,633	10.35	5,970,719	8.82
Options granted during the year	16,365,860	14.49	4,671,000	10.73	5,782,500	10.56
Options expired during the year	505,056	12.54	230,563	10.76	110,220	10.69
Options exercised during the year	2,125,120	10.08	1,015,096	9.54	1,624,366	5.49
Options outstanding at the end of the year	27,179,658	12.91	13,443,974	10.53	10,018,633	10.35

49: Employee Share and Option Plans (continued)**ANZ Directors' Share Plan**

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

The shares are purchased on market and are held upon trust for periods ranging from 1 to 10 years. The director selects the period. The shares may also be subject to forfeiture for serious misconduct. All costs associated with the Plan are met by the Company.

At 30 September 2001 219,550 shares were held under this Plan.

50: Related Party Disclosures

The directors during the year were:

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

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

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

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

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

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

(a) Transactions with directors and director-related entities**Shares and Share Options**

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

	The Company	
	2001 No.	2000 No.
Fully paid ordinary shares in the Company	258,333	–
Fully paid deferred shares in the Company	–	87,190
Options granted under the ANZ Share Option Plan	750,000	750,000

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

	2001 No.	2000 No.
Fully paid ordinary shares in the Company	1,040,116	868,867
Fully paid deferred shares in the Company	87,190	87,190
Share options over ordinary shares in the Company	2,500,000	1,750,000

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

50: Related Party Disclosures (continued)**Loans made to Directors**

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

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

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

The directors involved were:

S Armstrong ^{2,3}	M J Horn ^{3,4}
P Cromby ^{1,2}	D Horner ^{2,4}
D Fisher ³	J McFarlane ^{1,2,3,4}
G Fissenden ^{1,2}	N Merrick ^{1,2}
C B Goode ^{2,4}	B Poedijirahardjo ^{1,2}
A Hamid ³	M Rostain ^{1,2}
J Henderson ^{3,4}	G Tunstall ^{1,2,3,4}

¹ Repayments made during the year

² Loans made or outstanding during the year

³ Repayments made during the prior year

⁴ Loans made during the prior year

The aggregate amount of such loans outstanding at 30 September 2001 were:

	Consolidated		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Balance outstanding at 30 September	4,790	4,693	4,379	4,016
Total interest received	300	248	292	219
The aggregate amount of repayments received from directors and their director-related entities during the financial year was:				
Normal terms and conditions	516	–	516	–
Employee terms and conditions	27	76	–	–
The aggregate amount of loans made during the financial year was:				
Normal terms and conditions	879	2,132	879	2,132
Employee terms and conditions	68	278	–	–

Other transactions of Directors and Director-Related Entities**(i) Financial instrument transactions**

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

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

(ii) Transactions other than financial instrument transactions of banks

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

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

50: Related Party Disclosures (continued)**(b) Transactions with associated entities**

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

	Consolidated		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Aggregate				
Amounts receivable from associated entities	12,412	–	–	–
Interest revenue	896	–	–	–
Dividend revenue	12,400	4,920	–	–

51: Remuneration of Directors

Remuneration includes income from salaries, bonuses, other benefits (including non-cash benefits), retirement benefits and superannuation contributions. The maximum total remuneration for non-executive directors of the Company was set at the Annual General Meeting held on 21 January 1998 at \$1.5 million. Total fees paid to non-executive directors by the Company for the year were \$1.1 million (2000: \$1.0 million). Retirement benefits paid to directors of the Company are detailed in the Directors' Report.

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

	The Company	
	2001	2000
\$90,001 to \$100,000	1	1
\$100,001 to \$110,000	–	2
\$110,001 to \$120,000	4	2
\$180,001 to \$190,000	–	1
\$190,001 to \$200,000	1	–
\$320,001 to \$330,000	1	1
\$2,810,001 to \$2,820,000	–	1
\$3,090,001 to \$3,100,000	1	–
Total number of directors	8	8

	Consolidated		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Total income paid or payable to directors of the Company and controlled entities from the Company or related entity ¹	42,503	44,037	4,163	3,856

