AUSTRALIA & NEW ZEALAND BANKING GROUP LTD
Form 6-K
October 24, 2003

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934

For the month of **October 2003**

Australia and New Zealand Banking Group Limited

(Translation of registrant s name into English)

Level 6, 100 Queen Street Melbourne Victoria Australia
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F. ý Form 40-F o

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes o No ý

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-

Australia and New Zealand
Banking Group Limited

ABN 11 005 357 522

Consolidated Results
Dividend Announcement
and Appendix 4E

Full year
30 September 2003

FOR PRIORITY TRANSMISSION

Name of Company: Australia and New Zealand Banking Group Limited

ABN 11 005 357 522

Report for the year ended 30 September 2003

	A$ million
Group operating revenue	7,119
Operating profit after tax and outside equity interests	2,348
Final dividend per ordinary share, fully franked at 30% tax rate	51 cents
Record date for the final dividend	13 November 2003
Payment date for the final dividend	19 December 2003

The final dividend will be payable to shareholders registered in the books of the Company at close of business on 13 November 2003. Transfers must be lodged before 5:00 pm on that day to participate.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Name of Company: Australia and New Zealand Banking Group Limited

ABN 11 005 357 522

Report for the year ended 30 September 2003

				A$ million
Group operating revenue	up	2%	to	7,119
Operating profit after tax attributable to members	up	1%	to	2,348
Extraordinary items after tax attributable to members		Nil		Nil
Operating profit and extraordinary items after tax attributable to members	up	1%	to	2,348
Final dividend per ordinary share, fully franked at 30% tax rate (previous corresponding period: 46 cents, fully franked at 30% tax rate)				51 cents
Interim dividend per ordinary share, fully franked at 30% tax rate				44 cents
Record date for the final dividend				13 November 2003

Refer to Chief Financial Officer s review on page 7 for an explanation of these figures.

Corporate Affairs
Level 22, 100 Queen Street
Melbourne Vic 3000
Facsimile 03 9273 4899
www.anz.com

For Release: 24 October 2003

ANZ delivers solid earnings growth

Australia and New Zealand Banking Group Limited (ANZ) today announced a record operating profit after tax and excluding significant transactions of $2,348 million for the year ended September 2003, up 8.3% on 2002 (FY2002 $2,168 million).

Results Summary (excluding significant transactions)

2003 Full year operating profit after tax of $2,348 million, up 8.3%

Earnings per ordinary share up 8.2% to $1.48 per share. EPS excluding goodwill up 9.2% to $1.52 per share.

Return on ordinary shareholders equity of 20.6% down from 21.6%

Final dividend 51 cents, fully franked. Full year dividend 95 cents, fully franked, up 11.8%

Cost income ratio 45.1% down from 46%

Specific provisions $527 million down 27.6% from $728 million.

All comparisons with Full Year 2002.

ANZ Chairman, Mr Charles Goode said: This is a solid result that demonstrates the effectiveness of our specialist business model in delivering consistent returns. Management and staff are to be congratulated on their achievements.

Chief Executive Officer, Mr John McFarlane said the 2003 financial result was reasonable in an environment that continued to be difficult for banks around the world.

While the Australian and New Zealand economies are sound, significant challenges are posed by low interest rates and associated margin pressure, the rising Australian dollar and softness in the international economy, Mr McFarlane said.

Our specialisation strategy has allowed us to develop ANZ as a low risk, well-managed company that aims to produce consistent results.

Increasingly though another measure of our progress will be the actions we take in other areas to seek to ensure continued superior performance and growth over the coming years.

Much of this involves building on the competitive advantages that exist in our specialist businesses and maximising their growth potential. At the same time we continually evaluate opportunities to expand in Australia, New Zealand, the Pacific and to a lesser extent elsewhere in Asia.

In the year ahead however the environment is likely to be at least as challenging with fewer opportunities to achieve earnings growth in our specialist businesses at the levels achieved in 2003. However, by creating a very different bank we have improved our capacity to succeed and deliver against market expectations, Mr McFarlane said.

For media enquiries, contact:

Paul Edwards
Head of Group Media Relations
Tel: +61-3-9273 6955 or +61-409-655 550
email: paul.edwards@anz.com

For analyst enquiries, contact:

Simon Fraser
Head of Investor Relations
Tel: +61-3-9273 4185 or 0411-125 474
email: frasers22@anz.com

Stephen Higgins
Senior Manager Investor Relations
Tel: +61-417-379 170
email: higgins@anz.com

ANZ s 2003 Annual Results are available on www.anz.com

Chief Executive Officer s Review
2003 Final Results

2003 Earnings up 8.3%

I am pleased to report a solid result for ANZ in 2003. ANZ s net profit after tax was another record at $2,348 million. This is an 8.3% increase in earnings and an 8.2% increase in earnings per share over 2002, excluding one-off significant transactions in 2002.

ANZ s productivity is now among the best in the world, with our cost to income ratio of 45.1% reflecting further gains in efficiency during the past year. Return on equity remained very healthy at 20.6%, down marginally, partly driven by our very strong capital position. The final dividend of 51 cents is up 10.9%. This brings the full year dividend to 95 cents, up 11.8%.

Second half performance demonstrated solid growth over the first half result, with net profit after tax up 5.8%.

We maintained our AA- credit rating, and ended the year with a strong common equity and reserves position.

Our risk position remains sound, with net non-accrual loans down 16% and a reduction in the economic loss provisioning charge as a percentage of risk-weighted assets from 43 basis points to 39 basis points. Net specific provisions were down 28%. We have continued to rebalance the portfolio, with an increased proportion of lower risk assets and a reduction in the higher risk parts of our portfolio, such as power and telecommunications.

Overall, this is a solid result, in a challenging environment, broadly in line with market estimates and our internal targets.

Gaining Momentum with the ANZ Agenda

At ANZ, we are currently on a journey to create an organisation that is both different and sustainable. This is not something that can be achieved overnight or with a simple statement of intent. It requires sustained commitment, persistence and investment over a number of years.

We took the first major step on this through our innovative strategy that created a portfolio of specialist businesses, and embarked on a journey to transform the culture of the whole organisation. The success of these programmes is making ANZ very distinctive. Specialisation has not only brought a sharper financial focus through greater accountability, it has also contributed to a greater sense of ownership and commitment from our people. Staff satisfaction is at a record high. This has already contributed to improved customer satisfaction across many business units, and in turn, improved results.

1

Our Breakout programme has now been attended by over 13,000 of our people. We see this as fundamental to the creation of a different organisation, with motivated people, satisfied customers and superior returns.

The next step on this journey is to determine how we build an institution that is capable of sustained performance over the long term. It means serving our customers well, with innovative and good value services, and delivering sound profitable growth for shareholders. It means our being committed to creating more jobs, and building a challenging, exciting and caring environment for our people. It means earning and retaining the trust of the communities in which we operate and extends to making an overall contribution to society. It means being bold and different, investing for growth and partnering with world-class organisations where joint capability creates a competitive advantage that we could not achieve on our own. This is the ANZ Agenda, with the overall aim of making ANZ the most respected major company in Australia and New Zealand in the eyes of our stakeholders:

Customers: A bank that is easy to do business with, a human face, and one that values and builds enduring relationships.

People: A great company, with great people, great values and great opportunities.

Shareholders: One of the most efficient, best managed. and most successful banks in the world.

Community: A company that is trusted by the community, and makes a sustainable contribution to society.

Progress on the ANZ Agenda in 2003

People make great companies. At ANZ, we are committed to helping our people continuously to improve their skills and capabilities, and support them in obtaining tertiary and post-graduate qualifications. This year saw the first of our MBA graduates from our online MBA with Charles Sturt University. We now have 100 people on the programme. We continue to be one of the largest private sector recruiters of graduates with a new intake of 240 in Australia and New Zealand alone.

In July, we conducted our annual staff satisfaction survey and I am delighted to report that satisfaction levels have again risen and are now at 82%. With capable, satisfied and motivated people, we have a strong foundation for the future.

In our retail banking businesses, trained and committed staff acting as advocates for ANZ, are essential to the health of our relationships with customers and the broader community. Over the last two years, staff satisfaction in our network has risen from under 50% to over 80%. We have also maintained high levels of investment to improve customer service, quality and efficiency. In Australia we have invested over $100 million in a new industry-leading technology for our branch network, and the new telling project, MyTell , is now in a number of pilot branches, with full roll out to occur during this financial year.

We are particularly excited about the growth in our rural Australia franchise, through the commitment of our people in the more remote communities.

In our Small and Medium Enterprises business, special focus and investment in specialist relationship managers is yielding above average levels of growth.

Many people in Australia find difficulty in understanding financial information, and this is putting the most vulnerable at considerable potential risk. This year we were proud to launch Australia s first financial literacy survey, and are continuing to take a lead in alleviating this problem. We see this study as a first step towards empowering people with the appropriate financial skills to make informed basic financial decisions.

Our specialised business portfolio provides a strong platform for growth

At ANZ we have an attractive portfolio of businesses. Our specialisation strategy is based on the premise that specialists will outperform generalists, and that a portfolio of specialised businesses provides synergistic benefits and also a diversified risk profile.

ANZ s traditional strength is in Institutional Financial Services and Corporate Banking. These businesses, by function of their size and market position should be key drivers of ANZ s future success, as should our developing franchise in Small to Medium Business. We believe the economic outlook now favours an overweight position in these areas as activity shifts from the consumer-centric growth of recent years.

We have a strong portfolio of specialised product businesses. Our credit card franchise remains a major strength of ANZ notwithstanding issues in the first half together with the reduced interchange levels from the Reserve Bank of Australia s reforms. The Mortgage business has become a major force in the third-party market and is employing innovative new distribution channels. Esanda in Australia, and UDC in New Zealand, are also leading brands in auto and equipment finance.

We are the largest bank in the English-speaking South Pacific, the leading Australian bank in Asia, and the market leader in key domestic niche markets such as credit cards and auto-finance.

Personal Banking and Wealth Management are less traditional areas for ANZ, making it difficult to transform quickly our market position against larger entrenched competitors. Nevertheless we are finding new ways to build these businesses so that we can transform our position over the medium to long term.

Building a future

Organic growth remains our priority, based on realising the competitive advantages of our specialisation strategy. Specialisation creates a demonstrably more agile operation, able to respond rapidly to the opportunities presented within each business segment. Our efficiency levels enable us to provide highly competitive customer value, such as in personal transaction accounts. We are targeting further productivity gains through technology-based process improvements.

3

We will consider enhancing our capabilities, growth opportunities, scale benefits and other synergies through selective acquisitions. In order to proceed, any proposed acquisitions must demonstrate a capacity to add value for shareholders and pass a rigorous investment review.

We will also enter commercial arrangements and partnerships where these provide a strategic fit with our existing businesses. Our recently announced agreement with Diners Club Australia is an example of this approach. In response to the regulatory regime for credit cards, we have provided a different solution that enhances our prospective performance whilst continuing to service our customers needs.

Our regional international strategy is focused on consumer banking, ideally on transactional and deposit-taking business. We have a long and successful experience of running businesses within the Pacific and East Asia. Our preference is to work with local partners with domestic customer franchises where we can add our own distinct capabilities to theirs. A good example is our credit card joint venture with Metrobank in the Philippines. Over time we would like to pursue further initiatives, but at a more modest pace and scale, reflecting the need to maintain a lower risk profile.

We do have a very strong institutional business across Australasia, Asia, Europe and North America, and this is focused on Trade and Project finance, and financial markets.

Finally, our regional international strategy is disciplined and long-term. We have no pressing sense of urgency and if a proposed investment does not meet our requirements, we will not proceed. As well-publicised events in 2003 demonstrated, we are quite prepared to discontinue discussion where the transaction fails to meet our required return, or risk tolerance.

The year ahead

The directors expect that ANZ will continue to perform well in a more difficult banking industry environment in 2004. Based on current economic conditions, the directors anticipate that for the year ending 30 September 2004 ANZ will see moderately lower growth in consolidated net profit after tax (excluding significant transactions) than it achieved in 2003.

ANZ Management Structure

Chief Executive Officer
John McFarlane

Chief Financial Officer
Peter Marriott

Chief Operating Officer
Bob Edgar

Group Development
Peter Hawkins

Personal Banking
Elmer Funke-Kupper

Corporate-SMB
Graham Hodges

New Zealand
Greg Camm

Institutional
TBA

Consumer Finance
Brian Hartzer

Mortgages
Chris Cooper

Asset Finance
Elizabeth Proust

OTSS
Mike Grime

People Capital
Shane Freeman

Risk
Mark Lawrence

Major Projects
Grahame Miller

Australia and New Zealand Banking Group Limited

ABN 11 005 357 522

CONSOLIDATED FINANCIAL REPORT AND DIVIDEND ANNOUNCEMENT

Year ended 30 September 2003

CONTENTS

All amounts are in Australian dollars unless otherwise stated. The information on which this announcement is based is in the process of being audited by the Group s auditors, KPMG. The Company has a formally constituted Audit Committee of the Board of Directors. This report was approved by resolution of a Committee of the Board of Directors on 23 October 2003.

