

AUSTRALIA & NEW ZEALAND BANKING GROUP LTD

Form 6-K

December 30, 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 **November 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.  Form 40-F

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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 ..... No .....ý

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

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*2003 Roadshow Presentation*

**Australia and New Zealand Banking Group Limited**

**November 2003**

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**Agenda**

1. ANZ 2003 Result Review
2. NBNZ Acquisition
3. Strategy
4. Outlook

**Important Notice:**

This presentation is directed only at persons who are persons falling within Section 274, or are sophisticated investors falling within Section 275, of the Securities and Futures Act of Singapore. This presentation must not be acted on or relied on by persons who are not such persons. Any investment or investment activity to which this communication relates is available only to such relevant persons and will be engaged in only with such relevant persons.

**Another Solid Result for ANZ, up 8.3%**

v Sep 02

<b>EPS</b>		<b>148.3 cents</b>	<b>0.7%</b>
<b>NPAT</b>	<b>\$</b>	<b>2,348m</b>	<b>1.1%</b>
<b><u>Before Significant Items</u></b>			
<b>NPAT</b>	<b>\$</b>	<b>2,348m</b>	<b>8.3%</b>
<b>EPS</b>		<b>148.3 cents</b>	<b>8.2%</b>
<b>EPS (Excluding goodwill)</b>		<b>152.4 cents</b>	<b>9.2%</b>
<b>Dividend</b>		<b>95 cents</b>	<b>11.8%</b>
<b>Net Specific Provisions</b>	<b>\$</b>	<b>527m</b>	<b>(27.6)%</b>

**Full year result driven by asset and deposit growth**

Full year NPAT growth increased 8.3% with growth in net income, tight expense control, and improving credit quality being the highlights.

**Net interest income**

strong lending growth resulted in a \$454m increase in net interest income, offset by a 10 bp margin decline, which reduced net interest income by \$161m.

**Other income**

flat as a result of an under accrual of loyalty points on co-branded credit cards in prior years, higher cost of loyalty points, and sale of ANZ FM.

**Expenses**

were once again tightly controlled across the group, increasing 2%. Cost savings generated throughout the period were offset by a volume driven increase.

**Provisioning**

asset quality improved with the ELP rate down offsetting volume growth, primarily in mortgages.

**Tax**

reduction in tax rate by 0.4% due to a higher proportion of equity accounted income.

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*\* Sep-02 excludes significant items*

**A specialised portfolio - efficient allocation of resources to deliver results**

A specialised portfolio allows us to efficiently allocate resources to those businesses experiencing, or with the potential for growth and to reduce resources away from those businesses with lower growth prospects and/or higher risk profiles.

	Sep 03	Sep 02	Change
Institutional Financial Services	772	715	8%
Personal Banking & Wealth	422	403	5%
Mortgages	270	247	9%
Corporate	270	242	12%
Consumer Finance	144	150	-4%
New Zealand Banking	141	131	8%
Asia Pacific	131	98	34%
Asset Finance	127	103	23%
Treasury	95	125	-24%





**Specific provisions down 28% on 2002 no large single provisions**

No major individual specific provisions during the year

Australian net specific provisions of \$324m in 2003 included \$33m further provision on Pasmaico FX contracts, \$20m for aircraft leases in Esanda, and \$40m for a single corporate loss in the second half.

\*Settlement of Grindlays credit warranties, finalising ANZ's commitment to meet Grindlays credit losses.

**Non-accrual loans continue to fall**

**Capital targets reduced, reflecting lower risk**

Net impact of FX rate movements on ACE capital was approximately -\$235 million.

FX impact on RWA was approx -\$3.2 bn down due to FX rate movements, again principally the US\$ depreciation (US\$ accounted for -\$3.3 bn of the movement).

Net impact on ACE ratio due to FX movement was +2bpts.

Our target ACE capital range has been lowered to 4.75% to 5.25% to recognise:

Continued reduction in risk as evidenced by growth in the proportion of residential mortgage lending and reduction in offshore lending

Acquisition of NBNZ which further diversifies our income and has a lower risk lending book



**NBNZ Acquisition**

**NBNZ acquisition creates the leading bank in New Zealand**

Purchase price equivalent to A\$4.915 billion (at exchange rates on 23 October 2003)

ANZ and NBNZ, when combined, will create:

The leading bank in New Zealand

One of New Zealand's top three companies

Market leadership in all major market segments

A very different acquisition:

Based on customers and growth - leveraging the best of both banks

NBNZ CEO Sir John Anderson invited to head the combined company

The ANZ and NBNZ brands and branch networks to be maintained

No change intended in the total number of branches

Built on the foundation of the oldest bank and company in New Zealand

Head office in Wellington with major office presence in Auckland and other cities ANZ may consider a partial minority listing on the NZ Stock Exchange post integration



**NBNZ acquisition is transforming for ANZ**

Acquisition an important step in a broader strategy. ANZ is now:

The leading bank in New Zealand

The leading bank in the South Pacific

The leading Australian bank in Asia

Leading positions in Australia:

Institutional

Corporate

Cards

Esanda

With renewed focus on traditional areas of potential:

Small to medium business

Mortgages

Personal Banking

Wealth management

**Key financial highlights**

Purchase price equivalent to A\$4.915 billion (at exchange rates on 23 October 2003)

Excludes a NZ\$575 million dividend to be paid to Lloyds TSB prior to completion from NBNZ's retained earnings

Total funding by means of:

2 for 11 renounceable rights issue at A\$13 per share raising A\$3.570 billion

A\$1.370 billion of various debt/hybrid funding

Purchase price equates to 11.2x NBNZ adjusted cash earnings for the year to June 2003

ANZ's current 2003 price/cash earnings multiple around 12x

ANZ's strong capital and AA-/Aa3 credit rating preserved

NBNZ's credit rating should be brought up to ANZ's rating upon completion of acquisition

**Estimated operating cost synergies and integration costs**

**Operating Cost Synergies**

**Estimated at ~A\$110m pa (before tax)  
within 3 years**

Expected cost synergies represent around 20% of NBNZ's cost base

Cost synergies to be fully phased in by end 2006

Key areas of cost synergies:

Technology

Back office functions

Head office integration

Synergies reflect no net branch closures in New Zealand

Minimal impact in 2004

**Integration Costs**

**Estimated at ~A\$230m (before tax)  
over 3 years**

Key integration cost components:

Core and subsidiary IT systems integration

Non-branch premises integration

NBNZ senior management team has a strong track record in managing banking integrations

**Managing key integration risks**

**Consideration**

**Mitigant**

**Minimise Impact on Customers**

Maintain both brands and both branch networks  
 New Zealand centric retail business model leveraging NBNZ client-facing systems for retail, rural and SME  
 Manageable concentration issues in corporate and institutional

**People**

Retain the best people from both organisations  
 Maintain headcount in client-facing roles

**Technology**

A common core technology platform  
 Two year integration period for core systems conversion  
 Leverage expertise in IT integration

**NBNZ Group strong track record**

**Source:** NBNZ Group Financial Reports

**NBNZ purchased at attractive multiple**

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\* - Average of 10 past Australian and New Zealand transactions

# - Price used in calculating LTM cash earnings multiples and NTA multiples for the major Australian banks and the



**Funding the NBNZ acquisition**

Target ACE/RWAs ratio range lowered to 4.75-5.25%

The transaction is to be funded via the following sources:

Net proceeds of A\$3.570 billion from a 2 for 11 deeply discounted rights issue at \$13

A\$1.370 billion in Hybrid, subordinated and wholesale funding

The size of the equity raising is a function of the goodwill arising on acquisition\*

**Upon completion:**

ACE ratio of approximately 5.0%

Tier 1 ratio of approximately 6.7%

Total capital ratio of approximately 10.2%

**Source of Funds**

	A\$m
<b>Rights issue net proceeds</b>	<b>3,570</b>
<b>Debt/Hybrid</b>	<b>1,370</b>
<b>Total</b>	<b>4,940</b>

## Use of Funds

	A\$m
<b>Proceeds to Lloyds TSB</b>	<b>4,915</b>
<b>Transaction costs</b>	<b>25</b>
<b>Total</b>	<b>4,940</b>

## Goodwill on Acquisition

	A\$m
<b>Purchase consideration</b>	<b>4,915</b>
<b>LESS NTA on acquisition</b>	<b>(1,657)</b>
<b>Goodwill on acquisition</b>	<b>3,258*</b>

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\* - Goodwill will be amortised in line with Australian Accounting Standards based on 30 June 2003 pro-forma financial statements and will be finalised based on 30 November 2003 net assets

**Strategy**

**ANZ has positioned itself to meet market challenges**

ANZ has developed a strong, balanced platform for sound organic growth which positions us well to meet market challenges.

Our model of a portfolio of specialist businesses is distinctively different from our competitors. Its insight is that speed, focus and flexibility will out-compete scale and size advantage.

Our first mover advantage in ongoing cultural transformation is fundamental to our strategy given that:

a well led and inspired team makes ANZ an employer of choice.

the largest service improvements will arise from front line expertise and attitude.

in order to derive maximum benefit from our portfolio model a culture that promotes accountability, autonomy and a *breakout* mentality is essential

The stability and competence of ANZ's management is critical in continuing to deliver value to stakeholders.

ANZ prides itself as being one of the top five most efficient banks in the world.

By reducing our exposure to higher risk asset classes and non core markets we are positioning ANZ for solid growth in asset classes and markets that we know and understand; a cornerstone of our future strategy.



**Monolines win, but returns more volatile    diversification reduces risk**

Independent analysis\* has found that monoline specialists create greater returns than generalists.

ANZ's response has been to create a portfolio of specialist businesses. Whilst the returns from individual business units within the portfolio have exhibited the volatility typical of monoline specialists, volatility is reduced for the portfolio as a whole.

A portfolio of specialist businesses reduces volatility and brings:

**Responsiveness**    we believe that speed, flexibility and expert knowledge will prevail over large scale generalists

**An Entrepreneurial approach**, which encourages innovation yet brings with it accountability and ownership from business management.

The portfolio model is strengthened by ensuring that governance, risk management and group oversight are centrally controlled.

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*\*Source Boston Consulting Group*

**We have rebalanced the bank's lending portfolio**

ANZ has refocused the loan book towards lower risk retail lines of business through:

**1. Corporate to retail lines of businesses**

In 2003, Gross Lending Assets are split approx. 66/34% across retail and corporate lines of business (compared with an approx. 43/57% split in 1996)

ANZ's retail lending franchise has been underpinned by robust residential mortgage growth

Sustained market share gains in the SME segment and a leadership position in asset finance have also contributed to the re-weighting of the loan portfolio towards retail lines of business

**2. Non-core to core markets**

Further, ANZ has re-orientated its loan book towards domestic lending opportunities and to improving the quality of its international diversification

International exposure, outside our core domestic markets of Australia and NZ, within the loan book has been reduced from approx. 15% of Gross Lending Assets in 1996 to approx. 6% in 2003.





**Clear international strategy**

ANZ's international focus is twofold and remains clear

**1. US and Europe REDUCE**

Involving:

Focusing on core products and relationships

Reallocating capital to fund growth options

Returning excess capital, primarily to domestic markets

**2. East Asia/Pacific GROW LONG TERM**

Involving seeking reward whilst carefully managing the risk through:

Individual investments that are modest in value and low risk

Adopting a portfolio approach

Ensuring the potential for significant long term upside

Investments must leverage ANZ's skills and capabilities

*whilst avoiding investments that are:*

Corporate focused

Require large capital investment

Only require ANZ's financial resources rather than management skills

Unduly distracting for group management

## Outlook

We expect ANZ will continue to perform well in a tougher industry environment in 2004

Expected NPAT growth in 2004 for existing businesses on a stand alone, individual basis:

Growth in net profit after tax for ANZ and NBNZ on an individual/stand alone basis expected to be moderately lower than ANZ's growth in 2003 (excluding significant transactions) based on current economic conditions. The growth rate in 2003, excluding significant transactions, was 8.3%.

Expected integration costs, cost synergies, and revenue attrition associated with the NBNZ acquisition in the 10 months to 30 September 2004:

Slightly less than half of estimated \$230m integration costs expected to be incurred in 2004

Only a small amount of the estimated cost synergies expected to be realised in 2004

Revenue losses expected to exceed cost synergies in 2004

Adjustment to EPS from bonus element of rights issue of approximately 4%:

2003 restated EPS will be 142.1c (Basic), and 146.1c (adjusted for goodwill amortisation)

After adjusting for the bonus element of the rights issue, we expect modest growth in EPS in 2004 (excluding goodwill amortisation and significant transactions but including integration costs).

After including the amortisation of goodwill on acquisition of NBNZ, we expect similar EPS in 2004 compared to 2003 adjusted for the bonus element of the rights issue.

ANZ expects to maintain a dividend of at least 95 cents per share in 2004, fully franked

The material in this presentation is general background information about the Bank's activities current at the date of the presentation. It is information given in summary form and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice when deciding if an investment is appropriate.

For further information visit

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**Copy of presentation  
available on**

**[www.anz.com](http://www.anz.com)**

**Media Release**

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

For Release: 6 November 2003

**ANZ to buy-back TrUEPrS preference shares**

As part of its ongoing capital management strategy, Australia and New Zealand Banking Group Limited (ANZ) has called for the buy-back of the ANZ Preference Shares issued as part of the trust units exchangeable for preference shares (TrUEPrS) Series 1 (September 1998 CUSIP No. 001823202) and Series 2 (November 1998 CUSIP No. 0018241010). The buy-back is for the entire issue of both series.

The buy-back date will be effective on 12 December 2003. This buy-back will also result in ANZ redeeming the TrUEPrS on the same date.

The redemption price will be US\$25.00 plus an amount equal to the accrued but unpaid interest on each US\$25.00 principal amount of the debt securities from and including the Interest Payment Date immediately preceding the Exchange Date to but excluding the Exchange Date.

Notices will be sent to the holders of the TrUEPrS and payment of the redemption price will be made to the holders through The Bank of New York, 21W, 101 Barclay Street, New York, NY 10286, United States of America.

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Senior Manager Investor Relations  
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*2003 Roadshow Presentation*

**Australia and New Zealand Banking Group Limited**

**November 2003**

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1. ANZ 2003 Result overview
2. NBNZ Acquisition
3. Strategy
4. Results Review
5. Portfolio Performance
6. Credit Quality
7. Economic Forecasts

**Important Notice: USA**

Nothing in this document constitutes an offer of shares.

A Prospectus in respect of the entitlements offer dated 24 October 2003 was lodged with the Australian Securities & Investments Commission on that date.

Offers of shares will only be made in a copy of the Prospectus which is available to residents of Australia and New Zealand only.

The offering of shares made in the prospectus has not been, and will not be, registered under the U.S. Securities Act of 1933, as amended, and is not being made in the United States or to persons resident in the United States.

## SECTION 1

## Another Solid Result for ANZ, up 8.3%

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**SECTION 2**

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NBNZ senior management team has a strong track record in managing banking integrations



**Managing key integration risks**

**Consideration**

**Mitigant**

<b>Minimise Impact on Customers</b>	Maintain both brands and both branch networks
	New Zealand centric retail business model leveraging NBNZ client-facing systems for retail, rural and SME
	Manageable concentration issues in corporate and institutional
<b>People</b>	Retain the best people from both organisations
	Maintain headcount in client-facing roles
<b>Technology</b>	Two year integration period for core systems conversion to a common core technology platform
	Leverage expertise in IT integration

**NBNZ Group strong track record**

Source: NBNZ Group Financial Reports

**NBNZ purchased at attractive multiple**

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\* - Average of 10 past Australian and New Zealand transactions

# - Price used in calculating LTM cash earnings multiples and NTA multiples for the major Australian banks and the 11 Australian regional banks are 30-day volume weighted average prices as at 23 October 2003

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Total capital ratio of approximately 10.2%

**Source of Funds**

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## Use of Funds

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## Goodwill on Acquisition

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**SECTION 3**

**Strategy**

**Australian banks: A decade of efficiency gains and credit expansion**

The Australian banking sector has enjoyed a decade of efficiency gains which has seen material reductions in Cost to Income ratios.

ANZ has outstripped its competitors and has achieved world class efficiency.

A study of the world's top 100 banks by Boston Consulting Group earlier this year found that ANZ was in the top five banks in the world in terms of efficiency, total shareholder return and risk-adjusted relative shareholder return over the previous five years.

Solid credit growth during the past decade has also contributed to the out performance of Australian banks.

A significant driver of recent credit growth has been the consumer sector, in particular via home lending.

Our forecast is for a weakening in housing growth, which in part is forecast to be offset by increasing demand for business credit. Overall system credit growth is forecast to weaken but to remain at positive levels.



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*Sources: #RBA, \*Economics@ANZ, ^Citigroup Analyst Forecasts, CBA 2003 Results*

**Banking industry profit growth will be more challenging**

Future growth within the financial services sector will be more challenging than in the last five years, largely due to the following:

There is greater penetration of the industry by non bank institutions and third party distributors.

The early win productivity gains of the last five years are largely over with the focus now turning to end to end process improvement from which the benefits emerge over a longer term.

Given the prospect of a slowing housing market, future banking industry growth will rely more on other asset classes.

Other market factors which are likely to affect near term growth potential for the industry include:

The recent interest rate environment has been a challenging one for the banking industry. In the current period low interest rates have adversely impacted the expected return on free funds invested by Treasury. Movements in interest rates in future periods will impact both the return on free funds, and the level of lending and deposit activity in both the retail and corporate markets.

The stronger AUD will adversely affect USD denominated offshore earnings and domestic trade income.

Reserve Bank imposed credit card interchange fee reductions have forced financial institutions to reassess their strategy in this market following the loss of a substantial revenue stream. Through the creation of strategic alliances we believe that the impact on growth of these changes has been marginalised.

Given the above challenges and the prevailing market conditions ANZ's focus for growth going forward will be primarily organic, complemented by the possibility of strategic moves in core markets should opportunities arise.

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*\*Source - RBA, Economics @ANZ*

**ANZ has positioned itself to meet market challenges**

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Our model of a portfolio of specialist businesses is distinctively different from our competitors. Its insight is that speed, focus and flexibility will out-compete scale and size advantage.

Our first mover advantage in ongoing cultural transformation is fundamental to our strategy given that:

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in order to derive maximum benefit from our portfolio model a culture that promotes accountability, autonomy and a *breakout* mentality is essential

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**1. Corporate to retail lines of businesses**

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ANZ's retail lending franchise has been underpinned by robust residential mortgage growth

Sustained market share gains in the SME segment and a leadership position in asset finance have also contributed to the re-weighting of the loan portfolio towards retail lines of business

**2. Non-core to core markets**

Further, ANZ has re-orientated its loan book towards domestic lending opportunities and to improving the quality of its international diversification



International exposure, outside our core domestic markets of Australia and NZ, within the loan book has been reduced from approx. 15% of Gross Lending Assets in 1996 to approx. 6% in 2003.

**This provides us with a well balanced portfolio for organic growth**

Notwithstanding our relative re-weighting of the asset portfolio towards Retail lines of business and the lowering of the risk profile within the corporate portfolio, ANZ has retained its strong tradition in corporate banking. 40% of the Group's profits are still derived from these sectors which positions us relatively favourably as system growth returns to a more traditional balance.

The **Retail** business is characterised by:

*Strong niche leadership* - ANZ enjoys market leading niche positions in both Credit Cards and Auto and Equipment Finance

*Punching above weight* - Restoring Customer Faith program is starting to show positive results, particularly in Rural Banking. Mortgages is improving sales through its branch network, whilst at the same time it is outperforming in third party originated growth.

*Foundation laid for improved performance* -significant investment is being made in NZ and Personal Banking to deliver growth in future years. There are early signs of progress emerging.

The **Corporate** segment is characterised by:

*Strong tradition* in Institutional and Corporate Banking which places ANZ well for expected pick up in business credit growth.

Institutional and Corporate customers continue to provide significant cross selling opportunities

*Focus creates a key growth opportunity* -SME Banking is already experiencing solid market share growth leading to strong profit growth.

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*\*Business segment profit, #Lending assets*

**Clear international strategy**

ANZ's international focus is twofold and remains clear

**1. US and Europe REDUCE**

Involving:

Focusing on core products and relationships

Reallocating capital to fund growth options

Returning excess capital, primarily to domestic markets

**2. East Asia/Pacific GROW LONG TERM**

Involving seeking reward whilst carefully managing the risk through:

Individual investments that are modest in value and low risk

Adopting a portfolio approach

Ensuring the potential for significant long term upside

Investments must leverage ANZ's skills and capabilities

*whilst avoiding investments that are:*

Corporate focused

Require large capital investment

Only require ANZ's financial resources rather than management skills

Unduly distracting for group management

**ANZ's forward looking agenda**

**To become Australia and New Zealand's most respected company**

**SECTION 4**

**Results Review**

**Full year result driven by asset and deposit growth**

Full year NPAT growth increased 8.3% with growth in net income, tight expense control, and improving credit quality being the highlights.

**Net interest income**

strong lending growth resulted in a \$454m increase in net interest income, offset by a 10 bp margin decline, which reduced net interest income by \$161m.

**Other income**

flat as a result of an under accrual of loyalty points on co-branded credit cards in prior years, higher cost of loyalty points, and sale of ANZ FM.

**Expenses**

were once again tightly controlled across the group, increasing 2%. Cost savings generated throughout the period were offset by a volume driven increase.

**Provisioning**

asset quality improved with the ELP rate down offsetting volume growth, primarily in mortgages.

**Tax**

reduction in tax rate by 0.4% due to a higher proportion of equity accounted income.



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*\* Sep-02 excludes significant items*

**Higher interest income, driven by strong mortgage and deposit growth**

Average net lending assets grew by \$13.6b (10.0%) in 2003, with growth of \$10.8b (18%) in Mortgages, \$1.6b in Corporate and \$0.8b in Asset Finance.

Average deposits and other borrowings grew \$13.5b, principally in Personal Banking Australia (\$4.2b), Treasury (\$3.2b), IFS (\$2.7b) and Corporate (\$1.6b). The deposit growth was encouraged by uncertainty in global equity markets.

End of period net lending asset volumes reduced 23% 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.

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\*Business Lending includes Corporate & Small Business, and Institutional Segments. Deposits includes Esanda retail debentures

**Margins down, primarily due to yield curve and mix effect**

Net interest margin contracted by 10bp yoy:

Net interest income in Treasury fell by \$45 million as a result of run off of the existing portfolio and flat yield curves. This represented 3bp.

The interest benefit from low interest savings accounts and non-interest bearing balances reduced as the rate at which they were invested reduced, representing 3bp.

The funding cost associated with unrealised trading gains resulting from the appreciating AUD represented 3bp, although this was offset in trading income

Funding and changed asset mix contributed 5bp



**Treasury adversely impacted by a tough interest rate environment**

Over the last three halves Group Treasury's earnings have been in decline, with further decreases expected in 2004.

Group Treasury mismatch income is a function of the steepness of the yield curve (ie. rolling avg 3yr assets funded at rolling 90 days), which has been declining.

The current interest rate environment is not one for building risk.

The benign global interest rate environment, with term rates falling to historical lows and flattening yield curves, has limited investment opportunities.

As such net ageing has occurred within the mismatch portfolio over recent periods.

The Australian & New Zealand mismatch portfolios remain well placed to benefit from a tightening interest rate cycle.



**Non interest income impacted by Cards under-accrual and loyalty costs, underlying growth strong**

Lending fees increased \$57 million due to strong volume growth in Corporate, Asset Finance and Institutional Banking in Australasia

Non lending fees reduced by \$81 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 US and UK structured finance operations.

Structured Finance International income reduced as a result of the re-weighting of the Group's portfolio in both risk and geographic terms, foreign exchange rate movements and subdued market conditions.

Trading securities income growth included \$45m from cash flow mismatches on swaps which had an opposite impact on net interest income



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*\* Sep-02 excludes significant items*

*# excludes volume impact and benefits from repricing*

*^ refer also Margin Drivers (p8)*

**Expense growth well controlled**

Expense growth was relatively flat, with discretionary cost growth minimised due to lower revenue growth.

Personnel costs up 2%, reflecting growth in staff numbers of 3% (increase occurred largely towards the end of the period).

Overall FX impact on expenses immaterial at \$1m, with fall in USD denominated expenses netting off against a rise in NZD denominated expenses.

Higher software amortisation charges are coming through as further projects reach implementation stage.

Cost management will continue to be a core discipline at ANZ. We will seek to maintain cost growth below income growth and increase re-investment in the business



**Doubtful Debts Provision reflects improved underlying portfolio**

Standard ELP (as a % of NLAs) has decreased significantly from 46 bps to 32 bps across the period 1998 through 2003. This is consistent with mortgage growth in key lending markets of Australia and NZ and reduced Group risk profile

ANZ has adopted a conservative view on the level of offshore expected default frequencies post Sep 2001 by recognising an approximately 7bp average incremental ELP adjustment charge

ELP adjustment expected to be progressively wound back over the next two years, predicated on continued risk reduction and stabilisation in the offshore book.



**Cumulative ELP balance is well above the specific provision balance**

The cumulative ELP balance continues to comfortably exceed the specific provision balance.

In 2003 an additional \$100 million was provided in ELP as precaution against continued above expected levels of default on the offshore lending portfolio.

The reduced 2003 specific provisioning charge reflected a 56% decrease in overseas market charges. This is reflective of the de-risking strategy in the Institutional Financial Services segment, resulting in the winding down of offshore exposures.

**Healthy dividend growth**

The full year dividend of 95 cents per ordinary share represents a 12% increase on 2002.

The final dividend is 100% franked.

For year ending 30 Sep 2004, the directors expect to at least maintain a fully franked dividend per share at the same level as for the year ended 30 Sep 2003 on the expanded issued capital.





**Capital targets reduced, reflecting lower risk**

Net impact of FX rate movements on ACE capital was approximately -\$235 million.

FX impact on RWA was approx -\$3.2bn down due to FX rate movements, again principally the US\$ depreciation (US\$ accounted for -\$3.3bn of the movement).

Net impact on ACE ratio due to FX movement was +2bpts.

Our target ACE capital range has been lowered to 4.75% to 5.25% to recognise:

Continued reduction in risk as evidenced by growth in the proportion of residential mortgage lending and reduction in offshore lending

Acquisition of NBNZ which further diversifies our income and has a lower risk lending book



**Restructuring our hybrid funding will impact the relationship between PAT & EPS in 2004**

**Background**

	TrUEPrS	StEPS
Issued	Sept/Nov 1998	27 Sep 2003
Amount	USD 0.775 bn	AUD 1bn
Cost of Dividend	8% Fixed	BBSW Floating
To be called	1H 2004	
<b>Profit &amp; Loss</b>		
Income	Fixed to Floating Swap	nil
Tax	Tax on Swap Deduction for dividend	Deduction for dividend
NPAT		
<b>EPS</b>		
Preference Dividend	8% Fixed	BBSW + Margin
Net Cost	Floating rate + margin	BBSW + margin

A swap effectively converts TrUEPrS 8% fixed cost to floating plus a margin

**Approximate 2004 impact (indicative)\***

NPAT	-40
Dividend	-44
EPS contribution	+4

**Significant transactions in 2004 (indicative)**

Close out of swap	+78
Other	+ 4
NPAT	+82

Final cash dividend(1)	-31
	+51

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(1) - includes impact of delaying TrUEPrS for NBNZ acquisition

\* Refer following page for further details

**Illustrative Impact of TrUEPrS redemption and replacement on 2004**

	\$m TrUEPrS 2003	\$m StEPS 2004	\$m Change	\$m Redemption of TrUEPrS Significant transactions
<b>NPAT components</b>				
Interest on re-investment (net of tax)	11	33		1
Interest rate swap (net of tax)	49			78
Tax credit on dividend	31	18		3
	91	51	-40	82
Dividend	-102	-58	44	-31
Contribution to EPS	-11	-7	4	51

Subject to final timing of redemption of TrUEPrS and interest rates

## Outlook

We expect ANZ will continue to perform well in a tougher industry environment in 2004

Expected NPAT growth in 2004 for existing businesses on a stand alone, individual basis:

Growth in net profit after tax for ANZ and NBNZ on an individual/stand alone basis expected to be moderately lower than ANZ's growth in 2003 (excluding significant transactions) based on current economic conditions. The growth rate in 2003, excluding significant transactions, was 8.3%.

Expected integration costs, cost synergies, and revenue attrition associated with the NBNZ acquisition in the 10 months to 30 September 2004:

Slightly less than half of estimated \$230m integration costs expected to be incurred in 2004

Only a small amount of the estimated cost synergies expected to be realised in 2004

Revenue losses expected to exceed cost synergies in 2004

Adjustment to EPS from bonus element of rights issue of approximately 4%:

2003 restated EPS will be 142.1c (Basic), and 146.1c (adjusted for goodwill amortisation)

After adjusting for the bonus element of the rights issue, we expect modest growth in EPS in 2004 (excluding goodwill amortisation and significant transactions but including integration costs).

After including the amortisation of goodwill on acquisition of NBNZ, we expect similar EPS in 2004 compared to 2003 adjusted for the bonus element of the rights issue.

ANZ expects to maintain a dividend of at least 95 cents per share in 2004, fully franked

**SECTION 5**

**Portfolio Performance**

**A specialised portfolio - efficient allocation of resources to deliver results**

A specialised portfolio allows us to efficiently allocate resources to those businesses experiencing, or with the potential for growth and to reduce resources away from those businesses with lower growth prospects and/or higher risk profiles.

	Sep 03	Sep 02	Change
Institutional Financial Services	772	715	8%
Personal Banking & Wealth	422	403	5%
Mortgages	270	247	9%
Corporate	270	242	12%
Consumer Finance	144	150	-4%
New Zealand Banking	141	131	8%



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Asia Pacific	131	98	34%
Asset Finance	127	103	23%
Treasury	95	125	-24%

**IFS** a strong domestic franchise, continued risk reduction offshore

ANZ has a strong tradition and leading position in the domestic institutional banking market.

Our core domestic **Institutional Banking** business once again performed well in 2003, as we pursued our strategy to reduce non strategic exposures in the US and European markets, whilst placing emphasis on domestic activities.

Our **Capital Markets** business also produced a robust result, with increased client penetration and higher trading volumes notwithstanding an environment of low interest rate volatility and consequently reduced client hedging activity.

**Transaction Services** produced a respectable result in a difficult external environment as a result of SARS and Australia's extended drought.

**Foreign Exchange** earnings were flat for the year as a whole, with range bound currencies and a difficult international environment contributing to slow market conditions.

**Corporate Financing and Advisory** services were flat in a slow external environment with limited transaction flow in the corporate advisory and project finance markets. This downturn was offset by a more robust performance in areas including private equity, infrastructure fund management and structured asset financing.

**Structured Finance International** produced lower profits as a result of our re-weighting of the portfolio in both risk and geographic terms, and due to subdued market conditions.

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\*Source *Greenwich and Associates*

**We continue to strengthen our position in the Corporate and SME markets**

High levels of customer satisfaction and continued focus on our service proposition enabled **Corporate Banking** to deliver a 6% increase in NPAT in the half to September.

A solutions based proposition led by our Wall St to Main St strategy has ensured that we have maintained our market leadership.

Initiatives to free up front line time to focus more on customers and synergies from working with SME have enabled the business to grow the customer base and increase cross selling opportunities.

Corporate Banking continues to deliver significant profit opportunities to other businesses within the bank with total customer profit increasing by 26% in the year.

**SME Banking** is benefiting from significant investment in the business in recent periods. Our continued double digit NPAT growth (2003: 16%), and strong growth in both lending and deposits are largely attributable to:

An enhanced customer proposition

Increased staff and customer satisfaction

Selective increases in front line staff where growth opportunities are evident

The continuing benefits of our business specialisation strategy and controlled use of the third party origination market

Up-skilling our staff and business management

Our underweight market position coupled with a strong execution of the growth agenda and specialised business focus

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*\* Score out of 10: Source - Roberts Research 1996-2003*

**Market leader: Asset Finance continues to prosper growing 23% in 2003**

Asset Finance has continued its momentum, with NPAT growth of 23% in 2003. This strong performance is largely attributable to three key factors:

**Cultural transformation** and a continued commitment to increasing staff satisfaction, which has led to an improvement in partner satisfaction (79%) and customer satisfaction (80%).

**Process re-design** leading to improved efficiency within the group. The cost to income ratio has fallen from 43.5% to 42% since March 2002, and average processing cost per contract has fallen 25%.