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

52: Remuneration of Executives

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

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

	Consolidated		The Company	
	2001	2000	2001	2000
\$130,001 to \$140,000	1	–	1	–
\$190,001 to \$200,000	1	–	1	–
\$290,001 to \$300,000	1	–	1	–
\$310,001 to \$320,000	–	1	–	1
\$330,001 to \$340,000	1	–	1	–
\$360,001 to \$370,000	1	–	1	–
\$500,001 to \$510,000	–	2	–	2
\$550,001 to \$560,000	1	–	1	–
\$600,001 to \$610,000	1	–	1	–
\$640,001 to \$650,000	1	–	1	–
\$680,001 to \$690,000	1	–	1	–
\$690,001 to \$700,000	1	1	1	1
\$750,001 to \$760,000	–	1	–	1
\$770,001 to \$780,000	–	1	–	1
\$820,001 to \$830,000	–	1	–	1
\$830,001 to \$840,000	1	–	1	–
\$840,001 to \$850,000	–	2	–	2
\$920,001 to \$930,000	1	–	1	–
\$930,001 to \$940,000	1	1	1	1
\$940,001 to \$950,000	–	1	–	1
\$950,001 to \$960,000	1	1	1	1
\$980,001 to \$990,000	1	1	1	1
\$1,030,001 to \$1,040,000	1	–	1	–
\$1,060,001 to \$1,070,000	–	2	–	2
\$1,101,001 to \$1,110,000	1	–	1	–
\$1,120,001 to \$1,130,000	1	–	1	–
\$1,140,001 to \$1,150,000	1	–	1	–
\$1,290,001 to \$1,300,000	1	–	1	–
\$1,410,001 to \$1,420,000	–	2	–	2
\$1,460,001 to \$1,470,000	–	1	–	1
\$1,470,001 to \$1,480,000	1	–	1	–
\$1,480,001 to \$1,490,000	1	–	1	–
\$1,490,001 to \$1,500,000	1	–	1	–
\$1,500,001 to \$1,510,000	1	–	1	–
\$1,510,001 to \$1,520,000	–	1	–	1
\$1,590,001 to \$1,600,000	1	–	1	–
\$2,810,001 to \$2,820,000	–	1	–	1
\$3,090,001 to \$3,100,000	1	–	1	–
\$3,590,001 to \$3,600,000	–	1	–	1
Total number of executives	26	21	26	21
Total remuneration received or due and receivable directly or indirectly by executives of the Company and controlled entities (\$'000)	25,500	24,243	25,500	24,243

53: 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 net profit, shareholders' equity and total assets, applying US GAAP instead of Australian GAAP.

	Note	2001 \$m	2000 \$m	1999 \$m
Net profit after income tax reported under Australian GAAP¹		1,870	1,747	1,480
Items having the effect of increasing (decreasing) reported income (total tax impact of adjustments shown separately):				
Employee share issue and options	(xviii)	(49)	(54)	(23)
Depreciation charged on the difference between revaluation amount and historical cost of buildings	(i)	2	3	2
Difference in gain or loss on disposal of properties revalued under historical cost	(i)	17	168	–
Revaluation of properties	(i)	–	(72)	–
Deferred profit on sale and leaseback transactions over the lease term	(iii)	–	(80)	(16)
Amortisation of goodwill not recognised for Australian GAAP	(ii)	(28)	(48)	(36)
Amortisation of deferred profit on sale and leaseback transactions over the lease term	(iii)	23	19	–
Pension expense adjustment	(vi)	20	8	(1)
Provisions	(xvi)	(361)	361	–
Effect of the initial application of SFAS 133	(xv)	11	–	–
Mark to market of non compliant derivative hedges	(xv)	284	–	–
Total tax impact of adjustments		7	(112)	4
Net income according to US GAAP		1,796	1,940	1,410
Earnings per share (cents) according to US GAAP	(xiv)			
Basic		112.4	119.3	86.1
Diluted		112.1	116.5	85.2
Adjustments to determine other comprehensive income for US GAAP				
Net income according to US GAAP		1,796	1,940	1,410
Currency translation adjustments (net of tax)		197	170	(215)
Unrealised profit (loss) on available for sale securities (net of tax)	(ix)	15	(23)	7
Effect of the initial application of SFAS 133	(xv)	(52)	–	–
Mark to market of cashflow hedges	(xv)	(66)	–	–
Total comprehensive income according to US GAAP		1,890	2,087	1,202

53: US GAAP Reconciliation (continued)

	Note	2001 \$m	2000 \$m	1999 \$m
Shareholders' equity reported under Australian GAAP²		10,538	9,795	9,403
Elimination of gross asset incremental revaluations	(i)	(287)	(330)	(340)
Unrealised profit (loss) on available for sale securities	(ix)	–	(16)	7
Adjustment to accumulated depreciation on buildings revalued	(i)	46	44	41
Restoration of previously deducted goodwill	(ii)	692	692	807
Accumulated amortisation of goodwill	(ii)	(505)	(477)	(544)
Deferred profit on sale and leaseback transactions	(iii)	(12)	(12)	(12)
Provision for final cash dividend	(iv)	583	514	470
Provisions	(xvi)	–	245	–
Pension expense adjustment	(vi)	75	62	57
Mark to market of derivative hedges	(xv)	77	–	–
Shareholders' equity according to US GAAP		11,207	10,517	9,889
Total assets reported under Australian GAAP		185,493	172,467	152,801
Elimination of gross incremental revaluations	(i)	(210)	(227)	(340)
Unrealised profit (loss) on available for sale securities	(ix)	(1)	(24)	11
Adjustment to accumulated depreciation on buildings revalued	(i)	46	44	41
Restoration of previously deducted goodwill	(ii)	692	692	807
Accumulated amortisation of goodwill	(ii)	(505)	(477)	(544)
Prepaid pension adjustment	(vi)	59	45	39
Reclassification of deferred tax assets against deferred tax liabilities	(v)	(552)	(662)	(400)
Revaluation of hedges	(xv)	552	–	–
Total assets according to US GAAP		185,574	171,858	152,415

¹ For 2000 and 1999 after abnormal items

² Excluding outside equity interests

53: US GAAP Reconciliation (continued)**(i) Premises and equipment**

In accordance with Australian GAAP, the Group holds its properties at a deemed cost value (refer note 1 (ii)). However in the past the Group at various times, has revalued properties, increasing the book value of these assets. Any increments on revaluation were credited directly to the Asset Revaluation Reserve (ARR), and decrements were debited to the ARR to the extent of any previous revaluation increments.

