AUSTRALIA & NEW ZEALAND BANKING GROUP LTD
Form 6-K
April 28, 2004

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

Australia and New Zealand Banking Group Limited

(Translation of registrant s name into English)

Level 6, 100 Queen Street Melbourne Victoria Australia

(Address of principal executive offices)

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

Form 20-F ý. Form 40-F o

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

Yes o No ý

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

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Australia and New Zealand
Banking Group Limited
(Registrant)

By: /s/ John Priestley
Company Secretary
(Signature)*

Date 27 April 2004

Corporate Affairs
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For Release: 23 April 2004

ANZ Interim Results reporting format

ANZ will announce its Interim Results on Tuesday, 27 April 2004.

To assist market participants preparing for their analysis and to understand the disclosures ANZ will make in its results, a draft pro-forma detailing how ANZ will report segments and individual specialist business units is attached. Prior period numbers in the pro-forma have been restated to reflect the changes below.

A new business unit New Zealand Business has been created which consists of New Zealand Banking, the National Bank of New Zealand, and integration costs. New Zealand Banking now also includes New Zealand Mortgages.

The Mortgages business unit has been renamed Mortgages Australia and excludes the New Zealand Mortgages business.

Within Institutional Financial Services the operations of Structured Finance International and Corporate Finance and Advisory have been brought together and are being managed as one global business, called Corporate and Structured Financing.

ANZ has moved the goodwill amortisation on investments to the Group Centre. This is an extension of equity standardisation and facilitates better comparisons across different business units.

In addition, there have been a number of function transfers including some minor segmentation between Institutional Banking, Corporate, and Asia-Pacific together with a number of relatively minor methodology changes to revenue and cost allocations.

In addition to these changes, we will disclose the impact of the NBNZ acquisition on key Profit and Loss and Balance Sheet items, to enable meaningful comparison of prior period performance.

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

	Half year Mar 04	Half year Sep 03	Half year Mar 03	Movt Mar 04 v. Sep 03	Movt Mar 04 v. Mar 03
	$M	$M	$M	%	%
Net profit after income tax					
Personal					
Personal Banking Australia		204	195		
Mortgages Australia		119	111		
Consumer Finance		95	48		
		418	354		
Institutional Financial Services		388	385		
New Zealand Business		86	92		
Corporate Australia		139	130		
Esanda and UDC		67	62		
Asia Pacific		65	68		
ING Australia		43	39		
Treasury		46	49		
Group Centre		(45)	(38)		
Net profit (excl significant transactions)		1,207	1,141		
Significant transactions(1)					
Net profit		1,207	1,141		

PERSONAL BANKING AUSTRALIA

Elmer Funke Kupper

Personal Distribution
Banking Products

	Half year Mar 04 $M	Half year Sep 03 $M	Half year Mar 03 $M	Movt Mar 04 v. Sep 03 %	Movt Mar 04 v. Mar 03 %
Net interest income		430	421		
Other external operating income		192	187		
Net inter business unit fees		181	166		
Operating income		803	774		
External operating expenses		(415)	(400)		
Net inter business unit expenses		(86)	(84)		
Operating expenses		(501)	(484)		
Profit before debt provision		302	290		
Provision for doubtful debts		(14)	(13)		
Profit before income tax		288	277		
Income tax expense and outside equity interests		(84)	(82)		
Net profit attributable to members of the Company		204	195		
Net loans & advances including acceptances		5,902	5,197		
Other external assets		794	1,034		
External assets		6,696	6,231		
Deposits and other borrowings		31,824	30,425		
Other external liabilities		1,254	1,105		
External liabilities		33,078	31,530		
Net interest average margin		2.78%	2.84%		
Return on assets		1.26%	1.26%		
Return on risk weighted assets		3.86%	3.94%		
Operating expenses to operating income		62.4%	62.5%		
Operating expenses to average assets		3.08%	3.11%		
Net specific provisions		(10)	(9)		
Net specific provision as a% of average net advances		0.37%	0.36%		
Net non-accrual loans		10	7		
Net non-accrual loans as a% of net advances		0.17%	0.13%		
Total employees		6,597	6,517		

PERSONAL BANKING AUSTRALIA

PERSONAL DISTRIBUTION

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

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

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

	Half year Mar 04 $M	Half year Sep 03 $M	Half year Mar 03 $M	Movt Mar 04 v. Sep 03 %	Movt Mar 04 v. Mar 03 %
Net profit after tax		123	120		
Revenue		585	566		
Operating expenses		(403)	(390)		
Provision for doubtful debts		(9)	(8)		
Net specific provisions		(7)	(5)		
Net non-accrual loans		10	7		

BANKING PRODUCTS - Craig Coleman

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

	Half year Mar 04 $M	Half year Sep 03 $M	Half year Mar 03 $M	Movt Mar 04 v. Sep 03 %	Movt Mar 04 v. Mar 03 %
Net profit after tax		81	75		
Revenue		218	208		
Operating expenses		(98)	(94)		
Provision for doubtful debts		(5)	(5)		
Net specific provisions		(3)	(4)		
Net non-accrual loans					

MORTGAGES AUSTRALIA
Chris Cooper

Provision of mortgage finance secured by residential real estate in Australia

	Half year Mar 04	Half year Sep 03	Half year Mar 03	Movt Mar 04 v. Sep 03	Movt Mar 04 v. Mar 03
	$M	$M	$M	%	%
Net interest income		344	311		
Other external operating income		42	41		
Net inter business unit fees		(113)	(101)		
Operating income		273	251		
External operating expenses		(70)	(62)		
Net inter business unit expenses		(19)	(19)		
Operating expenses		(89)	(81)		
Profit before debt provision		184	170		
Provision for doubtful debts		(14)	(13)		
Profit before income tax		170	157		
Income tax expense and outside equity interests		(51)	(46)		
Net profit attributable to members of the Company		119	111		
Operating expenses to operating income		32.6%	32.3%		
Net specific provisions		(3)	(6)		
Net non-accrual loans		14	23		
Total employees		1,269	1,154		

CONSUMER FINANCE

Brian Hartzer

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

	Half year Mar 04	Half year Sep 03	Half year Mar 03	Movt Mar 04 v. Sep 03	Movt Mar 04 v. Mar 03
	$M	$M	$M	%	%
Net interest income		235	214		
Other external operating income		205	152		
Net inter business unit fees		(37)	(36)		
Operating income		403	330		
External operating expenses		(131)	(126)		
Net inter business unit expenses		(56)	(57)		
Operating expenses		(187)	(183)		
Profit before debt provision		216	147		
Provision for doubtful debts		(77)	(75)		
Profit before income tax		139	72		
Income tax expense and outside equity interests		(44)	(24)		
Net profit attributable to members of the Company		95	48		
Operating expenses to operating income		46.4%	55.5%		
Net specific provisions		(72)	(65)		
Net non-accrual loans		2	2		
Total employees		1,234	1,074		

INSTITUTIONAL FINANCIAL SERVICES

Bob Edgar

- Institutional Banking
- Transaction Services
- Foreign Exchange
- Capital Markets
- Corporate & Structured Financing

	Half year Mar 04 $M	Half year Sep 03 $M	Half year Mar 03 $M	Movt Mar 04 v. Sep 03 %	Movt Mar 04 v. Mar 03 %
Net interest income		330	374		
Other external operating income		619	580		
Net inter business unit fees		(12)	(14)		
Operating income		937	940		
External operating expenses		(268)	(280)		
Net inter business unit expenses		(60)	(63)		
Operating expenses		(328)	(343)		
Profit before debt provision		609	597		
Provision for doubtful debts		(84)	(80)		
Profit before income tax		525	517		
Income tax expense and outside equity interests		(137)	(132)		
Net profit attributable to members of the Company		388	385		
Net loans & advances including acceptances		40,510	42,292		
Other external assets		16,058	17,158		
External assets		56,568	59,450		
Deposits and other borrowings		26,965	29,045		
Other external liabilities		20,810	20,992		
External liabilities		47,775	50,037		
Net interest average margin		1.63%	1.76%		
Return on assets		1.33%	1.27%		
Return on risk weighted assets		1.19%	1.16%		
Operating expenses to operating income		35.0%	36.5%		
Operating expenses to average assets		1.12%	1.13%		
Net specific provisions		(94)	(123)		

Net specific provision as a% of average net advances	0.46%	0.57%
Net non-accrual loans	352	406
Net non-accrual loans as a% of net advances	0.87%	0.96%
Total employees	2,768	2,697

INSTITUTIONAL FINANCIAL SERVICES

INSTITUTIONAL BANKING Murray Horn

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

	Half year Mar 04 $M	Half year Sep 03 $M	Half year Mar 03 $M	Movt Mar 04 v. Sep 03 %	Movt Mar 04 v. Mar 03 %
Net profit after tax		157	145		
Revenue		368	350		
Operating expenses		(85)	(87)		
Provision for doubtful debts		(60)	(55)		
Net specific provisions		(38)	(42)		
Net non-accrual loans		137	199		

TRANSACTION SERVICES Mark Paton

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

	Half year Mar 04 $M	Half year Sep 03 $M	Half year Mar 03 $M	Movt Mar 04 v. Sep 03 %	Movt Mar 04 v. Mar 03 %
Net profit after tax		80	84		
Revenue		212	211		
Operating expenses		(96)	(92)		
Provision for doubtful debts		(3)	(4)		
Net specific provisions		(6)	3		
Net non-accrual loans		4	4		

FOREIGN EXCHANGE Rick Sawers

Provision of products and services that assist ANZ customers globally to manage Foreign Exchange risk and Commodity risk

	Half year Mar 04 $M	Half year Sep 03 $M	Half year Mar 03 $M	Movt Mar 04 v. Sep 03 %	Movt Mar 04 v. Mar 03 %
Net profit after tax		41	44		
Revenue		118	127		
Operating expenses		(57)	(63)		
Provision for doubtful debts			(1)		
Net specific provisions		(9)	(24)		
Net non-accrual loans		45	53		