HIGHLIGHTS

CHIEF EXECUTIVE OFFICER
John McFarlane

Year end results

			Change		Sep 02
Net profit after tax	**$**	**2,348 million**	**1.1%**	$	2,322m
Earnings per ordinary share		**148.3 cents**	**0.7%**		147.3 cents
Final dividend		**51 cents**	**10.9%**		46 cents
Net specific provisions	**$**	**527 million**	**(27.6)%**	$	728 million

Year end results excluding significant transactions(1)

			Change		Sep 02
Net profit after tax	**$**	**2,348 million**	**8.3%**	$	2,168m
Earnings per ordinary share		**148.3 cents**	**8.2%**		137.0 cents
EPS excluding goodwill(2)		**152.4 cents**	**9.2%**		139.6 cents
Return on ordinary shareholders equity		**20.6%**	**(1.0)%**		21.6%
Cost to income(3)		**45.1%**	**(0.9)%**		46.0%

---

(1). Significant transactions during year ended 30 September 2002 were NHB recovery ($159 million after tax), special provision for doubtful debts ($175 million after tax), and profit on sale of businesses to INGA ($170 million after tax). ANZ believes that the exclusion of significant transactions provides investors with a measure of the performance of the operating business without the distortion of one-off gains and losses. Refer page 2 for reconciliation to net profit

(2). EPS excluding goodwill is calculated by dividing cash earnings by the number of ordinary shares outstanding. Refer to Note 6 for the calculation. Refer to page 10 for a reconciliation of cash earnings to net profit

(3). This excludes goodwill amortisation. Refer to page 101 for a reconciliation and an explanation of the usefulness of this adjusted measure

FINANCIAL HIGHLIGHTS

Net Profit

	Half year Sep 03 $M	Half year Mar 03 $M	Movt Sep 03 v. Mar 03 %	Full year Sep 03 $M	Full year Sep 02 $M	Movt Sep 03 v. Sep 02 %
Net interest income	2,171	2,140	1%	**4,311**	4,018	7%
Other operating income	1,456	1,352	8%	**2,808**	2,970	-5%
Operating income	3,627	3,492	4%	**7,119**	6,988	2%
Operating expenses	(1,626)	(1,602)	1%	**(3,228)**	(2,905)	11%
Profit before debt provision	2,001	1,890	6%	**3,891**	4,083	-5%
Provision for doubtful debts	(311)	(303)	3%	**(614)**	(860)	-29%
Profit before income tax	1,690	1,587	6%	**3,277**	3,223	2%
Income tax expense	(482)	(444)	9%	**(926)**	(898)	3%
Outside equity interests	(1)	(2)	-50%	**(3)**	(3)	0%
Net profit attributable to members of the Company	1,207	1,141	6%	**2,348**	2,322	1%

Net Profit Reconciliation

Profit excluding profit after tax from sale of businesses to joint venture NHB recovery and special general provision for doubtful debts	1,207	1,141	6%	**2,348**	2,168	8%
Special general provision for doubtful debts after tax			n/a		(175)	-100%
Recovery from NHB litigation after tax			n/a		159	-100%
Profit on sale of businesses to ING joint venture after tax			n/a		170	-100%
Net profit attributable to members of the Company	1,207	1,141	6%	**2,348**	2,322	1%

Profit excluding profit on sale of businesses to joint venture, NHB recovery and special general provision for doubtful debts

	Half year Sep 03 $M	Half year Mar 03 $M	Movt Sep 03 v. Mar 03 %	Full year Sep 03 $M	Full year Sep 02 $M	Movt Sep 03 v. Sep 02 %
Net interest income	2,171	2,140	1%	**4,311**	4,018	7%

Other operating income	1,456	1,352	8%	**2,808**	2,796	0%
Operating income	3,627	3,492	4%	**7,119**	6,814	4%
Operating expenses	(1,626)	(1,602)	1%	**(3,228)**	(3,153)	2%
Profit before debt provision	2,001	1,890	6%	**3,891**	3,661	6%
Provision for doubtful debts	(311)	(303)	3%	**(614)**	(610)	1%
Profit before income tax	1,690	1,587	6%	**3,277**	3,051	7%
Income tax expense	(482)	(444)	9%	**(926)**	(880)	5%
Outside equity interests	(1)	(2)	-50%	**(3)**	(3)	0%
Net profit excluding significant transactions	1,207	1,141	6%	**2,348**	2,168	8%

Performance Measurements

	Half year Sep 03 $M	Half year Mar 03 $M	Full year Sep 03 $M	Full year Sep 02 $M
EVA™(1)	828	744	1,572	1,457
Profitability ratios				
Return on:				
Average ordinary shareholders equity(2)	20.9%	20.3%	**20.6%**	23.2%
Average ordinary shareholders equity(2) excluding significant transactions(3)	20.9%	20.3%	**20.6%**	21.6%
Average assets	1.24%	1.22%	**1.23%**	1.30%
Average risk weighted assets	1.60%	1.57%	**1.59%**	1.68%
Total income	17.4%	17.1%	**17.2%**	18.4%
Net interest average margin	2.64%	2.71%	**2.67%**	2.77%
Profit per average FTE ($)	53,348	51,077	**103,779**	102,246
Efficiency ratios(4)				
Operating expenses to operating income (excluding significant transactions(3))	44.6%	45.6%	**45.1%**	46.0%
Operating expenses to operating income	44.6%	45.6%	**45.1%**	41.3%
Operating expenses (excluding significant transactions(3)) to average assets	1.7%	1.7%	**1.7%**	1.8%
Operating expenses to average assets	1.7%	1.7%	**1.7%**	1.6%
Debt provisioning				
Economic loss provisioning ($M)	311	303	**614**	610
Special general provision charge ($M)				250
Net specific provisions ($M)	268	259	**527**	728
Earnings per ordinary share (cents)				
Earnings per ordinary share (basic)	76.3	72.0	**148.3**	147.3
Earnings per ordinary share (diluted)	76.1	71.7	**147.9**	146.6
Earnings per ordinary share (basic) excluding significant transactions(3)	76.3	72.0	**148.3**	137.0
Earnings per ordinary share (basic) excluding significant transactions and goodwill amortisation(5)	78.4	74.0	**152.4**	139.6
Ordinary share dividends (cents)				
Interim - 100% franked (Mar 02: 100% franked)	n/a	44	**44**	39
Final - 100% franked (Sep 02: 100% franked)	51	n/a	**51**	46
Dividend payout ratio(6)	67.0%	61.3%	**64.2%**	57.8%
Preference share dividend				
Dividend paid ($M)	48	54	**102**	117

(1). EVA™ refers to Economic Value Added, a measure of shareholder value. See page 12 for reconciliation of EVA™ to reported net profit and a discussion of EVA™ and an explanation of its usefulness as a performance measure

(2). Ordinary shareholders equity of EVA™ excluding outside equity interests

(3). Refer footnote 1 on page 1 for an explanation of the usefulness of adjusting profit to remove the impact of significant transactions. For a reconciliation to net profit, see page 2

(4). This excludes goodwill amortisation. Refer to page 101 for a reconciliation and an explanation of the usefulness of this adjusted measure

(5). Earnings used in ratio of $2,308 million (Full year 2002: $2,089 million; Sep 2003 half: $1,190 million; Mar 2003 half: $1,118 million) excludes significant transactions $nil (Full year 2002: $154 million; Sep 2003 half: $nil; Mar 2003 half: $nil) and goodwill and notional goodwill amortisation $62 million (Full year 2002: $38 million; Sep 2003 half: $31 million; Mar 2003 half: $31 million)

(6). Dividend payout ratio is calculated using the dividend declared but not paid for as at 30 September 2003

Statement of Financial Position

	As at Sep 03 $M	As at Mar 03 $M	As at Sep 02 $M	Movt Sep 03 v. Mar 03 %	Movt Sep 03 v. Sep 02 %
Assets					
Liquid assets	6,592	7,759	7,410	-15%	-11%
Due from other financial institutions	2,427	3,123	3,815	-22%	-36%
Trading and investment securities	8,980	9,520	9,482	-6%	-5%
Net loans and advances including acceptances	162,643	155,235	145,856	5%	12%
Other	14,949	14,881	16,542	0%	-10%
Total assets	195,591	190,518	183,105	3%	7%
Liabilities					
Due to other financial institutions	6,467	8,824	10,860	-27%	-40%
Deposits and other borrowings	124,494	122,122	113,259	2%	10%
Liability for acceptances	13,178	13,270	13,796	-1%	-4%
Bonds and notes	16,572	14,917	14,708	11%	13%
Other	21,093	18,900	19,017	12%	11%
Total liabilities	181,804	178,033	171,640	2%	6%
Total shareholders equity	13,787	12,485	11,465	10%	20%

Assets and Capital

	As at Sep 03 $M	As at Mar 03 $M	As at Sep 02 $M	Movt Sep 03 v. Mar 03 %	Movt Sep 03 v. Sep 02 %
Total assets	195,591	190,518	183,105	3%	7%
Risk weighted assets	152,164	148,603	141,390	2%	8%
Shareholders equity(1), (2)	13,770	12,468	11,448	10%	20%
Total advances	164,661	157,323	147,937	5%	11%
Net advances	162,643	155,235	145,856	5%	12%
Net tangible assets per ordinary share ($)	7.49	7.32	6.58	2%	14%
Net tangible assets attributable to ordinary shareholders	11,398	11,072	9,893	3%	15%
Total number of ordinary shares (M)	1,521.7	1,513.4	1,503.9	1%	1%

	As at Sep 03 $M	As at Mar 03 $M	As at Sep 02 $M
Capital adequacy ratio (%)			
Tier 1	7.7%	7.7%	7.9%
Tier 2	4.0%	3.4%	2.8%
Total capital ratio	11.1%	9.9%	9.5%
Adjusted common equity ratio(3)	5.7%	5.7%	5.7%

	As at Sep 03 $M	As at Mar 03 $M	As at Sep 02 $M	Movt Sep 03 v. Mar 03 %	Movt Sep 03 v. Sep 02 %
Impaired assets					
General provision	1,534	1,530	1,496	0%	3%
General provision as a % of risk weighted assets	1.01%	1.03%	1.06%	-2%	-5%
Gross non-accrual loans	1,007	1,153	1,203	-13%	-16%
Specific provisions	(482)	(553)	(575)	-13%	-16%
Net non-accrual loans	525	600	628	-13%	-16%
Specific provision as a % of total non-accrual loans	47.9%	48.0%	47.8%	0%	0%
Total provisions(4) as a % of non-accrual loans	200.2%	180.7%	172.2%	11%	16%
Net non-accrual loans as a % of net advances	0.3%	0.4%	0.4%	-25%	-25%
Net non-accrual loans as a % of shareholders equity(5)	3.8%	4.8%	5.5%	-21%	-31%
Other information					
Full time equivalent staff (FTE s)	23,137	22,483	22,482	3%	3%
Assets per FTE ($M)	8.5	8.5	8.1	0%	5%
Market capitalisation of ordinary shares ($M)	27,314	27,135	26,544	1%	3%

(1). *Excludes outside equity interests*

(2). *Includes preference share capital of $2,212 million (Mar 2003: $1,225 million; Sep 2002: $1,375 million)*

(3). *Adjusted common equity is calculated as Tier 1 capital less preference shares at current rates and deductions from total capital. This measure is commonly used to assess the adequacy of common equity held. See page 11 for a reconciliation to Tier 1 capital*

(4). *General provision plus specific provisions on non-accrual loans*

(5). *Includes outside equity interests*

This page has been left blank intentionally

CHIEF FINANCIAL OFFICER S REVIEW

CHIEF FINANCIAL OFFICER
Peter Marriott

2003 results

Australia and New Zealand Banking Group Limited (ANZ, or the Group) recorded a profit after tax of $2,348 million for the year ended 30 September 2003, an increase of 1% over September 2002 year.

Excluding the significant transactions(1) profit increased 8% driven by strong lending growth which was the principal contribution to a 7% growth in net interest income. Other income was flat excluding significant transactions as a result of the under accrual of loyalty points on credit cards in prior periods. Expenses were tightly controlled, increasing 2%. Asset quality improved with ELP stable despite volume increases.

---

(1). Refer footnote 1 on page 1 for an explanation of the usefulness of adjusting profit to remove the impact of significant transactions. For a reconciliation to net profit, see page 2

The result was driven by solid profit growth in seven of the 10 business segments.

Strong results in Corporate (12%) and Asset Finance (23%) were driven by strong domestic growth, while the 34% improvement in Asia Pacific resulted largely from higher equity accounted income from PT Panin, higher foreign exchange earnings and lending growth.

Profit in Mortgages grew 9% reflecting continued growth in the Australian housing market while the 7% improvement in Personal Banking Australia resulted largely from increased deposit volumes and increased commissions on mortgage sales.

The Institutional Financial Services result increased 8% with strong contributions from Capital Markets and the Australasian operations of Institutional Banking. Contributions from Structured Finance International and the offshore operations of Institutional Banking reduced following the decision to reduce exposure to the US and UK markets.

New Zealand Banking results were flat after adjusting for the impact of the appreciation in the exchange rate. (refer footnote 3 on page 14).

Consumer Finance was impacted by the under accrual of loyalty expense, and mismatch earnings in Treasury reduced as high yielding investments matured.

Further commentary is provided in the Business Performance Review on pages 13 to 48.

(2). *Excludes significant transactions(1). Results for the corporate centre not included (2003: $24 million loss; 2002: $46 million loss)*

The following discussion excludes the impact of significant transactions as management believes this provides a better indication of core business performance.

Net Interest
(GREATER THAN) 7%

Volume

Average net lending assets grew by $13.6 billion (10%) overall, with growth of $10.8 billion (18%) in Mortgages, $1.6 billion in Corporate and $0.8 billion in Asset Finance. Net lending asset volumes reduced 15% in overseas markets as a result of the strategy to reduce higher risk exposures in the UK and US and the exchange rate impact of a strengthening Australian dollar. Average deposits and other borrowings grew $13.5 billion, in Treasury ($3.2 billion), Personal Banking Australia ($4.2 billion), Institutional Financial Services ($2.7 billion), New Zealand Banking (NZD 0.8 billion), Asset Finance ($0.8 billion) and Corporate ($1.6 billion). The deposit growth was encouraged by uncertainty in global equity markets.

Margin

Net interest margin contracted by 10 basis points:

The funding cost associated with unrealised trading gains increased as a result of the appreciation of the AUD. Whilst resulting in a 3 basis point decline in net interest margin, it is offset by an equivalent gain in trading income.

Net interest income in Treasury fell by $45 million with maturing high yielding assets not able to be replaced due to the sustained period of low and stable interest rates (3 basis points).

The interest benefit from low interest savings accounts and non-interest bearing balances reduced as the rate at which they were invested reduced (3 basis points).

The proportion of the balance sheet funded by low interest savings accounts and non-interest balances reduced during the year, offset by an increase in term deposits and wholesale funding. This change in funding mix reduced the net interest margin by 5 basis points.

Partially offsetting these declines was an increase in foreign currency hedge earnings revenue as a result of the strengthening AUD (3 basis points) and a reduction in the funding cost on impaired assets (1 basis point).

Other Income (NO CHANGE)	After adjusting to remove the impact of selling the ANZ Funds Management business to INGA other operating income increased 5%: Lending fees increased $57 million on strong volume growth in Corporate, Asset Finance and Institutional Banking in Australasia. Non-lending fees reduced by 3% ($35 million) principally from a $38 million under-accrual of loyalty points on co-branded credit cards in prior years, higher cost of loyalty points and reduced fee revenue from the US and UK structured finance operations. Non-fee other income increased by 17% ($102 million), including increased equity accounted income in PT Panin, development property sales in Institutional and higher profit on trading instruments. The latter is principally due to a change in the split of Capital Markets earnings between trading and net interest income.
Expenses (GREATER THAN) 2%	Personnel costs increased by 2% with staff numbers increasing 3% with an expanded sales force, an increased back office to process higher mortgage activity and additional staff required to implement the RBA interchange reforms. Increases in computer expenses were primarily driven by increased software amortisation. Discretionary costs were constrained given the subdued income growth.
Doubtful Debts (GREATER THAN) 1%	A 12% growth in net advances was offset by a moderate improvement in overall average credit quality, with an increased proportion of mortgage loans.
Tax Expense (GREATER THAN) 5%	Tax expense increased less than profit before tax due to a higher amount of equity accounted earnings and other small permanent differences.

Comparison of September 2003 half year with the March 2003 half year

Profit after tax for the September 2003 half year at $1,207 million was 6% higher than the March 2003 half year. Earnings per share increased 6% to 76.3 cents and return on ordinary shareholders equity was up from 20.3% to 20.9%. The result was driven by strong performances in Consumer Finance, Asset Finance, Corporate and mortgages. Earnings in New Zealand Banking, Treasury and Asia Pacific reduced. The impact of the continued strengthening of the Australian dollar against the USD reduced profit by 1.5%. There were no adjustments for significant transactions in this half.