Decrement in excess of any previous revaluation increments were charged to the statement of financial performance. The ARR forms part of Shareholders' equity and is not available for future property writedowns while properties are measured at deemed cost.

Under US GAAP, revaluation of properties is not permitted except for decrements which are regarded as other than temporary. Any such decrements are recorded in the income statement. Subsequent recoveries to the income statement are not allowed.

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

(ii) Goodwill

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

Under US GAAP, goodwill is capitalised and amortised over the period of time during which the benefits are expected to arise, such period not exceeding 20 years.

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

(iii) Sale-leaseback transactions

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

(iv) Dividends

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

(v) Income taxes

Under Australian GAAP, tax benefits relating to carry forward tax losses must be "virtually certain" of being realised before being booked. Realisations of benefits relating to other timing differences must be "beyond reasonable doubt" before they may be booked. These tests are more stringent than those applied under US GAAP. However no material adjustment to future tax benefits for US GAAP is required.

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

(vi) Pension commitments

Under Australian GAAP, contributions in respect of defined benefit schemes are recorded in the income statement and are made at levels necessary to ensure that these schemes are maintained with sufficient assets to meet their actuarially assessed liabilities. Any net deficiency arising from the aggregation of assets and liabilities of the Group's defined benefit schemes is provided for in the Group's financial statements (refer note 47 in the Financial Statements).

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

(vii) Post retirement and post employment benefits

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

53: US GAAP Reconciliation (continued)**(viii) Trading securities**

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

The residual emerging markets portfolio had been classified as available for sale with the market value write down taken through the statement of financial performance for both Australian GAAP and US GAAP purposes.

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

(ix) Investment Securities

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

(x) Accounting for the impairment of loans

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

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

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

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

SFAS 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of", requires that where an event or a change in circumstance indicates that the carrying value of an asset that is expected to be held and used may not be recoverable, an impairment loss should be recognised. The standard also requires that where there is a committed plan to dispose of an asset, the asset should be reported at the lower of the carrying value or fair value less selling costs.

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

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

SFAS 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" prescribes the accounting and disclosure requirements for transfers of financial assets and extinguishments of liabilities. Under certain circumstances, the statement also requires a transferor of financial assets that are pledged as collateral to reclassify those assets, and the transferee to recognise those assets and their obligation to return them.

No adjustment is required in the US GAAP reconciliation as the effect of adopting the provisions of SFAS 140 on total assets is not material. Refer to Note 39 in the Financial Statements for the required disclosures.

(xiii) Comprehensive Income

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

Accordingly, the Group has shown currency translation adjustments, unrealised profit on available for sale securities and SFAS 133 adjustments as components of other comprehensive income with net income according to US GAAP forming the remaining component of comprehensive income.

(xiv) Earnings per share ("EPS")

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

53: US GAAP Reconciliation (continued)**(xv) Accounting for derivative instruments and hedging activities**

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

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

Further information on the results of the Group’s hedging activities, and the effectiveness of the risk management policies, can be assessed better by considering the information provided on interest rate risk in note 35, and the information on hedging derivatives provided in note 38: Derivative Financial Instruments, of the Financial Report.

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

The impact on adoption of SFAS 133 and SFAS 138 at 1 October 2000 was a transitional adjustment to increase US GAAP profit by \$11 million, and a transitional adjustment to decrease other comprehensive income by \$52 million. Changes in market conditions and the Group’s hedging policies may result in volatility in these US GAAP adjustments going forward.

(xvi) Provisions

At 30 September 2000, the Group recorded a provision for restructuring in accordance with Australian GAAP amounting to \$361 million before tax with an associated taxation credit of \$116 million. US GAAP requires certain criteria to be met before a restructuring provision is recognised. These criteria, which are more detailed than the Australian recognition criteria, include public announcement of many details of the programs prior to balance date. Accordingly, the provision and associated taxation effect were recognised for US GAAP during the period ended 31 March 2001.

(xvii) Goodwill and intangible assets

The Group is required to adopt the provisions of SFAS 142 “Goodwill and Intangible Assets” on 1 July 2002. Upon adoption goodwill will no longer be amortised but will be assessed for impairment at least annually.

The requirements of this standard are under consideration. The impact of adoption of this standard is not expected to be material.

53: US GAAP Reconciliation (continued)**(xviii) Accounting for stock-compensation plans**

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

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

For US GAAP disclosure the Group measures share-based employee compensation cost using the intrinsic value based method. US GAAP compensation cost relating to share options is attributable to the impact of the increase in the market price of the Group’s shares on those share option plans defined as variable under APB 25.