CAPITAL MARKETS David Hornery

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

	Half year Mar 04 $M	Half year Sep 03 $M	Half year Mar 03 $M	Movt Mar 04 v. Sep 03 %	Movt Mar 04 v. Mar 03 %
Net profit after tax		39	36		
Revenue		100	98		
Operating expenses		(42)	(44)		
Provision for doubtful debts		(2)			
Net specific provisions		(5)			
Net non-accrual loans		12	19		

CORPORATE AND STRUCTURED FINANCING Gordon Branston, Peter Hodgson

Provision of complex financing and advisory services, structured financial products, leasing, private equity and development capital, project, export and leveraged finance and infrastructure investment

	Half year Mar 04	Half year Sep 03	Half year Mar 03	Movt Mar 04 v. Sep 03	Movt Mar 04 v. Mar 03
	$M	$M	$M	%	%
Net profit after tax		71	76		
Revenue		138	153		
Operating expenses		(48)	(57)		
Provision for doubtful debts		(19)	(20)		
Net specific provisions		(36)	(60)		
Net non-accrual loans		154	131		

NEW ZEALAND BUSINESS
Sir John Anderson

ANZ New Zealand Banking
National Bank of New Zealand
New Zealand integration costs

	Half year Mar 04	Half year Sep 03	Half year Mar 03	Movt Mar 04 v. Sep 03	Movt Mar 04 v. Mar 03
	$M	$M	$M	%	%
Net interest income		211	219		
Other external operating income		94	95		
Net inter business unit fees		8	8		
Operating income		313	322		
External operating expenses		(121)	(120)		
Net inter business unit expenses		(55)	(55)		
Operating expenses		(176)	(175)		
Profit before debt provision		137	147		
Provision for doubtful debts		(9)	(9)		
Profit before income tax		128	138		
Income tax expense and outside equity interests		(42)	(46)		
Net profit attributable to members of the Company		86	92		
Net loans & advances including acceptances		13,429	13,456		
Other external assets		381	501		
External assets		13,810	13,957		
Deposits and other borrowings		11,693	11,963		
Other external liabilities		288	346		
External liabilities		11,981	12,309		
Net interest average margin		3.11%	3.30%		
Return on assets		1.25%	1.38%		
Return on risk weighted assets		1.80%	2.13%		
Operating expenses to operating income		56.2%	54.3%		
Operating expenses to average assets		2.56%	2.60%		
Net specific provisions		(3)			
Net specific provision as a% of average net advances		0.04%	0.00%		
Net non-accrual loans		8	13		
Net non-accrual loans as a% of net advances		0.06%	0.10%		
Total employees		2,727	2,613		

ANZ NEW ZEALAND BANKING Sir John Anderson

Provides a full range of banking services, including mortgage lending and wealth management, through branches, call centres, relationship managers and on-line banking. New Zealand Banking excludes Institutional Financial Services, Consumer Finance and Asset Finance. New Zealand geography (page) includes all ANZ operations in New Zealand.

	Half year Mar 04	Half year Sep 03	Half year Mar 03	Movt Mar 04 v. Sep 03	Movt Mar 04 v. Mar 03
	$M	$M	$M	%	%
Net profit after tax		86	92		
Revenue		313	322		
Operating expenses		(176)	(175)		
Provision for doubtful debts		(9)	(9)		
Net specific provisions		(3)			
Net non-accrual loans		8	13		

NATIONAL BANK OF NEW ZEALAND - Sir John Anderson

Provides a full range of banking services for personal, rural, small business, corporate and institutional customers in New Zealand. The National Bank of New Zealand results on this page exclude goodwill amortisation. New Zealand geography (page) includes all NBNZ operations.

	Half year Mar 04	Half year Sep 03	Half year Mar 03	Movt Mar 04 v. Sep 03	Movt Mar 04 v. Mar 03
	$M	$M	$M	%	%
Net profit after tax					
Revenue					
Operating expenses					
Provision for doubtful debts					
Net specific provisions					
Net non-accrual loans					

CORPORATE AUSTRALIA

Graham Hodges

Small to Medium Enterprises Australia
Corporate Banking Australia

	Half year Mar 04 $M	Half year Sep 03 $M	Half year Mar 03 $M	Movt Mar 04 v. Sep 03 %	Movt Mar 04 v. Mar 03 %
Net interest income		249	238		
Other external operating income		109	100		
Net inter business unit fees		(22)	(22)		
Operating income		336	316		
External operating expenses		(91)	(87)		
Net inter business unit expenses		(22)	(20)		
Operating expenses		(113)	(107)		
Profit before debt provision		223	209		
Provision for doubtful debts		(24)	(24)		
Profit before income tax		199	185		
Income tax expense and outside equity interests		(60)	(55)		
Net profit attributable to members of the Company		139	130		
Net loans & advances including acceptances		16,030	14,827		
Other external assets		55	58		
External assets		16,085	14,885		
Deposits and other borrowings		12,846	11,881		
Other external liabilities		5,104	4,636		
External liabilities		17,950	16,517		
Net interest average margin		3.83%	3.82%		
Return on assets		1.63%	1.60%		
Return on risk weighted assets		1.84%	1.86%		
Operating expenses to operating income		33.6%	33.9%		
Operating expenses to average assets		1.32%	1.31%		
Net specific provisions		(49)	(8)		
Net specific provision as a% of average net advances		0.64%	0.11%		
Net non-accrual loans		74	87		
Net non-accrual loans as a% of net advances		0.46%	0.58%		
Total employees		1,594	1,520		

SMALL TO MEDIUM ENTERPRISES AUSTRALIA Graham Hodges

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

	Half year Mar 04	Half year Sep 03	Half year Mar 03	Movt Mar 04 v. Sep 03	Movt Mar 04 v. Mar 03
	$M	$M	$M	%	%
Net profit after tax		82	76		
Revenue		184	170		
Operating expenses		(59)	(53)		
Provision for doubtful debts		(8)	(8)		
Net specific provisions		(3)	(2)		
Net non-accrual loans		5	6		

CORPORATE BANKING AUSTRALIA Graham Hodges

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

	Half year Mar 04	Half year Sep 03	Half year Mar 03	Movt Mar 04 v. Sep 03	Movt Mar 04 v. Mar 03
	$M	$M	$M	%	%
Net profit after tax		57	54		
Revenue		152	146		
Operating expenses		(54)	(54)		
Provision for doubtful debts		(16)	(16)		
Net specific provisions		(46)	(6)		
Net non-accrual loans		69	81		

ESANDA AND UDC

Elizabeth Proust

Under the Esanda and UDC brands, providers of vehicle and equipment finance and rental services.

	Half year Mar 04	Half year Sep 03	Half year Mar 03	Movt Mar 04 v. Sep 03	Movt Mar 04 v. Mar 03
	$M	$M	$M	%	%
Net interest income		177	173		
Other external operating income		44	42		
Net inter business unit fees		(3)	(4)		
Operating income		218	211		
External operating expenses		(77)	(78)		
Net inter business unit expenses		(12)	(12)		
Operating expenses		(89)	(90)		
Profit before debt provision		129	121		
Provision for doubtful debts		(32)	(32)		
Profit before income tax		97	89		
Income tax expense and outside equity interests		(30)	(27)		
Net profit attributable to members of the Company		67	62		
Operating expenses to operating income		40.8%	42.7%		
Net specific provisions		(47)	(25)		
Net non-accrual loans		49	55		
Total employees		1,311	1,290		

ASIA PACIFIC
Bob Lyon

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

	Half year Mar 04	Half year Sep 03	Half year Mar 03	Movt Mar 04 v. Sep 03	Movt Mar 04 v. Mar 03
	$M	$M	$M	%	%
Net interest income		59	58		
Other external operating income		88	97		
Net inter business unit fees					
Operating income		147	155		
External operating expenses		(44)	(48)		
Net inter business unit expenses		(15)	(16)		
Operating expenses		(59)	(64)		
Profit before debt provision		88	91		
Provision for doubtful debts		(5)	(5)		
Profit before income tax		83	86		
Income tax expense and outside equity interests		(18)	(18)		
Net profit attributable to members of the Company		65	68		
Operating expenses to operating income		40.1%	41.3%		
Net specific provisions		7	1		
Net non-accrual loans		18	12		
Total employees		1,545	1,526		

ING AUSTRALIA (JOINT VENTURE)

Paul Bedbrook

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

ING Australia

	Half year Mar 04 $M	Half year Sep 03 $M	Half year Mar 03 $M	Movt Mar 04 v. Sep 03 %	Movt Mar 04 v. Mar 03 %
Funds management income		202	190		
Risk income		82	76		
		284	266		
Costs (excl goodwill on purchase of ANZ business)		(196)	(207)		
		88	59		
Capital investment earnings		61	24		
Net income		149	83		
Income tax expense		(29)			
Profit after tax		120	83		
ANZ share					
ANZ share of INGA earnings @49%		58	41		
Notional goodwill(1)					
ANZ equity accounted profits		58	41		
ANZ capital hedges		(8)	2		
Net funding cost		(7)	(4)		
Net return to ANZ		43	39		

TREASURY

Michael Dontschuk

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

	Half year Mar 04 $M	Half year Sep 03 $M	Half year Mar 03 $M	Movt Mar 04 v. Sep 03 %	Movt Mar 04 v. Mar 03 %
Net interest income		74	81		
Other external operating income					
Net inter business unit fees					
Operating income		74	81		
External operating expenses		(7)	(7)		
Net inter business unit expenses		(2)	(3)		
Operating expenses		(9)	(10)		
Profit before debt provision		65	71		
Provision for doubtful debts					
Profit before income tax		65	71		
Income tax expense and outside equity interests		(19)	(22)		
Net profit attributable to members of the Company		46	49		
Total employees		43	43		

GROUP CENTRE

Group People Capital

Group Risk Management

Capital Funding Unit & Group Items

Call Centre

Group Strategic Development

CFO Units

Operations, Technology & Shared Services

	Half year Mar 04 $M	Half year Sep 03 $M	Half year Mar 03 $M	Movt Mar 04 v. Sep 03 %	Movt Mar 04 v. Mar 03 %
Net interest income		72	57		
Other external operating income		17	14		
Net inter business unit fees		(2)	3		
Operating income		87	74		
External operating expenses		(403)	(395)		
Net inter business unit expenses		328	330		
Operating expenses		(75)	(65)		
Profit before debt provision		12	9		
Provision for doubtful debts		(52)	(52)		
Profit before income tax		(40)	(43)		
Income tax expense and outside equity interests		(5)	5		
Net profit attributable to members of the Company		(45)	(38)		
Total employees		4,050	4,045		

Banking Group Limited

ABN 11 005 357 522

Consolidated Financial Report
Dividend Announcement
and Appendix 4D

Half year 31
March 2004

This Financial Report on the consolidated Group constitutes the Appendix 4D required by the Australian Stock Exchange, and should be read in conjunction with the September 2003 Annual Financial Report.