Net Interest (GREATER THAN) 1%	**Volume** Average net lending asset volumes grew by $6.5 billion, primarily in Mortgages ($6.0 billion) and Corporate ($1.8 billion) while deposits grew predominantly from the wholesale market. High margin lending volumes in Structured Finance reduced following a decision to reduce exposures to the US and UK markets. **Margin** Net interest margin reduced by 7 basis points: Treasury earnings and the interest benefit from low interest savings accounts and non-interest earnings balances fell during the half as a result of the sustained period of low and stable interest rates. This represented 3 basis points. The proportion of the balance sheet funded by low interest savings accounts and non-interest earning balances reduced during the half, offset by increases in term deposits and funding from the wholesale markets. This change in funding mix generated a 4 basis point decline in margin.
Other Income (GREATER THAN) 8%	The $38 million under-accrual in Consumer Finance suppressed fees in the March 2003 half. This, together with volume growth in Consumer Finance (after adjusting for the under accrual) and Corporate, resulted in a higher level of fee income in the September half. Non-fee other income increased 13% with higher equity accounted income from INGA and profit on sale of development properties in Institutional Banking.

Expenses (GREATER THAN) 1%	Personnel costs increased slightly with higher staffing levels. Premises costs increased in Australia while the rate of increase in software amortisation slowed. Constantly re-engineering our operating costs to ensure tight cost control remains a key aspect of our financial management.
Doubtful Debts (GREATER THAN) 3%	Provision for doubtful debts increased by 3% with asset growth in Australasia.
Tax Expense (GREATER THAN) 9%	Tax expense increased as a result of the favourable impact of the recognition of offshore tax losses and a tax deduction for the general employee share scheme issue booked in the first half.

Cash earnings reconciliation

	Half year Sep 03 $M	Half year Mar 03 $M	Movt Sep 03 v. Mar 03 %	Full year Sep 03 $M	Full year Sep 02 $M	Movt Sep 03 v. Sep 02 %
Cash earnings reconciliation						
Cash earnings before significant transactions	1,238	1,172	6%	**2,410**	2,206	9%
Net profit on significant transactions(1)			n/a		154	-100%
Amortisation of notional goodwill on INGA	(22)	(22)	0%	**(44)**	(18)	large
Amortisation of other goodwill	(9)	(9)	0%	**(18)**	(20)	-10%
Net profit attributable to members of the Company	1,207	1,141	6%	**2,348**	2,322	1%

(1). Refer footnote 1 on page 1 for an explanation of the usefulness of adjusting profit to remove the impact of significant transactions. For a reconciliation to net profit, see page 2

ANZ has included this cash earnings measure as it is commonly used by certain investors to evaluate ANZ s core operating result without the distortion of one-off significant transactions, the impact of the amortisation of goodwill and certain revaluations. ANZ has not revalued subsidiary entities or other assets in the periods shown. These earnings do not include any impact from appraisal value movements.

Software Capitalisation

The Group capitalises the development of software for major projects. As at September 2003, the balance of software capitalised was $465 million ($451 million at March 2003 and $419 million at September 2002). Software is amortised over 3 to 5 years, commencing on the date of implementation (the only exception is the branch network platform, which is amortised over 7 years). During the year, a further $116 million of software build costs were capitalised compared to $178 million in the 2002 year, the right to use the TradeCentrix (Proponix) software was recognised, while software amortisation of $83 million increased from $50 million. The build up in capitalised projects has been at a time when the Group has had an unusually high number of long term infrastructure projects.

Risk

The Group economic loss provision charge (ELP) was $614 million, compared with $610 million in the year to September 2002. The ELP charge to operating segments at $514 million reduced from September 2002. An additional charge of $100 million (7 basis points) was taken to recognise continued uncertainty and expected levels of default in the offshore lending portfolios.

The ELP rate decreased over the year to 39 basis points compared to 43 basis points for the September 2002 year. The continuing trend of decreasing offshore institutional assets and increasing lower risk domestic assets (principally mortgages) has progressively reduced the average risk over the year.

Net specific provisions were $527 million, down $201 million on the September 2002 year with the reduction due principally to lower offshore losses. Net specific provisions included $27 million relating to the finalisation of our credit warranty with Standard Chartered (this warranty was given on the sale of Grindlays). There were no individual name losses exceeding $40 million.

There was some further deterioration in the international power portfolio, while exposure to the Telecommunication sector reduced significantly. In these two sectors additional specific provisions of $114 million were raised during the year compared to $377 million in the September 2002 year. There were no large single name losses in excess of $40 million experienced this year. As a percentage of average net lending assets, net specific provisions reduced to 34 basis points this year, from 51 basis points last year.

Net non-accrual loans were $525 million at September 2003 compared with $628 million at September 2002. The general provision balance at 30 September 2003 remains strong at $1,534 million (1.01% of risk weighted assets), compared with $1,496 million (1.06% of risk weighted assets) at 30 September 2002.

Capital management

The Group s total capital adequacy ratio increased from 9.5% to 11.1% over the year to 30 September 2003 due largely to:

The $1 billion issuance of 10 million stapled securities (StEPs) on 23 September 2003 increased Tier 1 capital. The stapled securities comprise an interest paying note issued by ANZ Holdings (New Zealand) Limited, a wholly owned subsidiary of ANZ, and a preference share on which dividend will not be paid while it is stapled to a note.

A net increase of $1.2 billion of Tier 2 capital in the March 2003 half year, and a further $1.1 billion in the second half.

Tier 1 ratio at 7.7% was unchanged from March 2003 but down from 7.9% at 30 September 2002. The stapled security issue was offset by a new APRA requirement to deduct purchased goodwill directly from Tier 1 capital.

The Group plans, subject to APRA approval, to call its TrUEPrs preference shares. This will release a $76 million net profit after tax that arose from the close out of the TrUEPrs interest rate swap.

The Group s ACE (Adjusted Common Equity; refer page 112 for definition) ratio remained unchanged at 5.7%.

ACE reconciliation	**Sep 03**	**Mar 03**	**Sep 02**
	$B	**$B**	**$B**
Tier 1	11.7	11.5	11.2
Preference Shares	(2.1)	(1.3)	(1.4)
Deductions	(0.9)	(1.8)	(1.7)
Adjusted Common Equity ($B)	**8.7**	**8.4**	**8.1**

% of risk weighted assets	**5.7%**	**5.7%**	**5.7%**

EVA reconciliation

One measure of shareholder value is EVA™ (Economic Value Added) growth relative to prior periods. EVA™ for the year ended 30 September 2003 was $1,572 million, up from $1,457 million for the year ended 30 September 2002. EVA™ for the September 2003 half was $828 million up from $744 million for the March 2003 half.

	Half year Sep 03 $M	Half year Mar 03 $M	Movt Sep 03 v. Mar 03 %	Full year Sep 03 $M	Full year Sep 02 $M	Movt Sep 03 v. Sep 02 %
EVA™						
Net profit after tax	1,207	1,141	6%	**2,348**	2,322	1%
Notional goodwill on ING	22	22	0%	**44**	18	large
Other goodwill	9	9	0%	**18**	20	-10%
Significant transactions(1)			n/a		(154)	-100%
Imputation credits	249	215	16%	**464**	449	3%
Risk adjusted profit	1,487	1,387	7%	**2,874**	2,655	8%
Cost of ordinary capital	(611)	(589)	4%	**(1,200)**	(1,081)	11%
Cost of preference share capital	(48)	(54)	-11%	**(102)**	(117)	-13%
EVA™	828	744	11%	**1,572**	1,457	8%

(1) Refer footnote 1 on page 1 for an explanation of the usefulness of adjusting profit to remove the impact of significant transactions. For a reconciliation to net profit, see page 2

EVA™ is a measure of risk adjusted accounting profit. It is based on operating profit after tax, adjusted for significant transactions, the cost of capital, and imputation credits (measured at 70% of Australian tax). Of these, the major component is the cost of capital, which is calculated on the risk adjusted or economic capital at a rate of 11%. At the Group level, total capital is used so the cost of capital reflects the full resources provided by shareholders.

At ANZ, economic capital is the equity allocated according to a business unit s inherent risk profile. It is allocated for several risk categories including: credit risk, operating risk, interest rate risk, basis risk, mismatch risk, investment risk, trading risk and other risk. The methodology used to allocate capital to business units for risk is designed to help drive appropriate risk management and business strategies.

At ANZ EVA™ is a key measure for evaluating business unit performance and correspondingly is a key factor in determining the variable component of remuneration packages. Business unit results are equity standardised, by eliminating the impact of earnings on each business unit s book capital and attributing earnings on the business unit s risk adjusted or economic capital.

12

BUSINESS PERFORMANCE REVIEW

BUSINESS SEGMENT PERFORMANCE
Bob Edgar

Analysis of the segment and business unit results appears on pages 13 to 48. The principles used to compile business unit results are explained in the glossary on page 112.

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

Profit & Loss (including effect of movements in foreign currencies)

	Half year Sep 03 $M	**Half year Mar 03 $M**	**Movt Sep 03 v. Mar 03 %**	**Full year Sep 03 $M**	**Full year Sep 02 $M**	**Movt Sep 03 v. Sep 02 %**
Net profit after income tax						
Personal Banking Australia	196	188	4%	**384**	360	7%
Institutional Financial Services	388	384	1%	**772**	715	8%
Corporate	139	131	6%	**270**	242	12%
New Zealand Banking	67	74	-9%	**141**	131	8%
Mortgages	138	132	5%	**270**	247	9%
Consumer Finance	96	48	100%	**144**	150	-4%
Asset Finance	66	61	8%	**127**	103	23%
ING Australia(1)	21	17	24%	**38**	43	-12%
Asia Pacific	64	67	-4%	**131**	98	34%
Treasury	46	49	-6%	**95**	125	-24%
Group Centre	(14)	(10)	40%	**(24)**	(46)	-48%
Net profit (excl significant transactions)(2)	1,207	1,141	6%	**2,348**	2,168	8%
Significant transactions(2)			n/a		154	n/a
Net profit	1,207	1,141	6%	**2,348**	2,322	1%

---

(1) Includes the results of ING Australia (INGA) for the period from 1 May 2002; and the results of the businesses sold into INGA for the prior periods

(2) Significant transactions during the year ended 30 September 2002 were the sale of business to INGA, the NHB recovery and special general provision for doubtful debts. ANZ excludes significant transactions to eliminate the distorting effect of one-off transactions on the results of its core business

The Group from time to time modifies the organisation of its businesses to enhance the focus on delivery of specialised products or services to customers. Prior period numbers are adjusted for such organisational changes to allow comparability. During the half ended 30 September 2003 the significant changes were:

The re-organisation within Personal Banking Australia, effective from 1 April 2003. This segment consists of:

Personal Distribution which provides a full range of banking services, including the distribution of Wealth Management products, to personal customers and small to medium rural customers in Australia through branches, call centres, ATMs and on-line banking.

Banking Products which delivers comprehensive financial advisory, trustee and distribution services to high net worth customers in Australia covering investment, risk, lending and banking.

In addition, there have been a number of function transfers including the transfer of the Contact Centre to Personal Banking Australia, further customer segmentation between Institutional Banking, Structured Finance International and Corporate, and a number of relatively minor methodology changes to revenue and cost allocations.

ANZ has increased the allocation of economic capital to business units carrying goodwill on investments. Business units carrying goodwill will show increased earnings on capital in the equity standardised statement of financial performance.

Profit & Loss (prior period figures restated to remove effect of movements in foreign currencies(3))

	Half year Sep 03 $M	Half year Mar 03 $M	Movt Sep 03 v. Mar 03 %	Full year Sep 03 $M	Full year Sep 02 $M	Movt Sep 03 v. Sep 02 %
Net profit after income tax						
Personal Banking Australia	196	188	4%	**384**	360	7%
Institutional Financial Services	388	375	3%	**772**	713	8%
Corporate	139	131	6%	**270**	242	12%
New Zealand Banking	67	72	-7%	**141**	141	0%
Mortgages	138	130	6%	**270**	250	8%
Consumer Finance	96	48	100%	**144**	152	-5%
Asset Finance	66	61	8%	**127**	105	21%
ING Australia(1)	21	17	24%	**38**	43	-12%
Asia Pacific	64	67	-4%	**131**	93	41%
Treasury	46	47	-2%	**95**	121	-21%
Group Centre	(14)	(11)	27%	**(24)**	(55)	-56%
Net profit (excl significant transactions)	1,207	1,125	7%	**2,348**	2,165	8%
Significant transactions(2)			n/a		154	n/a
Net profit (excl FX movements)	1,207	1,125	7%	**2,348**	2,319	1%
FX impact on reported Net Profit(3)		16	-100%		3	n/a
Net profit	1,207	1,141	6%	**2,348**	2,322	1%

---

(1) Includes the results of ING Australia (INGA) for the period from 1 May 2002; and the results of the businesses sold into INGA for the prior periods

(2) Significant transactions during the year ended 30 September 2002 were the sale of business to INGA, the NHB recovery and special general provision for doubtful debts.

(3) ANZ has removed the impact of exchange rate movements to provide investors with a better indication of the business unit performance in local currency terms

This page has been left blank intentionally

BUSINESS PERFORMANCE REVIEW

PERSONAL BANKING AUSTRALIA

Elmer Funke Kupper

Personal Distribution

Banking Products

	Half year Sep 03 $M	Half year Mar 03 $M	Movt Sep 03 v. Mar 03 %	Full year Sep 03 $M	Full year Sep 02 $M	Movt Sep 03 v. Sep 02 %
Net interest income	430	421	2%	**851**	790	8%
Other external operating income	191	187	2%	**378**	368	3%
Net inter business unit fees	202	187	8%	**389**	399	-3%
Operating income	823	795	4%	**1,618**	1,557	4%
External operating expenses	(426)	(409)	4%	**(835)**	(812)	3%
Net inter business unit expenses	(107)	(106)	1%	**(213)**	(207)	3%
Operating expenses	(533)	(515)	3%	**(1,048)**	(1,019)	3%
Profit before debt provision	290	280	4%	**570**	538	6%
Provision for doubtful debts	(14)	(13)	8%	**(27)**	(24)	13%
Profit before income tax	276	267	3%	**543**	514	6%
Income tax expense and outside equity interests	(80)	(79)	1%	**(159)**	(154)	3%
Net profit attributable to members of the Company	196	188	4%	**384**	360	7%
Net loans & advances including acceptances	5,902	5,197	14%	**5,902**	4,945	19%
Other external assets	794	1,034	-23%	**794**	887	-10%
External assets	6,696	6,231	7%	**6,696**	5,832	15%
Deposits and other borrowings	31,824	30,425	5%	**31,824**	28,968	10%
Other external liabilities	1,254	1,105	13%	**1,254**	1,108	13%
External liabilities	33,078	31,530	5%	**33,078**	30,076	10%
Net interest average margin	2.78%	2.84%	-2%	**2.81%**	3.06%	-8%
Return on assets	1.20%	1.21%	-1%	**1.21%**	1.31%	-8%
Return on risk weighted assets	3.67%	3.78%	-3%	**3.74%**	4.12%	-9%
Operating expenses to operating income	64.8%	64.8%	0%	**64.8%**	65.4%	-1%
Operating expenses to average assets	3.28%	3.31%	-1%	**3.30%**	3.70%	-11%
Net specific provisions	(10)	(9)	11%	**(19)**	(17)	12%
Net specific provision as a % of average net advances	0.37%	0.36%	2%	**0.36%**	0.36%	0%
Net non-accrual loans	10	7	43%	**10**	10	0%
Net non-accrual loans as a % of net advances	0.17%	0.13%	31%	**0.17%**	0.20%	-15%

Total employees	6,822	6,733	1%	**6,822**	6,577	4%

2003 result

Profit after tax increased by 7% with profit growth in Banking Products of 27% offsetting a 4% reduction in Personal Distribution. Within Personal Distribution, Rural Banking performed well delivering a 10% profit improvement offsetting investments in Personal Banking and revenue pressure in ANZ Financial Planning. Significant factors affecting the result were:

Net interest income increased 8% driven by volume growth in Rural Banking (business lending 22%, business deposits 44%), and in Banking Products with growth in consumer deposits (11%) and margin lending, (19%). Net interest margin, however, was lower by 25 basis points due to the lower interest rate environment and higher growth in lower margin cash and term deposits.