Variable share option plans include all plans with performance conditions. The Group’s policy is to generally grant share options at the average market price of the underlying shares at the date of grant.

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

If the fair value basis of accounting had been applied to account for compensation costs as stipulated in SFAS 123, the following profit after income tax and earnings per share would have appeared.

	2001		2000		1999	
	As Reported	Pro Forma	As Reported	Pro Forma	As Reported	Pro Forma
Net income according to US GAAP (\$m)	1,796	1,835	1,940	1,991	1,410	1,431
- Basic earnings per share (cents)	112.4	115.0	119.3	122.7	86.1	87.5
- Diluted earnings per share (cents)	112.1	114.7	116.5	122.0	85.2	87.2

Details of the share-based compensation plans are included in Note 49 to the Financial Statements.

53: US GAAP Reconciliation (continued)**(xix) Details of Pension Schemes and Pension Expense**

Reconciliations of the funded status of major defined benefit schemes as at 30 June 2001 are summarised below.

Details of the funding of the schemes are set out in note 47.

	2001 \$m	Australian Scheme 2000 \$m	1999 \$m
Change in benefit obligation			
Balance at start of year	54	58	57
Interest costs	3	4	4
Benefits paid	(6)	(7)	(7)
Actuarial gains (losses)	3	(1)	4
Benefit obligation, 30 September	54	54	58
Change in plan assets			
Fair value at start of year	52	53	51
Actual return on plan assets	3	6	5
Employer contribution	–	–	4
Benefits paid	(6)	(7)	(7)
Total fair value of plan assets, 30 September	49	52	53
Funded status	(5)	(2)	(5)
Unrecognised net transition loss	3	4	5
Unrecognised net loss	7	4	7
Adjustment required to recognise minimum unfunded projected benefit obligation	(10)	(8)	(12)
Net amount recognised	(5)	(2)	(5)
Amounts recognised in the consolidated statement of financial position consist of:			
Prepaid benefits costs	–	–	–
Accrued benefit liabilities	(5)	(2)	(5)
The assumptions used in the actuarial calculations are as follows:			
Discount rate used in determining present values			
– pensioners	6.0%	6.5%	6.5%
Annual increase in future compensation levels			
– pensions	3%	3%	3%
Expected long-term rate of return on assets	7.5%	7.5%	7.5%

53: US GAAP Reconciliation (continued)**(xix) Details of Pension Schemes and Pension Expense (continued)**

	2001 \$m	UK Scheme 2000 \$m	1999 \$m
Change in benefit obligation			
Balance at start of year	923	818	833
Service cost	17	9	21
Interest cost	55	24	47
Plan amendment	–	–	24
Benefits paid	(50)	(45)	(41)
Actuarial gains (losses)	(15)	26	35
Foreign currency exchange rate fluctuations	108	91	(101)
Benefit obligation, 30 September	1,038	923	818
Change in plan assets			
Fair value at start of year	1,120	1,004	1,094
Actual return on plan assets	(43)	89	82
Employer contribution	2	2	2
Benefits paid	(50)	(45)	(41)
Foreign currency exchange rate fluctuations	123	70	(133)
Total fair value of plan assets, 30 September	1,152	1,120	1,004
Funded status	114	197	186
Unrecognised net transition gain	(28)	(33)	(37)
Unrecognised net gain	(81)	(171)	(162)
Unrecognised prior service cost	53	52	52
Net amount recognised	58	45	39
Amounts recognised in the consolidated balance sheet consist of:			
Prepaid benefits costs	58	45	39
Accrued benefit liabilities	–	–	–
The assumptions used in the actuarial calculations are as follows:			
Discount rate used in determining present values			
– active members	6.0%	6.0%	6.0%
– pensioners	6.0%	6.0%	6.0%
Annual increase in future compensation levels			
– salary	4.75%	4.75%	4.75%
– pensions	2.9%	2.9%	3.0%
Expected long-term rate of return on assets	7.0%	7.0%	7.0%
The elements of the net periodic pension cost of the above schemes are as follows:	2001 \$m	2000 \$m	1999 \$m
Service cost	17	17	21
Interest cost	55	52	51
Expected return on schemes' assets	(74)	(68)	(66)
Amortisation net transition asset	(7)	(6)	(6)
Recognised prior service cost	4	4	1
Net periodic pension cost	(5)	(1)	1

The Group also sponsors defined contribution schemes. The Group's contributions to major defined contribution schemes amounted to \$83 million for the year (2000: \$77 million).

54: Exchange Rates

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

	2001		2000		1999	
	Closing	Average	Closing	Average	Closing	Average
Great British pound	0.3331	0.3627	0.3720	0.3903	0.3972	0.3932
United States dollar	0.4903	0.5230	0.5444	0.6101	0.6533	0.6403
New Zealand dollar	1.2127	1.2473	1.3324	1.2647	1.2598	1.2014

55: Events Since the End of the Financial Year

On 8 October 2001, ANZ announced, subject to regulatory approval, the acquisition of operations in Papua New Guinea, Fiji and Vanuatu for approximately USD 50 million. The acquisitions comprise the operations of the Bank of Hawaii in those countries.