Motor vehicle sales are at a 5 year high creating a **favorable environment for new business writings**. Likewise SMB financing (mostly equipment) has been growing strongly as businesses re-equip providing excellent support for extending our market leading position.

Asset Finance's strong market position is emphasised by its growth in motor vehicle and equipment finance of 18% and 26% respectively against estimated system growth of 10% and 15%-20% respectively for the 2003 year.



**Consumer Finance: profitable market leadership**

ANZ is the Australian market leader in the credit card business, with approximately 20% market share driven by the scale and variety of our product offerings.

The Consumer Finance business enjoyed strong underlying business growth during the year including:

An increase in net interest income of 15%, largely driven by an increase in credit card outstandings.

Merchant turnover grew 18%, driven by the ongoing shift to card-based payments and growth in market share. Since 2000 we have increased the number of merchant outlets by 85% and annual turnover has increased in excess of 90%.

Other operating income was impacted by a first half charge of \$38m pre tax, relating to an under accrual of loyalty points dating back to 1999. After adjusting for the under accrual write back, NPAT grew 28% half on half and 26% for the year.

The Reserve Bank interchange fee reduction has resulted in a decrease in interchange revenue of between 40-50%. We have endeavored to reduce the net impact to the business through the restructuring of our rewards program and the strategic alliance formed with Diners Card International.

A comprehensive communications and retention program has been established following the program restructuring announcement. To date, customer retention levels have been significantly better than expected.



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# - NPAT for Australian businesses only

\* Source - RBA July 2003

**Mortgages strong growth drives performance**

The momentum in ANZ's mortgages business in Australia and New Zealand continued during the year delivering a 9% increase in NPAT, with FUM increasing 19.9% on prior year. The cost of increased staffing required to maintain service levels in light of volume growth and the record level of internal commissions paid to the Network, as result of improved sales, slightly subdued the result.

Strong growth was recorded in the Australian network and broker channels with 25% FUM increase on prior year. The New Zealand business has also delivered improved growth in the September 2003 quarter, following a period of flat or reducing volumes in 2002.

Further development of the ANZ mortgage sales force capability is a priority for the 2004 year. Focus will continue to be on improving the capability of our mortgage specialists through sales, product and credit training, along with new sales tools. Additional specialist roles are being created in the branch network, and a significant increase in mobile managers is underway.

A customer retention program also remains a key priority with dedicated Mortgage Customer Service and Retention teams. The teams proactively follow-up retention triggers and new sales opportunities. In conjunction with the network, a 25% increase in renewal activity has also been delivered during the year.

A number of Business Improvement initiatives are well advanced and will continue to be a key focus in 2004. Specific initiatives include streamlining and automating business processes, the full rollout of the electronic lodgment of broker applications and enhanced behavioural credit scoring for existing customers.

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\* Australia (excluding Origin)

**Personal Banking** underlying health of the business improving

The personal banking business has continued to invest in its Restoring Customer Faith ( RCF ) program.

This program aims to improve the health of the business. Significant improvements have been achieved:

**Customer satisfaction** scores for both Rural and Personal banking continue to improve, whilst complaints levels are falling.

**Mystery shopping** results, which measure service at the branch level through unannounced monthly visits, continue to improve. Branches can act on detailed recommendations for improvement.

**Branch refurbishments** continue. Over 100 branches have been upgraded, making the total more than 160 since the start of the program. A new telling platform is in pilot stage.

**Staff advocacy**, being the % of staff that would recommend ANZ as a place to work has more than doubled since 2001.

**Staff skills** have improved, with more than 4,200 staff trained in sales skills in the second half. New merchandising has been rolled out to support the sales process.

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\*- *average number of complaints per month*

**and we are starting to see improved sales momentum**

The investments in the branch network are showing promising early results. Particularly in the second half, sales momentum has picked up across all main drivers of revenue:

**Total sales** activity improved 8% in the second half, assisted by seasonality

**Deposit balances**, for which the business earn the full interest margin, continue to grow strongly, increasing 9.7% in 2003

**Mortgages sales**, the largest source of sales commissions, increased strongly on the back of market demand and investment in mortgage skills

**Managed Investment** sales remained flat as investors continued to favour conservative investments and property

**Cross sell** of insurance products improved from a low base, allowing us to deepen the customer relationship.



**and continued growth in our core transaction products**

Our core transaction product suite is performing as we expected:

**Product leadership** was confirmed with ANZ winning the industry award for the best transaction account

**Account growth** continued to be positive during 2003 with net growth of 118,000 accounts

**Account behaviour** is not materially different from accounts acquired before the launch of the new products

**New customers** are joining ANZ. 60% of new accounts represent new customers, and 40% have at least one other product relationship

**Breakeven** we have now achieved breakeven on the new accounts





**SECTION 6**

**Credit Quality**

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**Consumer & SME portfolios in good shape**

Arrears profile (60 days) is approaching historical lows reflecting strength of Australia's retail sector.

The consumer sector is robust with continuing low levels of unemployment and a low interest rate environment.

Mortgage arrears continue to decline.

Quarterly behavioural review scoring in the SME portfolio is contributing to a lower arrears profile.

SME sector is benefiting from low interest rates and healthy business environment.

Delinquency levels have continued to improve over the year and remain at historic lows. RILS and Broker Originated loans are continuing to perform in line with the wider portfolio.

Mortgages Loss Rates improved from 2.7bp to 1.8bp.

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TPMI - third party mortgage introducers

O/O ^ owner occupied

**Mortgages portfolio sound**

A Loan to Valuation Ratio (LVR) analysis of ANZ's mortgage portfolio suggests it has sufficient equity margin to sustain a reasonable devaluation in Australian residential property prices.

Emerging risks in apartment investment lending in near city locations in Sydney, Melbourne & Brisbane have been controlled by implementation of tighter policies.



APRA's findings from mortgage industry stress test

APRA Comments

ANZ Response

<p>APRA found that 32% of loans with LVRs greater than 80% are not mortgage insured</p>	<p>Comparative figure for ANZ was 16%, however APRA analysis included all retail type lending including Small Business lending, which may not even include a residential mortgage as security</p>
	<p>A more appropriate measure is looking at retail mortgages only. For ANZ, less than 2% are without mortgage insurance</p>
	<p>These are under our medico package, which targets newly qualified medical professionals where we waive mortgage insurance to 95% LVR, and for some staff lending</p>
<p>APRA stress test, assuming a 30% fall in house prices, suggests industry losses of approximately A\$4.3b</p>	<p>APRA stress test used values at origination, rather than current prices. This results in an actual price fall from today's values of 40%-45%.</p>
	<p>ANZ extreme scenario stress test indicates A\$90m loss over 12 months, assuming:</p>
	<p>Unemployment rising to 10.3%,</p>
	<p>Mortgage rates increasing to 10.57%</p>
	<p>Property prices falling by 20%</p>
<p>APRA reported disappointment with the capacity of ADIs to respond to its data collection requests - IT systems insufficient</p>	<p>APRA confirmed that ANZ systems can accurately calculate LVRs for multiple security loans</p>
	<p>For the past two reporting periods, ANZ has disclosed to the market dynamic LVRs</p>

**Domestic portfolio remains in good shape**





**US Energy Portfolio issues remain, but exposure continues to reduce**

Management has been proactive in addressing Group exposure to the global energy sector

Concentration risk associated with exposure to energy lending as a proportion of the aggregate loan book has been mitigated by management initiatives to exit or restructure a number of key corporate lending positions in the US

A number of high risk exposures remain, and are being actively managed (including sell down in secondary markets).

We expect further specific provisions but at a reducing rate and that these can be absorbed within ELP

				No of Cust (Total 20)
<b>Investment Grade</b>	51.6%	51.5%	43.0%	9
<b>Non Accrual</b>	9.2%	10.8%	14.8%	4
Specific Provisions (AUD)	9.7m	9.1m	46.1m	n/a

(six months)

**Note:**

1. Includes utilised guarantees and market related products
2. Includes US domiciled exposures only (Excludes Mexico)

**Quality of Group Telco lending book has also improved**

ANZ Group has been proactive in addressing the telco concentration risk of its global lending asset portfolio

ANZ continues to manage down its exposure to the industry, particularly offshore. Offshore assets now represent 42% of the Telco portfolio, down from 52% in Mar-03 and 57% in Sep-02.

The risk profile of the telco industry is improving with increased financial flexibility stemming from strong free cash generation and debt reduction

During the Full Year, Group Top 6 committed telco exposures declined (as a % of ACE) from 38% to 25%.

				No of Cust (Total 39)
<b>Investment Grade</b>	83.1%	81.7%	82.8%	19
<b>Non Accrual</b>	5.0%	3.4%	2.1%	3



**Group risk grade profile**

<b>B+ to CCC</b>	3.0%	2.8%	2.5%	2.5%	2.3%
<b>Non Accrual</b>	0.9%	0.9%	0.8%	0.7%	0.6%

**Specific provisions down 28% on 2002 no large single provisions**

No major individual specific provisions during the year

Australian net specific provisions of \$324m in 2003 included \$33m further provision on Pasmenco FX contracts, \$20m for aircraft leases in Esanda, and \$40m for a single corporate loss in the second half.

\*Settlement of Grindlays credit warranties, finalising ANZ's commitment to meet Grindlays credit losses.



**Section 6**

**New Specific Provisions down 28% on the 2002 year**



**Non-accrual loans continue to fall**



**New non-accruals reduced 23% on 2002**



**Existing and future problem loans are well provided for**

The period 1998 through 2003 has seen Group GP trend down 16% to 101 bps, consistent with the sustained de-risking of the Group lending book.

As at September 2003, gross non-accrual loans were 61 bps of GLAs (or A\$1.0bn). Of this, 48% was covered by specific provisioning.

Group levels of general and specific provisioning compare favorably with Australian banking peer group.

**Note:**

1. As per most recent company financial reports for CBA, NAB and WBC



**Proactive reduction in volume of top 10 client committed exposures**

ANZ has implemented credit management policies to diversify loan book exposure by reducing the volume of top 10 client committed lending. This has led to a reduction in client concentration risk

Sustained management of client exposures has reduced the sensitivity of the capital base of top 10 clients (to ~75% of ACE in 2003 from ~135% of ACE in 2001)

**Note:**

1. Limits represent total 7 month limits excluding uncommitted and non-recourse, net of credit derivatives
2. Excludes non-recourse and uncommitted facilities

**Basel II will provide some benefits, but adjustments expected for local market**

QIS 3 results reflect the underlying quality of ANZ's assets, and support ANZ's move to a lower ACE target range

Corporate portfolio in particular produces a RWA reduction consistent with lower levels of risk

We do not expect that APRA or Ratings Agencies will allow Australian Major banks the full benefit of the potential capital relief available under Basel II

Results reinforce why Australian banks have lower Tier 1 and ACE ratios

**Note:**

1. The reduction in RWAs using Advanced IRB outcomes (excluding operational risk) when compared with current accord capital requirements can be used as an indicator of the relative riskiness of a bank's assets.

2. RWA calculations were performed using the capital functions used in QIS 3.0 These may change upon the finalisation of Basel II

3. These results exclude any impact from NBNZ

**SECTION 7**

**Economic forecasts**

## Summary of forecasts by economics@anz Australia (bank year)

	2001	2002	2003	2004 (f)	2005 (f)
<b>GDP*</b>	1.7	4.1	2.4	4.1	3.4
<b>Inflation*</b>	5.1	3.0	2.9	1.8	3.0
<b>Unemployment (Sep)</b>	6.8	6.2	5.9	5.3	5.6
<b>Cash rate (Sep)</b>	4.75	4.75	4.75	5.50	4.75
<b>10 year bonds (Sep)</b>	5.6	5.3	5.3	5.8	5.5
<b>\$ A / \$US (Sep)</b>	0.49	0.54	0.68	0.70	0.66
<b>System Credit Growth*</b>	9.9	9.1	12.7	14.1	9.1
<b>- Housing</b>	14.5	18.6	21.1	20.0	11.0
<b>- Business</b>	6.3	1.6	4.9	8.3	7.2
<b>- Other</b>	10.7	7.8	11.8	11.0	7.3

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\* Annual average

## Summary of forecasts by economics@anz New Zealand (bank year)

	2001	2002	2003	2004 (f)	2005 (f)
<b>GDP*</b>	2.3	4.1	3.4	2.3	2.7
<b>Inflation*</b>	3.2	2.5	2.0	2.6	2.5
<b>Unemployment (Sep)</b>	5.1	5.3	4.9	5.3	5.5
<b>Cash rate (Sep)</b>	5.25	5.75	5.00	5.50	5.50
<b>\$ A / \$NZ (Sep)</b>	1.22	1.16	1.14	1.17	1.17
<b>System Credit Growth*</b>					
- Housing	7.2	7.6	10.5	8.0	5.0
- Business	2.1	7.9	6.2	6.0	6.0
- Other	10.5	8.1	5.8	3.0	7.0

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\* Annual average

The material in this presentation is general background information about the Bank's activities current at the date of the presentation. It is information given in summary form and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice when deciding if an investment is appropriate.

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## Investor Snapshot

2003.  
The year  
at a glance

### Key terms

#### Cost to income ratio (CTI)

A business efficiency measure. It is the ratio of our expenses (excluding goodwill amortisation) to our income.

#### Credit rating

A measurement of the credit worthiness of a business. AAA is the top credit rating accorded by ratings agencies such as Moody's Investor Services and Standard & Poor's. The better our credit rating, the cheaper we can borrow money from capital markets. ANZ's long-term credit rating is AA-.

#### Dividend per share (DPS)

The amount of the Company's after tax earnings declared and paid to ordinary shareholders. It is usually expressed as a number of cents per share, or as a dividend per share.

#### Earnings per share (EPS)

The amount, in dollars, of earnings divided by the average number of ordinary shares. For example, if the earnings are \$2 million and 1 million shares are outstanding, the earnings per share would be \$2.00 ( $\$2 \text{ million} \div 1 \text{ million shares} = \$2.00$ ). The earnings figure is based on profit after tax less preference share dividends.

#### Economic value added (EVA™)

A measure of risk-adjusted accounting profit. It is based on operating profit after tax, adjusted for one-off items, the cost of capital, imputation credits and economic credit costs.

Net profit after tax (NPAT)

The Group's net profit after all taxes, expenses and provisions have been deducted from the operating income.

Return on equity (ROE)

A calculation which shows the return the Company has made on the money ordinary shareholders have invested in ANZ. It is expressed as a percentage.

**Our share price has remained relatively steady over 2003**

Movement in our share price has been in line with most of our major competitors in 2003.

In 2003, we continued to deliver improved returns to our shareholders with a record interim dividend of 44 cents and a final dividend of 51 cents both 100% franked.

**We continued to deliver real growth to our shareholders**

Value of \$100 investment in ANZ shares invested for five years(A)

A record dividend per share together with a relatively stable share price has again delivered returns to our shareholders.

**Profitability growth remained solid**

Earnings per share(B)

Earnings per share growth was above 8%.



Our record profit in 2003 of \$2,348 million is a continuation of the strong returns ANZ has delivered in recent years. This momentum has been achieved by a combination of repositioning our business in previous years and a focus on productivity.

Over the past five years we have rebalanced our portfolio, by exiting higher risk businesses such as Grindlays and turning our focus to developing and strengthening our consumer businesses in Australia and New Zealand. This process is ongoing as evidenced by our recent purchase of The National Bank of New Zealand. During this period we also aimed to use our resources better, which led to a significant reduction in our cost to income ratio and contributed to our strong growth.

ANZ again achieved a return on equity (ROE) in 2003 above 20%, with a full year ROE of 20.6%. This return is slightly down on last year (21.6%) after a slow first half of the year, however momentum picked up in the second half.

**We continued to increase shareholder value as measured by EVA™**

EVA™

EVA™ growth was moderately dampened by relatively higher cost of capital. EVA™ nonetheless continued to increase in absolute terms.

Operating efficiency improved further with the cost to income ratio reduced to 45.1%. In the September 2003 half, a cost to income ratio of 44.6% was below our 45% target.

**Key to graphs**

(A) Total Shareholder Return

excludes the benefits of franking credits or any taxation costs  
excludes share trading costs  
assumes all dividends are re-invested on the ex-dividend date

(B) Earnings per share

excludes the effect of significant transactions in 2002

(C) Cost to income ratio

excludes the effect of significant transactions in 2002 and abnormal transactions in 2000

\*\*\* Significant Transactions

In the year ended 30 September 2002, the significant transactions included NHB recovery (\$159m after tax), Special Provision for Doubtful Debts (\$175m after tax) and Profit on sale of businesses to the ING Joint Venture (\$170m after tax).

## Chairman's Report

[PHOTO OF CHARLES GOODE]

Charles Goode  
Chairman

A solid platform for future growth

ANZ performed well in 2003. Profit after tax, excluding significant transactions in 2002, was up 8.3% this year, demonstrating the effectiveness of our specialist business model in delivering returns to shareholders. The directors were pleased to increase the dividend per share by 11.8% to 95 cents fully franked.

Most of our businesses recorded solid growth with some recording double-digit growth in earnings. These were partially offset by a one-off charge in our credit card business. We delivered solid financial performance by focusing on organic growth, effective cost control and the management of risk.

The return on ordinary shareholders' equity was slightly down at 20.6%, although above our target of 20%. Our cost to income ratio of 45.1% is the lowest of the major Australian banks and places ANZ among the most efficient banks in the world relative to business mix. Risks continue to be well managed. Specific provisions were down by 28% to \$527 million. Our capital position is strong, with the Group's adjusted common equity ratio at 5.7%, which was at the upper end of our target range for 2003.

Significantly, we settled a long-running tax dispute with the Australian Taxation Office this year relating to equity product transactions undertaken predominantly in the 1990s. The settlement of \$262 million was met from ANZ's existing tax provisions.

Growth through specialisation

ANZ is focused on creating sustainable value for shareholders now and in the longer term.

Much of this work involves building on the competitive advantages that exist in our specialist businesses. This year's results reinforce the quality of each of these businesses. In many cases such as credit cards, corporate banking and automobile and equipment leasing, our business is the

market leader.

We believe our specialist business strategy is fundamental to sustaining and building leadership positions that help us to deliver superior returns to shareholders and make a difference to our customers, community and staff.

### Strategic expansion

We continually evaluate opportunities to expand in Australia, New Zealand and elsewhere in Asia and the Pacific.

On 24 October 2003, we agreed to acquire The National Bank of New Zealand from Lloyds TSB for \$4.915 billion at exchange rates on 23 October 2003. The acquisition will make us the largest bank in New Zealand and is consistent with our strategic goal to have sustainable top three positions in each of our core businesses and markets.

We have also taken steps to develop a small portfolio of growth options in East Asia over the medium to long-term. This has involved two relatively modest initiatives: signing a memorandum of understanding with the Shanghai Rural Credit Cooperative Union expected to become the Shanghai Cooperative Bank and a joint venture credit card business with Metrobank in the Philippines.

### Our role in the community

We continue to give high priority to creating a distinctive culture within ANZ as part of the Group's long-term competitive advantage. This involves reinforcing a performance culture among staff while unleashing their talents and energy to expand the business for the benefit of shareholders, our customers and the community we serve.

While we have a wide range of formal community programs in place in countries in which we operate, being part of a community means being able to respond quickly to urgent needs.

All of us at ANZ feel proud of the way our staff responded to the terrible bushfires that destroyed over 530 homes in Australia's capital, Canberra in January. ANZ provided immediate cash assistance for its mortgage customers whose primary residence had been affected by the bushfires. The grants of \$5,000 to \$10,000 were gifts and did not have to be repaid. We also offered a range of other measures and our local staff worked hard to help customers and others affected by the tragedy.

As part of the process to strengthen the relationships we have with our staff and the broader community, we have been examining our response to concerns about environmental and social issues. This process has provided us with the opportunity to re-examine our role as a bank and the contribution we make to society as the bank with a human face.

### Importance of our staff

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The continuing strong performance of ANZ, its growth in returns to shareholders and increasing responsiveness to customers and the community is the result of the hard work and commitment of our 23,137 staff. On behalf of the Board and shareholders, I thank them for their contribution.

### Governance strengthened

This year we have taken further steps to strengthen our corporate governance and disclosure standards. It has been a year when regulatory emphasis has increased substantially, both in Australia and overseas. While this interest on the part of regulators is welcomed, so long as it focuses upon good process and good governance, ANZ is itself proactive in this area. Our belief is that good corporate governance is not only an ethical and stewardship responsibility; it can also give ANZ a strong advantage.

We believe a strong focus on corporate governance and transparency, combined with delivering on our promises, makes ANZ both more attractive to investors and a more sustainable business.

This starts with regulatory compliance but significantly involves fostering an environment in which open, well-informed and constructive discussion is encouraged. This provides the basis for actively monitoring the company's activities and creates an environment in which integrity is able to prevail at every level.

It also means a commitment to transparent reporting, timely and accurate disclosures and management accountability. For some years ANZ has been recognised for its level of transparency and disclosure to investors, not only in Australia, but globally.

### The Board's focus in 2003

ANZ's Board met 11 times during 2003, with additional specific activities carried out by the Board's committees. This year some of the key issues to engage the Board included strategic growth opportunities and their role in ANZ's future success; strengthening operating risk management including improved governance associated with technology changes; the impending changes to international financial reporting standards and their impact on ANZ; and our approach to sustainability and how the

Group balances its obligations to shareholders, customers, staff and the community.

### Outlook

In the year ahead, we expect the Australian and New Zealand economies to continue to perform relatively well and for overseas markets to strengthen from their low base. Some challenges are, however, posed by various factors including low interest rates and associated margin pressure and the rising Australian dollar.

Overall, ANZ is making good progress toward achieving its business priorities. We have produced a solid, consistent financial performance and we are creating growth opportunities for the future. I am confident this will enable us to continue to deliver value for you, our shareholders.

/s/ Charles Goode  
Charles Goode  
Chairman



## Chief Executive Officer's Report

The ANZ Agenda: achieving value through specialisation

ANZ's agenda is based on a strategy of specialisation that is well executed and consistently delivers superior performance for our shareholders, staff, customers and the community we serve.

Overall, the 2003 financial result has been reasonable in an environment that is beginning to be difficult for banks around the world. It is the power of our specialisation strategy and the quality of the teams that run our specialist businesses that has allowed us to reinvent ANZ over the past five years as a low risk, well-managed company that consistently produces sound results.

Five years of achievement

Last year I reported on the achievements we had made since 1997 making ANZ a very different bank. These included:

lowering risk

balancing our business portfolio by growing our consumer businesses while maintaining our strong business banking franchise

radically transforming our cost structure and becoming one of the most efficient banks in the world

reinvigorating our culture by tapping into the energy and passion of our staff.

In thinking about that transition and what ANZ is today it is being the bank with the human face which is the core of who we are and what we do at ANZ. Our objectives, strategy, tactics and organisational structure are aligned to translate the bank with a human face from a set of words into everyday actions.

Customer driven businesses

All businesses now operate in a customer-driven economy. This is particularly true in financial services where there are more competitors pursuing a stable number of more sophisticated, better informed buyers. The Internet, consumer advocate organisations and a critical media enable customers to find and analyse competing products and to make informed choices.

Many financial services offerings have become commodities where differentiation lies in the provider's service and reputation rather than the product itself. We believe that to compete and survive in the customer economy takes more than simply improving customer relationships. It is about the whole organisation evolving to put the customer at the centre.

Specialisation works for shareholders and customers

We set out on this path in 2000 recognising that over time specialist businesses, which have real capabilities, produce more sustainable value than generalists. Importantly, they are better able to get close to customers, understand their real needs and deliver more valuable services and products. We have seen that through our Local CEOs and branch staff, we are now much closer to the communities we serve. It reflects a reality that our customers and our staff find it easier to identify with a more agile, less bureaucratic organisation. Customers identify with their branch or their relationship manager. Staff identify with their team or their business.

At the same time, we began to show our staff and the rest of the community that ANZ was a different bank. We announced a moratorium on rural bank closures, offered to buy the branches being closed by one of our major competitors, gave immediate no strings attached grants to customers whose houses had been destroyed by bushfires and started trialing a matched savings program for low income earners.

We also recognised that winning companies are companies that can offer value to customers at lower cost. We radically changed our cost base which is now flowing through to propositions such as our low-cost personal transaction accounts and the associated growth in customer numbers that is part of our best deal with a human face strategy for personal banking.

Winning through specialisation

Through specialisation, each of our businesses is now:

more transparent

more flexible and more responsive to its staff and customers

easier to do business with

offering more satisfying jobs with more autonomy

developing a culture of innovation, teamwork and shared responsibility

making implementation easier

able to grow faster.

All of this is a very different approach to any other bank. Through it, we seek to deliver more consistent, sustainable returns to shareholders.

Focusing on sustained performance and growth

While all we have achieved so far remains central to ANZ's agenda, another measure of our progress will be the management actions we take in other areas to deliver continued superior performance and growth over the coming years. The reality is that there is more to ANZ than producing consistent short-term results.

We have reached agreement on acquiring The National Bank of New Zealand which gives us a leading position in New Zealand. It is a very different acquisition, one based on improving customer service, satisfaction and growth by leveraging the strengths of both companies.

It demonstrates that we are in a transitional phase, which means we will focus increasingly on three strategic priorities in the years ahead:

delivering sustainable performance and value through a rich portfolio of strongly positioned businesses with best-practice cost and process leadership that allow us to achieve above sector revenue and share growth.

[PHOTO OF JOHN McFARLANE]

John McFarlane

Chief Executive Officer

earning the respect of our stakeholders by consistently producing superior financial results through knowing the business and customers best, and creating a strong sales and service culture while developing real engagement with the community.

creating a new future by leveraging specialisation as a distinctive approach and by being dynamic, innovative and willing to experiment.

Creating more value

Our future is about delivering the best value for customers, performing and growing to create value for our shareholders, leading and inspiring each other, earning the trust of the community, and being bold and having the courage to be different. It's why people come to work for ANZ to be part of a company that is continually raising its energy levels to make a lasting impact and create something that matters for shareholders, customers and the community we serve.

By really being the bank with a human face to our customers, staff and community, and focusing on these priorities, ANZ is stronger, more sustainable, more successful and very different.

/s/ John McFarlane

John McFarlane  
Chief Executive Officer

## **Chief Financial Officer's Review**

Growth, returns and profit

### **Full year result driven by growth in net interest income**

Full year NPAT \$m

ANZ recorded a profit after tax of \$2,348 million for the year ended 30 September 2003, an increase of 1% over the September 2002 year.

Excluding the significant transactions in 2002 (A), profit increased 8.3%. This was driven by strong lending growth coupled with tight control of expenses:

Net interest income \$4,311 million +7.3% Grew by \$293 million in 2003 as a result of a 10% (+\$13.6 billion) increase in Average Net Lending Assets primarily in our Mortgages business (+\$10.8 billion). This was partially offset by a 10 basis point reduction in Net Interest margin as a result of changes in our funding and asset mix and the flat yield curve prevalent during the year.

### **A specialised portfolio efficient allocation of resources to deliver results**

Full year NPAT \$m by business unit

A specialised portfolio allows us to efficiently allocate resources to those businesses experiencing growth, or with the potential for growth, and to reduce resources in those businesses with lower growth prospects and/or higher risk profiles.

The result was driven by solid profit growth in seven of the nine business segments excluding Operations, Technology and Shared Services (OTSS) and Corporate Centre.

**Higher interest income, driven by strong mortgage and deposit growth**

Average lending and deposit volumes

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\* Business lending includes corporate, small business, and institutional segments. Deposits includes Esanda retail debentures.

Average net lending assets grew by \$13.6 billion (10%) overall, \$10.8 billion (18%) in Mortgages, \$1.6 billion in Corporate and \$0.8 billion in Esanda/UDC. Average net lending volumes fell 15% in overseas markets.

Average deposits and other borrowings grew \$13.5 billion Treasury (\$3.2 billion), Personal Banking & Wealth Management (\$4.2 billion), Institutional Financial Services (\$2.7 billion), New Zealand Banking (NZD \$0.8 billion), Esanda/UDC (\$0.8 billion) and Corporate (\$1.6 billion). Deposit growth was encouraged by uncertainty in global equity markets.

[PHOTO OF PETER MARRIOTT]

Peter Marriott

Chief Financial Officer

Non-Interest Income \$2,808 million +0.4% Reported growth was flat for the year. After adjusting for the sale of ANZ Funds Management businesses to the ING Joint Venture and under accrual of loyalty points cost on credit cards in prior periods, underlying growth was 5.2% driven by higher lending fees in our Corporate Banking, Asset Finance and Institutional Banking businesses, higher equity accounted profit from our investment in PT Panin Bank and development property sales in Institutional Banking.

Expenses \$3,228 million +2.4% Once again, tightly controlled across the Group. Higher staff levels required to service increased lending volumes and an increase in software amortisation on system upgrades, were the main contributors to the 2.4% increase in costs. Discretionary costs were contained as the control of expenses remains a key aspect of our financial management.

Provisioning \$614 million +0.7% Asset quality improved with the Economic Loss Provision (ELP) rate down primarily due to a higher proportion of mortgages. This lower rate offset the impact of increased lending volumes.

Tax & Outside Equity Interests (OEI) \$929 million +5.2% Increase in profits caused the higher tax expense in 2003, however, a higher amount of equity accounted earnings has meant that the growth in tax expense was below profit growth.

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

Profit in Mortgages grew 9% reflecting continued growth in the Australian housing market while the 5% improvement in Personal Banking and Wealth Management resulted largely from increased deposit volumes and increased commissions on mortgage sales. This was partially offset by lower earnings from our ING Joint Venture.

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.

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

#### **Profits continued to be derived from our core domestic markets**

2003 NPAT by geography %

Sustained underlying profit growth in our core domestic markets has been supported by strong growth in Asia and Pacific. The Group's strategy to reduce exposure to higher risk offshore sectors saw reduced profit in the UK and US.

(A)

Significant Transactions

In the year ended 30 September 2002, the significant transactions included NHB recovery (\$159m after tax), Special Provision for Doubtful Debts (\$175m after tax) and Profit on sale of businesses to the ING Joint Venture (\$170m after tax).

**For further information on financial terms, please refer to the Guide to Concise Financial Report on page 48 and the Investor Snapshot on page 2**



Net interest margin contracted by 10 basis points:

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.

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

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

Margins down, primarily due to the level of interest rates and mix effect

Group net interest income

Lending fees increased \$57 million due to strong volume growth in Corporate, Asset Finance and Institutional Banking in Australasia.

Non-lending fees reduced by \$81 million principally because of a \$38 million under accrual of loyalty points on co-branded credit cards in prior years, higher cost of loyalty points, the sale of ANZ's Funds Management business to the ING Joint Venture and reduced fee revenue from US and UK structured finance operations.

Structured Finance International income reduced as a result of the re-weighting of the Group's portfolio in both risk and geographic terms, foreign exchange rate movements and subdued market conditions.

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Trading securities income growth included \$45 million from cash flow mismatches on swaps, which had an opposite impact on net interest income.

Non interest income impacted by the sale of ANZ Funds Management to the ING Joint Venture, cards under-accrual and loyalty costs. Underlying growth strong

Non interest income \$m

- 
- \* Sep 02 excludes significant transactions
  - \*\* excludes volume impact and benefits from repricing

We maintained strong capital levels in 2003 as a prudent measure considering the world economic climate. Our Adjusted Common Equity remained at 5.7% of Risk Weighted Assets the same as September 2002 (Target range 5.25% - 5.75%). In September 2003, the Group issued 10 million ANZ StEPS preference shares at \$100 each, raising \$1 billion (\$987 million net of issue costs).

Strong capital levels maintained

Adjusted common equity/risk weighted assets  $\dot{y}$

The Group economic loss provision charge (ELP) was \$614 million, compared with \$610 million (excluding the \$250 million special provision) in the year to September 2002. The standard 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.

In recent years, ANZ has been repositioning itself away from higher risk offshore institutional lending, towards lower risk domestic lending as reflected in our 2003 growth in Mortgages and reduction in US and UK lending. This has resulted in a reduction in our ELP rate over time, which fell from 43 basis points in September 2002 to 39 basis points in September 2003.

Doubtful Debts Provision reflects improved underlying portfolio\*

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\* excludes the \$250 million special provision in 2002

New non-accruals have reduced significantly over the last year, particularly in the offshore portfolios where in 2002 two large single name exposures in the offshore Telecommunications and Energy portfolios accounted for 35% of new non-accruals.