RESULTS FOR ANNOUNCEMENT TO THE MARKET ***APPENDIX 4D***

Name of Company: Australia and New Zealand Banking Group Limited
ABN 11 005 357 522

Report for the half year ended 31 March 2004

				A$ million
Group operating revenue	up	20%	to	4,192
Operating profit after tax attributable to shareholders	up	22%	to	1,396
Extraordinary items after tax attributable to shareholders	Nil			Nil
Operating profit and extraordinary items after tax attributable to shareholders	up	22%	to	1,396
Interim dividend per ordinary share, fully franked at 30% tax rate (previous corresponding period: 44 cents, fully franked at 30% tax rate)				47 cents
Final 2003 dividend per ordinary share, fully franked at 30% tax rate				51 cents
Record date for the Interim dividend				20 May 2004
The interim dividend will be payable to shareholders registered in the books of the Company at close of business on 20 May 2004. Transfers must be lodged before 5:00 pm on that day to participate.				
Payment date for the interim dividend				1 July 2004

Highlights

(all comparisons are with March 2003 interim results)

Profit after tax

$1,396 million - **up 22%**

$1,312 million excluding significant items - **up 15%**

$1,241 million excluding significant items and NBNZ - **up 9%**

Earnings per share 76.8 cents - **up 11%**

Cash EPS excluding significant transactions 78.9 cents - **up 11%**

Interim dividend 47 cents - **up 11%** (adjusted for rights issue)

NBNZ acquisition cash EPS accretive. Integration planning completed with no change in expected synergies. Revenue attrition better than expected

Cost income ratio 45.1%(1) - down from 45.6%

Return on equity 18.4%(1) - down from 20.3%

Risk reduced, sustainability improved

- Net specific provisions $196 million - **down 24%**
- International assets down 19%
- Net non-accrual loans reduced by 14% to $517 million
- Average trading value at risk $1.4 million at 97.5% confidence

(1). Excluding significant transactions

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

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For Release: 27 April 2004

ANZ interim cash earnings per share up 11%

Profit after tax *(compared with first half 2003)*

$1,396 million - up 22%

$1,312 million excluding significant items - up 15%

$1,241 million underlying* - up 10%

Earnings per share 76.8 cents - up 11%

Cash EPS excluding significant transactions 78.9 cents - up 11%

Interim dividend 47 cents - up 11% *(adjusted for rights issue)*

Cost-income ratio 45.1% - down from 45.6% *(excluding significant items)*

Return on equity 18.4% - down from 20.3% *(excluding significant items)*

Risk reduced, sustainability improved

Net specific provisions $196 million - down 24%

International assets down 19%

Australia and New Zealand account for 93% of total assets

Net non-accrual loans reduced by 14%

Average trading value at risk $1.4m million at 97.5% confidence

Profit after tax *(compared with second half 2003)*

Headline - up 16%

Excluding significant items - up 9%

Underlying* - up 4%

Cash EPS *(excluding significant items)* **- up 5%**

NBNZ acquisition cash EPS accretive. Revenue attrition better than expected. Integration planning completed with no change in expected synergies. ANZ expects RBNZ approval such that legal amalgamation and first phase integration can take place from 30 June with full integration completed by end 2005.

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* *Excluding NBNZ, significant items and base adjusted for TrUEPrS.*

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For Release: 27 April 2004

ANZ interim cash earnings per share up 11%

Australia and New Zealand Banking Group Limited (ANZ) today announced an operating profit after tax of $1,396 million for the half year ended 31 March 2004, up 22% on the same period last year. Earnings per share were 76.8 cents, up 11%.

Excluding significant transactions in the half, the profit after tax was $1,312 million, up 15% on the same period last year. Underlying earnings (excluding significant items, The National Bank of New Zealand and adjusting last year s base earnings for TrUEPrS) were up 10%. Cash earnings per share were 78.9 cents, up 11% on the same basis.

ANZ s 2004 interim earnings include four months contribution from The National Bank of New Zealand (NBNZ), which was acquired in December 2003. The acquisition has been immediately accretive to earnings per share for the Group. It has given ANZ a much stronger, more sustainable and diversified domestic base, which has increased the opportunity and lowered the average business risk for the Group.

Asset growth was particularly strong. Excluding NBNZ, net loans and advances grew by 10%. Costs continued to be well-managed and the cost-income ratio marginally improved to 45%. Return on equity fell below 20%, mainly as a consequence of the acquisition of NBNZ.

In the half, risks continued to be reduced. Net specific provisions were down by 24%, net non-accrual loans down by 14% and international assets 19% lower. Australia and New Zealand now account for 93% of Group assets. Trading risk continued to be modest, with total average value at risk of $1.4 million for all trading activities in the half at a 97.5% confidence level.

Compared with the strong second half of last year, first half profits were up 16%. Excluding significant transactions earnings were up 9%. Underlying earnings were up 4% and cash earnings per share excluding significant transactions were up 5%.

New Zealand integration is on track and synergies remain in line with those estimated in the rights issue prospectus. Integration planning has been completed and a common management structure is in place. The brand strategy to maximise customer retention has been finalised. Legal amalgamation of the two banks is targeted for 30 June 2004 and non-systems integration will proceed immediately after amalgamation. Full systems integration is expected by the end of 2005.

The Reserve Bank of New Zealand, in the context of national financial stability, now requires that major banks including ANZ-National, are able to operate independently in the event of a crisis of the bank or of their parent. The board of the bank in New Zealand, or a statutory manager acting in place of the board, needs to have unambiguous authority and practical ability to operate the bank and control its affairs. ANZ is confident its proposals satisfy these requirements.

ANZ has submitted a two-phase plan to the Reserve Bank of New Zealand for approval with each phase subject to separate approval. Discussions are well advanced and ANZ believes it will be able to move to the first phase on schedule. The second phase will require further detailed discussion and this is currently in progress.

ANZ Chief Executive Officer Mr John McFarlane said: ANZ has had a solid first half driven by strong asset growth and prudent management of margins, risks and capital.

We have maintained momentum in our specialist businesses. Segments in the personal, small business and corporate markets performed well. In particular, we have better than expected results in Consumer Finance where changes to credit card programs following Reserve Bank reforms were well managed, and in Personal Banking, which benefited from the rising interest rate environment. ING Australia showed substantial improvement. Mortgages had strong volumes but suffered substantial margin squeeze. Institutional was subdued due to adverse exchange rate movements and a strategic decision to reduce risk with consequent earnings sacrifice.

Geographically, our businesses in Australia performed particularly well. New Zealand businesses performed respectably, despite significant competitive attack and the normal uncertainties associated with a major acquisition. International earnings increased despite unfavourable exchange rate movements. Europe and North America came off their cyclical lows. Our Pacific businesses performed well, but Asia was subdued.

Banking is a complex and cyclical business. We recognise there are concerns regarding the maturity of the banking industry and its position in this economic cycle, particularly with a rising interest rate environment, a softening housing and consumer sector, and an ongoing focus on corporate governance. While the move towards stronger regulation globally will have its positive effects, it also comes at a cost.

At ANZ, we have taken considerable steps to create a strong diversified business foundation. We now have a much stronger franchise across Australia, New Zealand and the Pacific, with a number of leading positions.

I am satisfied with our progress on integration in New Zealand. The increased regulatory requirements relating to the management of a crisis are understandable given the market share of the integrated bank. I am confident our plans will satisfy these requirements and achieve our targeted timetable and results for the combined bank.

Our risk domestically and internationally, particularly in our Institutional businesses, has been reduced substantially such that overall risk is approaching an optimal level.

We will continue on our journey to improve the growth and sustainability of the Group and to lower risk while maintaining earnings momentum. We have a well-developed and demonstrated execution capability, with world-class efficiency and a strong leadership and management team that can manage the business well across the cycle.

ANZ is now a very different bank. Our specialised business model is unique. Our move to cluster our specialist businesses around customers to develop greater coherence and synergy, while maintaining their individual vitality, should enable us to continue to advance our strategic position.

We also recognise shareholders are looking for growth as well as safety. Notwithstanding its challenges, we believe the domestic and international environment is in a positive phase and our strength particularly in the corporate area should be an advantage in the period ahead. Going forward we will have a greater emphasis on identifying, and investing in, organic growth opportunities, mostly in Australia.

All in all, we believe the environment is sufficiently favourable for us to be confident about our prospects for the year as a whole, Mr McFarlane said.