Directors' Declaration

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


- (a) are in accordance with the Corporations Act 2001, including:
 - (i) complying with applicable Australian Accounting Standards and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the financial position of the Company and of the consolidated entity as at 30 September 2001 and of their performance as represented by the results of their operations and their cash flows, for the year ended on that date; and
- (b) in the directors' opinion at the date of this declaration there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Company and some of its wholly owned controlled entities listed in note 46 executed a Deed of Cross Guarantee enabling them to take advantage of the accounting and audit relief offered by class order 98/1418, dated 13 August 1998 issued by the Australian Securities and Investments Commission.

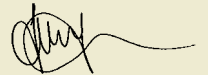
The nature of the Deed of Cross Guarantee is to guarantee each creditor payment in full of any debt in accordance with the terms of the Deed of Cross Guarantee.

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

Signed in accordance with a resolution of the directors



Charles Goode
Chairman



John McFarlane
Chief Executive Officer

5 November 2001

Independent audit report to the members of Australia and New Zealand Banking Group Limited**Scope**

We have audited the financial report of Australia and New Zealand Banking Group Limited for the financial year ended 30 September 2001, consisting of the statements of financial performance, statements of financial position, statements of changes in shareholders' equity, statements of cash flows, accompanying notes 1 to 55 and the directors' declaration set out on pages 2 to 79. 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 year or from time to time during the financial year. The Company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company.

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

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

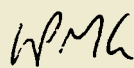
Audit Opinion

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

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 September 2001 and of their performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements.

Accounting principles generally accepted in Australia vary in certain respects from accounting principles generally accepted in the United States of America. An explanation of the major differences between the two sets of principles is presented in note 53 to the financial statements.

The application of the United States principles would have affected the determination of consolidated net profit for each of the three years in the period ended 30 September 2001 and the determination of the consolidated financial position as of 30 September 2001, 2000 and 1999 to the extent summarised in note 53 to the financial statements.



KPMG
Chartered Accountants

Melbourne
5 November 2001



P S Nash
Partner

ANZ's Risk Management Vision

Risk management at ANZ is directed to achieve strong risk control, resulting in no 'surprises' for management and the market and a distinctive risk management capability, which enables ANZ business units to meet their performance, growth and 'breakout' objectives.

The identification and effective management of risk is an essential part of banking. Overall, our risk capabilities are considered to be a strategic asset and a source of competitive advantage. Through effective use of technology and strong management focus, we seek to further strengthen the Group's risk capabilities and culture to ensure that ANZ remains at the forefront of risk management capability within the banking sector.

Strategic Context

The overall strategy of an organisation fundamentally impacts the level of risk that it takes. Therefore, some of the most important decisions influencing the underlying risk of an organisation are those which determine the activities, businesses and regions in which the organisation engages. Those decisions and all risk management policies are approved by the Board, with the Board Risk Management Committee supervising implementation and adherence to policy.

In recent years, ANZ has made substantial changes to its strategy and activities in order to reduce risk and enhance the sustainability of earnings growth. Examples of these changes include:

- › Sale of Grindlays businesses to Standard Chartered Bank
- › Exiting emerging markets bond trading and retail stockbroking activities
- › Restrictions on corporate balance sheet growth - focus on higher quality assets and fee income
- › Strong growth in the residential mortgage portfolio
- › Increased emphasis on lower risk Personal Financial Services businesses
- › Reducing the risk profile of the remaining international businesses

These changes have been accompanied by significant enhancement of the Group's internal risk management systems and processes and more open, transparent disclosure of risk.

Three Key Areas of Risk:**1. Credit Risk**

The potential financial loss resulting from the failure of a counterparty to honour fully the terms of a loan or contract.

- › Policy controls aimed at developing and maintaining a well diversified credit portfolio are supervised by the Risk Management Committee. During the year the Group's peak exposure limits to all categories of corporate customers were reduced to support this objective.
- › Major lending decisions require sign-off from an independent credit risk function as well as the business unit. Larger transactions require approval by the Credit and Trading Risk Committee of management and, for the largest transactions, the Risk Management Committee.
- › The Group has continued to rebalance its lending portfolio towards lower risk consumer lending, particularly mortgages. This trend has been supported by the introduction of advanced behavioural and other credit scoring technology in Personal Financial Services.

2. Market Risk

Risk to earnings arising from movements in interest and exchange rates and bond, equity and commodity prices.

- › The Group Asset and Liability Committee oversees the Group's balance sheet risk - trading risk is monitored by the Credit and Trading Risk Committee. Further oversight is provided by the Risk Management Committee.
- › There have been no significant structural changes to the Group's market risk exposures over the last twelve months. Market risk continues to be managed within conservative bounds.

3. Operating Risk

Operating risk arises from the potential breakdown of day-to-day processes.