New non-accrual loans by source 2002

Geographic new non-accrual loans

New non-accrual loans by source

End of period gross lending asset volumes reduced 24% 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.

24% reduction in gross lending assets in offshore portfolio

Lending asset growth for the year to Sept 2003

**For further information on financial terms, please refer to the Guide to Concise Financial Report on page 48 and the Investor Snapshot on page 2**



## Risk Management

### Key Terms

**Arrears** a contractually due and payable sum which remains overdue/unpaid.

**Credit risk** the potential for loss arising from the failure of a customer or counter-party to meet its contractual obligations.

**Market risk** the potential loss the Group may incur from changes in interest rates, foreign exchange rates or the prices of equity shares and indices, commodities, debt securities and other financial contracts, including derivatives. It also includes the risk that the Group will incur increased interest expense arising from funding requirements during periods of poor market liquidity.

**Operational risk** the direct or indirect loss resulting from inadequate or failed internal processes, systems, or from external events.

Over the year, ANZ has remained vigilant in monitoring and managing the Group's global risks including:

**Credit risk** Overall credit quality remains sound; reduced level of defaults in the corporate portfolio; off shore credit exposures reduced to 6% of our loan portfolio.

**Market risk** Levels remain low.

**Operational risk** Strengthened business continuity and crisis management capabilities to withstand the emergence of new threats, including increased threats of terrorism and the SARS virus; enhanced technology risk management processes with specific focus on new software releases.

**Other risk** Increased focus on strategic and emerging risks; substantial progress made on Basel II (see page 38).

### Offshore exposures

We have reduced our offshore credit exposures, including to the power and telecommunications industries.

**Telecommunications** Active portfolio management of exposures to this sector resulted in a reduction in credit limits for offshore telecommunications operators of 46%.

**Power** As expected, some further deterioration in the Group's US power portfolio over the last year was experienced, however, our US power exposures have been managed down by 28% to \$1.3 billion and any further losses which might result from this portfolio are expected to be manageable.

### Australia and New Zealand market

The Australian and New Zealand portfolio risk profile has continued to improve over the year with strong mortgage growth and reduced high risk exposures.

**Consumer portfolio** Arrears and loss rates are now at or near historically low levels; low-risk personal business exposures now comprise two thirds of the Group's loan portfolio.

**Residential property market** Adherence to conservative lending criteria, including allowing for the likelihood of interest rate increases in the assessment of borrowers' capacity to make mortgage payments has ensured a robust mortgages portfolio; we also have conservative lending policies in place to ensure our risk exposure to inner-city apartment markets across Australia is minimised.

Recent APRA stress-testing of our mortgages portfolio confirms that we are well-placed to withstand a severe downturn in the Australian housing market.

#### Large Individual Credit Exposures

Over the year to September 2003, ANZ has managed down its large exposure risks and significantly reduced portfolio concentrations. To further reduce risk in the Group's credit portfolio, our maximum limits applicable to exposures to individual customers have also been reduced.

ANZ Group's credit risk profile has improved over the last 5 years\*

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\* Internal credit ratings have been mapped to external credit grades

The Group's credit risk profile, representing the risk of our customer lending portfolio, has improved over the last 5 years. This is evident with growth in our lower risk domestic portfolios (particularly mortgages in the BBB-category) and reductions in our high risk exposures.

ANZ has lowered risk across its global portfolio

[PHOTO OF MARK LAWRENCE]

Mark Lawrence

Chief Risk Officer

Top 10 exposures further reduced

One measure of the concentration of large exposures in the Group's portfolio is the aggregate of the 10 largest committed corporate exposures as a percentage of adjusted common equity (ACE). This is used as a measure of risk, hence the lower the ratio the lower the concentration risk. This ratio has declined significantly over the past 24 months.

ANZ portfolio moving toward lower risk domestic exposures



In line with ANZ's lower risk strategies, offshore lending exposures have decreased as a proportion of total lending assets.

Lower risk portfolio due to increased proportion of personal businesses

Based on the Group's lending assets

In line with strategy, lower risk personal businesses now comprise two thirds of the credit loan portfolio. This has been underpinned by strong growth in the mortgages portfolio.

**For further information on financial terms, please refer to the Guide to Concise Financial Report on page 48 and the Investor Snapshot on page 2**

## A View from the CEO on Creating Sustainable Businesses

### Delivering sustainable performance and value

This year I discovered a surprising and interesting statistic, which I have reflected on from an ANZ perspective.

Of the Top 20 companies by market capitalisation in Australia in 1980, only eight remained on the 1990 list, and five on the 2000 list.

ANZ, I'm pleased to say, is one of those which has survived and thrived, albeit with some ups and downs, so that it is one of the five on both the 1980 and 2000 Top 20 lists.

### Our responsibility to deliver

The challenge for ANZ is to continue to create value by delivering strong and sustainable performance and value to shareholders – not only this year and next year, but over the long term. While this is the responsibility of any management team, it is particularly true of a bank. That's precisely why there is so much mention of 'sustainability' in this report.

The key to delivering sustainable performance and value starts with the fundamentals – having a genuine competitive advantage, ensuring flawless execution of strategy, no-surprises management and delivering on promises to shareholders.

In financial terms, value represents the capital invested in ANZ, plus a premium representing future earnings and value that the market ascribes to our expected future economic value added. In fact, this explains around 60% of our share price. It takes into account our unique specialisation strategy and growth opportunities, the talent of our staff, our culture, the market positions and customer franchises held by our specialist businesses, the strength of our brand and our reputation in the community.

While the value of investment represented by tangible net assets per share has risen by around 9% a year since 1998, the value represented by future economic value added has risen by about 21% a year. It's a compelling statistic that forces me, as Chief Executive Officer, to think about business differently.

### Focus on long-term value

It highlights that enduring success means more than short-term performance. Sustainable value takes us beyond the traditional notion of shareholder value as it has been conceived and implemented over the past decade.

It recognises that delivering sustainable value in the long-term is, in essence, about restoring customer faith and building community trust by understanding that we do not serve shareholders exclusively, but others as well.

It is why being the 'bank with the human face' has to be at the core of who we are and what we do at ANZ. It means we integrate economic, environmental and social factors, and balance our obligations to different groups of stakeholders and create value for all of them – shareholders, customers, staff and the community.

It requires us to continually factor the long-term into our decision-making.

### Our societal purpose

This year we have developed a corporate response to environmental and social concerns expressed by our key stakeholders. Many of our staff have been involved in an assessment of our impact on society, contributing to defining ANZ's Societal Purpose and in developing a number of new initiatives to improve our environmental and social performance. Our particular approach to sustainability is based on

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seeing our people, customers and community as an integrated business system. It means embedding society's environmental and social concerns into our core business practices, products and services to ensure we stay aligned with the society in which we operate.

It formally acknowledges that we exist to meet the needs of shareholders and to do so successfully in the long-term we must recognise that society's values and aspirations are market forces, where people act on their beliefs as voters, investors, employees and customers.

### Building broader relationships

Becoming a fully engaged, respected participant in society is about building a broader, deeper set of relationships based on respect, trust and integrity. It's clearly understanding our purpose in society so that we have a framework for making decisions.

We believe a focus on sustainability will give us a competitive advantage. While investors and customers, governments and other stakeholders are increasingly favouring those companies whom they see as truly sustainable, we also believe sustainability has the potential to create new value for shareholders through:

increasing staff engagement and satisfaction leading to higher productivity and commitment to ANZ's success

growing market share as a result of improved brand strength and customer satisfaction

gains in productivity and lower costs through improved environmental, health and safety performance

improving our lending risk profile through superior understanding of social and environmental risks

enhancing corporate governance by ensuring systematic transparency and accountability in all aspects of our business.

It is not a radical concept. It is why we take time each year in our Annual Report to explain not only our annual financial results but to report on what we are doing for staff, customers and the community we serve.

#### Integrating sustainability

This more formal approach to sustainability, however, involves integrating the concept of delivering value to a broad range of stakeholders into our business strategies and the way we operate, and to begin creating greater alignment between the interests of shareholders and those of society, and to report transparently on our progress. It will mean seeking help from and creating new relationships with groups from a wide cross-section of society.

It is the focus on these themes that will allow us to continue to create value and to ensure ANZ is a leading company today and in 20 years time.

/s/ John McFarlane  
John McFarlane  
Chief Executive Officer

**Market expectations of future performance determine our current share price**

**Serving different stakeholders**

Shareholders own ANZ and appoint directors, therefore the directors focus is on shareholders	Directors have a duty to act in the best interests of ANZ	Growing acknowledgement that to protect the long-term value of ANZ, the needs of our customers, people, shareholders and community must be addressed	Sustainable performance
>	>	>	>

[GRAPHIC]

### **The National Bank of New Zealand**

On 24 October 2003, ANZ announced it had reached agreement with Lloyds TSB to acquire The National Bank of New Zealand for \$4.915 billion at exchange rates on 23 October 2003.

New Zealand's best bank

The National Bank of New Zealand is one of New Zealand's leading banks with net loans and advances of NZ\$35 billion representing around 23% of industry lending. It has strong market share in personal, rural, and small business banking including a national network of 160 retail branches and 260 ATMs.

The National Bank of New Zealand also enjoys consistently high customer and staff satisfaction levels. In the year to September 2003, The National Bank of New Zealand maintained its top position in the ACNielsen Consumer Finance Monitor with 71% of personal customers rating its service as excellent or very good. This is coupled with leading levels of staff satisfaction (85%).

The National Bank of New Zealand's track record of value creation is based on an efficient operating model, strong revenue growth with sound credit quality and high levels of staff and customer satisfaction driven by a strong and experienced management team.

A strong existing business

ANZ of course already has a strong business in New Zealand that dates back to 1840. Today, ANZ has established its position among the top five banks in New Zealand with over one million personal customers and a leading position in corporate banking.

We have also taken a number of steps to invigorate our existing business in New Zealand including more autonomy for New Zealand management and a series of initiatives to improve customer satisfaction including introducing new products, opening branches and re-organising our approach to personal banking.

Strategic milestone

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The acquisition is a significant strategic milestone for ANZ. It is part of ANZ's strategy to develop leading positions in growth businesses in its home markets and clearly establishes ANZ as New Zealand's largest bank. It also reflects our long-term confidence in New Zealand's economic prospects.

### A different acquisition

Following completion of the acquisition of The National Bank of New Zealand in December 2003, our combined business in New Zealand will contribute as much as 30% of earnings in future years. Naturally, the significance of our business and of our presence in New Zealand will necessitate a very different approach to thinking about our business in New Zealand, our customers, staff and our role in New Zealand as the largest provider of banking services.

We have already stated the acquisition will be very different – one based on improving customer service, satisfaction and growth. ANZ intends that both the ANZ and The National Bank of New Zealand brands, names and branch networks will be retained for the foreseeable future. By working together with The National Bank of New Zealand and focusing on the interests of our customers, staff and the community we can create a better organisation in the future for New Zealand and for shareholders.

[GRAPHIC]

An acquisition based on customer satisfaction and growth



**People**

[PHOTO]

Sally Morgan enjoys the flexibility of working part of her week from home. This is another way ANZ is committed to life balance for its people

[GRAPHIC]

A more vibrant culture creates value for shareholders

Better organisational leadership, talent and a vibrant culture results in better performance for shareholders. It's a big statement, but globally companies rated as being leaders in their people practices produce, on average, significantly higher returns to shareholders than industry peers. It is easy then to understand why we have consistently placed so much emphasis on creating a unique ANZ culture that engages and involves everyone in the company.

Real progress

We survey all of our staff twice yearly to measure our progress. In 2000, when we started the process of systematically developing our culture as a unique and competitive asset as part of our specialisation strategy, only 52% of staff were satisfied working for ANZ. The top 10 values of management included bureaucracy, hierarchy, control and short-term focus.

Through the programs we have put in place, staff satisfaction now stands at more than 80%, and the values of the past have been replaced by customer focus, achievement, accountability and continuous improvement.

These programs involve our people at all levels. They help foster diversity, create opportunities, encourage ongoing learning through training and education, promote a healthy life balance and build a distinctive culture. They are designed not only to nurture individual talent but also to develop ANZ as an organisation best able to meet the needs of customers, shareholders, staff and the community.

Cultural transformation

Since 2000, over 13,000 of our people have participated in a cultural transformation program called Breakout. Breakout emphasises leadership, diversity, coaching and development. This program reflects today's reality that everyone in the organisation has to be a leader, whether it is at the moment of contact with the customer or at the moment of a decision in their day-to-day role.

Creating opportunities

To support this transformation, we have developed opportunities for our people to enrich their careers at ANZ and provide the necessary skills required to meet business needs. For example, the Opportunities@ANZ initiative provides information and resources for staff to develop their careers through short and long-term job placements and professional development programs.

We have made significant progress in strengthening our talent identification and this has profoundly improved the quality of leadership succession, creating opportunities for our talented people as well as bringing in fresh talent from the market.

We are fostering diversity within ANZ through the establishment of diversity forums within our specialist businesses. Representation of females in ANZ management roles is above average for the banking and finance industry and we are incrementally increasing representation over 31% of middle management roles are currently held by women. In executive management, almost 17% are women and by 2005 our expectation is that women will fill 20% of executive roles.

#### Health and safety

ANZ has a strong commitment to the health, safety and well-being of our people. We are continuously improving our management system aligned with regulatory standards and annual external audit review. All reported injuries continue to trend downwards with a 28% reduction in the incidence rate per 1000 staff since 2000 in Australia and New Zealand. Recognising the importance of personal wellness we are actively looking at innovative ways to improve the overall well-being of our people.

ANZ is a people and values oriented organisation with a shared vision of becoming quite a different company and realising the ability for each person to contribute their very best. By doing this we create sustainable value for our shareholders, staff and the community we serve.

Staff satisfaction continues to rise ANZ overall satisfaction

ANZ expects to have 20% of executive positions held by women by 2005

28% reduction in reported injuries since 2000 All reported injury incidence rate per 1000 staff

[GRAPHIC]

## **Personal and Rural Customers**

Getting on with a new approach

The first step towards change is knowing that you need to change.

During the 1990s, ANZ followed most other banks in Australia. We introduced electronic transaction channels and reduced the size of our branch network. We improved our pricing disciplines and worked hard to reduce our processing costs. At the same time, we invested in the development of leading retail products. Our growth in credit cards and mortgages is evidence of our success in building strong specialist product businesses.

In financial terms, this strategy was very successful for shareholders. But it was not sustainable for customers or the community. By closing branches we damaged our reputation with the community and reduced our ability to talk to our customers about their needs and how we could help meet them. Ultimately, a decline in staff and customer satisfaction will translate into lower returns for shareholders.

We knew we had to change.

Re-energising our business

The first decision we took, in 2000, was to stop closing branches in rural Australia. This decision remains in place and, in the past 12 months, we have started to open new branches and add more ATMs. Being present where our customers want us to be is a core part of our strategy – it is part of putting retailing back into retail banking.

Last year, we went one step further and established a program to reconnect with local communities. We did this by devolving our personal banking business into small, community-based businesses, each with a Local CEO in charge. Our local teams treat their business and the customers as their own. They have their own profit and loss statement and increasingly share in the local results they create.

In our Rural Banking business, the local business model is best established. Here, our local teams look after all customers that live in the community, including personal customers, small businesses and agribusinesses. By giving our people and customers the confidence that ANZ will be there for them come rain or shine, we are being rewarded with higher productivity and more business.

#### Investing in branches

To deliver a professional retailing environment we need to invest in our branch network. During the year, we have refurbished more than 100 branches and increased the focus on sales training and merchandising. We have developed a new telling platform, which will be rolled out to all branches in the 2004 financial year.

This strategy of investment and growth has re-energised our network and our people. Things have started to change.

The market is recognising our progress. In 2003, *Personal Investor* magazine named us Banking Institution of the Year, Savings Institution of the Year and Agri Lender of the Year in Australia.

#### Winning new customers

We are confident the investments we are making in our product businesses and in distribution will translate into higher customer satisfaction and market share. We continue to grow our credit card and mortgage businesses, and in the last 18 months, we have made good progress in building our position in transaction banking and deposits. In 2002, we introduced two new, lower cost transaction accounts and, since then, we have added approximately 100,000 new customers to ANZ.

We have also improved access to banking services for those on low incomes and pensions. Our Access Basic Account provides effectively fee-free banking for customers with a health care card.

#### Acting to fix problems

Meanwhile, we know that things don't always go the way we plan. And when they do go wrong, we sometimes take too long to fix the issues for our customers. Addressing this has become a top priority.

We have started by setting ourselves targets around problem and complaint resolution, and made these part of our Customer Charter. We have appointed a Customer Advocate to ensure that more protracted complaints are resolved fairly, and that we report each year on our progress.

We are also trying to improve the understanding of financial services in Australia. We have taken the lead by commissioning Australia's first comprehensive study on financial literacy, supported by a range of initiatives to assist customers with their financial literacy needs (see page 26).

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Anyone who has stood in a queue, waited for someone to answer the phone or thought about approaching a competitor after a poor experience knows we still have much to do. We must make the transition if we are going to create a sustainable business for our shareholders, customers and the community we serve.

The strategy for our Personal Banking business is simple. Our aim is to provide our customers with market leading products, reliable service and someone local to turn to. It's about being the bank with the human face and being easy to do business with; part of our journey towards having the customer at the centre of everything we do.

[PHOTO]

Dairy farmer, **Mark Disisto**, finds ANZ's flexible financial solutions meet his personal and business needs

We're improving access by adding ATMs

Points of ATM access

	2000	2001	2002	2003
ATMs	1,045	1,074	1,127	1,192

We are aiming to serve customers in our branches within five minutes - average queue wait times are low\*

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\*Based on mystery shopping survey

We aim to answer all customer calls quickly - percentage of calls answered within 1 minute





[PHOTO]

### **Business Banking**

Ray's Outdoors has grown from a small Geelong-based retail store to a 17-location operation. **Ray Frost**, Managing Director, has made his dream a reality. ANZ has been there to assist.

[GRAPHIC]

ANZ is rated number one in client satisfaction

ANZ has a traditional strength in providing banking services to businesses and large institutions. We measure that by market share, by the depth of our relationships and the financial performance of our businesses. In 2003, ANZ was the leading bank to 26% of large corporations in Australia and in the middle corporate market we are the primary banker to 29% of businesses.

We regularly check what our clients think of us through market research and this year, of the major Australian banks, ANZ has again rated number one in overall client satisfaction among the corporate and institutional market.

This isn't something we take for granted. Businesses are demanding in the service they expect. Maintaining our leadership position requires continuous focus on understanding our clients' business, providing them with creative ideas and solutions, and delivering specialist products and services to meet their needs.

Specialist clients focus

During the 1990s, we lost sight of the fact that the small to medium enterprise (SME) sector also valued this focus rather than a one-size-fits-all approach. As a result, we lost valuable clients and market share. Our specialisation strategy helped us remember and since 2000 we have established a new strategy with new goals for SME banking. We focused on creating a new proposition for clients based on developing our people, creating a sales and service focus and giving greater autonomy to our account managers to listen to and work with clients to meet their needs.

Three years later, the results are plain to see. Client satisfaction has improved and we are now equal with the best of the major banks. We plan to do better. Staff satisfaction has risen from just 30% in 2000 to 80% in 2003. Importantly, we have grown our market share significantly above system growth while carefully managing risk. We have turned a business in decline into one of ANZ's fastest growing businesses. It's the power of specialisation and creating a specialist

focus on customers.

New specialist products

Specialisation in our investment banking product businesses of Trade and Transaction Services, Capital Markets, Foreign Exchange, Structured Finance and Corporate Financing and Advisory has also enabled us to extend our range of investment banking solutions. For example, ANZ's Corporate Portal provides clients with a range of online services including foreign exchange, capital markets and trade finance together with

financial decision-making tools.

We have continued to extend the product range available to medium-sized corporates through our Wall Street to Main Street proposition. We are also using this experience to develop new and innovative products for our small to medium enterprise clients.

Building on the strength of our business banking franchise through specialisation creates a powerful force that continues to allow us to explore opportunities to reshape the business around client needs and create new growth opportunities.

ANZ leads Corporate Banking customer satisfaction\*

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\*Source Roberts Research 1996-2003

We are growing from an underweight position in Small to Medium Enterprises Funds under Management growth

Institutional customer relationships we have the largest market share in Australia\*

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\* Source Greenwich and Associates 2003

[GRAPHIC]

## Systems

How technology transformation makes it easy to do business with us

While we want to put a humanface to banking, it is technology that allows us to provide a personalised, consistent service to our customers. It is technology that empowers our customers and staff with real-time information and access. It allows us to reduce costs, improve productivity, and simplify and automate administrative functions. It is technology that makes our business work for customers, staff and shareholders.

Transforming our business

There are fundamentally two ways of thinking about the technology. The first is all about computing chips, databases, operating systems, software and other technology elements. It is focusing on the second way of thinking about technology extracting value through the application of computing to improve or transform our businesses which sets ANZ apart.

That is why we have made a substantial investment in technology in recent years to move beyond thinking about specific computing needs in terms of data centres, storage systems or even PCs, to thinking about the entire infrastructure on which our business runs the infrastructure that connects and supports relationships and transactions within our specialist businesses and with our customers.

Simplifying our infrastructure

In 1998, ANZ's approach to technology was relatively inwardly focused and based on higher cost complex infrastructure involving six core systems, 15 data networks and many different platforms. Today, technology at ANZ is more customer focused with improved processes and a vastly simpler infrastructure involving two core systems, a single data network and standardised hardware and software platforms.

Managing technology for value

Transforming ANZ's infrastructure has given us the ability to move into a new phase, where we will seek to extract greater value from our technology investments through back-to-basics performance management.

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It involves maximising value from the major projects we have undertaken in the past five years. Including:

our new telling system to replace the ageing hardware and software platform we use to serve customers in our branch network

common web-based People soft software to replace legacy administration systems

our new VisionPlus credit card platform

our state of the art image-based cheque and item processing system, and

efficiency gains from process re-design in Esanda/UDC.

Skilled and committed people

It also leverages the work we have done in transforming our technology and operations culture, and developing a team of skilled and committed people dedicated to continuous process improvement. Since 1998, we have improved staff satisfaction within our technology and shared services business from 51% to 80%. The result of these programs is that staff turnover has fallen from 18% to just 4% and quality and productivity outcomes have improved significantly.

The challenge ahead is to ensure shareholders get value from those investments through the focused operations management of our technical resources.

We have improved the availability of our 24-hours-a-day, 7-days-a-week services to customers ý

Our turnaround time for new card applications is now a competitive advantage

Delivering the benefits of re-design with 25% reduction in Esanda/UDC contract processing costs



[PHOTO]

**Anastasia Bakolias** a Customer Service Consultant at ANZ's Call Centre delivers distinctive customer service every day

[PHOTO]

## **Community and Environment**

Why broadening our thinking about the community is important to all our futures

Rebuilding community trust begins with recognising that our standing in the community is as important to our future as our relationships with customers and staff.

We know that many in our society believe banks have become increasingly detached from the community. Many of the actions which fostered that view arose out of a focus on short-term shareholder value. This undermined customer faith and public trust and diminished the pride staff felt in working for us.

Strengthening local communities

Rebuilding community trust is about acting with fairness and integrity. Contributing to the health of local communities can also play a role.

Recognising this, the ANZ Community Fund pilot was developed to offer our frontline staff the means to work with their communities to identify local issues and provide local solutions. With over 120 projects supported around Australia in the past financial year, the ANZ Community Fund will be extended to all branches with an annual commitment of \$1.6 million.

ANZ Community Fund supporting a variety of local projects

#### Partnering on financial issues

We have also developed responses to some of the major social issues that involve the financial services industry. These issues include financial literacy and the low level of national savings.

During the year, ANZ commissioned and published the results of the first national survey of adult financial literacy. For the first time, the research provides benchmarks for the measurement of financial literacy across the Australian population. It also identifies aspects of financial products and services that are causing the greatest problems for consumers and those segments of the population that are struggling with financial skills.

ANZ has committed to improve financial literacy in Australia, particularly among its own customers. We are integrating the learnings from the survey into our business operations, training our people so they can identify and assist customers facing financial difficulty and establishing a community partnership to develop an adult education program.

This year, we have trained over 3,500 service consultants in branches throughout Australia and introduced a booklet titled "Kick-start your financial fitness" to help people who want to use and manage their money more effectively. Our Consumer Finance business has also developed a website and series of brochures to assist customers and the community to better understand how credit works.

In partnership with the Brotherhood of St Laurence, we have also introduced Saver Plus – Australia's first matched savings program. It encourages families on lower incomes to regularly and consistently save for costs associated with their child's secondary schooling. Participants will also receive financial education training. The Saver Plus pilot aims to help 300 Australian families on lower incomes reach a savings target and encourage or establish a savings habit.

The first Saver Plus pilot commenced in Frankston, Victoria. ANZ and the Brotherhood are now working with Berry Street Victoria and The Benevolent Society to conduct further programs in Shepparton, Victoria, and Campbelltown, New South Wales.

[PHOTO]

**Tamara Lovering** from ANZ Kingscote, South Australia, and **Jim Gorman** from Kangaroo Island Food Group, support an ANZ Community Fund activity packing food parcels for people in need

[PHOTO]

#### Changing environmental impacts

ANZ also believes that it has an obligation to shareholders and society to operate as efficiently as possible to reduce its environmental impacts. It is part of being a well-managed business. This includes our direct impacts – the resources we use in carrying out our operations such as energy, paper and travel, and our indirect impacts – such as the impacts of our customers to whom we lend and invest in.

In 2003, ANZ undertook a thorough assessment of its environmental impacts and examined its performance in managing those impacts against some of its international peers. We also consulted and engaged our staff and community groups on how improvements can be made to reduce both our direct and indirect impacts.

#### Improving our performance

Building on ANZ's existing programs we have undertaken a number of new initiatives to assist in managing our direct impacts. These include:

- appointing a full-time environmental manager to coordinate activities and develop our systems

- examining our supply chain and assessing ways to integrate environmental criteria into our purchasing decisions

- developing a set of corporate improvement targets and specific initiatives to meet these

- continuing to work on achieving our commitments to the Federal Government's Greenhouse Challenge program

- becoming a signatory to the United Nations Environment Programme Finance Initiatives and engaging a range of external stakeholders

reviewing our existing environmental lending policy and procedures

engaging ANZ's external auditor to review our data measurement systems and verify the environmental baseline we established.

Further details on ANZ's environmental program and performance can be found at [www.anz.com/sustainability](http://www.anz.com/sustainability).

#### New lending opportunities

Sustainability also creates new lending and investment opportunities. During the past year, a number of business units have been exploring the demand for new green lending products. ANZ's Infrastructure Services business has been active in the renewable energy area and has recently partnered with Spain's EHN to pursue new wind power opportunities in Australia. Our International Structured Finance business is also pursuing new lending opportunities in the growing renewable energy market in Europe.

## Leadership

Transforming  
our financial  
performance  
and culture

[PHOTO OF BOB EDGAR]

### **Bob Edgar**

*Chief Operating Officer*

[PHOTO OF JOHN MCFARLANE]

### **John McFarlane**

*Chief Executive Officer*

[PHOTO OF PETER MARRIOTT]

### **Peter Marriott**

*Chief Financial Officer*

[PHOTO OF PETER HAWKINS]

### **Peter Hawkins**

*Group Managing Director,  
Group Strategic Development*

When we created ANZ's specialisation strategy in 2000, we knew that it would only work if we created a very different approach to leadership and culture.

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We recognised that the one-dimensional concept of leadership – the person at the top whom others follow – disappeared 20 years ago. At ANZ, everyone in the organisation has to be a leader. We have brought this about by creating an environment where leadership can be fostered across all levels in the Group.

Business leaders within ANZ shape the destiny and nature of their business. They build its capability to grow, they improve its effectiveness and they ensure the delivery of results. Our new leaders are at all levels of the organisation: the people at the moment of contact with our customers or those at the moment of decision who are accountable for that decision.

Our approach to leadership is to foster an environment where people have the freedom and responsibility to achieve more than they thought they could. This is turning our culture into a unique competitive asset.



The ANZ organisation

Consumer Finance	Corporate	New Zealand Banking	Esanda/UDC	Personal Banking and Wealth Management	Mortgages	Institutional Financial Services	Asia Pacific	Operations, Technology & Shared Services and Corporate Centre
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[PHOTO OF ELMER FUNKE KUPPER]

**Elmer Funke Kupper**

*Managing Director,*

*Personal Banking and Wealth*

*Management Australia*

[PHOTO OF CHRIS COOPER]

**Chris Cooper**

*Managing Director,*

*Mortgages*

[PHOTO OF MARK LAWRENCE]

**Mark Lawrence**

*Chief Risk Officer*

[PHOTO OF GREG CAMM]

**Greg Camm**

*Managing Director,*

*New Zealand*

[PHOTO OF ELIZABETH PROUST]

**Elizabeth Proust**

*Managing Director,*

*Esanda*

[PHOTO OF SHANE FREEMAN]

**Shane Freeman**

*Group General Manager,*

*People Capital*

[PHOTO OF GRAHAM HODGES]

**Graham Hodges**

*Managing Director,*

*Corporate & Small to Medium*

*Enterprise Banking*

[PHOTO OF GRAHAME MILLER]

**Grahame Miller**

*Managing Director,*

*Major Investment Programs*

[PHOTO OF DAVID BOYLES]

**David Boyles**

*Chief Operations Officer*

[PHOTO OF BRIAN HARTZER]

**Brian Hartzler**

*Managing Director,*



**Business Profiles**

## Consumer Finance

Brian Hartzer, Managing Director Consumer Finance

Consumer Finance includes: Cards Issuing (Australia, New Zealand and Indonesia) providing credit and charge card services including loyalty programs; Cards Acquiring (Australia and New Zealand) providing debit and credit card processing; and Personal Loans (Australia and New Zealand) providing unsecured personal installment loans.

Staff satisfaction 81% (up from 75% in 2002)

\$m	2003	2002	%
Operating income	713	694	3
Operating expenses	-347	-310	12
Provisions	-152	-161	-6
Profit before tax	214	223	-4
Income tax expense (A)	-70	-73	-4
Net profit	144	150	-4
Cost to income ratio (CTI)	48.0%	43.7%	10
Staff (FTE)	1203	1156	4

**Performance**

**Profit** Decreased by 4% due to impact of \$38 million one-off pre-tax charge as a result of an under accrual of loyalty points going back to 1999, \$20 million of which related to 2002. After adjusting for this, profit reflected strong growth in lending volumes, merchant turnover and cardholder spend. Operating expenses were up 12% due to volume growth and increased amortisation costs of new technology and MultiPOS network.

**CTI** Increased due to the impact of loyalty under accrual.

**Risk Management** Strengthened financial control and compliance frame work through clear management focus and building people capability.

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**Staff** Increased due to a new customer services team of 124 established to handle calls associated with the Reserve Bank interchange reforms. Excluding this team, FTEs were down 7% as a result of back office initiatives. During the year, significant investments were made in workplace quality, with the move to a new state-of-the-art facility, and in ongoing learning as a key capability.

### **Achievements**

**Product innovation** Reshaped product set across the Australian Cards Issuing portfolio to address the impact of the Reserve Bank interchange reforms and ensure leading products for each customer segment. Launched ANZ Low Rate MasterCard and ANZ Frequent Flyer Diners Card.

**Increased merchants with ANZ MultiPOS facilities** Delivered 20% growth in the number of merchants in the small business segment.

**Maximised technology investments** Delivered efficiency and service quality gains with average operational cost per account down 16% and 90% of new applications processed within 24 hours. Developed in-house capability to administer our loyalty program, producing 21% annualised savings in loyalty management.

**Controlled geographic expansion** Purchased a 40% joint venture interest in the credit card business of Metrobank in the Philippines.

### **Goals**

Minimise the impact of the Reserve Bank reforms, while leveraging our strong credit card product set and execution capabilities to grow share in attractive segments.

Continue to build new revenue streams through product innovation, cross-selling, and controlled geographic expansion.

### **Corporate**

Graham Hodges, Managing Director Corporate and Small to Medium Enterprise Banking

Corporate comprises two businesses: Small to Medium Enterprises Australia (SME), which provides banking services for businesses with turnover up to \$10 million; and Corporate Banking Australia, which manages customer relationships and develops financial solutions for businesses with turnover \$10 million to \$100 million.