Other external operating income increased 3%. Revenue from the distribution of investment management products is recorded as external income, whereas prior to the sale of businesses to INGA, this revenue was internal. After adjusting for this:

Sales and retention commissions received from the sale of ANZ products through the branch network increased 5% reflecting strong demand for mortgages and the effects of our investment in training of sales staff in the second half.

Fees from core transaction products were marginally up.

Other external operating income reduced 6% driven by an 18% reduction in sales and retention payments from INGA, reflecting the negative impact of the downturn in the equity markets. This was particularly evident in the first half of the year.

Operating costs increased 3% due to an $8 million investment in training our sales force, and increased depreciation associated with investments in technology and the branch network. Banking Products benefited from cost savings arising from the creation of INGA.

Provision for doubtful debts remained low reflecting sound credit quality, and the deposit driven nature of the business.

Comparison with March 2003 half

Profit after tax increased 4%, with Banking Products growing by 5% and Personal Distribution by 4%:

Revenues grew by 4%. Net interest income benefited from deposit and rural lending growth, and seasonal growth in gearing products. This was in part offset by a modest margin decline. Sales and retention commissions received from the sale of mortgages and consumer products through the branch network increased by 8%.

Operating costs increased 3% in the half. Most of the training investment was made in the second half, and the investment in the network led to higher premises expenses.

Provision for doubtful debts was stable.

Our business

Our business generates revenue through four major activities:

Managing and selling proprietary products (including savings products, transaction accounts and agri-lending) from which we earn interest and fees.

Selling other ANZ products from which we earn sales commissions and, in some cases, trailer commissions.

Providing financial advice to individuals and distributing investment products.

Providing branch and network services to ANZ s personal and corporate customers (e.g. cash deposit facilities), on a cost-recovery basis.

Key Performance Indicators	Half year Sep 03	Half year Mar 03	Half year Sep 02
Deposit balances ($billion)	31.8	30.4	29.0
Lending balances ($billion)	5.9	5.2	4.9
Deposit interest margin (%)	2.27	2.34	2.41
Mortgage sales ($billion)	7.7	6.1	6.4
Managed investment flows ($million)	1,043	970	1,083
Sales commissions ($million)	89.3	78.2	82.3
Customers (million)	3.20	3.17	3.15

External considerations

Our business has three significant economic sensitivities:

GDP growth, which impacts domestic savings and borrowings. We expect deposit market growth of 5-6% over the next 12 months based on Australian GDP growth of around 3%.

Interest rates. Our margins are normally higher in higher interest rate environments.

Demand for mortgages. 60% of our sales commissions come from mortgage sales. Demand has been strong for 2003 but is expected to soften over 2004 as the residential property market consolidates after several years of high growth.

Business environment measures	**Half year Sep 03**	**Half year Mar 03**	**Half year Sep 02**
Real GDP growth (%)	1.8	2.1	3.1
Official cash rate (%)	4.8	4.8	4.8
Residential mortgage credit growth (%)	9.4	10.1	9.2

Source: economics@anz. September 2003 figures are forecast.

Executing our strategy

We are a distribution business, and are looking to improve our sales performance and customer retention. Our key areas of focus are:

Focus/Strategy		**Progress**
Human Face		Implemented local management teams across Australia
	Give customers someone local to turn to: contribute to the communities we live in	Positive recognition in local media for community support
		Improved customer satisfaction with branches at 7.7 out of 10
Great Products/Best Deal		Industry transaction account award for last two years
	Provide products with excellent features which are simple to understand	Growth in new accounts 6% since September 2002
		Growth in cash management FUM of 25% since September 2002
		Simplified and re-issued all merchandising
		Overall market share of deposits up 0.5% since September 2002
Reliable service		Trained over 4,200 branch staff on sales skills including FSRA compliance
	Accessible; deliver on the basics	Reduced peak queue times and queue complaints per month
		Extended opening hours, opened 6 new branches and added 100 ATMs
		Refreshed or refurbished 25% of branch network
		Developed new Telling platform ready for implementation from November 2003

PERSONAL DISTRIBUTION Satyendra Chelvendra (Personal Banking); Mike Guerin (Rural Banking)

Michael Saadie (Private Banking); Dean Nalder (Financial Planning)

Provides a full range of banking and financial planning services to personal customers across Australia, and to small business and agri customers in rural Australia

	Half year Sep 03 $M	Half year Mar 03 $M	Movt Sep 03 v. Mar 03 %	Full year Sep 03 $M	Full year Sep 02 $M	Movt Sep 03 v. Sep 02 %
Net profit after tax	114	110	4%	**224**	234	-4%
Revenue	573	555	3%	**1,128**	1,094	3%
Operating expenses	(405)	(392)	3%	**(797)**	(746)	7%
Provision for doubtful debts	(9)	(8)	13%	**(17)**	(14)	21%
Net specific provisions	(7)	(5)	40%	**(12)**	(10)	20%
Net non-accrual loans	10	7	43%	**10**	9	11%

In 2003, we made significant investments to improve the sales and service performance of the business. On the service side, 155 branches were refurbished, with new merchandising rolled out across the network. On the sales side, emphasis is on the skills of our sales force and in the second half, more than 4,200 staff received sales training.

The second half showed stronger sales performance in Personal Banking on the back of continued strong demand for mortgages and higher sales productivity. Growth in the rural sector has continued, with ANZ improving its market share. The sustained downturn in the equity markets continued to negatively impact the distribution of investment management products. Gross flows improved in the second half as equity markets stabilised.

BANKING PRODUCTS - Craig Coleman

Banking Products manufactures deposit, transaction accounts and Margin Lending products. In addition, the businesses manages ANZ s direct channels covering Phone Banking, ATMs and Internet Banking

	Half year Sep 03 $M	Half year Mar 03 $M	Movt Sep 03 v. Mar 03 %	Full year Sep 03 $M	Full year Sep 02 $M	Movt Sep 03 v. Sep 02 %
Net profit after tax	82	78	5%	**160**	126	27%
Revenue	250	240	4%	**490**	463	6%
Operating expenses	(128)	(123)	4%	**(251)**	(273)	-8%

Provision for doubtful debts	(5)	(5)		**(10)**	(10)	0%
Net specific provisions	(3)	(4)	-25%	**(7)**	(7)	0%
Net non-accrual loans			n/a		1	-100%

Demand for deposits remained strong in 2003 with deposit balances increasing by 9% over the year. In August, ANZ was named Savings Institution of the Year and ANZ s transaction accounts again were voted best in the market by Personal Investor magazine. Margin lending growth improved, with loan balances increasing by 19%. Transaction volumes via direct channels have increased 14% reflecting the expansion of our ATM fleet expansion and continued growth in internet banking.

INSTITUTIONAL FINANCIAL SERVICES

Bob Edgar

Institutional Banking

Transaction Services

Foreign Exchange

Capital Markets

Structured Finance International

Corporate Financing & Advisory

	Half year Sep 03 $M	Half year Mar 03 $M	Movt Sep 03 v. Mar 03 %	Full year Sep 03 $M	Full year Sep 02 $M	Movt Sep 03 v. Sep 02 %
Net interest income	329	372	-12%	**701**	714	-2%
Other external operating income	618	578	7%	**1,196**	1,118	7%
Net inter business unit fees	(12)	(13)	-8%	**(25)**	(28)	-11%
Operating income	935	937	-0%	**1,872**	1,804	4%
External operating expenses	(268)	(279)	-4%	**(547)**	(568)	-4%
Net inter business unit expenses	(59)	(62)	-5%	**(121)**	(114)	6%
Operating expenses	(327)	(341)	-4%	**(668)**	(682)	-2%
Profit before debt provision	608	596	2%	**1,204**	1,122	7%
Provision for doubtful debts	(84)	(81)	4%	**(165)**	(173)	-5%
Profit before income tax	524	515	2%	**1,039**	949	9%
Income tax expense and outside equity interests	(136)	(131)	4%	**(267)**	(234)	14%
Net profit attributable to members of the Company	388	384	1%	**772**	715	8%
Net loans & advances including acceptances	40,477	42,262	-4%	**40,477**	41,863	-3%
Other external assets	16,052	17,151	-6%	**16,052**	17,292	-7%
External assets	56,529	59,413	-5%	**56,529**	59,155	-4%
Deposits and other borrowings	26,631	28,638	-7%	**26,631**	26,530	0%
Other external liabilities	20,808	20,973	-1%	**20,808**	23,934	-13%
External liabilities	47,439	49,611	-4%	**47,439**	50,464	-6%
Net interest average margin	1.63%	1.75%	-7%	**1.69%**	1.75%	-3%
Return on assets	1.33%	1.27%	5%	**1.30%**	1.17%	11%
Return on risk weighted assets	1.19%	1.16%	3%	**1.18%**	1.08%	9%
Operating expenses to operating income	35.0%	36.4%	-4%	**35.6%**	37.7%	-6%
Operating expenses to average assets	1.12%	1.13%	-1%	**1.12%**	1.12%	0%
Net specific provisions	(94)	(123)	-24%	**(217)**	(454)	-52%
Net specific provision as a % of average net advances	0.46%	0.58%	-19%	**0.52%**	1.05%	-50%
Net non-accrual loans	352	406	-13%	**352**	448	-21%
Net non-accrual loans as a % of net advances	0.87%	0.96%	-9%	**0.87%**	1.07%	-19%
Total employees	2,733	2,660	3%	**2,733**	2,612	5%

2003 result

Profit after tax increased 8% driven by revenue growth in Institutional Banking and Capital Markets of 10% and 9% respectively, and a 7% increase in profit after tax in Transaction Services. This was offset by a 19% reduction in profit after tax in Structured Finance International reflecting the continuing rebalancing of the portfolio towards lower risk sectors. Significant influences on the result were:

Net interest income reduced 2%. A 6% increase in Institutional Banking due to growth in domestic lending volumes and higher margins, and a 17% increase in Structured Finance International driven by several high margin structured deals was offset by increased funding costs on derivative trading in Capital Markets and Foreign Exchange that was basically exchange rate driven.

Lending volumes were 3% lower as a result of a reduction in offshore exposures and the impact of the appreciation in the AUD.

Other operating income increased 7% due to volume related fee growth of 9% in Australia/New Zealand Institutional Banking, higher profit on trading instruments in Capital Markets and Foreign Exchange (the split of net interest income and other operating income can vary considerably in markets trading depending on economic conditions), and a $19 million profit after tax on the final sale of development property businesses.

Fee revenue in Transaction Services increased 4% despite being suppressed by the impact of the appreciation of AUD and NZD, SARS, terrorism alerts, and the drought in Australia.

Non-interest income reduced 29% in Structured Finance International reflecting difficult conditions in the Power and Telecommunications sectors, combined with reduced Leasing and Tax based activity, and by 6% in Corporate Financing and Advisory, reflecting the profit on sale of a legacy asset in 2002.

Operating expenses reduced by 2%, due to the appreciation of the AUD against the USD and GBP reducing the 2003 cost base in offshore sites, and continuing cost discipline across all businesses. Increased personnel costs and the cost consequence of consolidating the TradeCentrix (previously known as Proponix) processing hub were absorbed by back office efficiency initiatives, and tight control on discretionary expenditure.

Provision for doubtful debts reduced 5% with a continuing reduction in offshore institutional exposures, including reduced exposure to the US and UK Power and Telecommunication sectors. Offsetting these improvements was a further deterioration in credit quality of the remaining power and telecommunication exposures. Net non-accrual loans decreased by 21%, largely reflecting the continuing rebalancing of the portfolio towards lower risk sectors. Net specific provisions reduced significantly from the 2002 year which included provisioning on Enron and Marconi. New specific provisions relate mainly to further provisioning against the offshore Power sector.

Comparison with March 2003 half

Profit after tax increased 1%. Improved results in Institutional Banking and Capital Markets were offset by lower profits in Structured Finance International, Foreign Exchange and Transaction Services.

Operating income was flat. Other operating income in Institutional Banking increased by 8% which included the sale of development properties. Corporate Financing and Advisory revenue increased by 8% with a strong performance in leasing and structured asset finance. Revenue in Capital Markets increased due to contributions from most product lines and increased client penetration. Transaction Services revenue was flat due to the appreciation of the AUD and NZD against the USD, the impact of the drought in Australia, SARS and lower deposit holdings and margins in an increasingly competitive market. Foreign Exchange revenues have been constrained in a very competitive market while revenue in Structured Finance International fell following the syndication of high yielding structured assets in the September half year, a reduction in exposure to the power and telecommunications sectors and lower interest recoveries on non-accrual loans.

Operating expenses reduced by 4%. Increased costs in Transaction Services as a result of the consolidation of the TradeCentrix processing hub and higher software amortisation charges from 1 April 2003 were offset by reduced discretionary expenditure.

Economic loss provision for doubtful debts increased by 4% due to growth in lending assets in Australia, a number of domestic downgrades, and further deterioration in the remaining offshore power and telecommunication exposures. Net specific provisions largely relate to exposures to the US and UK power sectors. Net non-accrual loans decreased by 13%, reflecting the continuing rebalancing of the portfolio towards lower risk sectors.

Our business

Institutional Financial Services (IFS) provides a complete range of financial solutions for our customers, bringing together the Institutional Banking customer segment and the specialised wholesale product segments covering Transaction Services, Foreign Exchange & Commodities, Capital Markets, Structured Finance International and Corporate Financing & Advisory.

Major revenue sources are interest income on loans and advances, fees for lending and non lending services including advisory services, and financial markets product income from foreign exchange and capital markets activities.

Asset quality and the provision for doubtful debts is a key factor in the IFS performance

IFS operates globally, with a presence in Australia, New Zealand, United Kingdom, Europe, United States and Asia.