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ANZ Management Structure

Chief Executive Officer
John McFarlane

Chief Financial Officer
Peter Marriott

Chief Operating Officer
Bob Edgar

Group Development
Peter Hawkins

Personal Banking
Brian Hartzer

Institutional
Steve Targett
Commences 01.06.04

New Zealand
Sir John Anderson

Operations
Mike Grime

Asia Pacific
Elmer Funke Kupper

Risk
Mark Lawrence

People Capital
Shane Freeman

Personal and Wealth Distribution
Greg Camm

Mortgages
Chris Cooper

Esanda
Elizabeth Proust

Corporate
Graham Hodges

New Zealand Integration
Graham Miller

Australia and New Zealand Banking Group Limited

ABN 11 005 357 522

CONSOLIDATED FINANCIAL REPORT AND DIVIDEND ANNOUNCEMENT

Half year ended 31 March 2004

CONTENTS

All amounts are in Australian dollars unless otherwise stated. The information on which this announcement is based has been reviewed by the Group s auditors, KPMG. The Company has a formally constituted Audit Committee of the Board of Directors. This report was approved by resolution of a Committee of the Board of Directors on 26 April 2004.

HIGHLIGHTS

CHIEF EXECUTIVE OFFICER
John McFarlane

Half year results

				Change		**Mar 03**
Net profit after tax	**$**	**1,396m**		**22%**	$	1,141m
NPAT excluding significant transactions(1)	**$**	**1,312m**		**15%**	$	1,141m

		Change	**Mar 03**
Earnings per share(2)	**76.8 cents**	**11%**	69.1 cents
Cash EPS excluding significant transactions(1),(2),(3)	**78.9 cents**	**11%**	71.0 cents

				Change		**Mar 03**
Dividends per share		**47 cents**		**7%**		44 cents
Rights adjusted dividends per share(4)		**47 cents**		**11%**		42.2 cents
Return on shareholders equity		**19.1%**		**(1.2)%**		20.3%
Net specific provisions	**$**	**196m**	**$**	**(63)m**	$	259m
Cost to income(5),(6)		**45.1%**		**(0.5)%**		45.6%

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(1). Significant transactions during the March 2004 half year included $84 million profit after tax and $35 million cash dividends related to the buy back of TrUEPrS shares. ANZ believes that the exclusion of significant transactions provides investors with a measure of the performance of the operating business without the distortion of one-off gains and losses. Refer page 2 for reconciliation to net profit

(2). Prior period EPS measures have been adjusted for the rights issue during November 2003. Refer page 96 for details

(3). Cash EPS excludes goodwill amortisation and notional goodwill amortisation on INGA

(4). March 2003 dividend of 44 cents per share adjusted for bonus element of rights issue by multiplying by 0.9597. Refer Note 6 on page 96

(5). Excludes significant transactions. Refer page 2

(6). Excludes goodwill amortisation. Refer to page 118 for a reconciliation and an explanation of the usefulness of this adjusted measure

FINANCIAL HIGHLIGHTS

Net Profit

	Half year Mar 04 $M	Half year Sep 03 $M	Half year Mar 03 $M	Movt Mar 04 v. Sep 03 %	Movt Mar 04 v. Mar 03 %
Net interest income	2,509	2,171	2,140	16%	17%
Other operating income	1,683	1,456	1,352	16%	24%
Operating income	4,192	3,627	3,492	16%	20%
Operating expenses	(1,902)	(1,626)	(1,602)	17%	19%
Profit before debt provision	2,290	2,001	1,890	14%	21%
Provision for doubtful debts	(313)	(311)	(303)	1%	3%
Profit before income tax	1,977	1,690	1,587	17%	25%
Income tax expense	(578)	(482)	(444)	20%	30%
Outside equity interests	(3)	(1)	(2)	large	50%
Net profit attributable to shareholders of the Company	1,396	1,207	1,141	16%	22%

Significant transactions(1)

TrUEPrS					
Swap income	110			n/a	n/a
Interest	2			n/a	n/a
Income tax expense	(28)			n/a	n/a
Cash dividends(2)				n/a	n/a
Net profit attributable to shareholders of the Company	84			n/a	n/a

(1). Refer Note 1 for discussion of significant transactions

(2). Cash dividend of $35 million does not affect profit and loss. It is, however, included in the calculation of EPS. Tax benefit on $48 million dividend paid in October 2003 was recognised in the September 2003 half.

Profit excluding significant transactions

	Half year Mar 04	Half year Sep 03	Half year Mar 03	Movt Mar 04 v. Sep 03	Movt Mar 04 v. Mar 03

	$M	$M	$M	%	%
Net interest income	2,507	2,171	2,140	15%	17%
Other operating income	1,573	1,456	1,352	8%	16%
Operating income	4,080	3,627	3,492	12%	17%
Operating expenses	(1,902)	(1,626)	(1,602)	17%	19%
Profit before debt provision	2,178	2,001	1,890	9%	15%
Provision for doubtful debts	(313)	(311)	(303)	1%	3%
Profit before income tax	1,865	1,690	1,587	10%	18%
Income tax expense	(550)	(482)	(444)	14%	24%
Outside equity interests	(3)	(1)	(2)	large	50%
Net profit excluding significant transactions	1,312	1,207	1,141	9%	15%

Performance Measurements

	Half year Mar 04 $M	Half year Sep 03 $M	Half year Mar 03 $M
EVA™ (1)	870	828	744
Profitability ratios			
Return on:			
Average ordinary shareholders equity(2)	19.1%	20.9%	20.3%
Average ordinary shareholders equity(2)(excluding significant transactions(3))	18.4%	20.9%	20.3%
Average assets	1.21%	1.24%	1.22%
Average risk weighted assets	1.60%	1.60%	1.57%
Total income	16.2%	17.4%	17.1%
Net interest average margin	2.53%	2.64%	2.71%
Profit per average FTE ($)	53,226	53,348	51,077
Efficiency ratios(3)			
Operating expenses(4) to operating income (excluding significant transactions(3))	45.1%	44.6%	45.6%
Operating expenses(4) to operating income	43.9%	44.6%	45.6%
Operating expenses(4) (excluding significant transactions(3)) to average assets	1.6%	1.7%	1.7%
Operating expenses(4) to average assets	1.6%	1.7%	1.7%
Debt provisioning			
Economic loss provisioning ($M)	313	311	303
Net specific provisions ($M)	196	268	259
Earnings per ordinary share (cents)(5)			
Earnings per ordinary share (basic)	76.8	73.3	69.1
Earnings per ordinary share (diluted)	75.7	73.0	68.8
Earnings per ordinary share (basic) excluding significant transactions(3)	74.0	73.3	69.1
Earnings per ordinary share (basic) excluding significant transactions and goodwill amortisation(6)	78.9	75.2	71.0
Ordinary share dividends (cents)			
Interim - 100% franked (Mar 03: 100% franked)	47	n/a	44
Final - 100% franked (Sep 03: 100% franked)	n/a	51	n/a
Dividend payout ratio(7)	63.8%	67.0%	61.3%
Preference share dividend			
Dividend paid ($M)	64	48	54

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(1). EVA™ refers to Economic Value Added, a measure of shareholder value. See page 16 for a reconciliation of EVA™ to reported net profit and a discussion of EVA™ and an explanation of its usefulness as a performance measure

(2). Average ordinary shareholders equity of $13,949 million excluding outside equity interests

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

(4). Excludes goodwill amortisation. Refer to page 118 for a reconciliation and an explanation of the usefulness of this adjusted measure

(5). Prior period EPS measures have been adjusted for the rights issue in November 2003. Refer page 96 for details

(6). Earnings used in ratio of $1,368 million (Sep 2003 half: $1,190 million; Mar 2003 half: $1,118 million) excludes significant transactions $84 million (Sep 2003 half: $nil; Mar 2003 half: $nil) and goodwill and notional goodwill amortisation $85 million (Sep 2003 half: $31 million; Mar 2003 half: $31 million) and deducts $35 million of preference share dividends

(7). Dividend payout ratio is calculated using the proposed dividend as at 31 March 2004

Impact of National Bank of New Zealand acquisition (excluding significant transactions)

Half year March 2004

	Group	NBNZ(1)	Integration costs	Acquisition & funding(2)	Group ex NBNZ & sig transactions
	$M	$M	$M	$M	$M
Net interest income	**2,507**	304		(31)	**2,234**
Other operating income	**1,573**	106			**1,467**
Operating income	**4,080**	410		(31)	**3,701**
Operating expenses	**(1,902)**	(168)	(7)	(54)	**(1,673)**
Profit before debt provision	**2,178**	242	(7)	(85)	**2,028**
Provision for doubtful debts	**(313)**	(27)			**(286)**
Profit before income tax	**1,865**	215	(7)	(85)	**1,742**
Income tax expense	**(550)**	(64)	2	11	**(499)**
Outside equity interests	**(3)**	(1)			**(2)**
Net profit	**1,312**	150	(5)	(74)	**1,241**

Funding of the NBNZ acquisition was provided to New Zealand by way of equity and interest bearing debt from Australia and interest bearing debt from the UK.

Integration costs include $3 million in technology costs in Australia which to date have not yet been charged to New Zealand.

The following table shows the geographic distribution of the integration, acquisition and funding costs shown above.