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Staff satisfaction 85% (7% improvement on 2002)

\$m	2003	2002	%
Operating income	653	604	8
Operating expenses	-219	-212	3
Provisions	-48	-46	4
Profit before tax	386	346	12
Income tax expense(A)	-116	-104	12
Net profit	270	242	12
Cost to income ratio (CTI)	33.5%	35.1%	-5
Staff (FTE)	1597	1487	7

### Performance

**Profit** Increased by 12% with net interest income growth of 9% due to strong volumes in both deposits and lending. Business growth resulted from an increased geographical presence, a focus on industry specialisation and stronger sales disciplines.

**CTI** Decreased as efficiency of the business continues to improve.

**Risk Management** Overall portfolio risk profile remains strong. Provision for doubtful debts increased 4% against a 19% growth in lending volumes. However, net specific provisions rose 16% in 2003 largely reflecting problems with two large corporate loans. Credit quality in the SME sector remains sound.

**Staff** Increased total staff due to additional investment in frontline and business-related support. Investment in people and business culture reflected in improved customer satisfaction.

### Achievements

**Maintained strong growth in the business** Expanded the business in geographic areas where ANZ was previously underrepresented and in specialist business such as franchising; expanded ability to deliver more sophisticated solutions to our Corporate Banking customers.

**Continued to recruit skilled people** Over 100 additional staff employed for new frontline and specialised business roles.

**Improved customer service efficiency** Established a Corporate middle office to free up frontline time to serve customers; developed straight through processing for loans and customer documentation.

Continued to create value for corporate customers Maintained strong focus on offering corporate customers the full range of banking services and leading the market in delivery of sophisticated financial solutions.

**Goals**

Maintain strong business growth.

Continue investing in process and platform efficiencies to ensure it is easier for customers to do business with ANZ.

Build on specialised business success in SME and solutions-based proposition in Corporate Banking.

Build staff and management capabilities.

New Zealand Banking

Greg Camm, Managing Director

New Zealand Banking

NZ Banking provides banking services, including wealth management, for personal, small business and corporate customers in New Zealand through branches, call centres, relationship managers and online banking.

Staff satisfaction 88% (up from 83% in 2002)

\$m	2003	2002	%
Operating income	538	490	10
Operating expenses	-314	-281	12
Provisions	-13	-13	0
Profit before tax	211	196	8
Income tax expense(A)	-70	-65	8
Net profit	141	131	8
Cost to income ratio (CTI)	58.4%	57.3%	2
Staff (FTE)	2535	2371	7

## Performance

**Profit** Increased 8% driven by an appreciation in the New Zealand dollar. Excluding the exchange rate impact, profit was flat. This was due to flat fee growth as we improved the competitiveness of our product ranges; and increased frontline branch staff numbers to improve customer service.

**CTI** Increased by 2%, reflecting the investment in frontline staffing as part of the Restoring Customer Faith program in Personal, and increasing capacity in Business and Rural.

**Risk Management** Credit quality remains sound with provision for doubtful debts charge falling 5% (in local currency terms) despite solid lending growth of 13%. This reduced cost has been driven by the continued reduction in the risk profile of the Corporate and business lending portfolio. Economic loss provisions remain well in excess of net specific provisions.



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**Staff** Increased total staff reflecting investment in frontline staffing in New Zealand Personal and Business and Rural to improve service and sales including extending branch operating hours to weekends.

### **Achievements**

Increased the number of customer-facing staff Increased staffing in branches by 5%; increased number of Mobile Mortgage Managers; increased number of relationship management staff in Business and Rural.

Top ranking in Corporate Banking sector Attained number 1 ranking for market share and customer satisfaction in Corporate Banking (page 23).

Improved retail customer satisfaction Most improved of any bank in NZ according to Consumer magazine annual survey and AC Neilson Consumer Finance Monitor (September quarter 2003). Ranked third for service, up from fifth last year.

Upgraded the branch network and increased branches in key geographical growth cities Opened one new branch, several others in advanced planning. Planning for full re-signage and upgrade completed.

### **Goals**

Launch campaign to re-invigorate the brand, supported by product-specific campaigns.

Maintain Corporate Banking's number one ranking for customer satisfaction.

Continue growth in the business segment and strengthen the rural business.

Roll-out needs-based sales training programs to frontline staff in branch network.

Complete re-vitalisation of the branch network.

Esanda/UDC

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Elizabeth Proust, Managing Director

Esanda

Esanda/UDC delivers motor vehicle and equipment finance; equipment operating leases and management services; fleet management services; and investment products through Esanda (Australia), Esanda Fleet Partners (Australia & New Zealand) and UDC (New Zealand) and Specialised Asset Finance (Australia).

Staff satisfaction 79% (up from 77% 2002)

\$m	2003	2002	%
Operating income	429	399	8
Operating expenses	-182	-180	1
Provisions	-63	-69	-9
Profit before tax	184	150	23
Income tax expense(A)	-57	-47	21
Net profit	127	103	23
Cost to income ratio (CTI)	42.0%	44.6%	-6
Staff (FTE)	1311	1303	1

### Performance

**Profit** Increase underpinned by 4% growth in net interest income resulting from strong asset growth and solid margins in all segments. Other income increased by 25% driven by fees on higher business volumes, profits on end-of-lease vehicles sales and commissions on increased insurance writings.

**CTI** Improved due to strong income uplift, whilst expenses were held relatively flat with further back office operating efficiencies being achieved.

**Risk Management** The focus was on the delivery of robust pricing models and assessment tools. We continued to streamline processes and more efficiently access customer risks.

**Staff** Training was a key priority with significant investment made in skills training and leadership development.

### Achievements

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Positioned the business to capture growth opportunities Achieved strong growth rates in new business writings: motor vehicle finance 18%; equipment finance 26%; fleet management services 26%; equipment operating leases 24%.

Continued to improve profitability Profit after tax increased by 23%.

Provided an operationally excellent platform Launched a comprehensive end-to-end re-design project; analysis and design phases completed.

Attracted and retained talented people Focused on improving leadership capabilities with 80 staff in the Inspiring Leaders program. Piloted leadership development program for female managers. Introduced new Talent Program to develop management skills of junior staff.

### Goals

Grow usage segment and lift returns on traditional asset finance business.

Redevelop and revitalise our brand.

Improve sales capability through improved training and new incentive scheme.

Progress implementation of operationally excellent platform and expand to New Zealand and Esanda FleetPartners.

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(A) Includes outside equity interest

Personal Banking and Wealth Management

Elmer Funke Kupper, Managing Director Personal Banking and Wealth Management

Personal Banking and Wealth Management includes Banking Products and Transaction Services; ANZ's joint venture with ING; Personal Banking and Rural Banking; Private Banking and ANZ Financial Planning.

Staff satisfaction 83% (8% improvement on 2002)

\$m	2003	2002	%
Operating income	1648	1670	-1
Operating expenses	-1048	-1062	-1
Provisions	-27	-24	13
Profit before tax	573	584	-2
Income tax expense (A)	-151	-181	-17
Net profit	422	403	5
Cost to income ratio (CTI)	63.6%	63.6%	0
Staff (FTE)	6822	6679	2

**Performance**

Profit Increased by 5%. Stronger second half of the year with good momentum on the back of a strong mortgage market, higher sales productivity across the branch network and improved equity markets.

CTI CTI was flat.

Risk Management Significant training program for frontline staff in service and sales skills and to ensure compliance with the *Financial Services Reform Act*. Net specific provisions for credit losses remained low at \$19 million despite strong growth in rural lending.

Staff Added staff to improve customer service and support higher sales. Staff absenteeism decreased. Increased training investment.

**Achievements**

Invested in frontline training and technology More than 4,200 staff trained on service and sales skills, with new merchandising to support the sales process. Piloted new telling platform for rollout in 2004.

Improved share in core deposits Received industry award for Access transaction accounts. Added approximately 100,000 new customers to ANZ since new products launched in 2002.

Launched full set of deposit products Relaunched savings products and achieved deposit growth targets. Our cash management trust, V2+, reached \$6 billion for first time. Improved deposit market share.

Improved cross-sell of wealth management and insurance products Despite a weak equity market, the ING Joint Venture improved its relative market position. Insurance cross-sell performance improved significantly from a low base.

## Goals

Maintain product leadership.

Improve sales productivity and cross-sell.

Continue to build our Human Face.

Improve service delivery.

## Mortgages

Chris Cooper, Managing Director Mortgages

Mortgages provides housing finance to consumers in Australia and New Zealand for both owner occupied and investment purposes.

Staff satisfaction 73% (down from 79% in 2002)

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\$m	2003	2002	%
Operating income	598	541	11
Operating expenses	-179	-160	12
Provisions	-31	-28	11
Profit before tax	388	353	10
Income tax expense (A)	-118	-106	11
Net profit	270	247	9
Cost to income ratio (CTI)	28.8%	28.3%	2
Staff (FTE)	1264	1047	21

Profit 9% increase driven by a 22% growth in the Australian mortgage portfolio, with record sales volume being written through all key channels. New Zealand mortgage business experienced strong growth in the September 2003 quarter following a period of flat or reducing volumes in 2002.

CTI Increased due to higher numbers of staff required to process record mortgage volumes and maintain our service levels.

Staff Added staff to meet increased customer volume. People initiatives focused on leadership development, improved training/induction programs and enhanced workforce capacity planning.

Risk Management Overall delinquencies at historically low levels. Changed approval policies for inner city lending has seen ANZ's market share decrease in this segment. Delinquencies for inner city lending are not materially different from the total portfolio. Comprehensive portfolio modelling techniques further refined, providing a strong foundation for risk and portfolio management.

### Achievements

Achieved above market growth across all channels Loans outstanding up 22% in Australia and 6% in New Zealand over the year.

Continued to lead the market with award winning products and strong customer service Leading Cannex product ratings (5 star awards for ANZ Money Saver Home and Residential Loans; 5 Year Fixed Rate Loans), high service rankings in independent customer and broker surveys.

Further built staff and customer advocacy Improved processing efficiency and customer experience through increased electronic delivery of applications, straight through processing and roll-out of eMOS system for brokers and mortgage specialists.

### Goals

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Deliver above market growth in retail and wholesale businesses.

Significantly grow the volume of applications received electronically from third-party channels.

Institutional Financial Services

Bob Edgar, Managing Director

Institutional Financial Services

Institutional Financial Services includes Institutional Banking; Trade and Transaction Services; Foreign Exchange; Capital Markets; Structured Finance International; Corporate Financing & Advisory.

Staff satisfaction 77% (up from 76% in 2002)

\$m	2003	2002	%
Operating income	1872	1804	4
Operating expenses	-668	-682	-2
Provisions	-165	-173	-5
Profit before tax	1039	949	9
Income tax expense (A)	-267	-234	14
Net profit	772	715	8
Cost to income ratio (CTI)	35.6%	37.7%	-6
Staff (FTE)	2733	2612	5

### Performance

**Profit** Increased by 8% with the major contributors being strong revenue growth in Institutional Banking and Capital Markets, and a very disciplined cost out come across all businesses. Operating expenses down 2% for the year. Profit was negatively impacted by the Australian dollar appreciation.

**CTI** Improved for the year as a result of continuing cost discipline; continues to be world class.

**Risk Management** Re-balanced the portfolio to





lower risk sectors; good progress in reducing higher risk off shore exposures, including the UK and US power sectors.

Staff Increased largely due to ANZ acquiring the Australian trade processing hub of the Proponix Joint Venture (TradeCentrix) in the first half of 2003. Continued developing programs that built the capability of our people across all geographies. Key appointments made in each business and region reflecting the realignment of the structure and to maximise the synergies between the relationship and product businesses.

### **Achievements**

Capitalised on core competencies in each of our business units The strengths of our leading domestic market positions continued to be leveraged to build viable niche positions offshore.

Increased the range and complexity of our product suite Product offerings have been dynamically managed, adding new products and segments while discontinuing others.

Addressed credit issues and improved risk mitigation Improved credit portfolio; reduced size of domestic and offshore customer exposures through lowering of single customer limits; non-core lending exited.

### **Goals**

Deepen our domestic leadership position.

Develop new revenue streams for sustainable growth.

Build a viable offshore franchise that adds value to our global customers by leveraging the strengths of our domestic business.

Maintain excellence in risk management.

Bob Lyon, Managing Director

Asia Pacific

Asia Pacific includes Retail banking for consumer and business customers and foreign exchange services in the Pacific region; Consumer banking in Asia; ANZ's share of PT Panin Bank in Indonesia.

Staff satisfaction 82% (9% improvement on 2002)

\$m	2003	2002	%
Operating income	309	267	16
Operating expenses	-131	-124	6
Provisions	-10	-10	0
Profit before tax	168	133	26
Income tax expense (A)	-37	-35	6
Net profit	131	98	34
Cost to income ratio (CTI)	41.4%	45.3%	-9
Staff (FTE)	1580	1558	1

### Performance

Profit Increased by 34%. Approximately 77% of profit is derived from PT Panin Bank, Papua New Guinea and Fiji. Sale of bonds in PT Panin and volatility in Pacific currencies combined with ANZ's strong market position in the region has resulted in a significant increase in foreign exchange earnings.

CTI Reduced due to increased revenue from Panin (equity accounted revenue) and foreign exchange earnings offset by increased expenditure through increased technology support.

Risk Management Quality of lending book has progressively increased over the 12 months.

Staff Over 80% of our management positions are held by national staff. Nationals working outside their home country now account for 23% of our expatriate workforce.

### Achievements

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Expanded our service Launched Internet business banking service, Ebiz, in Papua New Guinea, Fiji, Tonga and Cook Islands.

Centralised support functions Successful in-sourcing of call centre, help desk and finance functions primarily for Pacific operations through Quest, a 100% owned subsidiary, resulting in efficiency gains.

Re-engineered sales and service functions Following Samoa pilot, commenced installation of queue management systems in major branches in Pacific countries resulting in positive customer feedback.

Strengthened staff skills 80% of management positions in Pacific now held by nationals.

### Goals

Standardise our Business Operating Model to be Pacific best practice.

Improve decision making around our asset and liability management and pricing practices.

Continue centralisation into Quest, our Fiji shared services centre.

Further expansion of our sales model focusing on our customer relationships.

Operations, Technology and Shared Services and Corporate Centre(B)

Provides a diverse range of services to the Group. Corporate Centre comprises Group Strategic Development, Group Risk Management, People Capital and including Treasury.

Staff satisfaction 81% (down from 82% in 2002)

\$m	2003	2002	%
Operating income	359	344	4
Operating expenses	-140	-141	-1
Provisions	-105	-86	22

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Profit before tax	114	117	-3
Income tax expense(A)	-43	-38	13
Net profit	71	79	-10
Cost to income ratio (CTI)	38.8%	41.0%	-5
Staff (FTE)	4092	4269	4

### Performance

Profit Reduced by 10%. Treasury profit reduced \$30 million with the low and flat interest rate environment and the maturity of assets, which were written above current market rates.

The Corporate Centre (excluding Treasury) recorded a loss of \$24 million compared to a loss of \$46 million in 2002. Interest income increased with higher levels of surplus capital and gains on contracts put in place to hedge offshore earnings. A \$100 million provision for doubtful debts booked in the Corporate Centre was to recognise greater than expected default rates in the offshore Structured Finance and Institutional Banking portfolios.

### Achievements

Replaced Group payroll systems Implemented new payroll and HR information systems in Australia.

Completed upgrade of corporate banking and customer transaction processing capabilities Completed Corporate Banking initiatives; implemented improvements leading to better customer response and processing efficiency for Consumer Finance and Mortgages.

Commenced customer access via web for self service enquiries on payments, statements and transactions Installed advanced web-based systems across all Australian and New Zealand operations.

Implemented on-line procurement Goods & services purchasing increasingly on-line including information technology services and office hardware, stationery and travel. The vast majority of vendors now paid via electronic funds transfer.

### Goals

Extend customer access via web for self service enquiries.

Replace New Zealand payroll system.

Roll-out new telling platform in branch network.

Implement managed vendor project for learning delivery.

Expand wholesale funding base.

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(A) Includes outside equity interest

(B) Significant transactions are excluded from business profiles

**Board of Directors**

[PHOTO OF DR B WSCOTT AO]

Dr B WScott AO

Independent Non-Executive Director  
Company Director

[PHOTO OF MS M A JACKSON AC]

Ms M A Jackson AC

Independent Non-Executive Director  
Company Director

Continued focus on corporate governance and disclosure

[PHOTO OF MR J KELLIS]

Mr J KELLIS

Independent Non-Executive Director  
Company Director

Mr C B Goode AC B Com (Hons) (Melb), MBA (Columbia University, New York), Hon LLD (Melb); Hon LLD (Monash)

(photograph on page 4)  
Chairman

Independent Non-Executive Director  
Company Director

After 28 years in the finance industry, Mr Goode became a professional non-executive director in 1989. He became a director of Australia and New Zealand Banking Group Ltd in July 1991 and was appointed Chairman in August 1995. Mr Goode is Ex-officio member of all Board Committees. Mr Goode is Chairman of Woodside Petroleum Ltd, Australian United Investment Company Ltd, Diversified United Investment Ltd and a Director of Singapore Airlines Ltd.

Lives in Melbourne. Age 65.

Mr Goode brings relevant skills and significant experience in the finance industry and as a professional non-executive director to his role as Chairman of the Board.

Ms M A Jackson AC B Econ, MBA, FCA

Independent Non-Executive Director  
Company Director

Director since March 1994. Ms Jackson is a member of the Audit Committee, Risk Management Committee, Compensation Committee and Nominations & Corporate Governance Committee. She is Chairman of Qantas Airways Ltd and Chairperson of Method st Ladies College. Director of The Brain Research Institute, Billabong International Ltd and John Fairfax Holdings. Board Member of Howard Florey Institute of

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Experimental Physiology and Medicine and member of the Foreign Affairs Council.

Lives in Melbourne. Age 50

A Chartered Accountant, Ms Jackson has broad industrial experience including her involvement in transportation, mining, the media, manufacturing and insurance. This expertise coupled with her work in health and education contribute to her role on the Board.

Dr B W Scott AO B Ec, MBA, DBA

Independent Non-Executive Director  
Company Director

Director since August 1985. Dr Scott is Chairman of the Nominations & Corporate Governance Committee and Compensation Committee, and Member of the Audit Committee and Risk Management Committee. Chairman of Management Frontiers Pty Ltd, and The Foundation for Development Co-operation Ltd. Director of Air Liquide Australia Ltd and the James N. Kirby Foundation Ltd. Australian member of the Board of Governors of the Asian Institute of Management. Former Chairman of the Australian Government's Trade Development Council (1984 - 1990). Former Federal President, Institute of Directors in Australia (1982 - 1986).

Lives in Sydney. Age 68.

A management consultant and company director, Dr Scott's extensive skills and experience in a range of business sectors and community organisations contribute to his role as a non-executive director.

Mr J K Ellis MA (Oxon) FAICD, Hon FIE Aust, FAusIMM, FTSE

Independent Non-Executive Director  
Company Director

Director since October 1995. Mr Ellis is Chairman of the Risk Management Committee and a member of the Compensation Committee. He is Chairman of Pacifica Group Ltd, Black Range Minerals Ltd and Director of GroPep Ltd. He is Chairman of Australia-Japan Foundation and the National Occupational Health and Safety Commission. He is also Chancellor of Monash University and a former Chairman of BHP.

Lives in Melbourne. Age 66.



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A trained engineer, Mr Ellis brings to the Board his analytical skills together with his practical understanding of operational issues, investments and acquisitions across a range of sectors including natural resources, manufacturing, biotechnology and education.

**Board of Directors**

Commitment to shareholder contact

[PHOTO OF MR J C DAHLSSEN]

Mr J C Dahlsen

Independent Non-Executive Director  
Company Director

[PHOTO OF DR R S DEANE]

Dr R S Deane

Independent Non-Executive Director  
Company Director

[PHOTO OF MR D M GONSKI]

Mr D M Gonski

Independent Non-Executive Director  
Company Director

Mr J McFarlane OBE MA, MBA  
(photograph on page 7)  
Chief Executive Officer

Appointed October 1997. Directorships include The Business Council of Australia and the Australian Graduate School of Management. Mr McFarlane is a former Group Executive Director, Standard Chartered Plc (1993 - 1997), Head of Citibank, United Kingdom (1990 - 1993), Managing Director, Citicorp Investment Bank Ltd (1987 - 1990), Director of the London Stock Exchange (1989 - 1991).

Lives in Melbourne. Age 56.

Mr McFarlane brings skills and experiences in banking and finance which are relevant for his role as Chief Executive Officer.

Mr J C Dahlsen LLB, MBA (Melb)

Independent Non-Executive Director  
Company Director

Director since May 1985. Mr Dahlsen is Chairman of the Audit Committee and a member of the Risk Management Committee and Compensation Committee. Mr Dahlsen is a former Consultant to and Partner of the legal firm Corrs Chambers Westgarth. He is Chairman of Southern Cross Broadcasting (Australia) Ltd, Director of The Smith Family, J C Dahlsen Pty Ltd Group and the Warehouse Group Ltd of New Zealand. He is a former Chairman of Woolworths Ltd, Melbourne Business School Ltd, The Herald and Weekly Times Ltd and a former Deputy Chairman of Myers Emporium Ltd.

Lives in Melbourne. Age 68.

The skills and expertise that Mr Dahlsen has developed in his legal career together with his experience in the media, not-for-profit, banking, retail and small business sectors ensure that he brings an understanding of the law and business to his role as a non-executive director.

Dr R S Deane PhD, B Com (Hons), FCA, FCIS, FNZIM

Independent Non-Executive Director  
Company Director

Director since September 1994. Dr Deane is a member of the Risk Management and Compensation Committees, and Chairman of ANZ Banking Group (New Zealand) Ltd. He is Chairman of Telecom New Zealand Ltd, Fletcher Building Ltd and Te Papa Tongarewa (Museum of New Zealand). He is a Director of Woolworths Ltd.

Lives in Wellington, New Zealand. Age 62.

Dr Deane has skills and experience in a variety of activities including the government sector, banking and finance, economics, telecommunications, and with charitable and cultural organisations.

Mr D M Gonski AO B.Com, LL.B (University of NSW)

Independent Non-Executive Director  
Company Director

Director since February 2002. Mr Gonski is a member of the Risk Management Committee, Compensation Committee and Nominations & Corporate Governance Committee, and represents the Group as Director of ING Australia Ltd. He is Chairman of Coca Cola Amatil Ltd and Investec Wentworth Pty Ltd, and Director of Westfield Holdings Ltd and John Fairfax Holdings Ltd. Mr Gonski is Chairman of the National Institute of Dramatic Art (NIDA), the Art Gallery of NSW, the Australia Council and the Sydney Grammar School Trust.

Lives in Sydney. Age 50.

Mr Gonski, a lawyer, has a wide experience in business, the law and investment banking. He also brings to his role on the Board an appreciation for the community through his work in the arts and the not-for-profit sector.

## Corporate Governance and the Board

Continued focus on corporate governance and disclosure

Good governance and quality disclosure are important to ANZ. ANZ's Board is acutely aware of the responsibilities it has for stewardship and accountability to shareholders. The Board works closely with management to ensure that issues of disclosure, transparency, due process and propriety are continually under review and maintained at consistently high levels.

While corporate governance has long been an active consideration for the ANZ Board, it decided to establish a new committee, the Nominations & Corporate Governance Committee, at the start of the 2002/2003 financial year. The Committee undertakes in-depth analysis and review of major corporate governance issues and brings recommendations and advice to the full board.

In June 2003, ANZ was included in a review by Governance Metrics International (GMI) of corporate governance and disclosure practices of the top 50 ASX companies. GMI ranked ANZ above average for Board accountability, shareholder's rights and corporate behaviour, remuneration and financial disclosure.

During the year, there has been considerable focus on many aspects of corporate governance. These have included are view of Board performance, fine-tuning policy, and procedural and governance requirements. In addition, attention has been directed to the external environment and to various reports and standards being set in a much more active regulatory regime. Please refer to the box below for further detail on some areas of focus.

### Commitment to quality shareholder communication

ANZ is committed to providing shareholders with quality information in a timely manner. This continuous disclosure is underpinned by ANZ's Market Disclosure Policy (see page 42). Communication with shareholders across Australia and overseas is generally through results announcements, the Annual Report, briefings, newsletters and the shareholder site on [www.anz.com](http://www.anz.com). In addition, ANZ complies with the continuous disclosure obligations under the Listing Rules of the ASX which are supplemented by Australian Corporations Legislation. Information provided to the ASX is posted on the ASX website.

This year several shareholder meetings were held including:

Annual General Meeting 13 December 2002 Perth, Western Australia

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Shareholder Meeting 21 February 2003 Auckland, New Zealand

Shareholder Meeting 24 February 2003 Wellington, New Zealand

Shareholder Meeting 14 August 2003 Adelaide, South Australia

In addition, a General Meeting was held on 13 August 2003 in Melbourne to consider matters associated with management strategy. The specific resolutions confirmed approval of a buy-back agreement relating to redeemable preference shares, issued by ANZ in 1998, amended ANZ's constitution to facilitate the issue of preference shares, and approved the issue of ANZ Stapled Exchangeable Preferred Securities (ANZ StEPS). These resolutions represented a self-contained package designed to enhance management flexibility.

Continued recognition for our quality disclosure

ANZ's commitment to quality financial disclosure and transparent reporting continues to be recognised. During the financial year, ANZ received a number of awards specifically for the 2002 Annual Report including:

International ARC International Awards Gold Award in the Banking and Finance category

Australasia Australasian Reporting Awards Silver Award

New Zealand Instituted of Chartered Accountants of New Zealand Commended for corporate governance reporting in the 2002 Annual Report.

ANZ has again been recognised for the quality of its dealings with the investment community, with the release of the Reuters/Institutional Investor Asia Equities Report in July, specifically for:

Best CEO in Australia

Best CFO in Australia

Best Investor Relations in Australia

Best Corporate Governance.

The Board works in a culture of diligence and commitment

### **Board responsibility**

The Board is responsible to shareholders for the governance of the Group, its operations and financial performance. To this end, it sets the strategic direction and financial objectives for the Group. It delegates responsibility for the capital management of ANZ to the Chief Executive Officer and senior management. The Board is also responsible for ensuring that ANZ has appropriate governance arrangements in place to for the benefit of all stakeholders.

The Board aims to carry out its responsibilities so as to create and to build sustainable value for the benefit of shareholders, employees, customers, and the community. The Board has adopted a Charter (available on [www.anz.com](http://www.anz.com)) which sets out, among other things, the roles and responsibilities of the Board. The responsibilities include:

Appointing the Chief Executive Officer, and reviewing his/her performance and remuneration

Approving objectives, strategies and budgets, and monitoring and assessing management's performance in achieving these

Monitoring compliance with regulatory requirements, and ensuring that the Group and its employees are meeting the highest standards of ethics and integrity

Approving policies and overseeing governance and compliance practices relating to management of risk, conduct of audit, health and safety, people management, corporate sustainability, and customer service.

Major corporate governance issues addressed by the Board include:

### **International**

**International Financial Reporting Standards (IFRS)** From 1 January 2005, all Australian entities will be required to prepare their financial statements under the IFRS as adopted by the Australian Accounting Standards Board (AASB). ANZ has established a formal project, monitored by a steering committee, to ensure that ANZ is prepared to report for the first time under IFRS when the results for the half-year ended 31 March 2006 are announced.

**New Basel Capital Accord** A new framework known as **Basel II** has been designed to improve the stability of the global financial system through encouraging improved risk management practices and requiring banks to hold capital commensurate with their risk profile. The new Accord is scheduled to commence in ANZ in 2006 for a year of parallel running with the current Accord with full implementation from 2007. A central project team, reporting to a steering committee, is working with all areas of ANZ to ensure that systems and processes are ready for the change.

#### **Australia**

**Financial Services Reform Act** ANZ was granted its new Australian Financial Services Licence effective from 1 October 2003. The licence is granted under provisions of the *Corporations Act 2001* that were introduced by the *Financial Services Reform Act 2001*. These provisions aim to provide a uniform and transparent system of licensing, product information disclosure and requisite levels of training for the financial services industry. The Group will remain focused on related staff training.

**Code of Banking Practice** Released by the Australian Bankers Association (ABA) in August 2003 and adopted by ANZ in the same month, this voluntary code of conduct sets standards of good banking practice covering personal and small business customers. ANZ sees this code as an opportunity to further improve the services provided to our customers.



**Directors meetings and shareholdings**

The number of Board meetings and meetings of committees during the year the director was eligible to attend, and the number of meetings attended by each director were:

Directors	Board	Risk	Audit	Compensation	Nominations & Corporate Governance	Executive	Shares	Committee of the Board	Beneficially Held		Non-Beneficially Held Shares
		Management	Committee	Committee	Committee	Committee	Committee	Committee	Shares(1)	Options(2)	
	A:B	A:B	A:B	A:B	A:B	A:B	A:B	A:B			
J CDahlsen	11:11	10:8	7:7	3:3		1:1	1:1	2:2	83,400		8,500
Dr R S Deane(3)	11:11	10:7		3:3					75,000		
J K Ellis	11:11	10:9		3:3			1:1		69,198		
D M Gonski	11:11	10:7		3:2	3:3				2,099		
C B Goode	11:11	10:8	7:7	3:3	3:3	2:2	5:5	4:4	268,963		146,186
M A Jackson	11:11	10:8	7:7	3:2	3:3	1:1			77,436		
J McFarlane	11:11					2:2		3:3	1,292,458	2,750,000	
Dr B W Scott	11:11	10:9	7:7	3:3	3:3		5:5	2:2	71,117		

A Indicates the number of meetings the director was eligible to attend. B The number of meetings attended. The Chairman is an ex-officio member of all Board Committees.

(1) Shares include deferred shares

(2) 750,000 options are exercisable at \$14.78 from 31 December 2003 to 31 December 2004 inclusive; may be exercised only if the ANZ Accumulation Index over the period from the date on which the options are granted to the last trading day of any month occurring during the relevant exercise period equals or exceeds the ASX 100 Accumulation Index calculated over the same period.

500,000 options are exercisable at \$17.20 from 31 December 2004 to 31 December 2005 inclusive; may be exercised only if the ANZ Accumulation Index over the period from the date on which the options are granted to the last trading day of any month occurring during the relevant exercise period equals or exceeds the ASX 100 Accumulation Index calculated over the same period.

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500,000 options are exercisable at \$17.52 from 31 December 2003 to 31 December 2007 inclusive; one half of the options may be exercised only if the ANZ Total Shareholder Return ( ANZ TSR ) calculated over the period commencing on 31 December 2001 and ending on the last day of any month after the second anniversary of their date of grant ( the relevant period ) exceeds the percentage change in the S&P/ASX 200 Banks (Industry Group) Accumulation Index over the same period; the other half of the options may be exercised only if the ANZ TSR calculated over the relevant period exceeds the percentage change in the S&P/ASX 100 Accumulation Index over that same period.

1,000,000 options are exercisable at \$17.41 from 31 December 2004 to 31 December 2007 inclusive; one half of the options may be exercised only if the ANZ Total Shareholder Return ( ANZ TSR ) calculated over the period commencing on 31 December 2002 and ending on the last day of any month after the second anniversary of their date of grant ( the relevant period ) exceeds the percentage change in the S&P/ASX 200 Banks (Industry Group) Accumulation Index over the same period; the other half of the options may be exercised only if the ANZ TSR calculated over the relevant period exceeds the percentage change in the S&P/ASX 100 Accumulation Index over that same period.

### (3) New Zealand Resident

It is also the responsibility of the Board to review the operations of all business units together with the major functional areas of ANZ at least once each year to satisfy itself that the policy and direction are consistent with the Group.

The Board recognises its overriding responsibility to act honestly, fairly, diligently and in accordance with the law in serving the interest of ANZ's shareholders, as well as its employees, customers, and the community. The Board works to promote and maintain an environment within ANZ that establishes these principles as basic guidelines for all of its employees and representatives at all times.

The Board met 11 times this year with separate committees meetings. Details of directors' attendance can be found in the table above.

With the increasing focus on corporate governance in recent times, there has been a large increase in the workload of non-executive directors.

### **Access to Directors**

Management consults with directors as required. Employees and shareholders have access to the directors either directly or through the Company Secretary.

The Board is comprised of individuals with an excellent understanding of how corporations work

### **Other regions**

United States of America As a foreign registrant with the United States Securities and Exchange Commission and as a listed company on the New York Stock Exchange, ANZ must ensure compliance with the Sarbanes-Oxley Legislation and the New York Stock Exchange Corporate Governance Listing Standards.