- › ANZ has spent significant time and effort during the past two years developing advanced operational risk measurement and management capabilities, with the Group's operational risk economic capital framework acknowledged as an example of leading practice globally.
- › The Operating Risk Executive Committee is responsible for development and oversight of operating risk policies.
- › A prime responsibility of Business Units is to ensure compliance with policies, regulations and laws.
- › Key focus areas over the past year have included fraud prevention, payment risk management and remote banking security.

1: Cross Border Outstandings

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

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

	Governments and other official institutions \$m	Banks and other financial institutions \$m	Other commercial and industrial \$m	Total \$m	% of Group assets
At 30 September 2001					
United Kingdom	394	2,238	3,976	6,608	3.6
USA	31	3,981	2,355	6,367	3.4
Germany	598	696	1,025	2,319	1.3
New Zealand	–	21	2,093	2,114	1.1
France	252	193	1,613	2,058	1.1
Singapore ¹	476	369	951	1,796	1.0
South Korea ¹	1	1,120	428	1,549	0.8
At 30 September 2000^{2,3}					
United Kingdom	–	1,238	4,312	5,550	3.2
New Zealand	–	280	4,364	4,644	2.7
USA	–	174	2,591	2,765	1.6
Japan ¹	–	898	1,418	2,316	1.3
France	–	617	1,537	2,154	1.2
Germany	–	443	1,642	2,085	1.2
South Korea ¹	–	1,666	187	1,853	1.1
Hong Kong ¹	–	175	1,572	1,747	1.0
Singapore ¹	–	253	1,043	1,296	0.8

¹ Includes local lending in local currency

² Prior period data for governments and other official institutions not separately identifiable

³ Prior period data includes intra-group outstandings

2: Certificates of Deposit and Term Deposit Maturities

The following table shows the maturity profile of the Group's certificates of deposit and term deposits in excess of \$100,000 issued at 30 September 2001.

	Less than 3 months \$m	Between 3 months and 6 months \$m	Between 6 months and 12 months \$m	After 1 year \$m	Total \$m
Australia					
Certificates of deposit	880	–	–	1,833	2,713
Term deposits	11,053	807	503	226	12,589
	11,933	807	503	2,059	15,302
Overseas					
Certificates of deposit	2,571	578	1,616	268	5,033
Term deposits	14,662	822	483	274	16,241
	17,233	1,400	2,099	542	21,274
Total	29,166	2,207	2,602	2,601	36,576

3: Volume and Rate Analysis

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

	Volume \$m	2001 over 2000 Change due to Rate \$m	Total \$m	Volume \$m	2000 over 1999 Change due to Rate \$m	Total \$m
Interest earning assets						
Due from other financial institutions						
Australia	(15)	–	(15)	(4)	21	17
New Zealand	14	1	15	(9)	7	(2)
Overseas markets	(5)	(24)	(29)	(5)	6	1
Regulatory deposits with						
Reserve Bank of Australia	–	–	–	–	–	–
Investments in public securities						
Australia	(21)	(14)	(35)	10	57	67
New Zealand	39	4	43	1	12	13
Overseas markets	(54)	(59)	(113)	(36)	(7)	(43)
Loans, advances and bills discounted						
Australia	645	(107)	538	906	280	1,186
New Zealand	53	45	98	107	83	190
Overseas markets	(156)	(286)	(442)	17	–	17
Other assets						
Australia	(14)	14	–	6	10	16
New Zealand	8	(20)	(12)	4	2	6
Overseas markets	(54)	13	(41)	12	87	99
Intragroup assets						
Overseas markets	145	(29)	116	88	(56)	32
Change in interest income	585	(462)	123	1,097	502	1,599
Intragroup elimination	(145)	29	(116)	(88)	56	(32)
	440	(433)	7	1,009	558	1,567

3: Volume and Rate Analysis (continued)

	2001 over 2000 Change due to			2000 over 1999 Change due to		
	Volume \$m	Rate \$m	Total \$m	Volume \$m	Rate \$m	Total \$m
Interest bearing liabilities						
Time deposits						
Australia	(299)	(7)	(306)	175	204	379
New Zealand	15	28	43	6	64	70
Overseas markets	(117)	(156)	(273)	40	19	59
Savings deposits						
Australia	12	10	22	4	41	45
New Zealand	(2)	6	4	(12)	7	(5)
Overseas markets	(29)	(21)	(50)	(12)	(15)	(27)
Other demand deposits						
Australia	148	(57)	91	95	164	259
New Zealand	7	9	16	(6)	14	8
Overseas markets	(17)	(15)	(32)	(6)	–	(6)
Due to other financial institutions						
Australia	14	2	16	(2)	5	3
New Zealand	–	–	–	(5)	5	–
Overseas markets	70	(73)	(3)	24	51	75
Commercial paper						
Australia	1	2	3	78	42	120
Overseas markets	121	(27)	94	26	27	53
Borrowing corporations' debt						
Australia	10	15	25	30	(7)	23
New Zealand	13	6	19	4	–	4
Loan capital, bonds and notes						
Australia	220	(41)	179	254	30	284
New Zealand	6	–	6	11	3	14
Overseas markets	19	(3)	16	(7)	4	(3)
Other liabilities						
Australia	26	80	106	(11)	13	2
New Zealand	(11)	15	4	(43)	118	75
Overseas markets	(95)	91	(4)	(60)	39	(21)
Intragroup liabilities						
Australia	151	(42)	109	26	(20)	6
New Zealand	2	5	7	54	(28)	26
Change in interest expense	265	(173)	92	663	780	1,443
Intragroup elimination	(153)	37	(116)	(80)	48	(32)
	112	(136)	(24)	583	828	1,411
Change in net interest income	328	(297)	31	426	(270)	156