	Integration Costs	Acquisition & funding(3)	Goodwill	Tax	Profit
	$M	$M	$M	$M	$M
New Zealand	(4)	(58)	(54)	20	**(96)**
Australia	(3)	7		(1)	**3**
United Kingdom		20		(6)	**14**
	(7)	(31)	(54)	13	**(79)**

Group excluding NBNZ and significant transactions

	Half year Mar 04	Half year Sep 03	Half year Mar 03	Movt Mar 04 v. Sep 03	Movt Mar 04 v. Mar 03

	$M	$M	$M	%	%
Net interest income	**2,234**	2,171	2,140	3%	4%
Other operating income	**1,467**	1,456	1,352	1%	9%
Operating income	**3,701**	3,627	3,492	2%	6%
Operating expenses	**(1,673)**	(1,626)	(1,602)	3%	4%
Profit before debt provision	**2,028**	2,001	1,890	1%	7%
Provision for doubtful debts	**(286)**	(311)	(303)	-8%	-6%
Profit before income tax	**1,742**	1,690	1,587	3%	10%
Income tax expense	**(499)**	(482)	(444)	4%	12%
Outside equity interests	**(2)**	(1)	(2)	100%	0%
Net profit	**1,241**	1,207	1,141	3%	9%

(1). Four months profit since acquisition on 1 December 2003

(2). Includes goodwill amortisation of $54 million

(3). Includes employee share acquisition scheme costs of $4 million in New Zealand offset in Australia

Statement of Financial Position

	As at Mar 04 $M	As at Sep 03 $M	As at Mar 03 $M	Movt Mar 04 v. Sep 03 %	Movt Mar 04 v. Mar 03 %
Assets					
Liquid assets	**6,565**	6,592	7,759	0%	-15%
Due from other financial institutions	**4,396**	2,427	3,123	81%	41%
Trading and investment securities	**13,062**	8,980	9,520	45%	37%
Net loans and advances including acceptances	**204,080**	162,643	155,235	25%	31%
Other	**19,185**	14,949	14,881	28%	29%
Total assets	**247,288**	195,591	190,518	26%	30%
Liabilities					
Due to other financial institutions	**6,147**	6,467	8,824	-5%	-30%
Deposits and other borrowings	**165,234**	124,494	122,122	33%	35%
Liability for acceptances	**13,358**	13,178	13,270	1%	1%
Bonds and notes	**20,215**	16,572	14,917	22%	36%
Other	**25,586**	21,093	18,900	21%	35%
Total liabilities	**230,540**	181,804	178,033	27%	29%
Total shareholders equity	**16,748**	13,787	12,485	21%	34%

As at March 2004	Group $M	NBNZ $M
Assets		
Liquid assets	**6,565**	1,432
Due from other financial institutions	**4,396**	648
Trading and investment securities	**13,062**	2,043
Net loans and advances including acceptances	**204,080**	32,560
Other	**19,185**	2,368
Total assets	**247,288**	39,051
Liabilities		
Due to other financial institutions	**6,147**	
Deposits and other borrowings	**165,234**	33,548(1)
Liability for acceptances	**13,358**	
Bonds and notes	**20,215**	
Other	**25,586**	3,215(2)
Total liabilities	**230,540**	36,763
Total shareholders equity	**16,748**	2,288

(1). Includes commercial paper of $9.4 billion

(2). Includes balances with related entities

Assets and Capital

	As at Mar 04	As at Sep 03	As at Mar 03	Movt Mar 04 v. Sep 03 %	Movt Mar 04 v. Mar 03 %
Total assets ($M)	**247,288**	195,591	190,518	26%	30%
Risk weighted assets ($M)	**186,157**	152,164	148,603	22%	25%
Shareholders equity(1)(2) ($M)	**16,731**	13,770	12,468	22%	34%
Total advances ($M)	**206,327**	164,661	157,323	25%	31%
Net advances ($M)	**204,080**	162,643	155,235	25%	31%
Net tangible assets per ordinary share ($)	**6.94**	7.49	7.32	-7%	-5%
Net tangible assets attributable to ordinary shareholders ($M)	**12,542**	11,398	11,072	10%	13%
Total number of ordinary shares (M)	**1,808.2**	1,521.7	1,513.4	19%	19%

	As at Mar 04	As at Sep 03	As at Mar 03
Capital adequacy ratio (%)			
Tier 1	**7.0%**	7.7%	7.7%
Tier 2	**3.7%**	4.0%	3.4%
Total capital ratio	**10.2%**	11.1%	9.9%
Adjusted common equity ratio(3)	**5.2%**	5.7%	5.7%

	As at Mar 04	As at Sep 03	As at Mar 03	Movt Mar 04 v. Sep 03 %	Movt Mar 04 v. Mar 03 %
Impaired assets					
General provision ($M)	**1,828**	1,534	1,530	19%	19%
General provision as a % of risk weighted assets	**0.98%**	1.01%	1.03%	-3%	-5%
Gross non-accrual loans ($M)	**931**	1,007	1,153	-8%	-19%
Specific provisions ($M)	**(414)**	(482)	(553)	-14%	-25%
Net non-accrual loans	**517**	525	600	-2%	-14%
Specific provision as a % of total non-accrual loans	**44.5%**	47.9%	48.0%	-7%	-7%
Total provisions(4) as a % of non-accrual loans	**240.8%**	200.2%	180.7%	20%	33%
Net non-accrual loans as a % of net advances	**0.3%**	0.3%	0.4%	0%	-25%
Net non-accrual loans as a % of shareholders equity(5)	**3.1%**	3.8%	4.8%	-18%	-35%
Other information					
Full time equivalent staff (FTE s)	**27,971**	23,137	22,483	21%	24%
Assets per FTE ($M)	**8.8**	8.5	8.5	4%	4%
Market capitalisation of ordinary shares ($M)	**34,284**	27,314	27,135	26%	26%

(1). Excludes outside equity interests

(2). Includes preference share capital of $987 million (Sep 2003: $2,212 million; Mar 2003: $1,225 million)

(3). Adjusted common equity is calculated as Tier 1 capital less preference shares at current rates and deductions from total capital. This measure is commonly used to assess the adequacy of common equity held. See page 15 for a reconciliation to Tier 1 capital

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

(5). Includes outside equity interests

CHIEF FINANCIAL OFFICER S REVIEW

CHIEF FINANCIAL OFFICER
Peter Marriott

March 2004 half year

Australia and New Zealand Banking Group Limited (ANZ, or the Group) recorded a profit after tax of $1,396 million for the half year ended 31 March 2004, an increase of 16% over September 2003 half year.

Excluding the significant transactions(1) profit increased 9% due largely to the contribution to profit of the National Bank of New Zealand in the four months since acquisition of $71 million (net of $79 million funding, acquisition, integration and goodwill amortisation costs). After adjusting for the income from the TrUEPrS swap in the September 2003 half, and the acquisition of NBNZ, profit after tax increased by 4% driven by 3% growth in net interest income with solid lending growth partly offset by reduced margins. Other income was flat and expense increases were constrained to 3%. Asset quality continued

EPS excluding goodwill and significant transactions for the Group increased to 78.9 cents, up 5% or 3.7 cents on the September 2003 half year and 7.9 cents on March 2003. Prior period EPS measures have been recalculated for the rights issue in November 2003 (Refer page 96 for details).

EPS excluding goodwill and significant transactions for the Group increased to 78.9 cents, up 5% or 3.7 cents on the September 2003 half year and 7.9 cents on March 2003. Prior period EPS measures have been recalculated for the rights issue in November 2003 (Refer page 96 for details).

	Half year Mar 04 cents	Half year Sep 03 cents	Half year Mar 03 cents	Movmt Mar 04 v Sep 03	Movmt Mar 04 v Mar 03
Basic EPS	76.8	73.3	69.1	5%	11%
EPS excluding goodwill and significant transactions(2) (Cash EPS)	78.9	75.2	71.0	5%	11%

Growth in EPS excluding significant transactions and goodwill was affected by:

Increased earnings in the existing ANZ businesses (refer page 4) increasing EPS by 3.5 cents.

Impact of NBNZ purchase, and its capital funding structure resulted in an accretion in EPS by 0.9 cents excluding integration.

The issuance of 9,713,781 shares under dividend reinvestment and bonus option plans and employee share option schemes, representing 0.5% of shares on issue. This reduced EPS by 0.4 cents.

The proposed fully franked interim dividend of 47 cents is up 7% from 44 cents in 2003, however, after adjusting for the bonus element of the rights issue, this represents an 11% increase. The interim dividend payout ratio has increased to 63.8% from 61.3% in March 2003.

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

(2). Refer Note 6 on page 96 for reconciliation

Comparison of March 2004 half year with the September 2003 half year

* *Contribution from NBNZ. Refer page 4*

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

Net Interest
15%
Excl NBNZ 3%

Volume

Average net loans and advances grew by $31.2 billion (22%) overall with growth attributable to the acquisition of NBNZ ($21.3 billion), Mortgages Australia ($7.1 billion), Corporate ($1.3 billion) and Institutional Financial Services Australia ($1.2 billion). Average net loans and advances reduced by $1.5 billion (14%) in overseas markets as a result of the strategy to reduce higher risk exposures ($0.7 billion) and the exchange rate impact of the weakening US dollar ($0.8 billion).

Average deposits and other borrowings grew $27.6 billion (23%), with growth from NBNZ ($21.5 billion), Institutional Financial Services Australia ($1.9 billion), Personal Banking Australia ($1.7 billion) and Treasury ($1.2 billion). Average deposits and other borrowings decreased $0.7 billion (3%) in overseas markets, with increases resulting from greater commercial paper issuance in the US offset by a $2.3 billion reduction resulting from exchange rate movements.

Margin

Net Interest Margin contracted by 11 basis points:

Margins on mortgages, credit cards and asset finance contracted during the half due to the combined impact of increased funding costs and competitive pressures. This resulted in a reduction in net interest margin of 6 points. In addition, the higher proportion of mortgages in our balance sheet lowered the margin by 1 basis point.

The interest benefit from low interest savings accounts and non-interest balances increased as the rate at which they were invested increased (2 basis points).

The proportion of the balance sheet funded by low interest savings accounts and non-interest balances reduced during the half, offset by an increase in wholesale funding. The change in funding mix reduced the net interest margin by 4 basis points. Partially offsetting this however, was the replacement of TrUEPrS, which increased the net interest margin by 3 basis points.

The funding cost associated with unrealised trading gains increased as a result of the appreciation of the AUD. Whilst resulting in a 2 basis point decline in net interest margin, it is offset by an equivalent gain in trading income.

The acquisition of NBNZ resulted in a net 3 basis point decline in the Group s net interest margin.

Other Income
^8%
Excl NBNZ ^1%

NBNZ contributed $106 million in other income. After adjusting to remove the impact of the acquisition of NBNZ, other income was flat reflecting:

Lending fees increased 2% with volume growth in Mortgages, Corporate, Esanda and Institutional Banking in Australasia.