Consistent with this legislation, management strengthened its internal regulatory compliance oversight function across all aspects of compliance throughout the Group. In particular, Group Risk Management and Group Finance increased their compliance capabilities to ensure that requirements are met. Together these two areas significantly raised the profile of compliance throughout ANZ.

**United Kingdom** As at the date of this Report, the changes proposed by the Smith and Higgs Reports to the UK Combined Code regarding UK listed companies were still to be determined. However, ANZ will continue to monitor the proposed changes to ensure that the Group continues to maintain world's best practice.

#### **Board composition**

The Board is chaired by an independent director so there is a division of responsibilities between the Chairman and the CEO. This is supported by the Board's Charter that states that the Chairman must be an independent non-executive director and that the majority of the Board must be comprised of independent non-executive directors.

Directors, as a Board and through the Nominations & Corporate Governance Committee of the Board, regularly review the size and composition of the Board. The ANZ's constitution provides that,

Stage nine of the Corporate Law and Economic Reform Program (CLERP 9) was released as draft legislation in October 2003. ANZ is monitoring the proposed changes, focusing on the proposals to further improve ways to ensure the independence of auditors and shareholder communication and participation.

Australian Stock Exchange (ASX) Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations These principles set out by the ASX serve as a guide for organisations. ANZ considers these principles important. We have further expanded our reporting based on the recommendations. The Board considers that ANZ complies with the requirements in the ASX Recommendations.

## **Corporate Governance and the Board**

at a minimum, the Board must be comprised of five directors. Throughout this year, the Board has comprised eight directors - a non-executive Chairman, six other non-executive directors and the Chief Executive Officer.

### **Director qualifications and appointments**

The Board aims to bring a balance of skills, experience and views to its deliberations.

Directors, as a Board and through the Nominations & Corporate Governance Committee, engage external consultants to assist them in identifying appropriate candidates for consideration as Board members. Candidates are assessed in terms of the depth and breadth of experience and skills considered relevant for ANZ, as well as their personal qualities and communication capabilities. The complementary nature of their distinctive contributions with the other directors is also assessed. Assurances are sought to ensure that a candidate has the capacity to devote appropriate time to this important role.

ANZ's constitution provides that each director is required to hold, within 3 months of appointment, at least 2,000 fully paid shares in the director's own right and must continue to hold at least 2,000 shares until the director ceases to hold office. Details of directors' shareholdings with ANZ can be found on page 39 and are set out in Note 51 of the Financial Statements.

On appointment, directors are provided with information setting out their duties and responsibilities including various Board policies and their entitlements. During 2002-2003, the *Directors Handbook* has been reviewed and updated to meet directors' requirements in a comprehensive manner.

### **Performance of Chairman and directors**

The full Board is responsible for reviewing the performance of the Chairman.

It is the responsibility of the Chairman, with input from the Nominations & Corporate Governance Committee, to assess the performance of each director.

### **Retirement**

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ANZ's constitution provides that at least one third (or the nearest whole number) of directors must retire at each Annual General Meeting, but are eligible for re-election at that meeting.

An appointee who is filling a casual vacancy has to stand for election at the first Annual General Meeting thereafter. This requirement does not apply to the Chief Executive Officer, or any director retiring at that meeting in any event.

In addition, ANZ's Constitution and the ASX Listing Rules require that directors must put themselves up for election every three years. Directors are required to retire at the age of 70 years. Directors appointed since 1993 have agreed to retire after 15 years service. Directors' independence is reviewed at least annually.

### **Independence and directors' dealings**

In 2002-2003, the Board instituted a process by which the independence of each non-executive director is reviewed in detail at least annually, and more frequently where a change in position or relationship warrants it.

Following the most recent review, the Board concluded that each of its non-executive directors should be considered independent at this time.

The Board applies the definition of independence which is in the Board Charter on [www.anz.com >about anz >corporate information >anz policies](http://www.anz.com/about/anz/corporate-information/anz-policies).

### **Conflicts of interest and materiality**

Over and above the issue of independence, each Director has a continuing responsibility to determine whether he or she has a potential or actual conflict of interest in relation to any material matter, which comes before the Board. Such a situation may arise from outside financial, organisational, representational, professional, or other interest or relationship which might affect, or be seen potentially to affect, the Director's position to act in the best interests of the Company.

It is also expected that other Board Directors will raise any concerns about possible conflicts of interest on the part of any Director in a material matter at any time.

Materiality may relate to financial significance, strategic significance, competitive significance, or any other matters of commercial or timing significance.

If a conflict or potential conflict arises, the Director may not receive relevant Board papers, may absent himself /herself from Board deliberations on the subject, and may not vote on any related Board resolutions. These matters are duly recorded in Board minutes when they

occur.

Other than in their capacity as directors of ANZ, all non-executive directors are deemed not to have a material relationship with ANZ or its associated companies.

### **Independent advice**

In order to assist directors to fulfill their responsibilities, each director has the right, with the prior approval of the Chairman, to seek independent professional advice regarding their responsibilities at the expense of the Group. In addition, the Board and each Committee may obtain whatever professional advice it requires to assist it in its work at the expense of the Group.

Board Committees provide oversight and make recommendations to the Board

### **Main committees**

There are four main Board Committees:

Audit Committee

Risk Management Committee

Nominations & Corporate Governance Committee

Compensation Committee

Each of the four main Committees is comprised solely of independent directors, has its own Charter and has the power to direct any special investigations it deems necessary.

Committee membership is reviewed annually. Membership criteria are based on the relevance of a director's skills and experience, and their ability to add value to the Committee and complement the membership.

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Committee performance evaluations are conducted annually to review each Committee's performance against its Charter, gather comments on the suitability of its Charter and any areas for improvement, and to set goals and objectives for the upcoming year. A copy of each Committee Charter can be found on [www.anz.com](http://www.anz.com) >about anz >corporate information >anz policies.

The Chairman is an ex-officio member of all Committees. The Chief Executive Officer, John McFarlane, is invited to attend all Committee meetings. He is not present, however, if this could compromise proceedings. He also does not attend any meeting where his remuneration is considered or discussed. Directors may attend any meeting of a Committee on a subject where they have a special interest.

### Board Committee Membership (as at 30 September 2003)

	Audit Committee	Risk Management Committee	Nominations & Corporate Governance Committee	Compensation Committee
Mr John Dahlsen	(C)	y	o	y
Dr Roderick Deane	o	y	o	y
Mr Jerry Ellis	o	(C)	o	y
Mr David Gonski	o	y	y	y
Mr Charles Goode	y	y	y	y
Ms Margaret Jackson	(FE)	y	y	y
Dr Brian Scott	y	y	(C)	(C)

(C)= Chairman (FE)= Financial Expert as defined in Sarbanes-Oxley US legislation

The Audit Committee is responsible for the oversight and monitoring of the Company's financial reporting policies and controls, the work of Group (Internal) Audit, the Audit Committees of subsidiary companies, the integrity of the Company's financial statements, prudential returns and compliance with regulatory requirements.

The Audit Committee is also responsible for the appointment, evaluation and oversight of the external auditor.

It is Board policy that all members of the Audit Committee be financially literate and that at least one member of the Committee be a financial expert as defined in the US Sarbanes-Oxley legislation.

The Audit Committee meets with the external auditor in the absence of management at each of its regularly scheduled meetings. The Chairman of the Audit Committee meets separately and regularly with the head of internal audit and the external auditor.

During the year, the Audit Committee focused on a range of relevant issues including:

**Integrity of financial reporting controls and procedures** - The Committee received independent advice on the effectiveness of internal controls and procedures, and closely monitored progress on opportunities identified for improvement. To further strengthen controls and procedures, the Committee agreed to implement the Sarbanes-Oxley internal control requirements across the Group in advance of the applicable date. The Committee monitored the progress made on the transition to International Financial Reporting Standards.

**Monitoring the work of Group (Internal) Audit** - An evaluation of the Group (Internal) Audit function was undertaken. The Committee ensured that management responded in an appropriate and timely manner to issues raised in Group Audit reports. The Head of Group (Internal) Audit now reports directly to the Chairman of the Audit Committee and attends every meeting of the Audit Committee by invitation.

**Relationship with revenue authorities** - The Committee supported initiatives to promote a collaborative approach to working with the Revenue Authorities to achieve appropriate taxation outcomes. Some long-standing issues with the Australian Taxation Office were resolved.

**Maintaining the independence of the external audit function** - All non-audit services undertaken by the external auditor must be pre-approved in accordance with the policy on the provision of audit and non-audit services put in place by the Committee last year. The Committee further strengthened the independence of the external audit function through a formal annual evaluation of the external audit and a policy requiring partner rotation.



The Risk Management Committee's function is to review risk in the business. It is responsible for overseeing, monitoring and reviewing the Group's risk management principles and policies, strategies, processes and controls including credit, market, balance sheet and operating risk. It may approve credit transactions and other matters beyond the approval discretion of executive management.

This year, the Risk Management Committee reviewed a number of issues including:

Credit risk and customer concentration limits - Stronger policies related to single customer credit limits saw a decrease in risk exposures.

Operational risk and systems - The Committee recommended a more disciplined approach to new software releases. 2003 upgrades/releases have been implemented without interruption to ANZ's operations.

Compliance awareness - The Committee has supported a Group-wide awareness program to foster a better understanding of new as well as existing compliance requirements and responsibilities.

The Nominations & Corporate Governance Committee's responsibility is to identify individuals qualified to become Board members and recommend them to the Board for nomination as members of the Board and its committees, to recommend processes for Board performance review and recommend corporate governance principles, practices and procedures for ANZ.

During the year, the Committee focused on a range of issues including:

Independence - A thorough review was conducted of legislation and best practices regarding director independence. The Committee concluded the ANZ policy and related definitions of independence met best practice standards.

Corporate governance - The Committee advised the Board on relevant governance developments including those itemised on pages 38 to 42.

Board performance - The Committee initiated a broad-ranging survey of Board performance and Director effectiveness issues. The results were reviewed and discussed by the Board, and a number of procedures and streamlining initiatives were adopted. The Committee also advised the Chairman regarding appropriate processes for direct individual performance evaluation.

Director's Manual - The Committee authorised development of a new and comprehensive manual for Directors.

The Compensation Committee makes recommendations to the Board in respect of the Group's compensation program including any equity-based programs. It also evaluates the performance of and approves the compensation for the senior executive officers and Board appointees (including the Chief Executive Officer) and approves compensation levels and policy guidelines.

Some areas of focus for the Compensation Committee this year were:

Compensation Policy - The Committee reviewed and recommended changes to the policy during the year (pages 43 to 45).

Executive Performance Reviews - The Committee conducts executive performance evaluations on a six-monthly basis with a review of performance as well as potential. Recommendations are made to the Board regarding incentives.

Succession - On an annual basis, the CEO and Committee review the performance and potential of the top 100 executives. Other issues discussed include capabilities and skill development, diversity and succession, opportunities and training initiatives.

\$1,000 Employee Share Acquisition Plan - The Committee recommended to the Board the granting of shares to the value of \$1,000 to each eligible ANZ employee through the Employee Share Acquisition Plan.

#### **Additional Committees**

In addition to the four main Board Committees, the Board has constituted a Shares Committee and an Executive Committee to assist in carrying out its functions.

The Shares Committee has the power to administer ANZ's Employee Share Plan and Employee Share Option Plan.

The Executive Committee has the full power of the Board and is convened as necessary between regularly scheduled Board meetings. The Board also forms and delegates authority to ad hoc Committees of the Board as and when needed to carry out its functions.



## Corporate Governance and the Board

### Group (Internal) Audit

Group Audit provides independent assurance that the design and operation of the risk and control framework across the Group is effective. The internal audit function operates under a Charter from the Audit Committee that gives it unrestricted access to review all activities of the Group. The Group General Manager of Group Audit reports to the Chairman of the Audit Committee.

A risk-based audit approach is used to ensure that the higher risk activities in each business are audited each year. All audits are conducted in a manner that conforms to international auditing standards. Audit results also influence incentive compensation of business heads.

Group Audit plays an active role in ensuring compliance with the requirements of supervisory regulatory authorities, including APRA. Group Audit also works collaboratively with the external auditor to ensure a comprehensive audit scope.

The Audit Committee plays an active role in reviewing significant issues arising from internal audits conducted by Group Audit. There is a robust process for ensuring prompt resolution of audit issues, which includes monthly reviews of progress by the CEO and the Chairman of the Audit Committee. The Audit Committee receives formal reports on significant issues until satisfactory action has been taken.

### ANZ's Policies

During the year, the Board reviewed key policies which apply to employees within the Group. Summaries of these policies can be viewed on [www.anz.com](http://www.anz.com) >about anz >corporate information >anz policies.

**Code of Conduct for Directors and Code of Conduct for Employees** These policies set out the ethical standards to which directors and employees are expected to adhere. The Codes require that directors and employees adhere to the law, that they disclose relevant interests that they have, that they act in the best interests of the Group and that they act honestly and ethically in all their dealings.

The policies also cover the confidentiality of information, acceptance of gifts or entertainment and use of ANZ goods, services and facilities.

**Code of Conduct for Financial Officers** In addition to ANZ's Code of Conduct for Employees, ANZ adopted the Group of 100 Code of Conduct for CFOs and Senior Financial Officers. The Code requires that CFOs and Senior Financial

Officers influencing financial performance adhere to the principles of honesty and integrity, respect confidentiality of information, declare conflicts of interest, maintain transparency in reporting, exercise diligence and good faith, ensure sound internal controls and set a standard for other financial professionals.

**Directors Disclosure of Interests Policy and Policy for Handling Conflicts of Interests** The Board has adopted a policy on disclosure of interests which provides processes whereby directors disclose certain interests, and actual or potential conflicts of interest are to be addressed. Details of directors' dealings with ANZ are set out in Note 51 of the Financial Report.

**Employee Indemnity Policy** This policy provides that the Group will indemnify employees against any liability that they incur in carrying out their role subject to meeting certain requirements. Further details on this policy and on indemnities given to certain employees can be found on page 52 of this Annual Report.

**Policy on the Prevention of Money Laundering, Criminal and Terrorist Financing** This policy covers Anti-Money Laundering and Anti-Terrorism laws and regulations. It sets out principles related to identification and record keeping procedures, the need for staff awareness and related training, and annual requirements for independent testing and compliance reporting. The policy ensures that ANZ is able to protect its reputation, integrity, assets, liabilities and shareholder funds.

**Market (Information) Disclosure Policy** ANZ is committed to achieving best practice in the area of market disclosure. The policy is designed to ensure that there is full and timely disclosure of ANZ's activities to shareholders and the market. It is important that all shareholders have an equal opportunity to receive or obtain information issued by ANZ. The policy requires that once information is disclosed to the relevant stock exchanges, it be placed on [www.anz.com](http://www.anz.com).

**Relationship with the External Auditor** As highlighted on page 41, the Board and the Audit Committee's policy on audit and non-audit services regulates the audit-related and non-audit services that may be conducted by ANZ's external auditor. It sets in place a formal approval process regarding the provision of non-audit services, which are only considered where they are not perceived to be in conflict with the role of auditor. This approval process is the responsibility of the Audit Committee.

**Serious Complaints Process** ANZ has a history of implementing policies and procedures that are consistent with responsible and well-managed business practices. The Serious Complaints Process is an additional mechanism by which ANZ staff, contractors and consultants may voice any concerns they may have regarding any malpractice or impropriety that they find within ANZ. It is intended to operate as a last resort and requires that protection be given to employees against dismissal or penalty as a result of disclosing concerns in good faith.

**Share Trading Policy** This policy covers trading in ANZ securities by all employees as well as contractors and consultants engaged by ANZ.

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The Share Trading Policy prohibits trading for all persons aware of unpublished ANZ price sensitive information. In addition, it specifically prohibits trading by certain employees, contractors and consultants working in specific areas of ANZ during blackout periods. A blackout period is the six-week period leading up to the day after the announcement of the half yearly and full year result. The Board has also resolved to apply the principles of this policy to directors' own trading in ANZ shares.

### **Significant Accounting Policies**

Details of the significant accounting policies and any changes in accounting policies made since the date of the last Annual Report are set out on page 56 of this Annual Report and Note 1 of the Financial Report and in the press release available on [www.anz.com](http://www.anz.com) >shareholders >half year and full year results.

### **Political Donations**

In the year to 30 September 2003, ANZ donated \$75,000 to the Liberal Party and \$50,000 to the Labor Party.

## Compensation

ANZ's compensation philosophy focuses on creating value for shareholders.

The following underpins ANZ's compensation philosophy:

Creation of an environment where people can excel with energy and passion;

Focus on creating and enhancing value for ANZ's shareholders;

Differentiation of individual compensation commensurate with contribution to overall results and according to individual accountability, performance and potential;

Significant emphasis on at risk components of total compensation linked to the enhancement of shareholder value through improvements in Economic Value Added (EVA); and

The provision of a competitive compensation proposition to successfully attract, motivate and retain the high quality work force required to deliver on ANZ's business and growth strategies.

### The Role of the Compensation Committee

The Compensation Committee (see page 41) is responsible for (amongst other things):

**ANZ's general compensation program** in consultation with senior management, to review and recommend to the Board for approval, ANZ's general approach to compensation, and to oversee the development and implementation of compensation programs;

**Executive compensation program** to review and recommend to the Board for approval, compensation programs applicable to ANZ's executives;

**CEO compensation** to review and recommend to the Board for approval, corporate goals and objectives relevant to the compensation of the Chief Executive Officer (CEO), to evaluate the performance of the CEO in light of those goals and objectives, and to recommend to the Board the CEO's compensation level based on this evaluation and other relevant factors (the CEO does not participate in discussion or decisions relating to his own compensation);

**Compensation governance** to review and approve any statement on ANZ's compensation policy and any executive compensation disclosures that may be required by any listing rule, legislation, regulatory body, or other regulatory or legislative requirement, or any statement proposed for inclusion in ANZ's annual report; and

**Non-executive directors' fees** to review the compensation of non-executive directors annually.

#### **External Advisors (Compensation)**

Group People Capital and Independent non-executive directors have, from time to time, received advice from a range of external advisors, including executive search firms.

#### **Non-executive directors**

##### **Compensation**

Non-executive directors' fees are determined by the Board of Directors based on advice from external advisors and with reference to fees paid to other non-executive directors of comparable companies.

Non-executive directors' fees are within the limit agreed to by shareholders at the Annual General Meeting held on 13 December 2002, and are set at levels that fairly represent the responsibilities of, and the time spent by, the non-executive directors on Group matters.

Directors may elect to take all or part of their fees in shares under the Directors' Share Plan. Under this plan, shares are bought on market for an amount equivalent to the fee that would have been paid to the Director and are held in trust for the Director for at least one year.

#### **Retirement and Termination Benefits**



All non-executive directors participate in the ANZ Directors Retirement Scheme. Under the ANZ Directors Retirement Scheme, a lump-sum retirement benefit is payable to non-executive directors upon their ceasing to be a director. The lump-sum retirement benefit payable where the non-executive director has held office for 8 years or more is equal to the total emoluments paid or payable to the non-executive director in respect of the 3 years immediately preceding the non-executive director ceasing to be a non-executive director. For periods of less than 8 years, a proportionate part of such emoluments is payable. The non-executive directors are not entitled to the statutory entitlements of long service leave and annual leave.

## Emoluments

For the year ended 30 September 2003 details of the emoluments for the non-executive directors are set out below:

Name	Fees Paid				Benefits accrued		Total	
	Cash	Value of deferred shares(1)	Associated entity board	Chairman's fee	Retirement benefits paid (3)	for the year but not paid (3)		Superannuation contribution
	\$	\$	\$	\$	\$	\$	\$	
C B Goode (Chairman)	76,000	274,000				35,000	10,520	395,520
J C Dahlsen	110,000			25,000		35,000	10,520	180,520
Dr R S Deane	110,000		100,996(2)			32,042	9,900	252,938
J K Ellis	110,000			25,000		76,563	10,520	222,083
D M Gonski	110,000		42,500			91,854	10,520	254,874
M A Jackson	88,000	22,000				7,500	9,900	127,400
Dr B W Scott	110,000			25,000		32,500	10,520	178,020
Total	714,000	296,000	143,496	75,000		310,459	72,400	1,611,355

(1) Participation in Director's Share Plan. Value of shares at the date they were purchased on market

(2) Fees paid in NZ\$ converted at average exchange rate of 1.1139

(3) If each non-executive director had ceased to be director as at 30 September 2003, the following amounts would have been payable: Mr C B Goode \$1,015,000, Mr J C Dahlsen \$367,500, Dr R S Deane \$599,936, Mr J K Ellis \$367,500, Mr D M Gonski \$91,854, Ms M A Jackson \$332,500, Dr B W Scott \$363,750

## Compensation Structure

ANZ's compensation structures are designed to meet the needs of the specialised business units and the markets in which they operate. As a result, the mix of compensation components can vary across the organisation although, where practicable, ANZ applies structures and opportunities on a consistent basis for similar roles and levels. There is a strong emphasis on variable pay opportunities with total employee compensation differentiated significantly on the basis of individual and/or business unit performance.

## Executive Compensation

ANZ's executive compensation policy limits increases in fixed compensation and emphasises at risk compensation

The executive compensation program is designed to support the delivery of specific performance targets and the execution of agreed business and growth strategies. This program aims to differentiate compensation on the basis of achievement against both individual and business unit performance targets which are aligned to sustained growth in shareholder value.

The executive compensation program comprises the following components:

**Fixed compensation component:** salary, benefits and superannuation contributions. The fixed component is generally targeted to the market median levels being paid in the finance industry in the relevant global markets in which ANZ operates.

### **Variable or at risk component:**

Short-Term Incentive (STI) consisting of cash and deferred shares, and

Long-Term Incentive (LTI) consisting of performance-hurdled options and deferred shares.

## Fixed compensation

The fixed component of executive compensation is reviewed annually based on performance and market data. Increases in fixed compensation are limited, in favour of a strong emphasis on variable compensation.

#### **Variable compensation**

The following summarises how the variable components of compensation are determined:

Key Result Areas (performance targets) are set at the beginning of each half-year;

At the end of each half, performance is assessed against targets;

Executives are ranked against peers according to performance;

An executive's total bonus (STI) is based principally on Business Unit and/or ANZ Group performance, individual ranking and total target reward;

Half of the bonus is paid in cash and half the bonus is allocated as shares deferred for 3 years;

Executives are also assessed and ranked on their future potential:

An executive's potential, together with their ranking, influences the size of their LTI grant;

LTIs are allocated half as shares deferred for 3 years and half as performance-hurdled options. Shares are allocated at market price and options are allocated on the basis of independent valuations at the time of allocation.

#### **Variable compensation – Short-Term Incentive**

Short-Term Incentives encourage executives to support ANZ's strategic objectives by providing rewards that are significantly differentiated on the basis of achievement against performance targets.

The size of STI payments is based, firstly, on overall group and business unit performance results and, secondly, on individual performance against financial and non-financial measures. Executives are ranked against their peers with better relative performance attracting a greater proportion of the incentive pool.

Short-Term Incentives are paid half in cash and half in shares deferred for 3 years. The STI deferred shares are administered under the ANZ Employee Share Acquisition Plan.

#### **Variable compensation Long-Term Incentive**

Long-Term Incentives are used as a mechanism to link a significant portion of executives' compensation to the attainment of sustained growth in shareholder value. The size of LTI grants is influenced significantly by individual performance and the assessed potential for executives to deliver on ANZ's long-term growth and business strategies.

The deferred shares component of the LTI is administered under the ANZ Employee Share Acquisition Plan. The shares are deferred for three years.

The options component of the LTI is administered under the ANZ Share Option Plan. The options can only be exercised between 3 years from grant and when they lapse after 7 years. The following types of LTI options may be granted to executives:

**Index-linked options** These options have a dynamic exercise price, i.e. the exercise price will be adjusted in line with the movement in the S&P/ASX 200 Banks (Industry Group) Accumulation Index (excluding ANZ). As an additional constraint, the option can only be exercised if the adjusted exercise price is equal to or above the original issue price. Index linked options ensure that executives are only rewarded for the true out-performance of ANZ's share price over and above the movement in the above Index.

**Hurdled options** These options have an exercise price set to the market value at the time of allocation. There are two hurdles:

1. Half the options may only be exercised once the ANZ total shareholder return (ANZ TSR) exceeds the percentage change in the S&P/ASX 200 Banks (Industry Group) Accumulation Index, measured over the same period (since issue) and calculated as at the last trading day of any month (once the exercise period has commenced).

2. The other half of hurdled options may only be exercised once ANZ TSR exceeds the percentage change in the S&P/ASX 100 Accumulation Index, measured over the same period (since issue) and calculated as at the last trading day of any month (once the exercise period has commenced).



## Chief Executive Officer

### Compensation

Mr McFarlane has an employment agreement with ANZ which terminates on 1 October 2006 and may be extended or renewed by mutual agreement. The termination arrangements associated with this agreement are described in the section on Retirement and Termination Benefits below.

The structure of Mr McFarlane's compensation, which is in accordance with his agreement, is as follows:

**Fixed Compensation:** Consists of salary, benefits and superannuation contributions. Mr McFarlane may elect to receive a proportion of his Fixed Compensation in the form of shares purchased under the Directors' Share Plan.

**Short-Term Incentive:** Mr McFarlane's Short-Term Incentive is determined under the ANZ Executive Remuneration Scheme. It is based on the Group's EPS Growth and EVA performance against target and an annual assessment of Mr McFarlane's achievement of specific objectives agreed with the Board. Mr McFarlane's Short-Term Incentive may be paid in cash or in shares purchased under the Directors' Share Plan. Mr McFarlane has always elected to receive shares.

**Long-Term Incentive:** Mr McFarlane's Long-Term Incentive was approved by shareholders at the Annual General Meeting in December 2001. Four tranches of options were approved for issue: 500,000 in 2001; 1,000,000 in 2002; 1,000,000 in 2003 and 500,000 in 2004. The exercise of these options is subject to performance hurdles being satisfied. Mr McFarlane's specific performance hurdles are indicated in Note 50 of the Financial Report.

The compensation of Mr McFarlane for the year ended 30 September 2003 is set out in the section on Emoluments below.

### Retirement and Termination Benefits

Mr McFarlane can terminate his employment agreement by providing 12 months' notice. ANZ may terminate the employment agreement by providing notice or payment in lieu of notice equal to the unexpired term of the employment agreement (which ends on 1 October 2006). Payment in lieu of notice is based on TEC (Total Employment Cost package comprising salary or fees, benefits and superannuation contributions). In circumstances of serious misconduct, Mr McFarlane is only entitled to payment of TEC up to date of termination. Payment of

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accumulated superannuation benefits plus statutory entitlements of long service leave and annual leave (calculated on the basis of salary or fees) applies in all events of separation.

In the event of resignation not approved by the Board or dismissal for serious misconduct, all unexercised options will be forfeited. In the event of termination on notice, all option grants may be exercised. Upon separation, option entitlements must be exercised within 6 months of termination. In the event of serious misconduct, shares held in the Directors' Share Plan will be forfeited, but will be released on resignation or termination on notice.

### Emoluments

For the year ended 30 September 2003 details of the emoluments for the CEO are set out below:

Name	Year Ended	Salary or fees(1) \$	Superannuation contributions \$	Performance Related Bonus Deferred shares(1) \$	Total \$
J McFarlane (CEO)	September 2003	1,412,250	87,750	982,121	2,482,121
	September 2002	1,419,462	80,538	1,398,236	2,898,236

(1) J McFarlane's performance-related bonus and part of his salary have been used to purchase on market deferred shares under the Directors' Share Plan. Shares obtained have not been amortised.

Long-Term Incentive (LTI) amortisation

Name	Year Ended	Amortised cost of LTI options granted \$(2)
J McFarlane (CEO)	September 2003	2,538,759
	September 2002	1,747,071

(2) Details of options and deferred shares granted under long-term incentive arrangements appear in the Annual Report of the year in which they were granted.

In accordance with Australian Securities and Investments Commission guidelines, remuneration includes a proportion of the fair value of options and deferred shares granted pursuant to the based incentive plans (both short-term and long-term) and which had not yet fully vested as at the commencement of the financial year. These values represent the amortised cost of options and deferred shares as determined at grant date and are progressively allocated on a straight-line basis over the vesting period for options and deferred shares. It is assumed that 100% of all options and deferred shares granted will vest and no adjustments will be made to reverse amount in relation to options that never vest (eg through forfeiture)

The amount included as remuneration is not related to nor indicative of the benefit (if any) that individual executives may ultimately realise should the options become exercisable or the deferred shares vest. The fair value of options as at their effective date of grant has been determined in accordance with the fair value measurement provisions of Accounting Exposure Draft ED108 (input assumptions are detailed in Note 50 of the Financial Report). The fair value of deferred shares is the weighted average price of the Company's shares during one week up to and including the allocation date.

**Long-Term Incentive**

Options granted during year(3)

<b>Name</b>	<b>Number Issued</b>	<b>Date</b>	<b>Hurdled Options Exercise Price \$(4)</b>
J McFarlane (CEO)	1,000,000	31.12.2002	17.41

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(3) J McFarlane's options expire five years from the date of grant. These options are exercisable between two and five years of the date of grant if certain performance conditions are met. Each option entitles McFarlane to purchase one ordinary fully paid share in the Company. Estimated value per option has been calculated as at the date of issue in accordance with the fair value measurement provisions of Accounting Exposure Draft ED108 and was \$2.09 (31 December 2002)

(4) The exercise price is set at the weighted average price of the Company's shares during the five trading days immediately after the Annual General Meeting of the Company held in respect of the financial year of the Company that ended before the date of grant



**Compensation**

Executives

**Emoluments**

For the year ended 30 September 2003 details of the Emoluments of the six executives of the Group and Company receiving the highest emoluments are set out below:

**Annual Compensation including Short-Term Incentive (STI) amortisation**

Name	Year Ended	Salary or fees	Benefits(1)	Cash component	Performance Related Bonus		Total
					Amortised cost of STI deferred shares granted(2)	Superannuation contributions	
		\$	\$	\$	\$	\$	\$
D L Boyles	September 2003	654,850	4,200	192,508	280,920	40,950	1,173,428
	<i>September 2002</i>	<i>654,189</i>	<i>8,227</i>	<i>220,355</i>	<i>430,147</i>	<i>37,584</i>	<i>1,350,502</i>
G Branston	September 2003(3)	445,055	24,105	484,053	461,176		1,414,389
	<i>September 2002(4)</i>	<i>469,760</i>	<i>25,973</i>	<i>458,891</i>	<i>630,016</i>		<i>1,584,640</i>
R Edgar	September 2003	583,500	28,475	222,004	235,632	38,025	1,107,636
	<i>September 2002</i>	<i>467,951</i>	<i>28,245</i>	<i>196,676</i>	<i>333,240</i>	<i>28,188</i>	<i>1,054,300</i>
E Funke Kupper	September 2003	654,850	4,200	210,008	313,830	40,950	1,223,838
	<i>September 2002</i>	<i>658,446</i>	<i>3,970</i>	<i>261,865</i>	<i>436,223</i>	<i>37,584</i>	<i>1,398,088</i>
P J O Hawkins	September 2003	593,432	4,200	200,016	278,936	43,875	1,120,459
	<i>September 2002</i>	<i>705,761</i>	<i>3,970</i>	<i>213,198</i>	<i>460,451</i>	<i>40,269</i>	<i>1,423,649</i>
P R Marriott	September 2003	654,850	4,200	239,017	294,492	40,950	1,233,509
	<i>September 2002</i>	<i>658,446</i>	<i>3,970</i>	<i>256,671</i>	<i>421,861</i>	<i>37,584</i>	<i>1,378,532</i>

(1) Benefits include the provision of housing, cars and parking, private health insurance, subsidised loans and certain other expenses

(2) Refer to footnote 2 under Chief Executive Officer Emoluments

(3) Conversion rate of GBP @ 0.3822

(4) Conversion rate of GBP @ 0.3621

**Long-Term Incentive (LTI) amortisation**

Name	Year Ended	Amortised cost of LTI options and deferred shares granted \$(5)
D L Boyles	September 2003	626,437
	<i>September 2002</i>	556,638
G Branston	September 2003(6)	257,813
	<i>September 2002(7)</i>	173,597
R Edgar	September 2003	341,535
	<i>September 2002</i>	193,620
E Funke Kupper	September 2003	682,536
	<i>September 2002</i>	576,174
P J O Hawkins	September 2003	562,848
	<i>September 2002</i>	564,715
P R Marriott	September 2003	645,841
	<i>September 2002</i>	561,122

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(5) Refer to footnote 2 under Chief Executive Officer Emoluments

(6) Conversion rate of GBP @ 0.3822

(7) Conversion rate of GBP @ 0.3621

**Short-Term Incentive**

Deferred Shares granted during year(8)

Name	Number(9)	Value \$(10)
D L Boyles	10,248	186,301
G Branston	27,472	500,406
R Edgar	12,045	219,500
E Funke Kupper	12,702	230,850
P J O Hawkins	11,318	205,836
P R Marriott	13,930	253,467

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(8) Deferred shares issued as Short-Term Incentives may be held in trust for up to ten years and are restricted for up to three years

(9) Represents number granted in relation to the year ended 30 September 2003 (ie. granted in October 2002 and May 2003)

(10) Based on the Company share price at grant date determined as the weighted average price of the Company's shares during the one week up and including the allocation date. Deferred shares are granted in or around April and October of each year

**Long-Term Incentive**

Deferred Shares granted during year(11)

Name	Number(12)	Value \$(13)
D L Boyles	16,100	293,426
G Branston	3,100	56,476
R Edgar	16,100	293,741
E Funke Kupper	14,800	269,668
P J O Hawkins	10,800	196,973
P R Marriott	18,400	335,489

(11) Deferred shares issued as Long-Term Incentives may be held in trust for up to 10 years and are restricted for three years

(12) Refer to footnote 9 under Short-Term Incentive

(13) Refer to footnote 10 under Short-Term Incentive

Options granted during year(14)

**Name**

Value \$	Number issued	Date	Index linked options base exercise price \$(15)	Number Issued	Date	Index linked options base exercise price \$(15)
D L Boyles	132,000	20.05.2003	18.32	140,000	23.10.2002	18.06
G Branston	24,800	20.05.2003	18.32	28,600	23.10.2002	18.06
R Edgar	147,000	20.05.2003	18.32	125,000	23.10.2002	18.06
E Funke Kupper	119,000	20.05.2003	18.32	131,000	23.10.2002	18.06
P J O Hawkins	96,000	20.05.2003	18.32	87,000	23.10.2002	18.06
P R Marriott	158,000	20.05.2003	18.32	153,000	23.10.2002	18.06

(14) All options expire seven years from the date of grant. These options are exercisable between three and seven years of the date of grant. Each option entitles the holder to purchase one ordinary fully paid share in the Company. Estimated values per option have been calculated as at the dates of issue in accordance with the fair value measurement provisions of Accounting Exposure Draft ED108 and were: \$1.10 (23 October 2002), \$1.04 (20 May 2003)

(15) The prevailing exercise price will be the base exercise price indexed by the change in the S&P/ASX 200 Banks(Industry Group) Accumulation Index excluding ANZ. The prevailing exercise price can be no lower than the base exercise price, which is set at the weighted average price of the Company's shares during the week up to and including the allocation date

**Retirement and Termination Benefits for executives (excluding the Chief Executive Officer)**

The following separation arrangements vary in accordance with the level of an executive:

ANZ may terminate the executive's employment agreement by providing 6 or 12 months' notice.