IFS has a leading market position in Australia and is well positioned in offshore market niches to deliver profitable growth. Institutional Banking has maintained its leadership position in the domestic market through industry specialisation, which has now been rolled out globally. Each of the product segments hold strong market positions: Foreign Exchange has been voted FX House of the Year in Australia by *Insto*; Capital Markets holds top 3 market positions for all products in its portfolio in Australasia; Structured Finance International achieved a top 10 position globally in the 2002 *Dealogic Project Finance Arranger* league tables; Transaction Services is the domestic market leader in Trade and Clearing and a top 2 position in cash management; and Corporate Financing & Advisory is a market leader in project and structured finance.

External considerations

Continuing uncertainty in the global economy has presented challenging conditions during the year. The SARS outbreak particularly impacted trade flows

AUD appreciation during the year has had an adverse impact on performance.

Domestic lending activity has been challenged by subdued domestic business lending growth.

Run-off of non-strategic assets in the offshore book has continued in line with our lower risk strategy and has had an adverse impact on net profit after tax.

Customer demand for direct market funding, which requires increasing sophistication and creativity, is increasingly a factor in the market place.

Financial markets growth continues to focus on new financing techniques, securitisation and structured products. Securitisation growth has been around 30% per annum for the last 5 years.

Executing our strategy

The vision for Institutional Financial Services is to continue to move the mix of business increasingly towards a fee based advisory, solutions oriented, value added proposition with a low risk balance sheet. The best of investment banking together with our stronger balance sheet, traditional product capability, existing products and our existing corporate franchise are expected to deliver strong revenue opportunities. Key themes in executing this strategy are:

Key priorities	Progress/Plan
Deepen our domestic leadership position	The focus on specialisation has been extended with sub segment specialists, and will be further expanded Good progress continues to be made with the cross sell of non-balance sheet products
Develop new revenue streams for sustainable growth	The penetration of sophisticated products into the Corporate and Small to Medium Enterprise segments is progressing very successfully Penetration of anz.com FX Online has now been extended to offshore points Good progress continues to be made in acquiring and/or launching specialist wholesale funds for infrastructure finance Focus continues to be given to expansion of the commodities business
Build a viable offshore franchise by leveraging the strengths of our domestic business	Corporate relationship lending has been disaggregated from Structured Finance International and is now being managed on global industry lines A stronger foreign exchange and interest rate business presence has been established in Asia Commodity & Trade Finance capability has been strengthened
Maintain excellence in Risk Management	Non-core lending continues to be exited A selective asset writing strategy has been put in place in Asia that focuses on lending to corporates with a connection to Australasia Lower single customer limits have been put in place offshore which have reduced the size of offshore customer exposures

Grade	Sep 02	Mar 03	Sep 03
B+ to CCC	2.6%	3.1%	3.4%
Below CCC	1.8%	1.7%	1.6%

INSTITUTIONAL BANKING Murray Horn

Managing customer relationships through nine specialised industry segments. Developing financial services solutions and strategies for large businesses (turnover greater than $100 million) in Australia & New Zealand, and through corporates where we have an existing customer relationship in United Kingdom, United States and Asia

	Half year Sep 03 $M	Half year Mar 03 $M	Movt Sep 03 v. Mar 03 %	Full year Sep 03 $M	Full year Sep 02 $M	Movt Sep 03 v. Sep 02 %
Net profit after tax	156	144	8%	**300**	249	20%
Revenue	365	348	5%	**713**	648	10%
Operating expenses	(84)	(85)	-1%	**(169)**	(165)	2%
Provision for doubtful debts	(60)	(55)	9%	**(115)**	(122)	-6%
Net specific provisions	(38)	(42)	-10%	**(80)**	(352)	-77%
Net non-accrual loans	137	199	-31%	**137**	265	-48%

The strategy to reduce exposures in the UK and US markets and place an increased emphasis on the domestic operations resulted in ANZ maintaining its leading market position in Australia and improved overall credit quality. The improvement in credit quality is reflected in the decline in new non-accrual loans and net specific provisions as offshore exposures are managed down. Economic loss provision for doubtful debts increased in the September half due to growth in lending assets in Australia, a number of domestic downgrades, and further deterioration in the remaining offshore power exposures. The September 2003 results also benefited from a $19 million profit after tax on the sale of development properties.

TRANSACTION SERVICES Mark Paton

Provision of cash management, trade finance, international payments, clearing and custodian services principally to institutional and corporate customers in Australasia and overseas

	Half year Sep 03 $M	Half year Mar 03 $M	Movt Sep 03 v. Mar 03 %	Full year Sep 03 $M	Full year Sep 02 $M	Movt Sep 03 v. Sep 02 %
Net profit after tax	80	84	-5%	**164**	153	7%
Revenue	213	212	0%	**425**	417	2%
Operating expenses	(96)	(92)	4%	**(188)**	(188)	0%
Provision for doubtful debts	(3)	(4)	-25%	**(7)**	(10)	-30%
Net specific provisions	(5)	3	large	**(2)**	(6)	-67%
Net non-accrual loans	3	4	-25%	**3**	4	-25%

Cash management businesses experienced good deposit growth with customers increasing their cash holdings. This was coupled with improved income from Custodian Services with increased assets under custody and transaction volumes. Trade Finance and International Payments suffered from the effects of SARS and terrorism alerts and the related downturn in tourism, the appreciation of AUD and NZD against the USD, and reduced trade flows resulting from the drought in Australia. Operating efficiency improved while completing the acquisition of the TradeCentrix processing hub, which added 105 staff in the September 2003 half year, and commencing the amortisation charge for the new global trade platform software. Cost savings in cash, trade and payments processing more than offset these costs and the investment in a replacement custody system.

FOREIGN EXCHANGE Rick Sawers

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

	Half year Sep 03 $M	Half year Mar 03 $M	Movt Sep 03 v. Mar 03 %	Full year Sep 03 $M	Full year Sep 02 $M	Movt Sep 03 v. Sep 02 %
Net profit after tax	41	44	-7%	**85**	84	1%
Revenue	118	126	-6%	**244**	248	-2%
Operating expenses	(57)	(63)	-10%	**(120)**	(123)	-2%
Provision for doubtful debts	-	(1)	-100%	**(1)**	(3)	-67%
Net specific provisions	(10)	(24)	-58%	**(34)**	1	large
Net non-accrual loans	45	53	-15%	**45**	77	-42%

Sales and trading activity was maintained at the prior year levels despite slow market conditions prevailing for much of the year, particularly in the Australasian time zone. Customer activity was constrained by currencies being range bound for long periods reflecting the general uncertainty associated with events such as the Iraq war, the SARS outbreak and the revision of treasury hedging policies by corporates. The development of collateralisation capabilities and commissioning of CLS (continuous linked settlements) during the year has reduced credit and settlement risk respectively. Net specific provisions and non accrual loans related to one large Australian Corporate that defaulted in 2002.

CAPITAL MARKETS David Hornery

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

	Half year Sep 03 $M	Half year Mar 03 $M	Movt Sep 03 v. Mar 03 %	Full year Sep 03 $M	Full year Sep 02 $M	Movt Sep 03 v. Sep 02 %
Net profit after tax	39	36	8%	**75**	64	17%
Revenue	100	98	2%	**198**	181	9%
Operating expenses	(42)	(44)	-5%	**(86)**	(88)	-2%
Provision for doubtful debts	(2)	(1)	100%	**(3)**	(2)	50%
Net specific provisions	(5)		n/a	**(5)**	(3)	67%
Net non-accrual loans	12	19	-37%	**12**	4	large

The 2003 year was characterised by a lack of volatility in interest rate markets, and reduced client hedging activity with expectations that historically low levels of interest rates would continue in the medium term. Increased revenues reflect increased penetration into existing markets by the derivatives desk, a continued push into new fixed interest products and improved conversion of opportunities into mandates in the Primary Markets Group.

STRUCTURED FINANCE INTERNATIONAL Gordon Branston

Provision of advisory, arranging, underwriting, financial engineering and funding services outside Australia and New Zealand in relation to project and structured finance transactions

	Half year Sep 03 $M	Half year Mar 03 $M	Movt Sep 03 v. Mar 03 %	Full year Sep 03 $M	Full year Sep 02 $M	Movt Sep 03 v. Sep 02 %
Net profit after tax	32	36	-11%	**68**	84	-19%
Revenue	82	101	-19%	**183**	201	-9%
Operating expenses	(27)	(37)	-27%	**(64)**	(76)	-16%
Provision for doubtful debts	(10)	(11)	-9%	**(21)**	(22)	-5%
Net specific provisions	(36)	(55)	-35%	**(91)**	(56)	63%
Net non-accrual loans	150	117	28%	**150**	77	95%

The 2003 result reflects the Group s strategy to rebalance the portfolio towards lower risk sectors, and reduce exposure to the UK and US power and telecommunications sectors. The leasing & transportation sector has performed strongly, however, most other industry segments have been impacted by subdued market conditions resulting in an increased time to bring mandated deals to financial close. Credit remains a critical issue with some further deterioration in credit quality, notably in the UK and US power sectors.

CORPORATE FINANCING & ADVISORY Peter Hodgson

Provision of complex financing and advisory services, structured financial products, leasing, private equity, project, export and leveraged finance and infrastructure investment in Australia and New Zealand

	Half year Sep 03 $M	Half year Mar 03 $M	Movt Sep 03 v. Mar 03 %	Full year Sep 03 $M	Full year Sep 02 $M	Movt Sep 03 v. Sep 02 %
Net profit after tax	40	40		**80**	81	-1%
Revenue	56	52	8%	**108**	108	0%
Operating expenses	(21)	(20)	5%	**(41)**	(42)	-2%
Provision for doubtful debts	(9)	(9)		**(18)**	(14)	29%
Net specific provisions	-	(5)	-100%	**(5)**	(38)	-87%
Net non-accrual loans	4	14	-71%	**4**	21	-81%

The portfolio strategy of developing and exploiting niche products for the core customer base showed promising results in 2003 as a result of the increased emphasis on growing the private equity, infrastructure fund management and leveraged finance businesses. Revenue from core activities grew notwithstanding a challenging environment. The profit on sale of a legacy asset inflated income in 2002. Other niche products directed at the Small Business segment will be launched in 2004 to further advance the portfolio strategy.

This page has been left blank intentionally

CORPORATE

Graham Hodges

Small to Medium Enterprises Australia

Corporate Banking Australia

	Half year Sep 03 $M	Half year Mar 03 $M	Movt Sep 03 v. Mar 03 %	Full year Sep 03 $M	Full year Sep 02 $M	Movt Sep 03 v. Sep 02 %
Net interest income	249	238	5%	**487**	448	9%
Other external operating income	109	100	9%	**209**	197	6%
Net inter business unit fees	(22)	(21)	5%	**(43)**	(41)	5%
Operating income	336	317	6%	**653**	604	8%
External operating expenses	(91)	(87)	5%	**(178)**	(170)	5%
Net inter business unit expenses	(22)	(19)	16%	**(41)**	(42)	-2%
Operating expenses	(113)	(106)	7%	**(219)**	(212)	3%
Profit before debt provision	223	211	6%	**434**	392	11%
Provision for doubtful debts	(24)	(24)		**(48)**	(46)	4%
Profit before income tax	199	187	6%	**386**	346	12%
Income tax expense and outside equity interests	(60)	(56)	7%	**(116)**	(104)	12%
Net profit attributable to members of the Company	139	131	6%	**270**	242	12%
Net loans & advances including acceptances	16,029	14,827	8%	**16,029**	13,472	19%
Other external assets	56	58	-3%	**56**	66	-15%
External assets	16,085	14,885	8%	**16,085**	13,538	19%
Deposits and other borrowings	12,846	11,881	8%	**12,846**	11,155	15%
Other external liabilities	5,104	4,636	10%	**5,104**	4,544	12%
External liabilities	17,950	16,517	9%	**17,950**	15,699	14%
Net interest average margin	3.83%	3.82%	0%	**3.82%**	4.05%	-6%
Return on assets	1.63%	1.61%	1%	**1.62%**	1.63%	0%
Return on risk weighted assets	1.84%	1.87%	-2%	**1.86%**	1.84%	1%
Operating expenses to operating income	33.6%	33.4%	1%	**33.5%**	35.1%	-5%
Operating expenses to average assets	1.32%	1.30%	2%	**1.31%**	1.42%	-8%
Net specific provisions	(49)	(8)	large	**(57)**	(49)	16%
Net specific provision as a % of average net advances	0.64%	0.11%	large	**0.39%**	0.38%	3%
Net non-accrual loans	74	87	-15%	**74**	77	-4%
Net non-accrual loans as a % of net advances	0.46%	0.58%	-21%	**0.46%**	0.57%	-19%

Total employees	1,597	1,522	5%	**1,597**	1,487	7%

2003 result

Profit after tax increased by 12%. Significant influences on the result were:

Operating income increased 8% with strong growth in both lending and deposit volumes. SME achieved 15% revenue growth resulting from an increased geographic footprint, a focus on industry specialisation and an increasing volume of new business being generated through third party broker channels. Corporate Banking revenue increased by 1% over the year, but rose 5% in the second half of the year reflecting stronger business momentum.

The growth in other operating income was driven by the increase in volume of lending in both Corporate and SME.

Operating expenses increased 3%. Higher costs in SME are due to ongoing investment in frontline and support staff to enable the continued expansion of the overall business. Overheads in Corporate Banking have reduced due to on-going careful cost management and synergies in combining the business.

Provision for doubtful debts have increased 4%, slower than the 19% growth in lending volumes. Credit quality in the SME sector remains sound with the portfolio quality reviewed every quarter to detect any early adverse trends. One indicator of portfolio quality is the percentage of quarterly Business Activity Statement (BAS) payments met by drawing down existing deposits versus increasing debt (overdrafts). This has remained at around 80% of the tax payments being met from deposits suggesting steady cash performance in the SME sector.

Net specific provisions were up largely due to provisioning against two large corporate customer exposures: problems with one emerged in the second half of the financial year while the other reflected an increase in provisioning in an account that has been closely monitored for two years.

Comparison with March 2003 half

Profit after tax increased 6% building on the strong growth in the first half. Revenue increased 6% with 5% growth in net interest. Both lending and deposit volumes grew 8%. Other external income increased 9% with solid fee growth in both the Corporate and SME sectors.

Operating costs increased by 7% driven by a 5% increase in relationship and business related support staff, principally in SME. Increased software amortisation costs and business volume related increases in technology costs contributed to the increase in allocated internal costs.

Provision for doubtful debts remained flat while net specific provisions were significantly higher.

Our business

Small to Medium Enterprises Australia

There has been a significant investment in the SME business over the past few years, centred on an expanded geographic coverage and developing specialised segments (e.g. Franchising). These investments have driven strong growth in revenue and business profits. Full year revenue continued to grow faster than costs, permitting on-going investment.

The strong lending growth has not been at the expense of credit quality. The portfolio is ~80% fully secured and is reviewed dynamically via behaviour scoring on a quarterly basis.

Corporate Banking Australia

Corporate Banking has a strong market position in a relatively mature market place. Customer surveys* suggest ANZ has a very strong Corporate banking proposition with a broad product offering. The establishment of a dedicated middle office has allowed the business unit to capitalise on efficiency gains enabling the frontline to focus on sales.

The total customer profit has continued to grow strongly, with the corporate customer base contributing to profits in other business units.