Non-lending fees increased 3% with increased merchant activity in Consumer Finance, increased transaction volumes in Personal Banking and higher international payment volumes in Institutional Financial Services.

Non-fee other income reduced by 4% ($17 million) with the September 2003 half including $27 million income on development property sales and $35 million revenue from TrUEPrS interest rate swap hedges (which has ceased with the redemption of TrUEPrS). Increased foreign exchange earnings, as a result of continued volatility in Asian & Pacific currencies, and higher profit on trading instruments have partly offset these reductions. The latter is principally due to a change in the split of Capital Markets earnings between trading and net interest income due to the timing of cash flows on derivatives.

Expenses
^17%
Excl NBNZ ^3%

NBNZ contributed $168 million in operating costs, together with $54 million goodwill amortisation and $7 million integration costs. Excluding these amounts operating costs increased 3% due largely to personnel costs and a greater focus on revenue growth initiatives. Staff number increases included sales force, an increased back office to process higher mortgage activity and additional staff required to implement the RBA interchange reforms. Computer expense increases are mainly software amortisation and volume related data communication expense.

Tax Expense
^14%
Excl NBNZ ^4%

Tax expense increased more than profit before tax due to the acquisition of NBNZ, with a higher proportion of earnings in New Zealand which has a higher effective tax rate and increased non-deductible goodwill amortisation.

Risk

ELP
$313 million
^1%
Excl NBNZ v8%

The Group economic loss provision charge (ELP) was $313 million (of which $27 million relates to NBNZ), compared with $311 million in the half year to September 2003. The ELP charge to operating segments at $293 million increased $34 million from the half year to September 2003 with increased volumes and the $27 million increase from NBNZ offset by an improvement in overall average credit quality with an increased proportion of mortgage loans. De-risking of offshore portfolios and reduced levels of default allowed a $30 million reduction in the Group Centre charge taken in prior halves for greater than expected offshore lending defaults.

The ELP rate decreased 6 basis points from the September 2003 half to 33 basis points. This reflects the lower Group Centre charge together with a reduction in the overall average risk of the portfolio resulting from domestic growth (principally mortgages) and the acquisition of NBNZ which has a lower average risk profile.

Net specific
provision
$196 million
v27%
Excl NBNZ v28%

Net specific provisions were $196 million, down $72 million from the half year to September 2003 year with the reduction in losses principally in the Corporate and Asset Finance businesses in the domestic market and Institutional businesses in offshore markets. The largest individual name loss was $26 million. Recoveries helped reduce offshore net specific provisions to only $12 million, down from $57 million in the September half and $117 million in the March 2003 half. As a percentage of net lending assets, net specific provisions reduced to 20 basis points this half, from 33 basis points last half.

Power & Teleco
$12.5 million
^5.4%
Excl NBNZ
v8.7%

Whilst the international power portfolio has continued to experience deterioration in some accounts, there have been a number of positive developments in our exposures and we have had few large single name losses in this half. Exposures to the offshore Telecommunications industry have been further reduced in the current half. Downgrades of new customers have continued in the half although the loss given default has been substantially lower than previous experience.

In these two sectors additional specific provisions of $52 million were raised during the half year compared to $65 million in the September 2003 half year.

Net Non-accrual loans $517 million
v2%
Excl NBNZ v6%

Net non-accrual loans were $517 million at March 2004 compared with $525 million at September 2003. National Bank of New Zealand net non-accruals were $21 million.

General Provision balance
$1,828 million
^19
Excl NBNZ ^4%

The general provision balance at 31 March 2004 remains strong at $1,828 million (0.98% of risk weighted assets), compared with $1,534 million (1.01% of risk weighted assets) at 30 September 2003. This reduction reflects the acquisition of National Bank of New Zealand, where the ratio of general provision to risk weighted assets is 0.87%.

The general provision balance increased $294 million including an amount of $216 million that represents a fair value adjustment on acquisition in relation to National Bank of New Zealand. This represents a surplus of $447 million over the APRA minimum guideline.

Comparison of March 2004 half year with the March 2003 half year

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* *Contribution from NBNZ. Refer page 4*

Profit after tax at $1,396 million was 22% higher than the March 2003 half year. Earnings per share increased 11% to 76.8 cents and return on ordinary shareholders equity reduced from 20.3% to 19.1%. Excluding the impact of significant transactions profit after tax at $1,312 million was 15% up on the March 2003 half year. The result was driven by the acquisition of NBNZ and strong performances in Personal Banking

Australia, Consumer Finance, Esanda and UDC, Corporate and ING Australia. Earnings in Mortgages, ANZ New Zealand Banking, Treasury and Asia Pacific reduced. The impact of the continued strengthening of the AUD against the USD reduced profit by 4%.

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

Net Interest
^17%
Excl NBNZ ^4%

Volume

Average net loans and advances grew by $37.9 billion (28%) overall, with growth from the acquisition of NBNZ ($21.3 billion), Mortgages Australia ($13.0 billion), Corporate ($2.2 billion), Institutional Financial Services Australia ($1.5 billion) and ANZ New Zealand ($1.1 billion). Average net loans and advances reduced by $3.6 billion (27%) in overseas markets as a result of the strategy to reduce higher risk offshore exposures ($1.3 billion) and the exchange rate impact of the weakening US dollar ($2.3 billion).

Average deposits and other borrowings increased by $31.1 billion (26%), with growth from NBNZ ($21.5 billion), Personal Banking Australia ($2.9 billion), Treasury ($2.5 billion), Corporate ($1.4 billion) and Esanda ($1.1 billion). Average deposits and other borrowings increased $1.2 billion (6%) in overseas markets, with increases resulting from greater commercial paper issuance in the US offset by a $3.7 billion reduction resulting from exchange rate movements.

Margin

Net Interest Margin contracted by 18 basis points:

Margin on mortgage loans decreased due to the combined impact of increased funding costs and competitive pressures. This resulted in a net reduction in margin of 5 basis points

The proportion of the balance sheet funded by low interest savings accounts and non-interest earning balances is now lower, offset by growth in term deposits and wholesale funding. This change in funding mix has reduced the net interest margin by 15 basis points. Partially offsetting this however, was the replacement of TrUEPrS, which increased the net interest margin by 2 basis points.

The acquisition of NBNZ resulted in a net 3 basis point decline in the Group s net interest margin.

Treasury earnings fell during the half as a result of the sustained period of low and stable interest rates which reduced the Group s net interest margin by 1 basis point.

Partially offsetting these declines was an increase in foreign currency hedge revenue as a result of a strengthening AUD (4 basis points).

Other Income
^16%
Excl NBNZ ^9%

NBNZ contributed $106 million to other income in the current half year while the $38 million under-accrual in Consumer Finance suppressed fees in the March 2003 half. This, together with strong growth in Consumer Finance (after adjusting for the under accrual) Corporate, Personal Banking Australia and Esanda resulted in the higher level of fee income.

Non-fee other income increased 5%, after excluding the NBNZ contribution of $31 million, with higher equity accounted income from INGA and increased profit on trading instruments due to a change in the split of Capital Markets earnings between trading and net interest income, offset by the loss of revenue from TrUEPrS cash flow hedges.

Expenses
^19%
Excl NBNZ ^4%

After excluding the $229 million costs associated with the NBNZ acquisition costs increased 4% driven by higher personnel costs (front-line and volume related back office staff numbers), computer costs (higher software amortisation) and increased data communication costs. Premises costs increased from the March 2003 half which included the impact of a change in the method of accounting for rental costs.

Doubtful Debts
^3%

Lending growth was offset by an improvement in average credit quality in operating segments and the de-risking of offshore portfolios allowing a $30 million reduction in the charge taken for greater than expected offshore lending

Excl NBNZ v6%	defaults. The ELP rate declined from 40 basis points to 33 basis points.
Tax Expense ^24% *Excl NBNZ ^12%*	Tax expense increased as a result of increased profit and an increase in goodwill amortisation which is non-deductible.

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National Bank of New Zealand

Price(1)	**Actual**	**Prospectus**
Price paid AUD million(2)	4,833	4,940
Less NTA purchased	1,901	1,790
Add Net fair value adjustments	179	133
Goodwill	**3,111**	**3,283**

(1). *Price converted to AUD at 31 March exchange rates; subject to finalisation of completion accounts*

(2). *Includes acquisition costs*

The price paid of $4,833 million, including acquisition costs, was $107 million lower than published in the rights issue prospectus as a result of the AUD strengthening against the GBP and lower than anticipated acquisition costs.

Actual goodwill of $3,111 million was $172 million lower than published in October 2003 as a result of the lower price paid and an increase in net tangible assets with additional retained earnings (the pro-forma was based on the June 2003 balance sheet). This was partly offset by an increase in fair value adjustments for restructuring, tax and depreciation.

Comparison with October 2003 Pro-forma Result

	N BN Z(1) 4 months NZ$M	**NBNZ Proforma(2) NZ$M**	**Movt Mar 04 v. Proforma %**
Net interest income	347	338	3%
Other operating income	120	116	3%
Operating income	467	454	3%
Operating expenses	(192)	(195)	-2%
Profit before debt provision	275	259	6%
Provision for doubtful debts	(31)	(30)	3%
Profit before income tax	244	229	7%
Income tax expense & Outside equity interest	(74)	(65)	14%
Net profit	170	164	4%

(1). *NBNZ result for four months to 31 March 2004*

(2). *Proforma results for the year to 30 June 2003 as published in the Renounceable Rights issue prospectus: converted from AUD to NZD at 1.1139 representing the average exchange rate for the year ended 30 September 2003 and converted to four month equivalent result. Excludes goodwill amortisation.*

The four month profit after tax for NBNZ is 4% higher than the pro-forma results published in the rights issue prospectus.