The executive may terminate their employment agreement by providing 3 or 12 months' notice.

In the event that no suitable position exists, the executive is entitled to a severance payment of 6 or 12 months' Total Employment Cost (TEC).

In circumstances of serious misconduct, the executive is only entitled to payment of TEC up to date of termination. Entitlement to accumulated superannuation benefits and the statutory entitlements of long service leave and annual leave (calculated on the basis of Salary or Fees) applies in all events of separation.

In the event of resignation or dismissal for serious misconduct, all unexercised options and unvested deferred shares will be forfeited. In the event of termination on notice, all STI deferred shares will vest, and all unexercised options and unvested LTI shares will be forfeited.

In the event of retrenchment, all STI deferred shares will vest. A pro-rated entitlement to options granted since 24 April 2002 applies. All prior grants may be exercised. LTI deferred shares will be pro-rated on grants made since 23 October 2002. All prior LTI shares will vest.

## Guide to Concise Financial Report

### Introduction

The Annual Report of ANZ is a key communication to our stakeholders. ANZ presents two reports, the ANZ Annual Report (this document) and the ANZ Financial Report. Both reports show how ANZ performed during the year ended 30 September 2003 and the overall financial position of the Group at the end of the year. ANZ also publishes an announcement to the market each half year. All these documents can be accessed on [www.anz.com](http://www.anz.com)

ANZ prepares its financial reports in accordance with Australian Accounting Standards. Particular terms required by the Standards may not be familiar to some readers and this guide is designed to assist readers to understand the report.

### Annual Report Contents

The ANZ Annual Report has two main sections – the front section (pages 1 to 48) and the Concise Financial Report (pages 49 to 63). The front section contains information about significant matters that impacted the management and performance of ANZ during the year, including discussion and analysis of the financial results, updates on the specialist business units and Group-wide programs and information on the directors and senior management. The Concise Financial Report contains financial information required by Australian Accounting Standards including the Consolidated Statements of Financial Performance, Financial Position and Cash Flows. These statements have been prepared by ANZ's staff, reviewed by ANZ's Board and Audit Committee, and audited by our external auditor, KPMG. The assets, liabilities and results of controlled companies are included within the consolidated results of the Group.

Consolidated Statement of Financial Performance (see page 53)

Financial performance refers to ANZ's profit for the year including:

the sources of ANZ's income split between net interest income and other income

the expenses incurred by ANZ during the year

provision for doubtful debts

ANZ's tax expense for the year.

The key figure to look at is Net profit attributable to shareholders of the Company, which is the profit for the year.

Consolidated Statement of Financial Position (see page 54)

This Statement is a summary of the assets, liabilities and shareholders' equity as at 30 September 2003. It shows what ANZ as a Group owns as assets, what it owes as liabilities and the ANZ Group's net assets. Net assets are equal to total shareholders' equity. The assets and liabilities are listed in order of liquidity, with those assets representing cash shown first and those hardest to convert to cash i.e. fixed assets, last.

Consolidated Statement of Cash Flows (see page 55)

The Consolidated Statement of Cash Flows summarises the Group's cash payments and cash receipts for the financial year. The values may differ from those shown in the Consolidated Statement of Financial Performance because the Consolidated Statement of Financial Performance is prepared on an accrual accounting basis.

Cash in the Statement refers to cash on hand, bank deposits and other forms of highly liquid investments that can readily be converted to cash.

Directors' Declaration (see page 60)

This declaration contains the director's sign-off that the Annual Report complies with Accounting Standards and provides a true and fair view of the performance and financial position of the Company.

Auditors' Report (see page 61)

The independent audit report is the external and independent opinion on the Financial Report. It provides the reader with an independent opinion on the Financial Report.

Key Terms

Arrears see page 12

Cost-to-income ratio (CTI) see page 2

Credit rating see page 2

Credit risk see page 12

Dividend per share (DPS) see page 2

Earnings per share (EPS) see page 2

Economic value added (EVA) see page 2

Equity the residual interest in the assets of a company after deducting all liabilities. As a publicly listed company, our shareholders own these net assets. This is called shareholders' equity.

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

Franked dividends dividends paid by the company out of profits on which the company has already paid Australian tax.

Full time equivalent (FTE) our total staff numbers based on the working week. For example, two part-time staff in Australia each working 20 hours a week would be defined as one FTE as their hours add up to 40 hours a week.

Interest margin a measure which tells us how much interest we have generated by lending money after accounting for our costs of borrowing that money, either from customers or financial markets. The interest margin is calculated by dividing net interest income by average interest earning assets. This is expressed as a percentage.



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Market capitalisation of ordinary shares the stock market's assessment of a company's value, calculated by multiplying the number of shares on issue by the current share price.

Market risk see page 12

Net profit after tax (NPAT) see page 2

Non-interest income includes fees, profits on capital markets trading, foreign exchange earning and any other revenue that is not interest income.

Operating revenue the income ANZ generates from its activities. This includes net interest, fee income and earnings from capital markets and foreign exchange dealings.

Operational risk see page 12

Organic growth where we have increased our business through growth in our existing operations rather than through acquisition of another company.

Return on equity (ROE) see page 2

Service Transfer Pricing is used to allocate the cost of services that are provided by central areas of the company to each business unit.

Significant transactions see page 3

Provisions and doubtful debts

Economic loss provisioning (ELP) (or provision for doubtful debts) each month the Group recognises an expense for credit losses based on the expected average annual loss of principal over the economic cycle for each part of the loan portfolio. The method used by the Group for determining this monthly expense charge is referred to as economic loss provisioning (ELP). The Group uses ELP models to calculate the expected loss by considering:

the history of credit loss for each type and risk grade of lending; and

the size, composition and risk profile of the current loan portfolio.

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

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

Specific provision the Group maintains a specific provision for doubtful debts arising from its exposure to organizations and credit counterparties. When it is identified that full repayment of a loan on our book is unlikely, we will create a specific provision for that loan.

## Concise Financial Report

### Our Capital Framework

Adjusted common equity (ACE) Tier one capital less preference shares at current rates and deductions from regulatory capital.

Capital adequacy ratio a measure that compares our regulatory capital with our risk-weighted assets.

Risk-weighted assets the Group's assets adjusted for the risk of the counterparty. The relative risk weight for each counterparty is determined by the Bank for International Settlements. For example, a mortgage with a LVR (loan to valuation ratio) below 80% carries a risk weighting of 50%.

Tier One capital the highest quality capital from a risk perspective. It consists of paid-up ordinary shares, general reserves, retained earnings, and certain preference shares less specified deductions.

Tier Two capital (or supplementary capital) includes general provisions for doubtful debts (subject to a limit), asset revaluation reserves, mandatory convertible notes and similar capital instruments.

### Understanding the Consolidated Statement of Financial Position

This financial statement reports a company's assets or resources and the claims against them including liabilities or obligations of a business and shareholders' equity.

Asset resources controlled by the company. Assets can be in the form of money, such as cash or amounts owed; they can be fixed assets such as property or equipment; or they can be intangibles such as a company's goodwill, trademarks and patents. For accounting purposes, assets are future economic benefits which are controlled by the entity and result from past transactions or events. For banks, loans are assets.

Liability a company's obligations to a lender, supplier of goods and services, a tax authority and others. For accounting purposes, liabilities are future sacrifices of economic benefits that an entity is obliged to make as a result of past transactions or events. For ANZ, liabilities are largely money we have borrowed to fund our lending activities.

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Numbers shown in brackets ( ) the brackets are there to indicate a negative figure, instead of using a minus symbol.

When reading ANZ's Statement of Financial Position, you will see it divided into Assets and Liabilities. Here is an explanation of the main entries under each heading.

### Assets

Customer's liabilities for acceptances the amounts owed to the Group from customers for acceptances, a form of lending.

Deferred tax assets the future tax savings to the Group as a result of timing differences that arise due to different treatment of transactions under accounting and tax rules.

Due from other financial institutions the monies owed to ANZ by other banks and financial institutions.

Goodwill the remaining amount, after amortisation, of the historic excess over net asset value paid by ANZ for the acquisition of other companies.

Investment securities the investments in securities that ANZ intends to hold to maturity.

Liquid assets the cash or cash equivalents held by ANZ.

Net loans and advances ANZ's largest asset by value, this consists of the loans ANZ has advanced to individuals and organisations, less an allowance for doubtful loan recoveries.

Other assets includes assets that do not fit into the categories listed here including the increase in market value of amounts receivable from derivatives (refer also to Payables and other liabilities ) and interest accrued and not yet received.

Premises and equipment the value of all the land, buildings, furniture, equipment, etc. which is owned by the Group.

Regulatory deposits the cash ANZ has deposited at central banks to meet regulatory requirements.

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Shares in associates and joint venture entities ANZ's investment in companies where the interest is large enough to provide significant influence rather than control over the company, or where ANZ has joint control.

Trading securities the securities held by ANZ that are regularly bought and sold as part of its normal trading activities.

### Liabilities

Bonds and notes the Group's liability for long-term financing bond and note facilities issued in wholesale markets to provide long-term financing.

Due to other financial institutions the monies owed to other Banks and financial institutions by ANZ.

Deposits and other borrowings ANZ's largest liability, this represents ANZ's obligations to our depositors.

Income tax liabilities the amounts payable in respect of income tax.

Liability for acceptances the amount owed to customers who have purchased customer acceptances from the Group.

Loan capital the long-term funding that would rank behind other creditors, and ahead of only shareholders in the event of a winding up.

Payables and other liabilities includes various operating creditors, accrued interest payable and market value of amounts payable on derivatives held by the Group.

Provisions the Group's accrued obligations for long service, annual leave and other obligations, which although known, are not yet payable.

This Concise Financial Report cannot be expected to provide as full an understanding of the Group's financial performance, financial position and financing and investing activities as the Group's 2003 Financial Report.

Analysis and discussion of the concise financial report is on pages 2 to 3 and 8 to 11.

## 2003 Financial Report

A copy of the Group's 2003 Financial Report, including the independent Auditors' Report, is available to all shareholders, and will be sent to shareholders without charge upon request. The Financial Report can be requested by telephone (Australia: 1800 11 33 99, Overseas: (+ 61 3) 9615 5989) or by email to [investor.relations@anz.com](mailto:investor.relations@anz.com)

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### Shareholders' Equity

The components that make up shareholders' equity are:

Ordinary and preference share capital – the amounts received when shares were originally subscribed for;

Reserves – retained profits plus surpluses or deficits arising from (for example) revaluations of properties, foreign exchange gains or losses on offshore operations; and

Retained Profits – the amount of profits retained by the Group.

## Ten Year Summary(1)(2)

	2003	2002	2001	2000	1999
	\$m	\$m	\$m	\$m	\$m
<b>Financial Performance</b>					
Net interest income	4,311	4,018	3,833	3,801	3,655
Other operating income	2,808	2,970	2,573	2,583	2,377
Operating expenses	(3,228)	(2,905)	(3,092)	(3,314)	(3,300)
Profit before tax, debt provision and prior period abnormals	3,891	4,083	3,314	3,070	2,732
Provision for doubtful debts(1)	(614)	(860)	(531)	(502)	(510)
Income tax expense	(926)	(898)	(911)	(863)	(736)
Outside equity interests	(3)	(3)	(2)	(2)	(6)
Net Profit after tax before prior period abnormals	2,348	2,322	1,870	1,703	1,480
Net prior period abnormal profit(loss)				44	
<b>Net profit after tax</b>	<b>2,348</b>	<b>2,322</b>	<b>1,870</b>	<b>1,747</b>	<b>1,480</b>
<b>Financial Position</b>					
Assets(2)	195,591	183,105	185,493	172,467	152,801
Net Assets	13,787	11,465	10,551	9,807	9,429
Tier 1 capital ratio	7.7%	7.9%	7.5%	7.4%	7.9%
Return on average ordinary equity(3)(4)	20.6%	21.6%	20.2%	19.3%	17.6%
Return on average assets(3)	1.2%	1.3%	1.1%	1.1%	1.0%
Cost income ratio(5)	45.1%	46.0%	48.0%	51.7%	54.5%
<b>Shareholder value ordinary shares</b>					
<b>Total return to shareholders (share price movement plus dividends)</b>					
	6.7%	15.3%	25.5%	35.3%	19.6%
Market capitalisation	27,314	26,544	23,783	20,002	16,045
Dividend	95c	85c	73c	64c	56c
Franked portion					
interim	100%	100%	100%	100%	75%
final	100%	100%	100%	100%	80%
Closing share price					
high	\$ 19.23	\$ 20.38	\$ 17.39	\$ 13.46	\$ 12.45
low	\$ 15.95	\$ 16.33	\$ 13.44	\$ 9.60	\$ 8.58
30 Sep	\$ 17.95	\$ 17.65	\$ 15.98	\$ 13.28	\$ 10.25
<b>Share information (per fully paid ordinary share)</b>					
Earnings per share basic	148.3c	147.3c	117.4c	106.8c	90.6c
Dividend payout ratio(6)	64.2%	57.8%	62.0%	59.1%	62.1%
Net tangible assets	\$ 7.49	\$ 6.58	\$ 5.96	\$ 5.49	\$ 5.21
	1,521.7	1,503.9	1,488.3	1,506.2	1,565.4

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No. of fully paid ordinary shares issued (millions)											
DRP issue price(7)	interim	\$	18.48	\$	19.24	\$	15.05	\$	11.62	\$	10.95
	final			\$	18.32	\$	18.33	\$	14.45	\$	11.50

**Other information**

Points of representation		1,019		1,018		1,056		1,087		1,147
No. of employees (fulltime equivalents)(8)		23,137		22,482		22,501		23,134		30,171
No. of shareholders(9)		223,546		199,556		181,035		179,244		214,151

	1998	1997	1996	1995	1994
	\$m	\$m	\$m	\$m	\$m
<b>Financial Performance</b>					
Net interest income	3,547	3,437	3,327	3,084	2,794
Other operating income	2,142	2,110	1,839	1,754	1,793
Operating expenses	(3,442)	(3,502)	(3,397)	(3,116)	(3,001)
Profit before tax, debt provision and prior period abnormals	2,247	2,045	1,769	1,722	1,586
Provision for doubtful debts(1)	(487)	(400)	(175)	(237)	(388)
Income tax expense	(576)	(466)	(469)	(442)	(388)
Outside equity interests	(9)	(8)	(9)	(10)	(7)
Net Profit after tax before prior period abnormals	1,175	1,171	1,116	1,033	803
Net prior period abnormal profit (loss)	(69)	(147)		19	19
<b>Net profit after tax</b>	<b>1,106</b>	<b>1,024</b>	<b>1,116</b>	<b>1,052</b>	<b>822</b>

**Financial Position**

Assets(2)	153,215	138,241	127,604	112,587	103,874
Net Assets	8,391	6,993	6,336	5,747	5,504
Tier 1 capital ratio	7.2%	6.6%	6.7%	6.6%	6.8%
Return on average ordinary equity(3)(4)	15.9%	17.2%	18.3%	17.9%	15.6%
Return on average assets(3)	0.7%	0.7%	0.9%	0.9%	0.8%
Cost income ratio(5)	60.9%	63.1%	65.8%	64.4%	65.4%

**Shareholder value ordinary shares**

**Total return to shareholders**

(share price movement plus dividends)

		-15.6%	62.4%	33.9%	52.4%	2.0%
Market capitalisation		13,885	17,017	10,687	8,199	5,293
Dividend		52c	48c	42c	33c	25c
Franked portion	interim	60%	100%	50%	0%	0%
	final	60%	100%	100%	33%	0%
Closing share price	high	\$ 11.88	\$ 11.58	\$ 7.28	\$ 5.75	\$ 5.68
	low	\$ 8.45	\$ 7.10	\$ 5.41	\$ 3.55	\$ 3.78
	30 Sep	\$ 9.02	\$ 11.28	\$ 7.23	\$ 5.67	\$ 3.91



<b>Share information (per fully paid ordinary share)</b>											
Earnings per share basic			72.6c	68.6c	76.3c	69.9c	55.9c				
Dividend payout ratio(6)			67.8%	61.6%	55.5%	49.1%	46.4%				
Net tangible assets	\$	4.98	\$	4.59	\$	4.24	\$	3.94	\$	3.58	
No. of fully paid ordinary shares issued (millions)		1,539.4		1,508.6		1,478.1		1,446.0		1,353.6	
DRP issue price(7)	interim	\$	10.64	\$	9.77	\$	5.59	\$	4.40	\$	3.78
	final	\$	10.78	\$	9.92	\$	7.60	\$	6.27	\$	3.73
<b>Other information</b>											
Points of representation		1,205		1,473		1,744		1,881		2,026	
No. of employees (full time equivalents)(8)		32,072		36,830		39,721		39,240		39,642	
No. of shareholders(9)		151,564		132,450		121,847		114,829		121,070	

(1) From 1997, the annual debt provision charge has been calculated based on economic loss provisioning; prior year data has not been restated for this change in measurement approach

(2) Data for 1998, 1999, 2000 and 2001 includes the consolidation of assets in the statutory funds of ANZ Life as required by an accounting standard applicable from 1 October 1999. Not applicable for 2002 onwards, due to the sale of ANZ Life to ING Australia Ltd (INGA) on 1 May 2002

(3) Excludes significant transactions and outside equity interests

(4) For the periods 1997 to 2002 the return on average ordinary equity calculation accrues the dividend over the year, for 2003 dividends may no longer be accrued and as such are not included in the calculation of return on average ordinary equity

(5) Excludes goodwill amortisation, abnormals and significant transactions

(6) For 2003 the dividend payout ratio includes the final dividend of \$777 million which is proposed but not provided for in terms of AASB 1044 Provisions, Contingent Liabilities and Contingent Assets

(7) DRP represents Dividend Reinvestment Plan

(8) Prior to 1997, excludes temporary staff

(9) For 2000, 2001, 2002 and 2003 the number of shareholders does not include the number of employees whose shares are held by ANZEST Pty Ltd as the trustee for shares issued under the terms of any ANZ employee incentive plan

## Directors Report

The directors present their report together with the concise financial report of the consolidated entity (the Group), being Australia and New Zealand Banking Group Limited (the Company) and its controlled entities, for the year ended 30 September 2003 and the auditors report thereon. The information is provided in conformity with the Corporations Act 2001.

## Principal Activities

The principal activities of the Group during the year were general banking, mortgage lending, leasing, hire purchase and general finance, international and investment banking, nominee and custodian services, executor and trustee services and through its joint venture ING Australia Limited (INGA), life insurance and wealth management.

There has been no significant change in the nature of the principal activities of the Group during the financial year.

At 30 September 2003, the Group had 1,019 points of representation.

## Result

Consolidated net profit after income tax attributable to shareholders of the Company was \$2,348 million. Further details are contained in the Chief Executive Officer's Report and the Chief Financial Officer's Review on pages 6 to 7 and 8 to 11 respectively of this Annual Report.

## Dividends

The directors propose that a final fully franked dividend of 51 cents per fully paid ordinary share be declared on 13 November 2003 and be paid on 19 December 2003. The proposed payment amounts to \$777 million.

During the financial year, the following fully franked dividends were paid on fully paid ordinary shares:

Type	Cents per share	Amount before bonus options	Date of payment
------	-----------------	-----------------------------	-----------------

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	\$m		
Final	46	692	13 December 2002
Interim	44	666	1 July 2003

The final dividend for the year ended 30 September 2002 was paid on 13 December 2002 and is detailed in the Directors' Report dated 4 November 2002.

### Review of Operations

A review of the operations of the Group during the financial year and the results of those operations are contained in the Chairman's Report, the Chief Executive Officer's Report and the Chief Financial Officer's Review on pages 4 to 5, 6 to 7 and 8 to 11 respectively of this Annual Report.

### State of Affairs

In the directors' opinion, there have been no significant changes in the state of affairs of the Group during the financial year, other than:

Net loans and advances increased by 13% from \$132,060 million to \$149,465 million, primarily from growth in mortgage lending and commercial lending in Australia and New Zealand.

Deposits and other borrowings increased by 10% from \$113,259 million to \$124,494 million.

The charge for doubtful debts has been determined using economic loss provisioning and is based on the Group's risk management models.

The economic loss provision charge decreased from \$860 million (including a \$250 million special provision) to \$614 million. Our economic loss provisioning models recognise that the general provision balance must be regularly reviewed, and in rare situations, increased to cover unusual events. An additional charge of \$100 million was taken to recognise continued uncertainty and expected levels of default in the offshore lending portfolios. The balance is at an appropriate level.

Net specific provisions were \$527 million, down from \$728 million.

Gross non-accrual loans decreased to \$1,007 million, or 0.6% of net loans and advances and acceptances.

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On 23 September 2003, the Company issued 10 million stapled securities, raising \$1 billion (before issue costs). Further details are included on page 56 of this Annual Report.

During the years 1996–2002 ANZ was involved in securities lending, equity swaps, and other similar kinds of transactions in the normal course of its business of banking. The ATO had been reviewing these transactions for some time. On 21 February 2003, a settlement was reached between the ATO and ANZ which involved the payment of \$262 million to the ATO. The amount was met from ANZ's existing tax provisions.

While the above matters are those considered to be significant changes, reviews of matters affecting the Group's state of affairs are also contained in the Chairman's Report, the Chief Executive Officer's Report and the Chief Financial Officer's Review.

### Events since the End of the Financial Year

Other than the acquisition of the National Bank of New Zealand and the call for the buy-back of the Trust Securities Issues (TrUEPrS) (refer page 59 of this Annual Report), no matter or circumstance has arisen between 30 September 2003 and the date of this report that has significantly affected or may significantly affect the operations of the Group in future financial years, the results of those operations or the state of affairs of the Group in future years.

### Future Developments

Details of likely developments in the operations of the Group in future financial years are contained in the Chairman's Report and the Chief Executive Officer's Report. In the opinion of the directors, disclosure of any further information would be likely to result in unreasonable prejudice to the Group.

### Environmental Regulation

The operations of the Group are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory. However, the operations of the Group may become subject to environmental regulation when enforcing securities over land and ANZ is developing policies to appropriately manage such environmental risks. ANZ has not incurred any environmental liabilities during the year.

### Rounding of Amounts

The Company is a company of the kind referred to in Australian Securities and Investments Commission class order 98/100 dated 10 July 1998 pursuant to section 341(1) of the Corporations Act 2001. As a result, amounts in this report and the accompanying financial statements have been rounded to the nearest million dollars except where otherwise indicated.

Shareholdings

The directors' shareholdings, both beneficial and non-beneficial, as at the date of this report in the shares of the Company are detailed in the Compensation Report on pages 43 to 47 of this Annual Report.

#### Share Options

Details of share options issued over un-issued shares granted to the Chief Executive Officer, senior executives and officers, and on issue as at the date of this report are detailed in the Compensation Report on pages 43 to 47 of this Annual Report, and Note 50 of the Financial Report.

No person entitled to exercise any option has or had, by virtue of an option, a right to participate in any share issue of any other body corporate.

The names of all persons who currently hold options are entered in the register kept by the Company pursuant to section 170 of the Corporations Act 2001. This register may be inspected free of charge.

#### Directors' Qualifications and Experience

The Board comprises seven non-executive directors who have a diversity of business and community experience and one executive director, the chief executive officer, who has extensive banking experience. The names, qualifications and experience of the directors who are in office at the date of this report are contained on pages 34 to 37 of the 2003 Annual Report and those pages are incorporated in and form part of this report.

Special responsibilities and attendance at meetings by directors, are shown in the Corporate Governance Statement on pages 38 to 42 of this Annual Report.

#### Directors' and Executive Officers' Emoluments and Compensation Policy

Details of ANZ's compensation policy in respect of the directors and executive officers is detailed in the Compensation Report on pages 43 to 47 of this Annual Report. Details of the emoluments paid to each non-executive director are detailed in the Compensation Report on page 43 of this Annual Report. Details of the emoluments paid to the chief executive officer and director are detailed on page 45 of this Annual Report. Details of the emoluments paid to the six executives of the Company and the Group are detailed in the Compensation Report on pages 46 to 47 of this Annual Report and these pages are incorporated in and form part of this Annual Report.

#### Directors' and Officers' Indemnity

The Company's Constitution (Rule 11.1) permits the Company to indemnify each officer or employee of the Company against liabilities (so far as may be permitted under the Corporations Act 2001) incurred in the execution and discharge of the officer's or employee's duties.

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It is the Company's policy that its employees should not incur any liability for acting in the course of their employment legally, within the policies of the Company and provided they act in good faith.

Under the policy, the Company will indemnify employees against any liability they incur in carrying out their role. The indemnity protects employees and former employees who incur a liability when acting as an employee, trustee or officer of the Company, or a subsidiary of the Company at the request of the Company.

The indemnity is subject to the Corporations Act 2001 and will not apply in respect of any liability arising from:

a claim by the Company;

a claim by a related body corporate;

a lack of good faith;

illegal or dishonest conduct; or

non compliance with the Company's policies or discretions.

The Company has entered into Deeds of Access, Insurance and Indemnity with each of its directors and secretaries and with certain employees and certain other individuals who act as directors of related body corporates or of another company. To the extent permitted by law, the Company indemnifies the individual for all liabilities, including costs, damages and expenses incurred in their capacity as an officer of the company to which they have been appointed.

The Company has indemnified the trustees and former trustees of certain of the Company's superannuation funds and directors, former directors, officers and former officers of trustees of various Company sponsored superannuation schemes in Australia. Under the relevant Deeds of Indemnity, the Company must indemnify each indemnified person if the assets of the relevant fund are insufficient to cover any loss, damage, liability or cost incurred by the indemnified person in connection with the fund, being loss, damage, liability or costs for which the indemnified person would have been entitled to be indemnified out of the assets of the fund in accordance with the trust deed and the Superannuation Industry (Supervision) Act 1993. This indemnity survives the termination of the fund. Some of the indemnified persons are or were directors or executive officers of the Company.

The Company has also indemnified certain employees of the Company, being trustees and administrators of a trust which is a subsidiary entity, from and against any loss, damage, liability, tax, penalty, expense or claim of any kind or nature arising out of or in connection with the creation, operation or dissolution of the trust, where they are acting in good faith and in a manner that they reasonably believed to be within the scope of the authority conferred by the trust.

Except for the above, neither the Company nor any related body corporate of the Company has indemnified or made an agreement to indemnify any person who is or has been an officer or auditor of the Company or of a related body corporate.

During the financial year, and again since the end of the financial year, the Company has paid a premium for an insurance policy for the benefit of the directors, secretaries, and executive officers of the Company, and directors, secretaries and executive officers of related bodies corporate of the Company. In accordance with common commercial practice, the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

Signed in accordance with a resolution of the directors.