---

* *Roberts Research*

External considerations

Mid-sized companies have experienced good profitability and low gearing in recent years.

The outlook for business investment is expected to remain positive over the year ahead.

SME market is in good financial shape and credit growth is expected to remain robust.

Quarterly payments to the Australian Tax Office have increased the focus of small businesses on cash flow.

Executing our strategy

The Corporate and SME Banking Businesses were brought together in December 2002. The businesses are at different stages of development, but there have been synergies from the closer alignment of the teams.

Focus	Strategy	Progress
SME		
Increased revenue opportunities	Expanding specialised business concept	Invested in geographic areas where ANZ is underweight or market growing rapidly
	Recruitment of skilled people	Increased staff in front-line and in specialised businesses
	New product innovation such as the SME Development Capital Product	SME Development Capital product launched in July 2003. Hybrid debt equity product for fast growing SME clients
Enhance operational effectiveness	Maximise efficiency of frontline network	Straight-through processing loan origination operating for smaller loan amounts
	Streamline frontline activities to create new business capacity	Automated Letter of Offer; Security Documents via intranet
	Deliver intranet based Straight Through Processing of Loan origination	Behavioural and credit scoring embedded
Corporate		
Driving a stronger sales culture while delivering excellent customer service	Increase sales and new customer acquisition	A lift in revenues reflecting the impact of a more disciplined sales regime Selected investments via growth bids
Solutions focus at the larger customer end	Maintain a strong focus on cross sell to corporate customer base	New dedicated resources
	Pursue Wall Street to Main Street opportunities	Integrated approach with Corporate Finance & Advisory to target Corporate Banking opportunities Increased activity in sophisticated solutions

CORPORATE

SMALL TO MEDIUM ENTERPRISES AUSTRALIA Graham Hodges

Provides a full range of banking services for metropolitan based small to medium business in Australia with turnover up to $10 million

	Half year Sep 03 $M	Half year Mar 03 $M	Movt Sep 03 v. Mar 03 %	Full year Sep 03 $M	Full year Sep 02 $M	Movt Sep 03 v. Sep 02 %
Net profit after tax	82	77	6%	**159**	137	16%
Revenue	183	171	7%	**354**	308	15%
Operating expenses	(58)	(53)	9%	**(111)**	(100)	11%
Provision for doubtful debts	(8)	(8)		**(16)**	(13)	23%
Net specific provisions	(3)	(2)	50%	**(5)**	(13)	-62%
Net non-accrual loans	5	6	-17%	**5**	5	0%

The strategy has been to develop a strong customer proposition and achieve rapid growth in the business. New investment has centred on expanding the geographic footprint and industry specialisation. Growth has been achieved through an increased investment in relationship and business support staff and leveraging third party broker distribution channels. Monitoring the credit portfolio has received increased focus during this period of rapid expansion and is reflected in reduced specific provisioning.

CORPORATE BANKING AUSTRALIA Graham Hodges

Managing customer relationships and developing financial solutions for medium sized businesses (turnover $10 million to $100 million) in Australia

	Half year Sep 03 $M	Half year Mar 03 $M	Movt Sep 03 v. Mar 03 %	Full year Sep 03 $M	Full year Sep 02 $M	Movt Sep 03 v. Sep 02 %
Net profit after tax	57	54	6%	**111**	105	6%
Revenue	153	146	5%	**299**	296	1%
Operating expenses	(55)	(53)	4%	**(108)**	(112)	-4%
Provision for doubtful debts	(16)	(16)		**(32)**	(33)	-3%
Net specific provisions	(46)	(6)	large	**(52)**	(35)	49%
Net non-accrual loans	69	81	-15%	**69**	72	-4%

The business has continued its focus on acquiring new business customers and cross-selling the products of other ANZ business units. Total customer profitability increased by 26% in the year with 46% of total profitability being reported in the profits of other product businesses. Solid growth was achieved despite subdued market conditions with overall credit quality of the portfolio improving slightly. Net specific provisions were impacted by provisions raised for two large customers. Operating efficiency has improved following the centralisation of the Relationship Banking support functions early in the year.

NEW ZEALAND BANKING

Greg Camm

Provides a full range of banking services, including wealth management, for personal, small business and corporate customers in New Zealand through branches, call centres, relationship managers and on-line banking. New Zealand Banking excludes Mortgages, Consumer Finance and Asset Finance. New Zealand geography (page 51) includes all ANZ operations in NZ.

	Half year Sep 03 $M	**Half year Mar 03 $M**	**Movt Sep 03 v. Mar 03 %**	**Full year Sep 03 $M**	**Full year Sep 02 $M**	**Movt Sep 03 v. Sep 02 %**
Net interest income	150	161	-7%	**311**	277	12%
Other external operating income	89	92	-3%	**181**	167	8%
Net inter business unit fees	24	22	9%	**46**	46	0%
Operating income	263	275	-4%	**538**	490	10%
External operating expenses	(111)	(111)		**(222)**	(191)	16%
Net inter business unit expenses	(46)	(46)		**(92)**	(90)	2%
Operating expenses	(157)	(157)		**(314)**	(281)	12%
Profit before debt provision	106	118	-10%	**224**	209	7%
Provision for doubtful debts	(6)	(7)	-14%	**(13)**	(13)	0%
Profit before income tax	100	111	-10%	**211**	196	8%
Income tax expense and outside equity interests	(33)	(37)	-11%	**(70)**	(65)	8%
Net profit attributable to members of the Company	67	74	-9%	**141**	131	8%
Operating expenses to operating income	59.7%	57.1%	5%	**58.4%**	57.3%	2%
Net specific provisions	(2)	3	large	**1**	(5)	large
Net non-accrual loans	3	4	-25%	**3**	3	0%
Total employees	2,535	2,437	4%	**2,535**	2,371	7%

2003 results

Profit after tax for the year increased 8%, driven by an appreciation in the New Zealand dollar. Excluding the exchange rate impact (this impact has been excluded for the same reason as set forth in note 3 on page 14), profit was flat. The flat result was due to the lack of fee growth as we improved the competitiveness of our product ranges, and higher costs as we increased our front line branch staff numbers to improve customer service.

Key influences on the result (excluding the exchange rate impact) include the following:

Net interest income increased 4%, driven by strong growth in Business & Rural lending and, to a lesser extent, Corporate lending. Overall margins contracted 5 basis points, with reduced deposit margins from competitive pressures, and reduced Corporate lending margins consistent with a focus on lower risk lending.

Growth in other operating income was constrained by lower fees in Personal following the launch of a simplified product range in July 2002.

Operating expenses increased 3%, reflecting increased frontline staffing as part of the roll out of the Restoring Customer Faith program in Personal, and increasing capacity in Business & Rural. Technology costs were also higher with increased project related expenditure.

Credit quality remains sound with the provision for doubtful debts charge falling 5% despite solid lending growth. This reduced cost has been driven by the continued reduction in risk profile of the Corporate & Business lending portfolio. Economic loss provisions remain well in excess of net specific provisions.

Comparison with March 2003 half

Profit after tax reduced by 8% after adjusting for exchange rate impacts. Excluding the exchange rate impact: revenue reduced 2%, with the impact of reduced margins (caused by a 75 basis point reduction in the Official Cash Rate) more than offsetting the contribution from volume growth (7% growth in Corporate and Business & Rural lending, and 3% growth in Personal deposit volumes). Operating costs increased 2% with investment in frontline staffing being partly offset by operating efficiencies in support areas.

NEW ZEALAND

Greg Camm

Our business

We operate in the personal, corporate, business and rural sectors in New Zealand:

Personal Banking provides consumer banking deposits, loans and overdrafts. The branch network services more than one million personal customers. Personal Banking also provides wealth management services through Private Bank and ING Distribution.

ANZ Business & Rural provides a full range of banking services for businesses and agriculture.

Corporate Banking is responsible for managing customer relationships and developing financial solutions for medium-sized businesses. Through our relationship managers, customers are provided with financial solutions ranging from traditional banking services to more sophisticated investment banking products.

External considerations

Overall business environment. While the domestic economy remains robust, export sector weakness is likely to result in slower economic growth, with annual growth in the NZ economy expected to slow to 2½% in 2003/04.

Household deposits. Deposit growth is slowing in the face of greater stability in equity markets and the lure of a strong residential property market for investors.

Corporate debt. This is expected to sustain reasonable growth, albeit slightly weaker as a result of a general slowdown in the agricultural sector. Nevertheless, investment intentions are supportive of continued growth in business lending, partly as a result of high capacity utilisation in recent years.

After a sustained period of declining to flat interest rates, some increase is expected over the year ahead. This is already occurring in longer-term rates. Short-term rates are expected to remain stable around current levels for some time before moving higher in the second half of 2004.

Executing our strategy

ANZ New Zealand now operates with greater management autonomy to respond to customer needs and the New Zealand competitive environment. We have commenced rebuilding our New Zealand franchise. We continue to enjoy high levels of customer satisfaction in the business sector, and in the personal sector we are now lifting off a low base. In 2003, the ANZ retail operation was the most improved of all the banks in customer satisfaction, jumping from fifth place to third for service (A.C. Neilson Consumer Finance Monitor, September quarter). Key areas of focus include:

Focus	Strategy	Progress
Brand (Overall)	Integrated campaign to reinvigorate overall brand	Campaign rollout to take place over 2003/2004
Products (Personal)	Simplify products and improve their competitiveness	Launched new transactional products Control, Thrifty and Freedom; re-launched Call and Premier products
Products (Corporate)	Wall Street to Main Street (Investment Banking solutions to the mid-market)	Generated new Private Equity investments in 2003 and divestments in the year
Sales & Service (Personal)	Team-based incentive program Establish new training programs on induction, needs-based sales and sales management Branch revitalising program Mobile Mortgage Manager program	Completed pilot; rollout over next 6 months to frontline staff Training programs in place; rollout over next 12 months to frontline staff Increased staffing in branches by 5% Plan for opening new branches over next twelve months Increased number of Mobile Mortgage Managers, particularly in Auckland market
Sales & Service (Business & Rural)	Expansion of frontline sales force Industry specialisation	Commenced recruitment of new staff Re-established rural business
Sales & Service (Corporate)	Segmentation strategies	Customer segmentation completed; improved customer satisfaction in all segments

MORTGAGES

Chris Cooper

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

	Half year Sep 03 $M	Half year Mar 03 $M	Movt Sep 03 v. Mar 03 %	Full year Sep 03 $M	Full year Sep 02 $M	Movt Sep 03 v. Sep 02 %
Net interest income	405	370	9%	**775**	685	13%
Other external operating income	46	44	5%	**90**	89	1%
Net inter business unit fees	(143)	(124)	15%	**(267)**	(233)	15%
Operating income	308	290	6%	**598**	541	11%
External operating expenses	(73)	(67)	9%	**(140)**	(120)	17%
Net inter business unit expenses	(20)	(19)	5%	**(39)**	(40)	-3%
Operating expenses	(93)	(86)	8%	**(179)**	(160)	12%
Profit before debt provision	215	204	5%	**419**	381	10%
Provision for doubtful debts	(16)	(15)	7%	**(31)**	(28)	11%
Profit before income tax	199	189	5%	**388**	353	10%
Income tax expense and outside equity interests	(61)	(57)	7%	**(118)**	(106)	11%
Net profit attributable to members of the Company	138	132	5%	**270**	247	9%
Operating expenses (1) to operating income	28.9%	28.3%	2%	**28.8%**	28.3%	2%
Net specific provisions	(3)	(9)	-67%	**(12)**	(10)	20%
Net non-accrual loans	19	32	-41%	**19**	29	-34%
Total employees	1,264	1,145	10%	**1,264**	1,047	21%

(1). *This excludes goodwill amortisation. Refer to page 101 for a reconciliation and an explanation of the usefulness of this adjusted measure*

2003 results

Profit after tax increased by 9%. Significant influences on the result were:

Net interest income increased by 13% driven by a 22% growth in the Australian mortgage portfolio, with record sales volume being written through all key channels. The New Zealand mortgage business has had a turn around in 2003, experiencing strong growth in the September 2003 quarter following a period of flat or reducing volumes in 2002.

Other operating income remained flat with volume growth offset by increased fee discounting. Higher title search and valuation costs have not been passed on to customers.

Sales and retention commissions paid to Personal Banking distribution increased 15% driven by improved performance in the network.

Expenses increased 12% with increased staffing to maintain service levels due to higher volumes and increased amortisation of capitalised software.

Provision for doubtful debts increased in line with volume growth. Net non-accrual loans reduced by 34%.

Comparison with March 2003 half

Profit after tax increased by 5%. Net interest increased 9% with a 11% growth in the Australian loan portfolio and a 4% growth in New Zealand mortgages. Other external income grew 5% on increased volumes but was partly offset by increased search and valuation costs. Expenses increased by 8% with higher staff numbers to process record mortgage volumes, increased amortisation of capitalised software and higher volume related expenditure.

MORTGAGES

Chris Cooper

Our business

ANZ Mortgages has 11.3%(1) of the home finance market in Australia and 14.2%(2) in New Zealand. Mortgages are sourced through the Bank s branch network and mortgage brokers, with the business having written in excess of 20% of broker loans in Australia in 2003. The business also provides wholesale mortgage funding to other non-bank mortgage lenders. Current critical success factors are:

Developing products which best meet customer needs (measured by product awards received).

Maintaining market leadership in sales by mortgage brokers (measured by independent surveys).

Controlling costs of distribution (measured by average acquisition cost per mortgage and servicing).

Managing risk (measured by arrears levels).

Key Performance Indicators	**Half year Sep 03**	**Half year Mar 03**	**Half year Sep 02**
Interest margin (%)	1.10	1.10	1.10
Loans balance growth (%)	9.6	9.4	8.3
Proportion of Australian sales through brokers (%)	42	34	26

(1). *Source: Reserve Bank of Australia August 2003*

(2). *Source: Reserve Bank of New Zealand June 2003*

External considerations

Our business has four significant external sensitivities:

Demand for mortgages. We expect our total loan balances to grow by 8-9% over the next 6 months based on residential mortgage growth of 8-9% in Australia and 7% in New Zealand.

Interest yield curve. Mortgages are priced with reference to the cash rate, however funding is generally priced with reference to the 90 day bill rate.

Competitor pricing. Aggressive pricing from competitors may lead to margin reduction.

Broker utilisation. Mortgage borrowers are increasingly using brokers to obtain loans, making broker relationships critical for market share growth. We compete primarily on the basis of strong service proposition and best products.