Net interest income increased 3% with 7% growth in lending and 6% growth in deposit volumes. The lending growth was achieved despite the flat rural sector in which settlements and dairy payouts occur in the June half. This was partly offset by reduced margins in the lending portfolios following official cash rate increases during the first half.

Other operating income includes a $6 million benefit reflecting a change in accounting policy of capitalising yield related loan acquisition costs for mortgages.

Financial Market income is $4 million lower reflecting a strong result across all desks in the 2003 pro forma period which did not continue in the 4 month period.

The effective tax rate increased due to a change in the underlying mix of corporate transactions that resulted in a relatively higher effective tax rate.

Integration

Integration planning was completed and amalgamation programme management infrastructure and processes established in the half.

The designated organisational structure and senior management of ANZ National (the amalgamated entity) has been agreed.

The business model has been confirmed by the designated management team utilising the best of ANZ and NBNZ.

The brand strategy has been settled, including adopting a dual brand in the branch network. This focuses our strategy on customer retention.

Choice of IT systems has been agreed.

The integration process requires regulatory approval to amalgamate the two existing banks. We expect to have the necessary Reserve Bank of New Zealand approvals in time to give effect to amalgamation in June this year.

Practical completion of the total integration process is planned for the end of 2005 following the completion of systems conversion.

Planning has confirmed the estimate of $230 million (before tax) for the total cost of integration. Of this amount, approximately 10% will be met by a restructuring charge included in the calculation of goodwill; a further 10% relates to equipment that will be capitalised and around 10% - 15% will come from existing resources. These costs relate primarily to systems and technology integration and non-branch expenses. The majority of integration costs are expected to be incurred in 2005, with expenditure completed in 2006. Integration costs of $7 million were incurred in the first half of 2004.

While the main focus of integration planning is on customer retention and development of the retail banking franchises, cost synergies are expected from migrating NBNZ onto ANZ s core systems platforms and integrating back office and head office functions. Based on the completed integration plans and consistent with the current dialogue with the RBNZ, the estimate of synergies is $110 million (before tax). This remains in line with the target published in the rights issue prospectus. These cost synergies will be achieved over three years to 2007.

Some loss of revenue and customer growth is expected from integrating NBNZ and ANZ s businesses, particularly caused by lending and transaction concentration in the institutional and corporate businesses. The approach to integration attempts to reduce this loss by minimising change for customers and operating with two networks and brands. In the first half of 2004 revenue and customer attrition has been better than expected. In the medium term, customer attrition is expected to be largely offset by revenue benefits arising from synergies associated with combining the two businesses.

Software Capitalisation

The Group capitalises the development of software for major projects. As at March 2004, the balance of software capitalised was $447 million (Sep 2003:$465 million, Mar 2003: $451 million). Software is amortised over 3 to 5 years, commencing on the date of implementation (the only exception is the branch network platform, which is amortised over 7 years). During the half, a further $59 million of software build costs were capitalised compared to $54 million in the September 2003 half (Mar 2003: $62 million), while software amortisation of $63 million increased from $46 million in the September 2003 half (Mar 2003: $37 million). During the half $20 million capitalised software on the Next Generation Switching/Tandem Replacement project was written off (in addition to $10 million provided last half) as it became apparent that expected benefits would not materialise.

Major Projects

	Amortisation Period (years)	Written down value Mar 04 $M	Sep 03 $M
Telling (Personal Banking Australia) Standard telling business model and improved telling workstation for branch network implemented during first half of 2004 year	7	72	50
Sales Service Platform (Personal Banking Australia) Multi-channel platform for branches, call centres, financial and mobile planners	7	59	71
Common Administration System (Group) Integrated web-based administration covering accounts payable, general ledger, fixed asset management, human resources processing and payroll in Australia and New Zealand	5	52	57
Core Transaction Management (Personal Banking Australia) System replacement for core transaction processing in Australia; common set of business applications for related processing in Australia and New Zealand	5	27	17
Vision Plus Card System (Consumer Finance) Back office processing system for Cards which provides increased flexibility to develop and implement new products	5	22	26
Customer Value Management (Personal Banking Australia) Systematic utilisation of customer information (across all points of contact) to assist staff and customers in their decision strategies	5	21	24
Trade Centrix/Proponix (Institutional Financial Services) Global trade processing services system	5	20	23
Straight Through Processing (Mortgages) Stream-lining of back office processes to improve customer response time	3	16	15
Yuetsu (Esanda/UDC) A single integrated system to e-enable the business and enhance customer management, credit/risk and contract management	5	14	18
Next Generation Switching/Tandem Replacement (Operations, Technology and Shared Services)			26
Other (Below $14 million)	3 to 5	144	138
Total		**447**	**465**

Capital management

The Group s total capital adequacy ratio decreased from 11.1% to 10.2% over the half year to March 2004. The Tier 1 ratio decreased from 7.7% to 7.0% and adjusted common equity reduced from 5.7% to 5.2% to be near the top of our target range of 4.75% to 5.25%.

ACE reconciliation	**Mar 04**	**Sep 03**	**Mar 03**
	$B	**$B**	**$B**
Tier 1	13.0	11.7	11.5
Preference Shares	(2.4)	(2.1)	(1.3 1)(1)
Deductions	(1.0)	(0.9)	(1.8)
Adjusted Common Equity ($B)	**9.6**	**8.7**	**8.4**
% of risk weighted assets	**5.2%**	**5.7%**	**5.7%**

(1). *Converted at current rates*

Significant events impacting the capital ratio are described below:

Risk weighted assets

In the March 2004 half year risk weighted assets increased $34 billion including $28 billion associated with the purchase of NBNZ.

Tier 1 Capital

Rights Issue

During the half ANZ issued 276,847,766 ordinary shares by way of a two for eleven rights issue at $13 per ordinary share raising capital of $3,572 million (net of $27 million expenses) to fund the NBNZ acquisition.

US Hybrid

On 27 November 2003 ANZ raised USD1.1 billion via the issue of 1.1 million stapled securities comprising an interest paying note issued by a wholly owned subsidiary of ANZ and a preference share on which dividends will not be paid whilst it is stapled to a note. The notes are due on 15 December 2053 at which date the issue will mandatorily convert to ordinary shares unless redeemed or bought back prior to that date.

The hybrid loan capital is classified as debt on ANZ s balance sheet under Australian and US GAAP with distributions on the stapled securities classified as interest expense.

The hybrid loan capital qualifies as Tier 1 capital for capital adequacy reporting.

ANZ TrUEPrS Buy Back

On 12 December 2003, the Group bought back its 124,032,000 TrUEPrS preference shares that were issued for USD775 million in 1998. Income, expenses and dividends relating to the TrUEPrS transaction including $77 million profit after tax from the close out of interest rate swaps have been recorded as significant transactions.

Goodwill deductions

Purchased goodwill on the acquisition of NBNZ of $3.1 billion was deducted from Tier 1 capital in the March 2004 half. The $3.1 billion includes $0.4 billion of pre-acquisition goodwill in NBNZ.

Tier 2 Capital

Following the acquisition of NBNZ, ANZ has consolidated $0.5 billion subordinated debt that qualifies as Tier 2 capital at the Group level.

Deductions from total capital

From July 2003, APRA required the intangible component of investments (such as purchased goodwill) to be deducted directly from Tier 1 capital.

Capitalised expenses post 1 July 2004

APRA have announced that from 1 July 2004 certain capitalised expenses will become a deduction from Tier 1 capital. As at 31 March 2004, the value of capitalised expenses that would be deducted under the new rules was $0.4 billion. Pro-forma adjusted common equity at 31 March 2004 after adjusting for this is 4.9%.

EVA reconciliation

One measure of shareholder value is EVA™ (Economic Value Added) growth relative to prior periods. EVA™ for the half year ended 31 March 2004 was $870 million, up from $828 million for the September 2003 half and $744 million for the half year ended 31 March 2003.

	Half year Mar 04 $M	Half year Sep 03 $M	Half year Mar 03 $M	Movt Mar 04 v. Sep 03 %	Movt Mar 04 v. Mar 03 %
EVA™					
Net profit after tax	1,396	1,207	1,141	16%	22%
Notional goodwill on ING	22	22	22	0%	0%
Other goodwill	63	9	9	large	large
Significant transactions(1)	(84)			n/a	n/a
Imputation credits	269	249	215	8%	25%
Risk adjusted profit	1,666	1,487	1,387	12%	20%
Cost of ordinary capital	(767)	(611)	(589)	26%	30%
Cost of preference share capital	(29)	(48)	(54)	-40%	-46%
EVA™	870	828	744	5%	17%

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

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

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

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

International Financial Reporting Standards

ANZ will be required to prepare financial statements using Australian Standards that comply with International Financial Reporting Standards and their related pronouncements (IFRS) when the Group reports in 2006.

The Group will report for the first time in compliance with IFRS when the results for the half year ended 31 March 2006 are released. IFRS require that entities complying with IFRS for the first time also restate their comparative financial statements using all IFRS except for IAS 32 Financial Instruments: Disclosure and Presentation, IAS 39 Financial Instruments: Recognition and Measurement, and IFRS 4 Insurance Contracts. This means that ANZ s opening IFRS balance sheet will be a restated comparative balance sheet, dated 1 October 2004. Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings on 1 October 2004; however transitional adjustments relating to those standards where comparatives are not required will only be made at 1 October 2005. Comparatives restated under IFRS will not be reported in financial statements until March 2006, being the first half year reported in compliance with IFRS.

During 2002, ANZ established a Steering Committee to monitor and plan for the adoption of IFRS. This Committee has been following developments in IFRS and the likely impact that these standards will have on our products and our customers, and on our own financial reports and accounting policies. The Committee has set up twelve workstreams, each responsible for evaluating the impact of a specific group of accounting changes. Each workstream is progressing through three phases of work: technical evaluation, design and implementation. The Group has largely completed the technical evaluation phases of each work-stream, and is moving into design and implementation. Several of the work-streams have commenced implementation.