/s/ Charles Goode

**Charles Goode**  
Director

/s/ John McFarlane

**John McFarlane**  
Chief Executive Officer

7 November 2003



Australia and New Zealand Banking Group Limited and Controlled Entities

Consolidated Statement of Financial Performance for the year ended 30 September 2003

	2003	Consolidated 2002	2001
	\$m	\$m	\$m
<b>Total income</b>	13,023	12,007	12,824
Interest income	10,215	9,037	10,251
Interest expense	(5,904)	(5,019)	(6,418)
Net interest income	4,311	4,018	3,833
Proceeds, net of costs, on disposal of investments		566	
Carrying amount of assets given up		(392)	
Net profit on disposal of investments		174	
Other operating income	2,702	2,765	2,598
Share of joint venture: profit from INGA joint venture	55	2	
Share of associates profit (net of write offs)	51	29	(25)
Operating income	7,119	6,988	6,406
Operating expenses	(3,228)	(2,905)	(3,092)
Profit before debt provision	3,891	4,083	3,314
Provision for doubtful debts	(614)	(860)	(531)
<b>Profit before income tax</b>	3,277	3,223	2,783
Income tax expense	(926)	(898)	(911)
Profit after income tax	2,351	2,325	1,872
Net profit attributable to outside equity interests	(3)	(3)	(2)
<b>Net profit attributable to share holders of the Company</b>	2,348	2,322	1,870
Currency translation adjustments, net of hedges after tax	(356)	(98)	197
Total adjustments attributable to share holders of the Company recognised directly in equity	(356)	(98)	197
Total changes in equity other than those resulting from transactions with shareholders as owners	1,992	2,224	2,067
<b>Earnings per ordinary share (cents)</b>			
Basic	148.3	147.3	117.4
Diluted	147.9	146.6	117.0
<b>Dividend per ordinary share (cents)</b>	95	85	73
<b>Net tangible assets per ordinary share (\$)</b>	7.49	6.58	5.96

The Notes appearing on pages 56 to 59 and the discussion and analysis appearing on pages 2 to 3 and 8 to 11 form an integral part of these financial statements



Australia and New Zealand Banking Group Limited and Controlled Entities

Consolidated Statement of Financial Position as at 30 September 2003

	Note	Consolidated	
		2003 \$m	2002 \$m
<b>Assets</b>			
Liquid assets		6,592	7,410
Due from other financial institutions		2,427	3,815
Trading securities		4,213	5,873
Investment securities		4,767	3,609
Net loans and advances		149,465	132,060
Customers liabilities for acceptances		13,178	13,796
Regulatory deposits		101	178
Shares in associates and joint venture entities		1,814	1,692
Deferred tax assets		1,165	1,218
Goodwill(1)		160	180
Other assets		10,224	11,810
Premises and equipment		1,485	1,464
<b>Total assets</b>		<b>195,591</b>	<b>183,105</b>
<b>Liabilities</b>			
Due to other financial institutions		6,467	10,860
Deposits and other borrowings		124,494	113,259
Liability for acceptances		13,178	13,796
Income tax liabilities		1,083	1,340
Payables and other liabilities		13,611	12,630
Provisions		769	1,602
Bonds and notes		16,572	14,708
Loan capital		5,630	3,445
<b>Total liabilities</b>		<b>181,804</b>	<b>171,640</b>
<b>Net assets</b>		<b>13,787</b>	<b>11,465</b>
<b>Shareholders equity</b>			
Ordinary share capital		4,175	3,939
Preference share capital	3	2,212	1,375
Reserves		180	534
Retained profits		7,203	5,600
Share capital and reserves attributable to share holders of the Company		13,770	11,448
Outside equity interests		17	17
<b>Total shareholders equity</b>		<b>13,787</b>	<b>11,465</b>
Contingent liabilities and contingent asset	5		

The Notes appearing on pages 56 to 59 and the discussion and analysis appearing on pages 2 to 3 and 8 to 11 form an integral part of these financial statements

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(1) Excludes notional goodwill of \$821 million (September 2002: \$865 million) included in the net carrying value of ING Australia Limited

Australia and New Zealand Banking Group Limited and Controlled Entities

Consolidated Statement of Cash Flows for the year ended 30 September 2003

	2003	Consolidated 2002	2001
	\$m	\$m	\$m
	Inflows (Outflows)		
<b>Cash flows from operating activities</b>			
Interest received	10,887	10,148	11,054
Dividends received	7	3	75
Fees and other income received	2,908	2,919	2,783
Interest paid	(5,724)	(5,367)	(6,703)
Personnel expenses paid	(1,848)	(1,900)	(1,827)
Premises expenses paid	(279)	(268)	(253)
Other operating expenses paid	(1,952)	(1,893)	(1,775)
Income taxes paid	(1,312)	(853)	(823)
Goods and services tax (paid) received	1	(28)	(53)
Net (increase) decrease in trading securities	1,669	(1,030)	(629)
<b>Net cash provided by operating activities</b>	<b>4,357</b>	<b>1,731</b>	<b>1,849</b>
<b>Cash flows from investing activities</b>			
Net decrease (increase)			
Liquid assets - greater than three months	1,113	(442)	983
Due from other financial institutions	(44)	554	909
Regulatory deposits	52	37	(27)
Loans and advances	(19,944)	(9,441)	(4,829)
Shares in controlled entities and associates	(2)	(1)	(36)
Investment securities			
Purchases	(3,871)	(2,851)	(4,005)
Proceeds from sale or maturity	2,445	2,436	3,630
Controlled entities, associates and joint venture entities			
Purchased (net of cash acquired)		(1,050)	(36)
Premises and equipment			
Purchases	(368)	(385)	(452)
Proceeds from sale	51	101	127
Recovery from NHB litigation		248	
Other	1,663	201	(454)
<b>Net cash (used in) investing activities</b>	<b>(18,905)</b>	<b>(10,593)</b>	<b>(4,190)</b>
<b>Cash flows from financing activities</b>			
Net (decrease) increase			
Due to other financial institutions	(2,946)	(1,211)	(826)
Deposits and other borrowings	13,995	9,152	890
Payables and other liabilities	1,000	362	581
Bonds and notes			
Issue proceeds	8,255	4,537	7,542

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Redemptions	(4,095)	(3,519)	(2,878)
Loan capital			
Issue proceeds	3,380	759	
Redemptions	(437)	(589)	(244)
Decrease (increase) in outside equity interests	(1)	1	(1)
Dividends paid	(1,322)	(1,178)	(1,028)
Share capital issues (ordinary capital)	120	112	114
StEPS preference share issue	1,000		
StEPS issue costs	(13)		
Share buyback			(495)
<b>Net cash provided by financing activities</b>	<b>18,936</b>	<b>8,426</b>	<b>3,655</b>
Net cash provided by operating activities	4,357	1,731	1,849
Net cash (used in) investing activities	(18,905)	(10,593)	(4,190)
Net cash provided by financing activities	18,936	8,426	3,655
Net increase (decrease) in cash and cash equivalents	4,388	(436)	1,314
Cash and cash equivalents at beginning of year	7,925	9,071	6,462
Foreign currency translation on opening balances	(4,998)	(710)	1,295
<b>Cash and cash equivalents at end of year</b>	<b>7,315</b>	<b>7,925</b>	<b>9,071</b>

The Notes appearing on pages 56 to 59 and the discussion and analysis appearing on pages 2 to 3 and 8 to 11 form an integral part of these financial statements

## Notes to the Concise Financial Statements

### 1: **Basis of preparation of concise financial report**

This concise financial report has been derived from the Group's 2003 Financial Report which complies with the Corporations Act 2001, Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board. A full description of the accounting policies adopted by the Group is provided in the 2003 Financial Report. The accounting policies are consistent with those of the previous financial year except for the following changes in accounting policies:

AASB 1044, Provisions, Contingent Liabilities and Contingent Assets became effective for the Group from 1 October 2002. Under the new Standard, provisions for dividend cannot be booked unless dividends are declared, determined or publicly recommended on or before balance date. Accordingly the final dividend applicable to the current reporting period has not been booked in this report. However, dividends declared after balance date still need to be disclosed in the Notes. The adoption of AASB 1044 results in an increase in Shareholder's Equity of \$777 million. The Group will continue its current practice of making a public announcement of the dividend after balance date. Dividend information for the current period is provided in Note 4, Dividends.

SAAB 1012, Foreign Currency Standard Translation became effective for the Group from 1 October 2002. Under this revised Standard, foreign denominated equity must be reported using the spot rate applicable at the date of issue and must not be retranslated using the spot rate at the end of each reporting period. The Group has retranslated its US preference share capital at historical spot rates. As the translation adjustment is reported in the foreign currency translation reserve the impact of these changes are neutral on equity.

### 2: **Critical accounting policies**

The Group has identified the following critical accounting policies:

Economic loss provisioning;

Specific provisioning;

Deferred acquisition costs, software assets and deferred income;

Derivatives and hedging;

Special purpose and off-balance sheet vehicles; and

Valuation of investment in ING Australia Limited.

Details of the critical accounting policies are contained within the ANZ results announcement released on 24 October 2003 and in the 2003 Financial Report. The results announcement can be obtained from [www.anz.com](http://www.anz.com)

### **3: Significant events this financial year**

#### **ANZ Stapled Exchangeable Preferred Securities (ANZ StEPS)**

On 23 September 2003, the Company issued 10 million stapled securities, raising \$1 billion dollars less issue costs of \$13 million. ANZ StEPS comprise two fully paid securities – an interest paying unsecured note (issued by ANZ Holding (New Zealand) Limited, a wholly owned subsidiary of ANZ) stapled to a preference share issued by ANZ. Distributions on ANZ StEPS are non-cumulative and are payable quarterly in arrears based upon a floating distribution rate equal to the 90 day bank bill rate plus a margin. At each payment date the 90 day bank bill rate is reset for the next quarter. Distributions are subject to certain payment tests and are payable on 15 March, June, September and December of each year. Dividends are not payable on the preference share while it is stapled to the note. The first reset date is 15 September 2008. At each reset date ANZ may change certain terms (subject to certain restrictions). Holders of StEPS can require exchange of the stapled securities on any reset date, or earlier if certain specified events occur. On exchange, a holder will receive (at ANZ's discretion) either \$100 cash for each ANZ StEPS or a number of ordinary shares in ANZ. In certain circumstances, ANZ may also require exchange outside the reset date. On a winding up, ANZ StEPS preference share component ranks ahead of ordinary shareholders. Holders of ANZ StEPS cannot vote at general meetings, except in limited circumstances.

#### **Australian Tax Office (ATO) Resolution**

During the years 1996–2002 ANZ was involved in securities lending, equity swaps, and other similar kinds of transactions in the normal course of its business of banking. The ATO had been reviewing these transactions for some time. On 21 February 2003, a settlement was reached between the ATO and ANZ which involved the payment of \$262 million to the ATO. The amount was met from ANZ's existing tax provisions.



**4: Dividends****Ordinary Dividends**

	2003	2002	2001
	\$m	\$m	\$m
Interim dividend	666	583	491
Final dividend	777(1)	692	595
Bonus option plan adjustment	(25)	(23)	(24)
Dividends on ordinary shares	1,418	1,252	1,062

(1) Not provided for. Refer Note 1

A fully franked final dividend of 51 cents, is proposed to be paid on each fully paid ordinary share on 19 December 2003 (2002: final dividend of 46 cents, paid 13 December 2002, fully franked; 2001: final dividend of 40 cents, paid 14 December 2001, fully franked). The 2002 interim dividend of 44 cents, paid 1 July 2003, was fully franked (2002: interim dividend of 39 cents, paid 1 July 2002, fully franked; 2001: interim dividend of 33 cents, paid 2 July 2001, fully franked).

The tax rate applicable to the franking credits attached to the interim dividend and to be attached to the proposed final dividend is 30% (2002: 30%, 2001: 30%).

**Preference Dividends**

	2003	2002	2001
	\$m	\$m	\$m
Dividends on preference shares	102	117	119

In 1998 the Company issued 124,032,000 preference shares, raising USD 775 million via Trust Securities issues. The Trust Securities carry an entitlement to a distribution of 8% (on USD 400 million) and 8.08% (on USD 375 million). The amounts are payable quarterly in arrears. Payment dates are the fifteenth days of January, April, July and October in each year.

**Dividend Franking Account**

The amount of franking credits available to the Company for the subsequent financial year is nil (2002 and 2001: nil), after adjusting for franking credits that will arise from the payment of tax on Australian profits for the 2003 financial year, less franking credits which will be

utilised in franking the proposed final dividend and franking credits that may not be accessible by the Company at present.

## **5: Contingent Liabilities and Contingent Asset**

### **Contingent Liabilities**

There are outstanding court proceedings, claims and possible claims against the Group, the aggregate amount of which cannot readily be quantified.

ANZ in Australia is being audited by the Australian Taxation Office (ATO) as part of normal ATO procedures. The Group has received various assessments that are being disputed and is likely to receive further assessments. Based on external advice, ANZ has assessed the likely progress of these issues, and believes it holds appropriate provisions.

ANZ in New Zealand is being audited by local revenue authorities as part of normal revenue authority procedures. No tax assessments have been issued.

Further details regarding Group contingent liabilities are contained in the 2003 Financial Report.

### **Contingent Asset**

On 14 October 2003 ANZ issued proceedings in the Victorian Supreme Court against its captive insurance company ANZcover Insurance Pty Ltd regarding a \$130 million insurance claim. This claim is in relation to the loss on settlement of its former subsidiary ANZ Grindlays Bank Limited's 1992 dispute with India's National Housing Bank (NHB). ANZcover is an authorised general insurer restricted to insuring the interests of ANZ and its subsidiaries. ANZcover in turn purchases reinsurance from global reinsurers, primarily in the London reinsurance market. The claim against ANZcover is fully reinsured, and therefore ANZcover has no retained exposure to the claim.

The January 2002 settlement of the NUB litigation saw Grindlays recover Rupees 6.20 billion (AUD 248 million at 19 January 2002 rates) of the disputed monies that Grindlays Bank had lodged with the Court, which by that time totalled Rupees 16.45 billion (AUD 661 million at 19 January 2002 rates), including interest, with NHB receiving the balance. ANZ in turn received a payment of USD 124 million from Standard Chartered Bank under the terms of the Indian Indemnity (refer Note 48 in the 2003 Financial Report). The claim of \$130 million is for the balance of the limit of indemnity under ANZcover's reinsurance arrangements for the 1991-92 policy year.

## 6: Segment Analysis

During the year ended 30 September 2003, the Group managed its activities along the following lines of business:

Personal Banking Australia, ING Australia, Institutional Financial Services, Corporate, New Zealand Banking, Mortgages, Consumer Finance, Esanda and UDC, Asia Pacific and other. A description of each of the operating business segments, including the types of products and services the segments provide to customers, is detailed in the 2003 Financial Report.

As the composition of segments has changed over time, September 2002 comparatives have been adjusted to be consistent with the 2003 segment definitions as detailed in the 2003 Financial Report. Comparatives for the year ended 30 September 2001 have not been provided as data could not reasonably be disaggregated into the changed segments.

### Business Segment Analysis(1), (2)

Consolidated 30 September 2003	Personal Banking Australia	ING Australia	Institutional Financial Services	Corporate	New Zealand Banking	Mortgages	Consumer Finance	Esanda and UDC	Asia Pacific	Other(3)	Consolidated Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
External interest income	359		2,146	723	299	4,397	695	1,005	137	454	10,215
External interest expense	(861)	(16)	(2,074)	(396)	(475)	(197)		(512)	(129)	(1,244)	(5,904)
Net intersegment interest	1,353		629	160	487	(3,425)	(246)	(143)	112	1,073	
Net interest income	851	(16)	701	487	311	775	449	350	120	283	4,311
Other external operating income	378	46	1,196	209	181	90	357	86	189	76	2,808
Net intersegment income	389		(25)	(43)	46	(267)	(93)	(7)			
<b>Operating income</b>	<b>1,618</b>	<b>30</b>	<b>1,872</b>	<b>653</b>	<b>538</b>	<b>598</b>	<b>713</b>	<b>429</b>	<b>309</b>	<b>359</b>	<b>7,119</b>
Other external expenses	(835)	2	(547)	(178)	(222)	(140)	(260)	(157)	(97)	(794)	(3,228)
Net intersegment expenses	(213)	(2)	(121)	(41)	(92)	(39)	(87)	(25)	(34)	654	
<b>Operating expenses</b>	<b>(1,048)</b>		<b>(668)</b>	<b>(219)</b>	<b>(314)</b>	<b>(179)</b>	<b>(347)</b>	<b>(182)</b>	<b>(131)</b>	<b>(140)</b>	<b>(3,228)</b>
Profit before debt provision	570	30	1,204	434	224	419	366	247	178	219	3,891
Doubtful debt provision	(27)		(165)	(48)	(13)	(31)	(152)	(63)	(10)	(105)	(614)

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Income tax and outside equity interests	(159)	8	(267)	(116)	(70)	(118)	(70)	(57)	(37)	(43)	(929)
<b>Net profit after income tax</b>	384	38	772	270	141	270	144	127	131	71	2,348
<b>Total external assets</b>	6,696	1,736	56,529	16,085	4,225	77,586	6,135	13,460	1,949	11,190	195,591
<b>Total external liabilities</b>	33,078	403	47,439	17,950	11,833	4,219	343	10,795	4,850	50,894	181,804

- (1) Results are equity standardised
- (2) Intersegment transfers are accounted for and determined on an arm's length or cost recovery basis
- (3) Includes Treasury, Operations, Technology and Shared Services, Corporate Centre, Risk and Finance

**Business Segment Analysis(1), (2)**

Consolidated 30 September 2002	Personal Banking Australia	ING Australia(3)	Institutional Financial Services	Corporate	New Zealand Banking	Mortgages	Consumer Finance	Esanda and UDC	Asia Pacific	Other(4),(5)	Consolidated Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
External interest income	360	(16)	2,029	630	250	3,671	598	967	136	412	9,037
External interest expense	(559)	(14)	(1,968)	(318)	(397)	(159)		(472)	(124)	(1,008)	(5,019)
Net intersegment interest	989	25	653	136	424	(2,827)	(206)	(157)	110	853	
Net interest income	790	(5)	714	448	277	685	392	338	122	257	4,018
Other external operating income	368	158	1,118	197	167	89	394	69	145	265	2,970
Net intersegment income	399	(40)	(28)	(41)	46	(233)	(92)	(8)		(3)	
<b>Operating income</b>	1,557	113	1,804	604	490	541	694	399	267	519	6,988
Other external expenses	(812)	(62)	(568)	(170)	(191)	(120)	(234)	(151)	(95)	(502)	(2,905)
Net intersegment expenses	(207)	19	(114)	(42)	(90)	(40)	(76)	(29)	(29)	608	
<b>Operating expenses</b>	(1,019)	(43)	(682)	(212)	(281)	(160)	(310)	(180)	(124)	106	(2,905)
Profit before debt provision	538	70	1,122	392	209	381	384	219	143	625	4,083
Doubtful debt provision	(24)		(173)	(46)	(13)	(28)	(161)	(69)	(10)	(336)	(860)

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Income tax and outside equity interests	(154)	(27)	(234)	(104)	(65)	(106)	(73)	(47)	(35)	(56)	(901)
<b>Net profit after income tax</b>	360	43	715	242	131	247	150	103	98	233	2,322
<b>Total external assets</b>	5,832	1,638	59,155	13,538	3,797	64,826	5,551	12,410	1,932	14,426	183,105
<b>Total external liabilities</b>	30,076	398	50,464	15,699	11,108	3,551	249	9,704	5,148	45,243	171,640

- 
- (1) Results are equity standardised
  - (2) Intersegment transfers are accounted for and determined on an arm's length or cost recovery basis
  - (3) Includes 7 months results for the businesses sold to ING Australia on 1 May 2002
  - (4) Includes significant transactions during the year ended 30 September 2002, being the sale of business to ING Australia, the NHB recovery, and the special general provision for doubtful debts
  - (5) Includes Treasury, Operations, Technology and Shared Services, Corporate Centre, Risk and Finance

**7: Capital Management**

The Group's total capital adequacy ratio has increased to 11.1% (2002: 9.5%). The Tier 2 ratio has increased to 4.0% (2002: 2.8%). There was a small reduction in the Tier 1 ratio to 7.7% (2002: 7.9%).

Our principal focus going forward is Adjusted Common Equity, defined as Tier 1 capital, less preference shares at current exchange rates and deductions from total capital, (including investment in funds management subsidiaries and the ING joint venture). Adjusted Common Equity remained unchanged at 5.7% of risk weighted assets, (2002: 5.7%).

**8: Equity Instruments Issued to Employees**

Under existing Australian Accounting Standards, equity instruments issued to employees are not required to be expensed. The impact of expensing options<sup>(1)</sup>, and shares issued under the \$1,000 employee share plan, has been calculated and is disclosed below.

	Consolidated	
	2003	2002
	\$m	\$m
Net profit attributable to shareholders of the Company	2,348	2,322
Expenses attributable to:		
Options issued to Management Board <sup>(1)</sup>	(8)	(7)
Options issued to general management <sup>(1)</sup>	(24)	(19)
Shares issued under \$1,000 employee share plan	(18)	(18)
Total	2,298	2,278

(1) Based on fair values estimated at grant date determined in accordance with the fair value measurement provisions of Accounting Exposure Draft ED108. Value of options amortised on a straight line basis over the vesting period

**9: Events Since the End of the Financial Year**

The National Bank of New Zealand (NBNZ)

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On 24 October 2003, the Company announced the acquisition of NBNZ from Lloyds TSB.

The purchase price was approximately GBP 2,043.8 million (\$4,915 million at exchange rates on 23 October 2003) excluding a dividend to Lloyds TSB of NZD 575 million (\$498 million) from NBNZ's retained earnings and transaction costs of \$25 million.

The acquisition will be funded as follows:

A2 for 11 renounceable rights issue at \$13 per share in the Company raising \$3,570 million; and

\$1,370 million in hybrid Tier 1 capital, subordinated debt, and wholesale funding.

The completion date of the acquisition is 1 December 2003.

Further matters can be obtained by reference to the ANZ Renounceable Rights Issue prospectus dated 24 October 2003.

The financial effect of this acquisition has not been recognised in these financial statements.

### **Trust Securities Issues (TrUEPrS)**

On 6 November 2003, ANZ called for the buy-back of the ANZ Preference Shares issued as part of the trust units exchangeable for preference shares (TrUEPrS) Series 1 (September 1998 CUSIP No.001823202) and Series 2 (November 1998 CUSIP No.0018241010). The buy-back is for the entire issue of both series.

The buy-back date will be effective on 12 December 2003. This buy-back will also result in ANZ redeeming the TrUEPrS on the same date.

The redemption price will be US\$25.00 plus an amount equal to the accrued but unpaid interest on each US\$25.00 principal amount of the debt securities from and including the Interest Payment Date immediately preceding the Exchange Date to, but excluding, the Exchange Date.

The financial effect of this transaction has not been recognised in these financial statements.





**Directors Declaration**

The directors of Australia and New Zealand Banking Group Limited declare that in their opinion the accompanying concise financial report of the Consolidated Group for the year ended 30 September 2003 complies with Accounting Standard AASB 1039 Concise Financial Reports .

In our report on the Group s 2003 Financial Report we declared that:

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

Signed in accordance with a resolution of the directors.

/s/ Charles Goode

**Charles Goode**  
Director

7 November 2003

/s/ John McFarlane

**John McFarlane**  
Chief Executive Officer

Independent audit report on concise financial report to the members of Australia and New Zealand Banking Group Limited

## Scope

We have audited the concise financial report of Australia and New Zealand Banking Group Limited and its controlled entities for the financial year ended 30 September 2003, consisting of the statement of financial performance, statement of financial position, statement of cash flows, accompanying Notes as set out on pages 53 to 59, and the accompanying discussion and analysis set out on pages 2 to 3 and 8 to 11 in order to express an opinion on it to the members of the Company. The Company's directors are responsible for the concise financial report.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the concise financial report is free of material misstatement.

We have also performed an independent audit of the full financial report of Australia and New Zealand Banking Group Limited and its controlled entities for the year ended 30 September 2003. Our audit report on the full financial report was signed on 7 November 2003, and was not subject to any qualification.

Our procedures in respect of the audit of the concise financial report included testing that the information in the concise financial report is consistent with the full financial report and examination, on a test basis, of evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the full financial report. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report is presented fairly in accordance with Accounting Standard AASB 1039 Concise Financial Reports issued in Australia.

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

## Audit Opinion

In our opinion the concise financial report of Australia and New Zealand Banking Group Limited and its controlled entities for the year ended 30 September 2003 complies with AASB 1039 Concise Financial Reports issued in Australia.

/s/ KPMG

**KPMG**  
Melbourne

/s/ Peter Nash

**Peter Nash**  
Partner

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7 November 2003

Financial Highlights in Key Currencies

Millions	2003 AUD	2003 USD(1)	2003 GBP(1)	2003 NZD(1)
<b>Financial Performance</b>				
Net income	7,119	4,360	2,721	7,930
Operating expenses	(3,228)	(1,977)	(1,234)	(3,596)
Profit before tax and debt provision	3,891	2,383	1,487	4,334
Provision for doubtful debts	(614)	(376)	(235)	(684)
Profit before tax	3,277	2,007	1,252	3,650
Income tax expense	(926)	(567)	(354)	(1,031)
Outside equity interests	(3)	(2)	(1)	(3)
Profit after tax	2,348	1,438	897	2,616
<b>Financial Position</b>				
Assets	195,591	132,904	79,606	223,580
Liabilities	181,804	123,536	73,994	207,820
Shareholders' equity(2)	13,787	9,368	5,612	15,760
<b>Ratios per ordinary share</b>				
Earnings per share - basic	148.3c	90.8c	56.7c	165.2c
Dividends per share - declared rate	95c	58c	36c	\$ 1.06
Net tangible assets per share	\$ 7.49	\$ 5.09	\$ 3.05	\$ 8.56

(1) USD, GBP and NZD amounts - items relating to financial performance converted at average rates for financial year 30 September 2003 and items relating to financial position at closing rates at 30 September 2003

(2) Includes outside equity interests

Exchange Rates

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

	2003		2002		2001	
	Closing	Average	Closing	Average	Closing	Average
Great British pound	0.4070	0.3822	0.3477	0.3621	0.3331	0.3627
United States dollar	0.6795	0.6124	0.5441	0.5323	0.4903	0.5230
New Zealand dollar	1.1431	1.1139	1.1585	1.2001	1.2127	1.2473

## Shareholder information

**Ordinary shares**

At 4 November 2003 the twenty largest holders of ordinary shares held 867,859,733 ordinary shares, equal to 57.01% of the total issued ordinary capital.

<b>Name</b>	<b>Number of shares</b>	<b>%</b>
Chase Manhattan Nominees Ltd	196,106,579	12.88
National Nominees Ltd	180,531,941	11.86
Westpac Custodian Nominees Ltd	173,709,096	11.41
Citicorp Nominees Pty Ltd	71,139,055	4.67
ANZ Nominees Ltd	56,070,804	3.68
RBC Global Services Australia	44,878,324	2.95
Queensland Investment Corporation	27,336,967	1.80
AMP Life Ltd	23,067,346	1.52
Cogent Nominees Pty Ltd	22,128,894	1.45
HKBA Nominees Ltd	14,241,786	0.94
PSS Board	8,795,585	0.58
ANZEST Pty Ltd (Deferred Share Plan A/C)	7,823,861	0.51
Government Superannuation Office	7,096,283	0.47
Westpac Financial Services Ltd	6,060,181	0.40
Dervat Nominees Pty Ltd	5,196,963	0.34
Zurich Investment Management Ltd	5,142,989	0.34
Australia Foundation Investment Company Ltd	4,877,049	0.32
Victorian Workcover Authority	4,758,334	0.31
Commonwealth Custodial Services Ltd	4,486,242	0.29
ANZEST Pty Ltd (ESAP Share Plan A/C)	4,411,454	0.29
	867,859,733	

**Distribution of shareholdings**

<b>At 4 November 2003 Range</b>	<b>Number of holders</b>	<b>% of holders</b>	<b>Number of shares</b>	<b>% of shares</b>
1 to 1,000 shares	126,578	55.82	58,777,084	3.86
1,001 to 5,000 shares	79,563	35.09	178,270,867	11.71
5,001 to 10,000 shares	12,461	5.50	88,536,453	5.82
10,001 to 100,000 shares	7,747	3.42	166,130,933	10.91
Over 100,001 shares	382	0.17	1,030,359,062	67.70
Total	226,731	100.00	1,522,074,399	100.00

At 4 November 2003:

there were no entries in the Register of Substantial Share holdings; and

the average size of holdings of ordinary shares was 6,713 (2002: 7,536) shares; and

there were 3,857 holdings (2002: 2,863 holdings), of less than a marketable parcel (less than \$500) in value or 42,926 shares based on a market price of \$17.49, which is less than 1% of the total holdings of ordinary shares.

#### **Voting rights of ordinary shares**

The Constitution provides for votes to be cast:

i) on show of hands, 1 vote for each shareholder; and

ii) on a poll, 1 vote for each fully paid ordinary share.

#### **Preference shares**

#### **Trust Securities Issues**

At 4 November 2003 Hare and Co held the preference shares issued with the Trust Securities units and held 124,032,000 preference shares, being 92.5 per cent of the total issued preference capital.

#### **Voting rights of Trust Securities Issues**

A preference shareholder may not vote in normal circumstances, but may vote:

i) when a preference share dividend (or equivalent) is not paid by the prescribed quarterly payment date. This entitlement to vote ceases after full payment of four consecutive quarterly preference share dividends; and

ii) on proposals or resolutions that affect the rights attached to the preference shares including proposals to restructure or wind up ANZ.

**ANZ Stapled Exchangeable Preferred Securities (ANZ StEPS)**

At 4 November 2003, the twenty largest holders of ANZ StEPS held 4,892,789 preference shares, equal to 48.94% of ANZ StEPS and 3.65% of the total issued preference capital.

<b>Name</b>	<b>Number of shares</b>	<b>%</b>
National Nominees Ltd	867,070	8.67
ANZ Nominees Ltd	738,641	7.39
Chase Manhattan Nominees Ltd	661,610	6.62
IOOF Investment Management Ltd	510,000	5.10
Potter Warburg Nominees Pty Ltd	398,715	3.99
AMP Life Ltd	331,000	3.31
Westpac Custodian Nominees Ltd	309,960	3.10
Citicorp Nominees Pty Ltd	161,424	1.61
RBC Global Services Australia Nominees Pty Ltd	112,970	1.13
Calex Nominees Pty Ltd	111,593	1.12
UCA Cash Management Fund Ltd	100,000	1.00
Austrust Ltd	95,084	0.95
Baincor Nominees Pty Ltd	75,139	0.75
UOB Kay Hian Pte Ltd	67,500	0.68
Permanent Trustee Australia Ltd	64,012	0.64
Zurich Investment Management Ltd	64,000	0.64
UBS Nominees Pty Ltd	63,000	0.63
Gordon Merchant No 2 Pty Ltd	59,000	0.59
Invia Custodian Pty Ltd	54,230	0.54
JTW Trading Pty Ltd	47,841	0.48
	4,892,789	

**Distribution of ANZ StEPS holdings**

<b>At 4 November 2003 Range</b>	<b>Number of holders</b>	<b>% of holders</b>	<b>Number of shares</b>	<b>% of shares</b>
1 to 1,000 preference shares	9,278	93.43	2,224,079	22.24
1,001 to 5,000 preference shares	522	5.26	1,324,646	13.25
5,001 to 10,000 preference shares	63	0.63	533,879	5.34
10,001 to 100,000 preference shares	58	0.58	1,714,413	17.14
Over 100,001 preference shares	10	0.10	4,202,983	42.03
Total	9,931	100.00	10,000,000	100.00

At 4 November 2003: There are no holders of less than a marketable parcel (less than \$500 in value or 5 units).

**Voting rights of ANZ StEPS**

A preference share does not entitle its holder to vote at any general meeting of ANZ except in the following circumstances:

- (a) on a proposal:
  - (i) to reduce the share capital of ANZ;
  - (ii) that affects rights attached to the preference shares;
  - (iii) to wind up ANZ; or
  - (iv) for the disposal of the whole of the property, business and undertaking of ANZ;
- (b) on a resolution to approve the terms of a buy-back agreement;
- (c) during a period in which a dividend which has been declared as payable on a dividend payment date has not been paid in full; or
- (d) during the winding-up of ANZ.

If a poll is conducted on a resolution on which a holder is entitled to a vote under this clause, the holder has one vote for each preference share held.

**Employee shareholder information**

At the Annual General Meeting in January 1994, shareholders approved an aggregate limit of 7% of all classes of shares and options, which remain subject to the rules of a relevant incentive plan, being held by employees and directors.



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At 30 September 2003 participants held 2.76% (2002: 2.62%) of the issued shares and options of ANZ under the following incentive plans:

ANZ Employee Share Acquisition Plan;

ANZ Employee Share Save Scheme;

ANZ Share Option Plan;

ANZ Share Purchase Scheme; and

ANZ Directors Share Plan.

**Shareholder Feedback Form**

Dear Shareholder

As a shareholder and reader of ANZ's 2003 Annual Report, your opinion is very important to us. Please take a minute to fill in this survey form and have your say on the Report. Your feedback will help shape the way we report to you next year.

1 Which of the following applies to your reading of the 2003 ANZ Annual Report? (Please tick)

- Browsed through it                       Read some of it                       Read all of it

2 Using a 7 point scale, where 1 is poor and 7 is excellent, please indicate the extent to which you agree with the following statements (Please circle)

	Strongly disagree			Strongly agree			
The overall look of the Report made me want to read it	1	2	3	4	5	6	7
The Report included the information I wanted to read as a shareholder	1	2	3	4	5	6	7
It was easy to find the information I wanted to read	1	2	3	4	5	6	7
The information was well written and easy to understand	1	2	3	4	5	6	7
The Report was interesting to read	1	2	3	4	5	6	7

3 When reading the 2003 ANZ Annual Report, how important to you are the following sections, on a 7 point scale, where 1 is poor and 7 is excellent? (Please circle)

	Not important			Extremely important			
Investor Snapshot	1	2	3	4	5	6	7
Chairman's Report	1	2	3	4	5	6	7
Chief Executive Officer's Report	1	2	3	4	5	6	7
Chief Financial Officer's Review	1	2	3	4	5	6	7
Risk Management	1	2	3	4	5	6	7
A View from the CEO on Creating Sustainable Businesses	1	2	3	4	5	6	7
The National Bank of New Zealand	1	2	3	4	5	6	7

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People	1	2	3	4	5	6	7
Personal and Rural Customers	1	2	3	4	5	6	7
Business Banking	1	2	3	4	5	6	7
Systems	1	2	3	4	5	6	7
Community and Environment	1	2	3	4	5	6	7
Leadership	1	2	3	4	5	6	7
Business Profiles	1	2	3	4	5	6	7
Board of Directors	1	2	3	4	5	6	7
Corporate Governance and the Board	1	2	3	4	5	6	7
Compensation	1	2	3	4	5	6	7
Guide to the Concise Financial Report	1	2	3	4	5	6	7
Concise Financial Report	1	2	3	4	5	6	7

4 Do you have any specific comments about this Annual Report or suggestions for next year?

5 Annual Report election request (Please tick)

- Please continue to send me a printed Annual Report
- Please don't send me an Annual Report
- Please don't send me an Annual Report but email me when it is available on ANZ's website

Name SRN/HIN

Email Address

Yours faithfully

Simon Fraser  
Head of Investor Relations

Please complete the above form, remove from document, and return with your Proxy Form in the envelope provided.