Executing our strategy

Mortgages has a series of key strategic initiatives that will provide the foundation for continued strong growth. Key areas of focus include:

Focus	Strategy	Progress
Business improvement	Delivering end-to-end improvements in mortgage processing Process improvements to enhance customer experience and reduce re-work, duplication and non value-add processes Enhanced business practices, including capacity planning, scheduling and performance management Image and workflow for document preparation activities	Business is making significant commitment to progress the improvement initiatives with a number of key elements currently in pilot Initial pilot results delivering significant business productivity benefits, resulting in increased number of applications being processed
Distribution strategy	Expansion of our mortgage specialist sales force Growth of our wholesale business	Mortgage specialist sales force to be operational from 1 October 2003 Integration of wholesale systems and processes with the main Mortgage operations is underway
Loan approvals	Automated application and approval systems for brokers and mortgage specialists	National roll-out of eMOS system commencing in mid October
Marketing	Superior products Moves into new market opportunities Expanded utilisation of database marketing	Cannex 5 star awards for ANZ Money Saver Home and Residential Loans and 5 Year Fixed Rate Loans
Risk management	Portfolio and collection management	Comprehensive portfolio management techniques implemented Delinquencies at

historically low levels

CONSUMER FINANCE

Brian Hartzer

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

	Half year Sep 03 $M	Half year Mar 03 $M	Movt Sep 03 v. Mar 03 %	Full year Sep 03 $M	Full year Sep 02 $M	Movt Sep 03 v. Sep 02 %
Net interest income	235	214	10%	**449**	392	15%
Other external operating income	205	152	35%	**357**	394	-9%
Net inter business unit fees	(46)	(47)	-2%	**(93)**	(92)	1%
Operating income	394	319	24%	**713**	694	3%
External operating expenses	(133)	(127)	5%	**(260)**	(234)	11%
Net inter business unit expenses	(43)	(44)	-2%	**(87)**	(76)	14%
Operating expenses	(176)	(171)	3%	**(347)**	(310)	12%
Profit before debt provision	218	148	47%	**366**	384	-5%
Provision for doubtful debts	(77)	(75)	3%	**(152)**	(161)	-6%
Profit before income tax	141	73	93%	**214**	223	-4%
Income tax expense and outside equity interests	(45)	(25)	80%	**(70)**	(73)	-4%
Net profit attributable to members of the Company	96	48	100%	**144**	150	-4%
Operating expenses (1) to operating income	44.2%	53.0%	-17%	**48.0%**	43.7%	10%
Net specific provisions	(72)	(65)	11%	**(137)**	(132)	4%
Net non-accrual loans	2	2		**2**	2	0%
Total employees	1,203	1,043	15%	**1,203**	1,156	4%

---

(1). *This excludes goodwill amortisation. Refer to page 101 for a reconciliation and an explanation of the usefulness of this adjusted measure*

2003 result

Profit after tax decreased by 4%. Significant influences on the result were:

Net interest income increased by 15% driven by volume increases in average credit card outstandings (15%) and personal loans (4%) and a higher proportion of credit card balances paying interest.

Other operating income was impacted by a $38 million charge taken in the first half as a result of an under accrual of loyalty points on co-branded cards going back to 1999, $20 million of which related to 2002. After adjusting for the impact of this under-accrual, other operating income increased by $21 million, reflecting strong growth in merchant turnover (15%) and cardholder spend (10%).

Internal commissions were flat with volume growth offset by the migration away from branch-based transactions to the internet and BPay.

Operating expenses increased by 12%, resulting from volume growth and increased amortisation costs of new technology and the MultiPOS network. Staff numbers at 30 September 2003 included a customer services team of 124 FTEs put in place in August to handle a higher level of calls associated with the Reserve Bank interchange reform project. Excluding this team, FTEs were down 7% as a result of back office automation initiatives.

Comparison with March 2003 half

Profit after tax increased $48 million. Of this, $27 million related to the after-tax effect of the under-accrual of loyalty points booked in the March 2003 half year. Adjusting for this write-back, which is not indicative of core business performance, net profit increased half on half by 28% and interest income increased by 10% reflecting higher lending volumes. Operating expenses increased 3% in part due to increased FTEs and marketing spend relating to the Reserve Bank interchange reform project and costs associated with the expected closure of our Hong Kong credit card operations.

CONSUMER FINANCE

Brian Hartzer

Our business

Cards Issuing [Australia, New Zealand and Indonesia]

We earn interest income on cardholder outstandings (excluding those within an interest free period), fee income on each account, and interchange revenue. The proportion of outstandings earning interest across the Cards portfolio varies in the range 65% to 75%.

Loyalty programs are an important part of our customer proposition.

Cards Acquiring [Australia and New Zealand]

We earn transaction and terminal fees from merchants using our MultiPOS terminals. We also earn processing fees from merchants using their own terminals.

Our full range of MultiPOS terminals means that we are well prepared for Triple DES compliance (the new industry standard security requirement) with chip capable terminals in stand-alone, integrated POS and mobile GSM versions.

Personal Loans [Australia and New Zealand]

We provide unsecured personal instalment loans to customers through our branch network and through direct channels, which generate interest and fee income.

Reserve Bank of Australia s Interchange Reform

The reduction in interchange fees (referred to as interchange reforms) impacts reward programs, as interchange income has traditionally been an important offset to the cost of running reward programs. The RBA reforms have reduced future interchange revenue by 40-50%. To protect our business and the benefits customers receive, ANZ has developed new options for customers including two new charge cards, as well as implemented changes to credit card reward programs. As a result of these changes, ANZ expects the net reduction in revenue associated with the interchange reforms to reduce after-tax profit by no greater than $40 million.

External considerations

Non-housing consumer lending in Australia totalled $94 billion as at July 2003, of which credit card debt represents $25 billion. (Source: Reserve Bank of Australia Bulletin).

The Reserve Bank of Australia s interchange reforms, effective from 31 October 2003, are expected to reduce interchange income across the Australian credit card market by in excess of $400 million in the year ending 30 September 2004. It is likely that some portion of spend currently made through credit cards will migrate to charge card and debit cards following the interchange reforms.

economics@anz is forecasting consumer credit growth of 7.2% in the year to 30 September 2004, down from an estimated 11.3% in the current year.

A modest increase in market default rates is expected over the next twelve months, reflecting a slightly tougher credit environment.

Executing our strategy

New products: Following the announcement of interchange reforms, we reshaped our product propositions across our Australian Cards Issuing portfolio giving us a simple, competitive, and differentiated product set that meets a broad range of customer needs. Our portfolio includes our new ANZ Low Rate MasterCard and ANZ Frequent Flyer Diners Card announced in September 2003.

Metrobank: We purchased a 40% joint venture interest in the cards business of Metrobank in the Philippines.

Loyalty management: We now have in-house capability to administer our loyalty programs (previously outsourced), which has delivered 21% annualised cost savings in loyalty management, forecast to increase to 35% in 2004.

Merchants: In line with our strategy to increase market share of merchant acquiring business, there has been a 15% growth in the number of small business merchants in the second half.

Technology platforms: Our investments in technology platforms have continued to deliver efficiency gains in the second half: average costs per account and per merchant are down 16% and 17% respectively and have improved customer service (e.g. 90% of new applications are processed within 24 hours).

Compliance: In response to the under accrual of loyalty costs disclosed in the first half, we have significantly strengthened our financial control and compliance framework and resources.

ASSET FINANCE

Elizabeth Proust

Operating under the Esanda and UDC brands, our vision is to be the leading provider of vehicle and equipment finance and rental services. This means delivering superior shareholder returns, fast, convenient and excellent customer experience, an environment for our people to excel, value for our channel partners and a contribution to our community.

	Half year Sep 03 $M	**Half year Mar 03 $M**	**Movt Sep 03 v. Mar 03 %**	**Full year Sep 03 $M**	**Full year Sep 02 $M**	**Movt Sep 03 v. Sep 02 %**
Net interest income	177	173	2%	**350**	338	4%
Other external operating income	44	42	5%	**86**	69	25%
Net inter business unit fees	(3)	(4)	-25%	**(7)**	(8)	-13%
Operating income	218	211	3%	**429**	399	8%
External operating expenses	(78)	(79)	-1%	**(157)**	(151)	4%
Net inter business unit expenses	(13)	(12)	8%	**(25)**	(29)	-14%
Operating expenses	(91)	(91)		**(182)**	(180)	1%
Profit before debt provision	127	120	6%	**247**	219	13%
Provision for doubtful debts	(31)	(32)	-3%	**(63)**	(69)	-9%
Profit before income tax	96	88	9%	**184**	150	23%
Income tax expense and outside equity interests	(30)	(27)	11%	**(57)**	(47)	21%
Net profit attributable to members of the Company	66	61	8%	**127**	103	23%
Operating expenses (1). to operating income	41.3%	42.7%	-3%	**42.0%**	44.6%	-6%
Net specific provisions	(47)	(25)	88%	**(72)**	(58)	24%
Net non-accrual loans	49	55	-11%	**49**	56	-13%
Total employees	1,311	1,290	2%	**1,311**	1,303	1%

---

(1). This excludes goodwill amortisation. Refer to page 101 for a reconciliation and an explanation of the usefulness of this adjusted measure

2003 result

Profit after tax increased by 23%. Significant items underpinning this uplift were as follows:

Interest income grew by 4%, resulting from strong asset growth and solid margins in all segments.

Other income increased 25% driven by fees on higher new business volumes, profits on end-of-lease vehicles sales and commissions on increased insurance writings.

Operating expenses were held relatively flat, despite annual salary increases and higher amortisation of capitalised infrastructure projects. A 3% increase in the sales force was funded from further back office operating efficiencies.

Doubtful debts were down 9%, through improvement in the quality of the lending portfolio whilst loan volumes grew. The increase in net specific provisions is from a write-down of the aircraft leasing portfolio in the September 2003 half-year; Esanda is no longer writing business in this sector.

Comparison with March 2003 half

Profit after tax increased by 8%, with growth continuing after strong first half results. Operating income grew 3% driven by increased new business volumes. Expenses were flat with reduced technology costs and operating efficiencies offsetting increases in personnel costs resulting from higher staff numbers and the impact of the 4% Enterprise Bargaining Agreement increase in July. Provision for doubtful debts decreased 3% as a result of an improvement in asset quality while net specific provisions reflect the write-down of the aircraft leasing portfolio in the September 2003 half year.

ASSET FINANCE

Elizabeth Proust

Our business

Asset Finance provides:

motor vehicle and equipment finance;

equipment operating leases and management services;

fleet management services; and

investment products

to customers in Australia and New Zealand through its businesses Esanda (Australia), Esanda FleetPartners (Australia & New Zealand) and UDC (New Zealand) and Specialised Asset Finance (Australia).

Approximately 72% of our profit is derived from Australia.

Our loan book totals $12.6 billion.

Approximately 70% of our business is funded through the issue of debentures.

We employ 1000 staff in Australia and 311 in New Zealand.

Our primary distribution channels for providing finance are our dealer and broker networks in both Australia and New Zealand, and the ANZ.

Critical success factors for us are:

Capturing growth in selected segments of the market.

Risk Management.

Ongoing productivity improvement and cost control

External considerations

Motor Vehicles

The year has seen a credit driven five-year high in new motor vehicle sales across all sectors of the Australian market, particularly trucks.

The market growth rate for motor vehicles has been over 10% in the current year, compared to a normal base of approximately 3.5%.

The buoyancy in the new motor vehicle market led to a fall in prices for secondhand vehicles. We expect 2004 to be weaker as domestic demand and conditions dampen.

Equipment

Equipment finance has been strong as businesses re-equip while business confidence has been trending upwards, particularly in the Small to Medium business sector.

The market growth rate for equipment finance has been in the order of 15-20%, up on past base levels.

In 2004, business internal cash flow conditions are expected to tighten, which may have implications for lending.

Executing our strategy

In the previous period we reported on our new strategy of improving our processes to provide better customer service to our customers and achieving sustainable growth and improved profitability. Implementing our strategy will remain our focus and we are already seeing significant progress, in particular:

strong growth rates in new business writings:

motor vehicle finance 18%

equipment finance 26%

fleet management services 26%

equipment operating leases 24%

reduced cost to income ratio from 45.6% in the half year ended 31 March 2002 to 41.3% in the current half

ING AUSTRALIA (JOINT VENTURE)

Paul Bedbrook

ING Australia, the joint venture between ANZ and ING Group, provides integrated manufacture and distribution of wealth creation, management and protection products and services aligned to ANZ distribution and the open market

ING Australia and former ANZ businesses

	Half year Sep 03 $M	Half year Mar 03 $M	Movt Sep 03 v. Mar 03 %	Full year Sep 03 $M	Full year Sep 02 $M	Movt Sep 03 v. Sep 02 %
Net profit after tax	21	17	24%	**38**	43	-12%
Revenue	14	16	-13%	**30**	113	-73%
Operating expenses			n/a		(43)	-100%
Net profit after tax reconciliation						
Sold Businesses			n/a		40	-100%
ING Australia	21	17	24%	**38**	3	large
	21	17	24%	**38**	43	-12%

ING Australia

	6 months to Sep 03 $M	6 months to Mar 03 $ M	5 months to Sep 02 $M	Movt Sep 03 v. Mar 03 %	Annualised Movt Sep 03 v. Sep 02 %
Funds management income	202	190	183	6%	-10%
Risk income	82	76	58	8%	18%
	284	266	241	7%	-2%
Costs (excl goodwill on purchase of ANZ business)	(196)	(207)	(188)	-5%	-13%
	88	59	53	49%	38%
Capital investment earnings	61	24	(6)	large	large
Net income	149	83	47	80%	large
Income tax expense	(29)		(5)	n/a	large
Profit after tax	120	83	42	45%	large
ANZ share					

ANZ share of INGA earnings @ 49%	58	41	20	41%	large
Notional goodwill	(22)	(22)	(18)	0%	2%
ANZ equity accounted profits	36	19	2	89%	large
ANZ capital hedges	(8)	2	5	large	large
Net funding cost	(7)	(4)	(4)	75%	46%
Net return to ANZ	21	17	3	24%	large

March 2003 and September 2002 results are restated for revised capital allocations to INGA. This resulted in reduction in the after tax funding costs of $10 million in each half year.

2003 result

The 2003 result for ING Australia improved over the five months to 30 September 2002 as a result of strong revenue growth from the life risk business and cost reductions. After a difficult start to the year due to major global uncertainties, funds under management increased in the second half and INGA consolidated its number 4 position in Retail Funds Under Management as measured by ASSIRT. Risk business income continued to improve with positive claims experience the major contributor. Costs fell in the second half as a result of the delivery of integration savings and strong cost management.

Comparison with March 2003 half

Funds management income increased by 6% compared to the first half primarily due to increased funds under management from equity market improvements offset by outflows. Net funds flows, while below expectations, have performed well compared to major competitors.

Risk income increased by 8% driven by positive claims experience.

Costs have decreased by 5% reflecting the delivery of synergy benefits of the joint venture and continued tight cost control.

Capital investment earnings have increased over the first half which was adversely impacted by the global uncertainties at that time. ANZ continues to hedge against volatility in this income stream - as a result, gains on capital investment earnings this half were partially offset by hedge losses.

Tax expense increased due to increased capital investment earnings and a one-off tax credit recorded in the March 2003 result.

Funds under management increased in the second half reflecting an improvement in domestic and international equity markets. Retail inflows were offset by outflows from mezzanine, wholesale and closed product. However, the overall result is pleasing, with INGA strengthening its position as the number 4 ranked position in Retail Funds Under Management.

Key retail products and platforms including OneAnswer, Master Trust Super and V2+ recorded positive net inflows for the half. This result supports INGA s objective of focusing growth on key retail platforms. The mezzanine and wholesale products are generally more volatile and reflect specific individual outflows.