4: Concentrations of Credit Risk

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

	2001		2000		1999	
	Loans and advances ¹ \$m	Specific provision \$m	Loans and advances ¹ \$m	Specific provision \$m	Loans and advances ¹ \$m	Specific provision \$m
Australia						
Agriculture, forestry, fishing and mining	3,500	104	4,157	34	4,288	12
Business service	2,044	7	2,206	6	1,717	5
Entertainment, leisure and tourism	2,293	27	2,062	4	2,007	25
Financial, investment and insurance	4,311	3	5,532	1	4,438	5
Government and official institutions	122	–	103	–	106	–
Lease finance	2,524	5	2,821	8	3,585	5
Manufacturing	4,034	11	4,236	19	3,815	19
Personal ²	13,435	36	12,728	131	9,280	94
Real estate – construction	1,198	11	1,376	7	1,376	6
Real estate – mortgage ³	49,127	13	43,912	9	35,862	48
Retail and wholesale trade	6,017	16	5,691	24	4,946	23
Other	3,850	70	4,196	17	3,835	39
	92,455	303	89,020	260	75,255	281
Overseas						
Agriculture, forestry, fishing and mining	2,686	8	2,429	12	2,131	17
Business service	214	1	274	1	550	7
Entertainment, leisure and tourism	361	1	505	6	665	4
Financial, investment and insurance	2,276	26	1,952	128	2,214	156
Government and official institutions	372	27	627	25	750	–
Lease finance	936	4	504	–	405	1
Manufacturing	5,153	30	4,781	118	6,493	213
Personal ²	1,804	18	1,876	16	2,304	35
Real estate – construction	921	9	820	36	753	32
Real estate – mortgage ³	11,638	12	10,628	16	9,645	25
Retail and wholesale trade	2,021	18	1,950	35	2,010	72
Other	5,853	43	4,266	56	4,376	64
	34,235	197	30,612	449	32,296	626
Total portfolio	126,690	500	119,632	709	107,551	907

4: Concentrations of Credit Risk (continued)

	1998		1997	
	Loans and advances ¹ \$m	Specific provision \$m	Loans and advances ¹ \$m	Specific provision \$m
Australia				
Agriculture, forestry, fishing and mining	3,648	11	2,716	12
Business service	2,632	3	1,488	5
Entertainment, leisure and tourism	1,952	19	1,392	28
Financial, investment and insurance	4,501	3	3,997	6
Government and official institutions	63	–	68	–
Lease finance	3,505	4	3,152	5
Manufacturing	2,586	24	2,446	29
Personal ²	7,112	96	6,229	90
Real estate – construction	1,293	6	1,216	8
Real estate – mortgage ³	28,924	64	26,095	54
Retail and wholesale trade	4,860	19	4,375	14
Other	3,599	48	3,398	64
	64,675	297	56,572	315
Overseas				
Agriculture, forestry, fishing and mining	2,118	27	2,439	4
Business service	536	8	346	6
Entertainment, leisure and tourism	657	3	555	–
Financial, investment and insurance	2,843	66	3,189	4
Government and official institutions	821	30	656	–
Lease finance	115	–	299	–
Manufacturing	6,733	193	5,172	53
Personal ²	3,509	20	2,852	12
Real estate – construction	799	41	900	8
Real estate – mortgage ³	8,825	19	9,412	2
Retail and wholesale trade	2,180	37	1,851	15
Other	4,100	78	2,781	34
	33,236	522	30,452	138
Total portfolio	97,911	819	87,024	453