## Information for Shareholders

### Dividends

The final dividend of 51 cents per share, fully franked, will be paid on 19 December 2003. A Dividend Reinvestment Plan (DRP) and Bonus Option Plan (BOP) are available to shareholders. The plans are detailed in a plan booklet called *Shareholder Alternatives*, copies of which are available from the ANZ Share Registry at the addresses shown below.

ANZ has reviewed the way that it pays its dividends to reduce costs, minimise the potential for fraud and enhance convenience for shareholders. Effective from the next interim dividend payment due in July 2004, payments to all shareholders in Australia, New Zealand and the UK (other than to those who have elected to participate in either the DRP or the BOP), will only be made by direct credit to a nominated bank account. A significant majority of shareholders already receive their dividends by this method. Shareholders who are currently paid their dividend by cheque will receive a form with their dividend advice from the ANZ Share Registry for nomination of a bank account for future dividend payments.

### Stock Exchange Listings

The Group's ordinary shares are listed on the Australian Stock Exchange and the New Zealand Stock Exchange. The Capital Securities offered in 1993 and the Preference Shares issued in 1998 are listed on the New York Stock Exchange. The subordinated bonds issued by Australia and New Zealand Banking Group (New Zealand) Limited in 2002 are listed on the New Zealand Stock Exchange.

### ANZ StEPS

On 24 September 2003, 10 million ANZ Stapled Exchangeable Preferred Securities (ANZ StEPS) were issued at an issue price of \$100.00 each. Each ANZ StEPS is a stapled security comprising a Preference Share in Australia and New Zealand Banking Group Limited and an unsecured Note issued by ANZ Holdings (New Zealand) Limited. ANZ StEPS are quoted on the Australian Stock Exchange.

### American Depositary Receipts

The Bank of New York sponsors an American Depositary Receipt (ADR) program in the United States of America and ADRs are listed on the New York Stock Exchange. ADR holders should deal directly with the Bank of New York, New York, telephone (+212) 815 2276, fax (+212) 571 3050 on all matters relating to their ADR holdings.

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## 2003 Financial Report

A copy of the Group's 2003 Financial Report, including the independent Auditors' Report, is available to all shareholders, and will be sent to shareholders without charge upon request. The Financial Report can be requested by telephone (Australia 1800 11 33 99, Overseas +613 9615 5989), by email at [investor.relations@anz.com](mailto:investor.relations@anz.com) or viewed directly on the Internet at [www.anz.com](http://www.anz.com)

## Removal from Mailing List

Shareholders who do not wish to receive a copy of the Annual Report must advise the Share Registry in writing.

## Change of Address

Shareholders who have changed their address will need to advise the Share Registry in writing, quoting their shareholder number, name and company as applicable.

## Credit Ratings

### Short Term

Moody's Investors Service	P-1
Standard & Poor's Rating Group	A1+

### Long Term

Moody's Investors Service (outlook stable)	Aa3
Standard & Poor's Rating Group (outlook stable)	AA-

## Handy Contacts

### ANZ

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Important Dates for Shareholders

<b>Date</b>	<b>Event</b>
19 December 2003	Annual General Meeting (Brisbane)
19 December 2003	Final Dividend Payment
27 April 2004*	Interim Result Announced
1 July 2004*	Interim Dividend Payment
26 October 2004*	Annual Result Announced
17 December 2004*	Annual General Meeting
17 December 2004*	Final Dividend Payment

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\* tentative dates

Australia and New Zealand

Banking Group Limited

ABN 11 005 357 522

[www.anz.com](http://www.anz.com)



**2003 ANZ  
Financial Report**

Strong  
Different  
Successful  
Sustainable

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## Statements of Financial Performance for the year ended 30 September 2003

	Note	Consolidated			The Company	
		2003 \$m	2002 \$m	2001 \$m	2003 \$m	2002 \$m
<b>Total Income</b>	2	13,023	12,007	12,824	11,368	9,061
Interest income	2	10,215	9,037	10,251	7,378	6,426
Interest expense	3	(5,904)	(5,019)	(6,418)	(4,556)	(3,813)
Net interest income		4,311	4,018	3,833	2,822	2,613
Proceeds, net of costs, on disposal of investments			566			780
Carrying amount of assets given up			(392)			(588)
Profit from disposal of investments	2		174			192
Other operating income	2	2,702	2,765	2,598	3,990	2,443
Share of joint venture: profit from INGA joint venture	2	55	2			
Share of associates profit (net of writeoffs)	2	51	29	(25)		
Operating income		7,119	6,988	6,406	6,812	5,248
Operating expenses	3	(3,228)	(2,905)	(3,092)	(2,663)	(2,388)
Profit before doubtful debt provision		3,891	4,083	3,314	4,149	2,860
Provision for doubtful debts	15	(614)	(860)	(531)	(465)	(710)
<b>Profit before income tax</b>		<b>3,277</b>	<b>3,223</b>	<b>2,783</b>	<b>3,684</b>	<b>2,150</b>
Income tax expense	6	(926)	(898)	(911)	(616)	(643)
Profit after income tax		2,351	2,325	1,872	3,068	1,507
Net profit attributable to outside equity interests		(3)	(3)	(2)		
<b>Net profit attributable to shareholders of the Company(1)</b>		<b>2,348</b>	<b>2,322</b>	<b>1,870</b>	<b>3,068</b>	<b>1,507</b>
Currency translation adjustments, net of hedges after tax		(356)	(98)	197	(191)	(214)
Total adjustments attributable to shareholders of the company recognised directly into equity		(356)	(98)	197	(191)	(214)
Total changes in equity other than those resulting from transactions with shareholders as owners		1,992	2,224	2,067	2,877	1,293
<b>Earnings per ordinary share (cents)</b>	<b>8</b>					
Basic		148.3	147.3	117.4	n/a	n/a
Diluted		147.9	146.6	117.0	n/a	n/a

The notes appearing on pages 6 to 77 form an integral part of these financial statements

(1) The results of 2002 include the impact of these significant transactions:

The sale of businesses to INGA joint venture (profit after tax of \$170 million);

National Housing Bank recovery (\$159 million profit after tax); and

Special general provision for doubtful debts (\$175 million charge after tax)

Further details on these transactions are shown in notes 2, 3 and 15

## Statements of Financial Position as at 30 September 2003

	2003 Note	Consolidated		The Company	
		2002 \$m	2003 \$m	2002 \$m	\$m
<b>Assets</b>					
Liquid assets	9	6,592	7,410	3,916	5,994
Due from other financial institutions	10	2,427	3,815	2,143	2,649
Trading securities	11	4,213	5,873	3,636	5,219
Investment securities	12	4,767	3,609	3,838	2,593
Net loans and advances	13	149,465	132,060	115,530	99,900
Customers liabilities for acceptances	16	13,178	13,796	13,178	13,796
Due from controlled entities				5,738	6,495
Regulatory deposits	17	101	178	68	138
Shares in controlled entities, associates and joint venture entities	18	1,814	1,692	8,095	6,256
Deferred tax assets	19	1,165	1,218	746	835
Goodwill(1)	20	160	180	87	94
Other assets	21	10,224	11,810	8,042	9,603
Premises and equipment	22	1,485	1,464	897	866
<b>Total assets</b>		<b>195,591</b>	<b>183,105</b>	<b>165,914</b>	<b>154,438</b>
<b>Liabilities</b>					
Due to other financial institutions	23	6,467	10,860	5,490	10,372
Deposits and other borrowings	24	124,494	113,259	90,186	85,258
Liability for acceptances		13,178	13,796	13,178	13,796
Due to controlled entities				9,262	3,895
Income tax liabilities	25	1,083	1,340	546	921
Payables and other liabilities	26	13,611	12,630	11,671	10,845
Provisions	27	769	1,602	614	1,469
Bonds and notes	28	16,572	14,708	16,131	14,536
Loan capital	29	5,630	3,445	5,367	3,186
<b>Total liabilities</b>		<b>181,804</b>	<b>171,640</b>	<b>152,445</b>	<b>144,278</b>
<b>Net assets</b>		<b>13,787</b>	<b>11,465</b>	<b>13,469</b>	<b>10,160</b>
<b>Shareholders equity</b>					
Ordinary share capital	30	4,175	3,939	4,175	3,939
Preference share capital	30	2,212	1,375	2,212	1,375
Reserves		180	534	684	875
Retained profits		7,203	5,600	6,398	3,971
Share capital and reserves attributable to shareholders of the Company		13,770	11,448	13,469	10,160
Outside equity interests	31	17	17		
<b>Total shareholders equity</b>		<b>13,787</b>	<b>11,465</b>	<b>13,469</b>	<b>10,160</b>
Derivative financial instruments	38				
Commitments	47				
Contingent liabilities, contingent assets and credit related commitments	48				

The notes appearing on pages 6 to 77 form an integral part of these financial statements

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(1) Excludes notional goodwill of \$821 million (September 2002: \$865 million) included in the net carrying value of ING Australia Limited

## Statements of Changes in Shareholders' Equity for the year ended 30 September 2003

	Note	2003	Consolidated	2001	The Company	2002
		\$m	2002	\$m	2003	\$m
			\$m	\$m	\$m	\$m
<b>Share capital</b>						
<b>Ordinary shares</b>						
Balance at start of year		3,939	3,733	4,028	3,939	3,733
Dividend reinvestment plan		115	94	86	115	94
Group employee share acquisition scheme		48	55	65	48	55
Group share option scheme		73	57	21	73	57
Small shareholder voluntary top up scheme				12		
New issues				16		
Share buyback	30			(495)		
Balance at end of year		4,175	3,939	3,733	4,175	3,939
<b>Preference shares</b>						
Balance at start of year	30	1,375	1,526	1,374	1,375	1,526
New issues(1)		987			987	
Retranslation of preference share issues		(150)	(151)	152	(150)	(151)
Balance at end of year		2,212	1,375	1,526	2,212	1,375
<b>Total share capital</b>		<b>6,387</b>	<b>5,314</b>	<b>5,259</b>	<b>6,387</b>	<b>5,314</b>
<b>Asset revaluation reserve(2)</b>						
Balance at start and end of year		31	31	31	401	401
Total asset revaluation reserve		31	31	31	401	401
<b>Foreign currency translation reserve(3)</b>						
Balance at start of year		117	215	18	419	633
Currency translation adjustments, net of hedges after tax		(356)	(98)	197	(191)	(214)
Total foreign currency translation reserve		(239)	117	215	228	419
<b>General reserve(4)</b>						
Balance at start of year		237	322	588	55	55
Transfers (to) from retained profits		2	(85)	(266)		
Total general reserve		239	237	322	55	55
<b>Capital reserve(4)</b>						
Total reserves		180	534	717	684	875
<b>Retained profits</b>						
Balance at start of year		5,600	4,562	3,607	3,971	3,716
Net profit attributable to shareholders of the Company		2,348	2,322	1,870	3,068	1,507
Total available for appropriation		7,948	6,884	5,477	7,039	5,223
Transfers from (to) reserves		(2)	85	266		
Ordinary share dividends provided for or paid	7	(641)	(1,252)	(1,062)	(641)	(1,252)



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Preference share dividends paid	7	(102)	(117)	(119)		
Retained profits at end of year		7,203	5,600	4,562	6,398	3,971
<b>Total shareholders equity attributable to shareholders of the Company</b>		13,770	11,448	10,538	13,469	10,160

The notes appearing on pages 6 to 77 form an integral part of these financial statements

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(1) Relates to the issue of 10 million ANZ Stapled Exchangeable Preferred Securities, raising \$1 billion net of issue costs of \$13 million. Refer Note 30

Nature and purpose of reserves

(2) Asset revaluation reserve

Prior to 1 October 2000, the asset revaluation reserve was used to record certain increments and decrements on the revaluation of non-current assets. As the Group has elected to adopt deemed cost in accordance with AASB 1041, the balance of the reserve is not available for future non-current asset write downs while the Group remains on the deemed cost basis

(3) Foreign currency translation reserve

Exchange differences arising on translation of foreign self-sustaining operations are taken to the foreign currency translation reserve, as described in accounting policy note 1

(4) General reserve and Capital reserve

The balance of these reserves have resulted from prior period allocations of retained profits and may be released to retained profits. Within the General reserve, amounts held in claims equalisation reserve under the Insurance Act 1973, cannot be released to profit for a period of ten years

## Statements of Cash Flows for the year ended 30 September 2003

	Note	Consolidated			The Company	
		2003 \$m	2002 \$m	2001 \$m	2003 \$m	2002 \$m
<b>Cash flows from operating activities</b>						
Interest received		10,887	10,148	11,054	7,243	6,723
Dividends received		7	3	75	1,803	67
Fees and other income received		2,908	2,919	2,783	2,397	2,689
Interest paid		(5,724)	(5,367)	(6,703)	(4,372)	(4,158)
Personnel expenses paid		(1,848)	(1,900)	(1,827)	(1,463)	(1,576)
Premises expenses paid		(279)	(268)	(253)	(257)	(249)
Other operating expenses paid		(1,952)	(1,893)	(1,775)	(855)	(913)
Income taxes paid		(1,312)	(853)	(823)	(1,063)	(574)
Goods and services tax (paid) received		1	(28)	(53)	17	(8)
Net decrease (increase) in trading securities		1,669	(1,030)	(629)	1,583	(782)
<b>Net cash provided by operating activities</b>	42(a)	4,357	1,731	1,849	5,033	1,219
<b>Cash flows from investing activities</b>						
Net decrease (increase) Liquid assets - greater than three months		1,113	(442)	983	1,091	(416)
Due from other financial institutions		(44)	554	909	(59)	557
Regulatory deposits		52	37	(27)	48	(47)
Loans and advances		(19,944)	(9,441)	(4,829)	(17,928)	(9,216)
Shares in controlled entities and associates		(2)	(1)	(36)	(701)	1,023
Investment securities						
Purchases		(3,871)	(2,851)	(4,005)	(2,838)	(1,480)
Proceeds from sale or maturity		2,445	2,436	3,630	1,294	977
Controlled entities and associates						
Purchased (net of cash acquired)	42(c)		(1,050)	(36)		(893)
Proceeds from sale (net of cash disposed)						
Premises and equipment						
Purchases		(368)	(385)	(452)	(292)	(309)
Proceeds from sale		51	101	127	38	51
Recovery from NHB litigation			248			248
Other		1,663	201	(454)	1,501	50
<b>Net cash (used in) investing activities</b>		(18,905)	(10,593)	(4,190)	(17,846)	(9,455)
<b>Cash flows from financing activities</b>						
Net (decrease) increase						
Due to other financial institutions		(2,946)	(1,211)	(826)	(3,434)	(917)

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Deposits and other borrowings	13,995	9,152	890	7,500	9,888
Due from/to controlled entities				4,993	(2,907)
Payable and other liabilities	1,000	362	581	1,140	875
Bonds and notes					
Issue proceeds	8,255	4,537	7,542	7,788	4,538
Redemptions	(4,095)	(3,519)	(2,878)	(4,095)	(3,519)
Loan capital					
Issue proceeds	3,380	759		3,380	500
Redemptions	(437)	(589)	(244)	(437)	(398)
Decrease (increase) in outside equity interests	(1)	1	(1)		
Dividends paid	(1,322)	(1,178)	(1,028)	(1,220)	(1,061)
Share capital issues (ordinary capital)	120	112	114	120	112
StEPS preference share issue	1,000			1,000	
StEPS issues costs	(13)			(13)	
Share buyback			(495)		
<b>Net cash provided by financing activities</b>	<b>18,936</b>	<b>8,426</b>	<b>3,655</b>	<b>16,722</b>	<b>7,111</b>
Net cash provided by operating activities	4,357	1,731	1,849	5,033	1,219
Net cash (used in) investing activities	(18,905)	(10,593)	(4,190)	(17,846)	(9,455)
Net cash provided by financing activities	18,936	8,426	3,655	16,722	7,111
Net (decrease) increase in cash and cash equivalents	4,388	(436)	1,314	3,909	(1,125)
Cash and cash equivalents at beginning of year	7,925	9,071	6,462	5,453	6,747
Foreign currency translation on opening balances	(4,998)	(710)	1,295	(4,951)	(169)
<b>Cash and cash equivalents at end of year</b>	<b>42(b)</b>	<b>7,315</b>	<b>7,925</b>	<b>4,411</b>	<b>5,453</b>

The notes appearing on pages 6 to 77 form an integral part of these financial statements

Notes to the Financial Statements.

Our critical accounting policies are described on pages 80 to 83.

1: Accounting Policies

i) Basis of preparation

This general purpose financial report complies with the accounts provisions of the Banking Act 1959, applicable Australian Accounting Standards, the accounts provisions of the Corporations Act 2001, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board. Except as disclosed below, these accounting policies are consistent with those of the previous year.

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

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

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

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

ii) Changes in Accounting Policies

AASB 1044, Provisions, Contingent Liabilities and Contingent Assets became effective for the Group from 1 October 2002. Under the new Standard, provision for dividends cannot be booked unless dividends are declared, determined or publicly recommended on or before balance date. Accordingly the dividend applicable to the current reporting period has not been booked in this report. However, dividends declared after balance date still need to be disclosed in the notes. The adoption of AASB 1044 results in an increase in Shareholders' Equity of \$777 million.

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The Group will continue its current practice of making a public announcement of the dividend after balance date. Dividend information for the current period is provided in note 7, Dividends.

AASB 1012, Foreign Currency Translation became effective for the Group from 1 October 2002. Under this revised Standard foreign denominated equity must be reported using the spot rate applicable at the date of issue and not be retranslated using the spot rate at the end of each reporting period. The Group has retranslated its USD preference share capital to the historical spot rates. As the translation adjustment is reported in the foreign currency translation reserve the impact of these changes are neutral on equity.

### iii) Consolidation

The financial statements consolidate the financial statements of Australia and New Zealand Banking Group Limited (the Company) and its controlled entities. Shares in controlled entities are stated at deemed cost in the statement of financial position.

Where controlled entities and associates have been sold or acquired during the year, their operating results have been included to the date of disposal or from the date of acquisition. The Group adopts the equity method of accounting for associates and the Group's interest in joint venture entities. Shares in associates and joint venture entities are stated in the consolidated statement of financial position at cost plus the Group's share of post acquisition net assets. The Group's share of results of associates and joint venture entities is included in the consolidated statement of financial performance.

The Group may invest in or establish special purpose companies, or vehicles, to enable it to undertake specific types of transactions. Where the Group controls such vehicles, they are consolidated into the Group financial results.

### iv) Goodwill

Goodwill, representing the excess of the purchase consideration over the fair value of the identifiable net assets of a controlled entity at the date of gaining control, is recognised as an asset and amortised on a straight line basis over the period during which the benefits are expected to arise, not exceeding 20 years. The unamortised balance of goodwill and notional goodwill and the period of amortisation are reviewed annually. Where the balance exceeds the value of expected future benefits, the difference is charged to the statement of financial performance.

### v) Foreign currency

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

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

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

vi) Fee income

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

vii) Net loans and advances

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

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

Finance leases and hire purchase contracts are accounted for using the finance method whereby income is taken to account progressively over the life of the lease or the contract in proportion to the outstanding investment balance.

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

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

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

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

viii) Bad and doubtful debts

Each month the Group recognises an expense for credit losses based on the expected long term loss ratio for each part of the loan portfolio. The monthly charge is booked to the General Provision which is maintained to cover losses inherent within the Group's existing loan portfolio.

The method used by the Group for determining this monthly expense charge is referred to as economic loss provisioning (ELP). The Group uses ELP models to calculate the expected loss by considering:

the history of credit loss for each type and risk grade of lending; and

the size, composition and risk profile of the current loan portfolio.

The Group regularly reviews the assumptions used in the ELP models. These reviews are conducted in recognition of the subjective nature of ELP methodology. Methodologies are updated as improved analysis becomes available. In addition, the robustness of outcomes is reviewed considering the Group's actual loss experience, and losses sustained by other banks operating in similar markets.

To the extent that credit losses are not consistent with previous loss patterns used to develop the assumptions within the ELP methodology, the existing General Provision may be determined to be either in excess of or insufficient to cover credit losses not yet specifically identified. As a result of the reassessments, ELP charge levels may be periodically increased or decreased.

Specific provisions are maintained to cover identified doubtful debts. All known bad debts are written off in the year in which they are identified. The specific provision requirement (representing new and increased specific provisions less specific provision releases) is transferred from the general provision to the specific provision. Recoveries, representing excess transfers to the specific provision, are credited to the general provision.

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

ix) Acceptances

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

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

x) Trading securities

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

xi) Investment securities



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

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

xii) Repurchase agreements

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

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

xiii) Derivative financial instruments

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

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

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

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

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

These gains and losses are deferred only to the extent that there is an offsetting unrecognised (unrealised) gain or loss on the exposures being hedged. Deferred gains and losses are amortised over the expected term of the hedged exposure and are recorded in the results of operations in the same line as the underlying exposure. The deferred gain or loss is recorded in other liability or other assets in the statement of financial position.

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

Movements in the derivative financial position are recorded in the cashflow statement when they are settled on the other financing and investing lines.

xiv) Premises and equipment

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Premises and equipment are carried at cost less depreciation or amortisation.

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

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

Buildings	1%
Building integrals	10%
Furniture & equipment	10%
Computer & office equipment	12.5 to 33%
Software	14 to 33%

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

Costs incurred in acquiring and building software and computer systems are capitalised as fixed assets and expensed as amortisation over periods of between 3 and 5 years except for the branch front end applications where 7 years is used. Costs incurred in planning or evaluating software proposals, or in maintaining systems after implementation, are not capitalised.

The carrying values of all non-current assets have been assessed and are not in excess of their recoverable amounts.

### xv) Income tax

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

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

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

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

### xvi) Employee entitlements

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

### xvii) Provisions

Refer to note 27 for the accounting policies covering various provisions excluding ELP which is detailed in note 1 viii) above.

xviii) Superannuation commitments

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

Any aggregate deficiencies arising from the actuarial valuations of the Group's defined benefit schemes have been provided for in the financial statements, where a legal or constructive obligation exists.

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

xix) Leasing

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

xx) Goods and services tax

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

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

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

xxi) Life insurance

The Group's life insurance business was conducted through ANZ Life Assurance Company Limited until 30 April 2002 and its results consolidated until that date. On 1 May 2002 the Group's life insurance business was transferred to a joint venture entity, (see note 45) which is

accounted for in accordance with the equity method of accounting. The joint venture adopts similar accounting policies to those described here.

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

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

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

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

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

xxii) Capitalised expenses

Expenses related to the acquisition of interest earning assets are initially recognised as part of the cost of acquiring the asset and written-off as an adjustment to its yield over its expected life. For assets subject to prepayment, expected life is determined on the basis of the historical behaviour of the asset portfolio, taking into account prepayments.

## 2: Income

	Consolidated			The Company	
	2003 \$m	2002 \$m	2001 \$m	2003 \$m	2002 \$m
<b>Interest income</b>					
From other financial institutions	92	121	214	65	83
On regulatory deposits		1	1		1
On trading and investment securities	452	397	471	355	324
On loans and advances	9,320	8,245	9,122	6,667	5,733
Other	351	273	443	213	192
	10,215	9,037	10,251	7,300	6,333
From controlled entities				78	93
<b>Total interest income</b>	10,215	9,037	10,251	7,378	6,426
<b>Other operating income</b>					
<b>i) Fee income</b>					
Lending	933	876	787	813	771
Other, commissions(1)	1,115	1,196	1,105	795	861
	2,048	2,072	1,892	1,608	1,632
From controlled entities				219	284
<b>Total fee income</b>	2,048	2,072	1,892	1,827	1,916
<b>ii) Other income</b>					
Significant transaction: Net profit before tax from sale of business to INGA joint venture		174			192
Foreign exchange earnings	348	365	348	238	264
Profit on sale of strategic investments			99		
Hedge of TrUEPrs cash flows(2)	71	72	27	71	72
Life insurance margin on services operating income (refer note 40)		99	190		
Profit on trading instruments	110	59	63	122	44
Profit on sale of premises(3)	6	5	3		2
Rental income	3	4	5	3	3
Dividend income from strategic investments			21		
Write down of equity investments			(84)		
Other	116	89	34	1,729	142
<b>Total other income(4)</b>	654	867	706	2,163	719
<b>Total other operating income</b>	2,702	2,939	2,598	3,990	2,635
Share of joint venture: profit from INGA joint venture (refer note 45)	55	2			
Share of associates profit (net of writeoffs)	51	29	(25)		
<b>Total share of joint venture and associates profit</b>	106	31	(25)		
<b>Total income(5)</b>	13,023	12,007	12,824	11,368	9,061

- (1) Includes commissions from funds management business(up to 30 April2002)
- (2) Preference shares are issued via the TrUEPrs structure. This income is earned on a fixed receive/floating pay swap of the fixed dividend commitments
- (3) Gross proceeds on sale of premises is \$33 million (2002: \$42 million, 2001: \$98 million)
- (4) The Company s other income include dividends received from controlled entities of \$1,803 million (2002: \$65 million)
- (5) Includes external dividend income of \$10 million (2002: \$3 million, 2001: \$75 million) for the Group and \$1 million (2002: \$2 million) for the Company



**3: Expenses**

	Consolidated			The Company	
	2003	2002	2001	2003	2002
	\$m	\$m	\$m	\$m	\$m
<b>Interest expense</b>					
To other financial institutions	183	246	590	164	225
On deposits	3,502	3,019	3,597	2,722	2,371
On borrowing corporations debt	461	404	454		
On commercial paper	310	251	584	184	46
On loan capital, bonds and notes	1,052	801	797	1,014	793
Other	396	298	396	295	210
	5,904	5,019	6,418	4,379	3,645
To controlled entities				177	168
Total interest expense	5,904	5,019	6,418	4,556	3,813
<b>Operating expenses</b>					
<b>i) Personnel</b>					
Employee entitlements and taxes	122	129	131	106	117
Pension fund	109	103	93	94	88
Salaries and wages	1,177	1,134	1,124	912	892
Other	342	348	327	283	293
Total personnel expenses	1,750	1,714	1,675	1,395	1,390
<b>ii) Premises</b>					
Amortisation of leasehold improvements	15	14	15	9	8
Depreciation of buildings and integrals	16	17	18	1	2
Rent	154	161	152	120	131
Utilities and other outgoings	88	92	89	74	70
Other	22	15	11	18	11
	295	299	285	222	222
To controlled entities				43	37
Total premises expenses	295	299	285	265	259
<b>iii) Computer</b>					
Computer contractors	18	34	44	16	29
Data communication	61	62	49	41	44
Depreciation and amortisation	183	140	108	148	112
Rentals and repairs	70	59	61	63	49
Software purchased	103	105	82	90	92
Other	30	24	20	12	7
Total computer expenses	465	424	364	370	333
<b>iv) Other</b>					
Advertising and public relations	91	98	106	66	71
Amortisation of goodwill(1)	18	20	17	9	8
Audit fees(refer note 5)	3	3	3	2	2
Depreciation of furniture and equipment	33	35	42	26	28

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Freight and cartage	35	36	32	29	30
Loss on sale of equipment	7	2	5	2	1
Non-lending losses, frauds and forgeries	48	51	45	36	36
Postage and stationery	92	97	94	67	71
Professional fees	102	97	114	86	79
Telephone	49	53	70	35	38
Travel	78	77	79	55	57
Other	102	84	75	165	171
Total other expenses	658	653	682	578	592
<b>v) Restructuring</b>	60	63	86	55	62
<b>Total operating expenses</b>	<b>3,228</b>	<b>3,153</b>	<b>3,092</b>	<b>2,663</b>	<b>2,636</b>
Significant transaction: recovery from NHB litigation		(248)			(248)
Total operating expenses including recovery from NHB litigation	3,228	2,905	3,092	2,663	2,388
<b>Total expenses</b>	<b>9,132</b>	<b>7,924</b>	<b>9,510</b>	<b>7,219</b>	<b>6,201</b>

(1) In addition, there is a notional goodwill amortisation charge of \$44 million (2002: \$18 million) included in the calculation of the share of income from the ING Australia joint venture

**4: Equity Instruments Issued to Employees**

Under existing Australian Accounting Standards, certain equity instruments issued to employees are not required to be expensed. The impact of expensing options(1), and shares issued under the \$1,000 employee share plan, has been calculated and is disclosed below.

	Consolidated	
	2003	2002
	\$m	\$m
Net profit attributable to shareholders of the Company	2,348	2,322
Expenses attributable to:		
Options issued to Management Board(1)	(8)	(7)
Options issued to general management(1)	(24)	(19)
Shares issued under \$1,000 employee share plan	(18)	(18)
Total	2,298	2,278

(1) Based on fair values estimated at grant date determined in accordance with the fair value measurement provisions of Accounting Exposure Draft ED 108. Value of options are amortised on a straight line basis over the vesting period

**5: Remuneration of Auditors**

	Consolidated			The Company	
	2003	2002	2001	2003	2002
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
<b>KPMG Australia</b>					
Auditor review of financial reports of the Company or any entity in the Group	2,640	2,065	2,296	2,115	1,586
Other audit-related services(1),(2)	2,083	2,793	1,753	1,690	2,685
Other assurance services(3)	3,891	8,188	2,811	3,864	7,453
	8,614	13,046	6,860	7,669	11,724
Consulting(4)			10,867		
Taxation	775	1,278	1,681	775	1,256
	775	1,278	12,548	775	1,256
Total	9,389	14,324	19,408	8,444	12,980
<b>Overseas Related practices of KPMG Australia</b>					
Auditor review of financial reports of Group entities	1,293	1,305	1,024	315	271
Other audit-related services(1),(2)	1,503	1,611	1,755	639	861
Other assurance services(3)	1,473	316	937	1,194	101

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	4,269	3,232	3,716	2,148	1,233
Taxation	83	200	452	10	111
	83	200	452	10	111
Total	4,352	3,432	4,168	2,158	1,344
<b>Total remuneration of auditors</b>	13,741	17,756	23,576	10,602	14,324

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

It is Group policy that KPMG Australia or any of its related practices may provide assurance and other audit-related services that, while outside the scope of the statutory audit, are consistent with the role of auditor. These include regulatory and prudential reviews requested by the Company's regulators such as the Australian Prudential Regulation Authority. KPMG Australia or any of its related practices may not provide services that are perceived to be materially in conflict with the role of auditor. These include consulting advice and subcontracting of operational activities normally undertaken by management, and engagements where the auditor may ultimately be required to express an opinion on its own work. However, non-audit services that are not perceived to be materially in conflict with the role of auditor maybe provided by KPMG Australia or any of its related practices subject to the approval of the ANZ Audit Committee.

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- (1) Includes completion accounts review
  - (2) Includes services for the auditor review of financial information other than financial reports including prudential supervision reviews for central banks, prospectus reviews, trust audits and other audits required for local statutory purposes
  - (3) 2003 includes assessing the Group's compliance with the requirements of the US Patriot Act. 2002 includes due diligence services principally related to ING joint venture. Under the policy adopted by ANZ in April 2002, due diligence services are no longer provided by the external auditor, unless specifically approved by the Board
  - (4) KPMG sold its consulting business effective 1 September 2001

## 6: Income Tax Expense

	Consolidated			The Company	
	2003	2002	2001	2003	2002
	\$m	\$m	\$m	\$m	\$m
<b>Reconciliation of the prima facie income tax payable on profit with the income tax expense charged in the statement of financial performance</b>					
Profit before income tax	3,277	3,223	2,783	3,684	2,150
Prima facie income tax at 30% (2002: 30%; 2001: 34%)	983	967	946	1,105	645
Tax effect of permanent differences					
Overseas tax rate differential	15	14	(9)	2	5
Other non-assessable income	(31)	(39)	(36)		(1)
Rebateable and non-assessable dividends	(16)	(11)	(32)	(541)	(20)
Life insurance accounting					