Achievements and outlook

Integration - integration milestones are now complete with no significant issues outstanding. Headcount reductions, in line with original expectations were achieved and integration costs were below expectations.

Products - the ANZ version of OneAnswer was launched via the ANZ branch network during the period and has achieved positive net flows.

Distribution - strong focus will continue on adviser productivity and growth through ANZ channels.

Information Technology - following the delivery of early cost synergies, investments have been approved that will create a single and modern technology platform.

Investment Outlook - equity markets are expected to deliver normal returns in the next 12 months. With investor appetite for risk slowly improving, we expect positive flows in 2004.

Valuation of investment in INGA

A valuation of ANZ s investment in INGA was prepared as at March 2003. The key assumptions used in that valuation were reviewed against recent business experience by Ernst & Young ABC Pty Ltd as at 30 September 2003 to assess any potential valuation impacts. Based on this review, ANZ believes no change is required to the carrying value of the investment.

This page has been left blank intentionally

ASIA PACIFIC

Bob Lyon

Provision of primarily retail banking services in the Pacific Region and Asia, including ANZ s share of PT Panin Bank in Indonesia; this business unit excludes Institutional and Corporate transactions that are included in the geographic results for Asia

	Half year Sep 03	Half year Mar 03	Movt Sep 03 v. Mar 03	Full year Sep 03	Full year Sep 02	Movt Sep 03 v. Sep 02
	$M	$M	%	$M	$M	%
Net interest income	60	60		**120**	122	-2%
Other external operating income	90	99	-9%	**189**	145	30%
Net inter business unit fees			n/a			n/a
Operating income	150	159	-6%	**309**	267	16%
External operating expenses	(46)	(51)	-10%	**(97)**	(95)	2%
Net inter business unit expenses	(17)	(17)		**(34)**	(29)	17%
Operating expenses	(63)	(68)	-7%	**(131)**	(124)	6%
Profit before debt provision	87	91	-4%	**178**	143	24%
Provision for doubtful debts	(5)	(5)		**(10)**	(10)	0%
Profit before income tax	82	86	-5%	**168**	133	26%
Income tax expense and outside equity interests	(18)	(19)	-5%	**(37)**	(35)	6%
Net profit attributable to members of the Company	64	67	-4%	**131**	98	34%
Operating expenses(1) to operating income	41.3%	41.5%	-0%	**41.4%**	45.3%	-9%
Net specific provisions	7	1	large	**8**	(5)	large
Net non-accrual loans	18	12	50%	**18**	11	64%
Total employees	1,580	1,562	1%	**1,580**	1,558	1%

(1) This excludes goodwill amortisation. Refer to page 101 for a reconciliation and an explanation of the usefulness of this adjusted measure

2003 result

Profit after tax increased by 34% despite an appreciation in the AUD. Excluding foreign exchange movements (this impact has been excluded for the same reason as set forth in Note 3 on page 14) profit increased 41%. Significant influences on the result, excluding exchange rate movements, were:

Net interest increased by 7% with increased lending volumes, notably in Fiji following an uplift in the economy and increased tourism. A full year contribution from the purchase of the Bank of Hawaii in Fiji, Vanuatu and Papua New Guinea during 2002 also contributed to the increase in net interest income.

Other operating income was up 38%. The sale of bonds by PT Panin has increased equity accounted income bringing the total equity accounted PT Panin contribution to $55 million. Volatility in Pacific and Asian currencies, particularly in the March 2003 half year, combined with ANZ s strong market position in the region has resulted in a significant increase in foreign exchange earnings. Fee revenue has increased following increased volumes and the simplification of fee structures.

Expenses are up 14% following the integration of the Bank of Hawaii operations and increased technology support to the Pacific region.

Credit quality remains sound with a number of recoveries/provision reassessments resulting in a credit to net specific provisions.

Comparison with March 2003 half

Profit after tax decreased by 4%. Revenue reduced 6% from the March half year which included $16 million equity accounted profit from bond sales in PT Panin and particularly high foreign exchange earnings from volatility in Pacific currencies. Operating expenses reduced 7% as a result of personnel savings through a revised management structure and lower project spend.

Our business

Our business unit comprises three distinct operations.

In the Pacific, ANZ is a clear banking leader being number 1 or 2 in the 10 countries in which we operate. We service both consumer and business customers, and leverage operational expertise from the broader ANZ group. In addition, we offer foreign exchange services, which benefit from exchange volatility and tourism.

We also manage ANZ s consumer banking business in Asia with Singapore and Japan being the major contributors.

We equity account 29% of the profits of PT Panin which is the 7th largest non-state owned bank in Indonesia (by assets). PT Panin Bank has a distribution network of 142 branches and holds funds under management of $5.4 billion.

External considerations

PT Panin, Papua New Guinea and Fiji together comprise 77% of our 2003 full year profit.

Economic indicators for Indonesia are positive. The external debt problems are being well managed and Indonesia is expected to exit the International Monetary Fund program in December 2003.

Fiji is expecting GDP growth of 5.2% for 2003 from increased tourism, partially due to the South Pacific Games held in June in which ANZ was a major sponsor. The Games resulted in an 11% increase in the number of tourists in Fiji during June. This has continued with Fiji experiencing the highest ever number of tourists during the months following the games. Foreign Exchange income and the volume of ATM transactions also increased over this period.

Profit growth has proven to be difficult in PNG with a flat economy and increased competitive pressure.

Executing our strategy

Expanding our service: Ebiz, our business internet banking platform was launched in Papua New Guinea, Fiji, Tonga and Cook Islands.

Quest: A 100% owned subsidiary company, Quest, was established in Fiji in 2002 to centralise operational support functions primarily for our Pacific operations. Functions transferred include a call centre, help desk and centralised finance function. Efficiency gains have enabled reinvestment elsewhere in Pacific operations.

Business operating model: Commenced re-engineering of our sales and service function in all of our Pacific countries including the installation of queue management systems in major branches. Positive feedback has been received from customers with further operational efficiencies and improved customer service anticipated following the expected completion of the review in late 2003.

Our staff: We have progressively developed solid performing national staff, up-skilling to establish good management bench strength. 80% of our management positions in the Pacific are held by nationals.

45

TREASURY

Michael Dontschuk

The Banker for all ANZ businesses. Charged with providing cash flow support, ensuring liquidity, managing interest rate risk and providing capital to the businesses

	Half year Sep 03 $M	Half year Mar 03 $M	Movt Sep 03 v. Mar 03 %	Full year Sep 03 $M	Full year Sep 02 $M	Movt Sep 03 v. Sep 02 %
Net interest income	74	81	-9%	**155**	200	-23%
Other external operating income			n/a		(1)	-100%
Net inter business unit fees			n/a			n/a
Operating income	74	81	-9%	**155**	199	-22%
External operating expenses	(7)	(7)		**(14)**	(15)	-7%
Net inter business unit expenses	(2)	(3)	-33%	**(5)**	(5)	0%
Operating expenses	(9)	(10)	-10%	**(19)**	(20)	-5%
Profit before debt provision	65	71	-8%	**136**	179	-24%
Provision for doubtful debts			n/a			n/a
Profit before income tax	65	71	-8%	**136**	179	-24%
Income tax expense and outside equity interests	(19)	(22)	-14%	**(41)**	(54)	-24%
Net profit attributable to members of the Company	46	49	-6%	**95**	125	-24%
Total employees	43	43		**43**	46	-7%

2003 results

Net profit for the year was $30 million lower than the 2002 year, a direct consequence of the low and flat interest rate environment globally:

The USD market was characterised by a rapid and significant decline in interest rates, between August 2001 and December 2001 when short-term interest rates fell by 2%. This led to an extended period where the interest rate yield curve flattened thus resulting in a contraction in mismatch interest margin.

Likewise, the AUD market took a lead from US markets with the yield curve also flattening, without the added benefit of falling short term rates (as in the US). This exacerbated the larger contraction in earnings margins. Additionally, the run off of the existing asset portfolio (written at rates above the current market rates), further reduced revenues.

Looking ahead to 2004, slower economic growth combined with low inflationary pressures early in the period, are likely to result in the continuation of relatively flat yield curves an environment not favoring the lengthening of the duration of assets. In this environment the outlook is for subdued Treasury s earnings.

Comparison with March 2003 half

The September 2003 half-year profit is $3 million lower than March 2003. This is principally due to the bottoming of the interest rate cycle and flat or negative yield curves. Whilst the Australian operations benefited from this market activity, term earnings were squeezed due to the run off in high yielding historical assets.

Economic environment

The absolute level of interest rates, shape of yield curves and liquidity affect Treasury s operations. Geopolitical risks and the Iraq conflict dominated financial markets leading to investment uncertainty and a dampening effect on global interest rate and equity markets. As these effects eased, they were replaced with concerns about economic growth and deflationary fears, resulting in lower interest rates and flattening yield curves around the world, which in turn tightened Treasury s earnings through lower margins on term assets.

Our business

Capital Management

ANZ pursues an active approach to capital management. This involves a continual review of the level and composition of the Group s capital base, assessed against a range of objectives including the maintenance of sufficient capital to ensure that ANZ retains its AA category rating.

In September 2003, the Group executed a $1 billion Tier 1 domestic hybrid issue (StEPS). The issue carried a coupon based upon the 90 day bank bill rate plus a margin of 100 basis points.

Wholesale Funding

Term wholesale funding of $26 billion is managed within Board approved metrics, designed to achieve:

Funding diversification by structure, investor, geography and maturity.

Minimisation of overall funding cost, balanced against operational, structural and strategic imperatives.

In the second half, $7 billion of term debt was issued, taking the full year s term debt issuance to $12 billion ($8.6 billion in senior debt and $3.4 billion in subordinated debt).

The most notable transaction was the $1.5 billion 5 year domestic Transferable Certificate of Deposit issue that achieved a 35% subscription from offshore investors. This was the largest single maturity issue by a financial institution in the domestic market.

Non-traded interest rate risk

Non-traded interest rate risk arises principally from the mismatch in repricing terms of interest bearing assets and liabilities, plus the investment of capital and other non-interest bearing items. These interest rate exposures are managed to enhance net interest income and, ultimately, shareholder value. Given that Treasury is usually funding term assets with shorter term liabilities, its profitability is correlated to the spread between long and short term interest rates. The graph compares income for the Australasian mismatch operations to the yield curve spread represented by the average rolling 3 year against the average rolling 90 day rates over the 3 years.

Interest rate exposures are managed within clearly prescribed parameters from the Board, which limit both earnings at risk (over the next 12 months) and the variation in the balance sheet s overall fair value.

Non-traded interest rate risk was reduced significantly during the second half, stabilising the balance sheet s overall fair value without having a significant impact on earnings. This will protect the balance sheet to some degree from the interest rate rises expected in the next phase of the economic cycle.

Group People Capital
Group Risk Management
Capital Funding Unit & Group Items
Call Centre
Group Strategic Development
CFO Units
Operations, Technology & Shared Services

	Half year Sep 03	Half year Mar 03	Movt Sep 03 v. Mar 03	Full year Sep 03	Full year Sep 02	Movt Sep 03 v. Sep 02
	$M	$M	%	$M	$M	%
Net interest income	72	56	29%	**128**	57	large
Other external operating income	40	36	11%	**76**	91	-16%
Net inter business unit fees		(1)	-100%	**(1)**	(3)	-67%
Operating income	112	91	23%	**203**	145	40%
External operating expenses	(394)	(386)	2%	**(780)**	(734)	6%
Net inter business unit expenses	330	330		**660**	613	8%
Operating expenses	(64)	(56)	14%	**(120)**	(121)	-1%
Profit before debt provision	48	35	37%	**83**	24	large
Provision for doubtful debts	(54)	(51)	6%	**(105)**	(86)	22%
Profit before income tax	(6)	(16)	-63%	**(22)**	(62)	-65%
Income tax expense and outside equity interests	(8)	6	large	**(2)**	16	large
Net profit attributable to members of the Company	(14)	(10)	40%	**(24)**	(46)	-48%
Total employees	4,050	4,044	0%	**4,050**	4,223	-4%

2003 result

The result for the Group Centre was a loss of $24 million compared with a loss of $46 million in 2002. Significant influences on the result were:

The level of the Group s surplus capital increased over the year with retained earnings growth and a reduction in the higher risk offshore credit portfolios.

The strengthening of the AUD over the year resulted in gains on contracts put in place to hedge USD denominated offshore earnings. The weakening NZD in the latter part of the year increased interest revenue from NZD hedge contracts entered during the course of the year.

In February 2003, ANZ s dispute with the Australian Tax Office relating to equity products was settled for $262 million from existing provisions.

ANZ wrote down the value of its investments in E*Trade ($6 million) and Identrus ($8 million) during the year.

External operating expenses increased with a higher technology spend, and the transfer of certain functions to the Corporate Centre. Total costs were flat with increased external costs charged back to business units.

Provision for doubtful debts relates to a $100 million provision equivalent to the ELP on a downgrade of one level across the entire offshore Structured Finance and Institutional Banking portfolio. This provision has remained relatively constant because of uncertainty in the offshore portfolios. However, as these portfolios are stabilising, the level of this provision is expected to decrease.

Comparison with March 2003 half

The half result was a loss of $14 million compared with a loss of $10 million in the March 2003 half. Increased revenue resulted from an increase in the level of surplus capital and higher earnings on contracts hedging offshore revenue. Operating costs increased with an increase in the level of expenditure on strategic initiatives that are not charged to individual business units.

GEOGRAPHIC SEGMENT PERFORMANCE

	Half year Sep 03 $M	Half year Mar 03 $M	Movt Sep 03 v. Mar 03 %	Full year Sep 03 $M	Full year Sep 02 $M	Movt Sep 03 v. Sep 02 %
Net profit attributable to members of the Company(1)						
Australia	895	804	11%	**1,699**	1,708	-1%
New Zealand	176	172	2%	**348**	330	5%
UK / USA and Other	45	72	-38%	**117**	124	-6%
Asia	56	60	-7%	**116**	101	15%
Pacific	35	33	6%	**68**	59	15%
	1,207	1,141	6%	**2,348**	2,322	1%

	Half year Sep 03 $M	Half year Mar 03 $M	Movt Sep 03 v. Mar 03 %	Full year Sep 03 $M	Full year Sep 02 $M	Movt Sep 03 v. Sep 02 %
External assets						
Australia	151,538	142,547	6%	**151,538**	135,050	12%
New Zealand	25,696	26,037	-1%	**25,696**	23,799	8%
UK / USA and Other	10,635	13,417	-21%	**10,635**	15,337	-31%
Asia	6,202	6,941	-11%	**6,202**	7,368	-16%
Pacific	1,520	1,576	-4%	**1,520**	1,551	-2%
	195,591	190,518	3%	**195,591**	183,105	7%
Risk weighted assets						
Australia	117,018	110,001	6%	**117,018**	104,537	12%
New Zealand	18,605	18,758	-1%	**18,605**	15,867	17%
UK / USA and Other	10,734	13,442	-20%	**10,734**	14,547	-26%
Asia	4,690	5,161				