¹ Loans and advances exclude acceptances

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

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

5: Doubtful Debts – Industry Analysis

	2001 \$m	2000 \$m	1999 \$m	1998 \$m	1997 \$m
Balance at start of year	2,082	2,302	2,220	1,883	1,617
Adjustment for exchange rate fluctuations	32	37	(79)	34	16
Bad debts written off (refer (i) below)	(834)	(539)	(382)	(221)	(199)
Charge to statement of financial performance	531	502	510	487	400
Recoveries (refer (ii) below)	75	46	33	37	49
Other ¹	–	(266)	–	–	–
Total provisions for doubtful debts	1,886	2,082	2,302	2,220	1,883
(i) Total write-offs by industry					
Australia					
Agriculture, forestry, fishing and mining	(14)	(12)	(6)	(4)	(5)
Business service	(6)	(5)	(4)	(4)	(3)
Entertainment, leisure and tourism	(5)	(10)	(3)	(3)	(11)
Financial, investment and insurance	(7)	(3)	(28)	(3)	(8)
Lease finance	(11)	(9)	(5)	(5)	(5)
Manufacturing	(22)	(11)	(18)	(11)	(10)
Personal ²	(292)	(133)	(67)	(81)	(55)
Real estate – construction	(13)	(5)	(8)	(5)	(6)
Real estate – mortgage ³	(13)	(51)	(16)	(40)	(26)
Retail and wholesale trade	(97)	(28)	(19)	(14)	(11)
Other	(28)	(8)	(48)	(4)	(4)
Overseas					
Other	(326)	(264)	(160)	(47)	(55)
Total write-offs	(834)	(539)	(382)	(221)	(199)
(ii) Total recoveries by industry					
Australia					
Agriculture, forestry, fishing and mining	5	4	–	–	4
Business service	1	–	–	3	1
Entertainment, leisure and tourism	1	1	–	1	1
Financial, investment and insurance	2	4	3	1	2
Lease finance	1	2	2	3	2
Manufacturing	2	5	1	4	4
Personal ²	30	9	8	10	9
Real estate – construction	1	1	–	1	–
Real estate – mortgage ³	3	4	1	2	7
Retail and wholesale trade	2	2	–	1	2
Other	1	2	2	1	7
Overseas					
Other	26	12	16	10	10
Total recoveries	75	46	33	37	49
Net write-offs	(759)	(493)	(349)	(184)	(150)
Ratio of net write-offs to average loans and acceptances	0.6%	0.4%	0.3%	0.2%	0.1%

¹ 2000 includes \$266 million reduction from the sale of Grindlays

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

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

6: Short Term Borrowings

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

	2001 \$m	2000 \$m	1999 \$m
Balance at end of year			
Commercial paper – ANZ (Delaware) Inc.	4,059	4,416	3,757
Commercial paper – other	5,043	6,098	4,836
Unsecured notes	28	98	856
Weighted average interest rate at end of year			
Commercial paper – ANZ (Delaware) Inc.	4.67%	6.50%	5.27%
Commercial paper – other	3.78%	6.20%	4.69%
Unsecured notes	5.69%	5.57%	4.25%
Maximum amount outstanding at any month end during year			
Commercial paper – ANZ (Delaware) Inc.	7,096	5,503	4,063
Commercial paper – other	7,193	6,209	4,847
Unsecured notes	99	742	858
Average amount outstanding during year			
Commercial paper – ANZ (Delaware) Inc.	5,408	3,079	2,597
Commercial paper – other	5,275	5,256	3,844
Unsecured notes	53	504	800
Weighted average interest rate during year			
Commercial paper – ANZ (Delaware) Inc.	5.07%	5.84%	4.89%
Commercial paper – other	5.87%	5.83%	4.86%
Unsecured notes	5.73%	4.86%	4.53%

Corporate comprises Corporate Banking, Institutional Banking, Structured Finance, Foreign Exchange, Capital Markets, and Global Transaction Services operations in Australia, New Zealand, UK, Europe and the Americas. Corporate Financial Services provides a range of products and services to commercial customers from middle market companies to large corporates and institutions. Products include commercial bill lending, term lending, corporate and project financing, originations and syndications, tax based financing, transaction banking, insurance services and trade finance services. In addition, the foreign exchange and capital markets operations provide foreign exchange and financial risk management products for customers.

Economic loss provisioning (ELP) charge is determined based on the expected average annual loss of principal over the economic cycle for the current risk profile of the lending 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.

Corporate Centre, Technology and Finance combines the central support and shared service units of the Group, including the results of asset and liability management and earnings on central capital.

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

International and subsidiaries comprises the operations of Asset Finance and Investment Management, and operations in Asia and Pacific. Asset Finance provides motor vehicle and equipment leasing and hire purchase. The Investment Management business comprises retail and wholesale funds management, estate planning and management, and insurance. Products distributed in Asia and Pacific include trade finance, personal banking services, project and corporate finance, syndications and foreign exchange and financial risk management services.

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 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.

Overseas geographic segment includes the results of all operations outside Australia.

Overseas markets includes the results of operations in the UK and Europe, Asia, Pacific and Americas. The Group's geographic segments are Australia, New Zealand and Overseas markets.

Personal comprises the Metrobanking, Regional Banking, Small to Medium Business and Wealth Management customer segment businesses, and Cards and Mortgages specialist product businesses, in Australia and New Zealand. Personal provides a wide range of services and products to consumers and small and medium sized businesses. Products include current account facilities, credit card services, EFTPOS, electronic banking services, term deposits, money market and savings accounts, foreign exchange services, payroll, superannuation, insurance services, fixed and variable rate residential mortgage loans, overdraft facilities and term loans and other consumer and commercial loans.

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

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Australia and New Zealand Banking Group Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Australia and New Zealand Banking Group Limited
Level 6, 100 Queen Street
Melbourne, Victoria 3000
Australia

The principal activities of the Group during the year were general banking, mortgage lending, life insurance, leasing, hire purchase and general finance, international and investment banking, investment and portfolio management and advisory services, nominee and custodian services and executor and trustee services.

The number of employees (full time equivalents) as at 30 September 2001 were 22,501.