The following areas have been identified as significant for the Group:

Debt v Equity classification *New liabilities recognised*	The Group has issued a number of hybrid tier one instruments. The ANZ StEPS issue, which is currently treated as equity, will be reclassified as debt. Distributions on ANZ StEPS will be treated as interest rather than dividends.
Fee Revenue *Initial impact on retained earnings at 1 October 2004* *Increased deferral of fee income*	More stringent rules governing the accounting for fee income will result in more fees being deferred on initial payment, and recognised either as an adjustment to yield or over the period of service. On initial application, certain fees that have previously been recognised in the statement of financial performance will be recognised in the statement of financial position, with a corresponding adjustment to retained earnings. The annual impact on net profit from this change is not expected to be material, however the classification of income will change.
Goodwill *Initial impact on retained earnings at 1 October 2004* *Lower expenses* *Volatility in results in event of impairment*	Goodwill acquired in a business combination, such as our acquisition of NBNZ, will not require amortisation, but instead be subject to impairment testing at least annually. If there is any impairment, it will be recognised immediately in the statement of financial performance.
Hedging *Initial impact on retained earnings at 1 October 2004*	All derivatives contracts, whether used as hedging instruments or otherwise, will be carried at fair value on the Group s statement of financial position. IFRS recognise fair value hedge accounting, cash flow hedge accounting, and hedges of investments in foreign operations. Fair value and cash flow hedge

Volatility in future earnings

accounting can only be considered where effectiveness tests are met.

New assets/liabilities recognised

Ineffectiveness outside the prescribed range precludes the use of hedge accounting and can result in significant volatility in the statements of financial performance. ANZ expects to predominantly use cash flow hedging in respect of its interest rate risk hedges, which will create volatility in equity reserve balances.

The hedging rules will impact the way the Group accounts for hedges of its funding and for hedges of its statement of financial position. Customer trading, where all derivatives are currently marked to market, will not be impacted.

Loan Provisioning
Initial impact on retained earnings at 1 October 2004
Volatility in future earnings
Lower general provision

IFRS adopts an approach known as incurred losses for loan provisioning and provides guidance on measurement of incurred losses. Provisions are raised for losses that have already been incurred for loans that are known to be impaired. The estimated losses on these impaired loans are then discounted to their present value. As this discount unwinds, there is a resulting recognition of interest in the statement of financial performance during the period between recognition of impairment and recovery of the written down amount.

Loans found not to be impaired are placed into pools of similar assets with similar risk characteristics to be collectively assessed for impairment. The required provision is estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data.

It is anticipated that the proposed changes will result in a reduction in the level of provisioning which the bank holds against its credit exposures.

The current ELP charge to profit will be replaced, on adoption of IFRS, by a charge for specific provisions on impaired loans, plus a charge for movements in the provision that is held for loans that are being collectively assessed for impairment.

Post Employment Benefits
Initial impact on retained earnings at 1 October 2004
Volatility in future earnings

The Group does not currently recognise an asset or liability for the net position of the defined benefit superannuation schemes including those which operate in Australia, New Zealand and the United Kingdom. On adoption of Australian standards that comply with IFRS, the Group will recognise the net position of each scheme on the statement of financial position, with a corresponding entry to the statement of financial performance. The initial adjustment will be made, retrospectively, against opening retained earnings as at 1 October 2004, and will be based on valuations of each scheme made at that date in accordance with the standard IAS 19 Employee Benefits. After the transitional adjustment, further movements in the net position of each scheme will be recognised in the statement of financial performance.

Securitisation
Initial impact on retained earnings at 1 October 2004
New assets/liabilities recognised

IFRS introduces new requirements for the recognition of financial assets, including those transferred to a special purpose vehicle for securitisation. Existing securitisations, both of our own assets and of our customers assets, require review to determine whether they are grandfathered under IFRS, and if not, an assessment of the accounting treatment that will be required under IFRS. Further, a different interpretation of the consolidation rules applicable to special purpose vehicles may result in some vehicles being consolidated by the Group. Securitisations commenced on or after 1 January 2004 will be assessed in accordance with IFRS and current Australian GAAP.

Share-Based Payments
Initial impact on retained earnings at 1 October 2004
Higher expenses

The Group currently recognises immediately an expense equal to the full fair value of all deferred shares issued as part of the short and long term incentive arrangements. The deferred shares vest over one to three years, and may be forfeited under certain conditions. The Group does not currently recognise an expense for options issued to staff, shares issued under the $1,000 employee share plan, nor for the 5% discount applicable to the ANZ Share Save Scheme. On adoption of IFRS based standards, the Group will recognise an expense for all share-based remuneration, including deferred shares and options, and will amortise those expenses over the relevant vesting periods. The Group will also recognise an expense for shares issued under the $1,000 employee share plan, and for the 5% discount on shares granted in the ANZ Share Save Scheme.

Taxation
Initial impact on retained earnings at 1 October 2004
New assets/liabilities recognised

A balance sheet approach will be adopted, replacing the statement of financial performance approach currently used by Australian companies. This method recognises deferred tax balances when there is a difference between the carrying value of an asset or liability, and its tax base. It is expected that the standard may require the Group to carry higher levels of deferred tax assets and liabilities.

Capital measurement Many of the changes above will impact the Group s assets and equity. Both asset and equity measurement are central to the capital adequacy requirements set by prudential regulators. The Group anticipates that APRA will revise the measurement rules in its prudential standards in response to these changes, however it is unclear at present whether capital measurement will be fully immunised from the IFRS changes. The main changes impacting capital measurement are changes to hybrid capital instruments, hedge accounting, defined benefits superannuation funds, securitisation transactions, loan loss provisioning, effective interest rate adjustments and transitional adjustments.

BUSINESS PERFORMANCE REVIEW

CHIEF OPERATING OFFICER
Bob Edgar

Business Segment Performance

Australian Consumer Businesses

Australian Consumer Businesses includes Personal Banking Australia, Mortgages Australia and Consumer Finance. The consumer businesses were the key driver of profit growth for ANZ (excluding NBNZ impact), with profit up 23% on March 2003. Individual business performance was as follows:

Personal Banking Australia - up 13% over March 2003 (up 8% on September 2003) reflecting strong growth in consumer deposits, lending and sales commissions (driven by continued mortgage growth). This result was achieved despite significant investments in the branch network and technology.

Mortgages Australia - profit was flat over March 2003 (down 7% on September 2003), with strong FUM growth offset by margin contraction in the March half, principally caused by short term rates moving up in advance of the official cash rate. Expense growth reflected the high proportion of variable costs in the business given strong volume growth.

Consumer Finance - a strong result, up 39% over March 2003, after adjusting for the loyalty points under accrual in the first half 2003 (up 9% on September 2003). Increased points of representation, strong turnover throughout the Christmas period, and a well managed response to the RBA interchange reforms contributed to growth.

Institutional Financial Services

Profit down 1% over March 2003 (down 2% on September 2003) largely as a result of de-risking within the lending portfolio and the appreciation of the AUD. The rebalancing of the portfolio significantly reduced earnings in some segments of the business, particularly Corporate and Structured Financing.

Corporate

Strong lending growth over March 2003 in both Small to Medium Enterprises and Corporate Banking (24% and 16% respectively) was the key driver in 12% profit growth (up 5% on September 2003). Strong revenue growth was partly offset by footprint expansion in SME, resulting in a 7% increase in staff numbers, largely in the frontline.

New Zealand Business

NBNZ experienced strong growth in residential lending, which was offset by subdued rural lending, largely cyclical, and reduced Corporate and Institutional volumes. ANZ (NZ) result was adversely impacted by AUD appreciation and margin pressure in Mortgages, with profit down 10% over March 2003 (down 3% on September 2003).

Other

Esanda & UDC - a buoyant new car market, driving higher new business writings, was the key driver in profit growth of 11% over March 2003.

Asia Pacific - improved underlying performance was offset by a stronger AUD and lower bond sales in PT Panin Bank, resulting in profit being down 6% over March 2003.

Treasury - a benign interest rate environment adversely affected earnings that were down 8% compared with March 2003.

ING JV - improvements in equity markets have driven increased FUM and profit, up 52% over March 2003. Costs decreased 4% over March 2003 reflecting the delivery of synergy benefits and tight cost control.

Group Centre - recorded a loss of $103 million, down $65 million on March 2003 due to a reduction in interest earnings on surplus capital, the buy back of TrUEPrS and increased goodwill amortisation on the NBNZ acquisition.

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

	Half year Mar 04 $M	Half year Sep 03 $M	Half year Mar 03 $M	Movt Mar 04 v. Sep 03 %	Movt Mar 04 v. Mar 03 %
Net profit after income tax					
Consumer Businesses					
Personal Banking Australia	220	204	195	8%	13%
Mortgages Australia	111	119	111	-7%	0%
Consumer Finance	104	95	48	9%	large
	435	418	354	4%	23%
Institutional Financial Services	381	388	385	-2%	-1%
New Zealand Business	228	86	92	large	large
Corporate Australia	146	139	130	5%	12%
Esanda and UDC	69	67	62	3%	11%
Asia Pacific	64	65	68	-2%	-6%
ING Australia	47	43	39	9%	21%
Treasury	45	46	49	-2%	-8%
Group Centre	(103)	(45)	(38)	large	large
Net profit (excl significant transactions)	1,312	1,207	1,141	9%	15%
Significant transactions(1)	84			n/a	n/a
Net profit	1,396	1,207	1,141	16%	22%

(1) *ANZ has classified the $84 million net profit after tax and $35 million dividends arising from the TrUEPrS transaction during the March 2004 half year as significant transactions. ANZ excludes significant transactions to eliminate the distorting effect of one-off transactions on the results of its core business*

The Group from time to time modifies the organisation of its businesses to enhance the focus on delivery of specialised products or services to customers. Prior period numbers are adjusted for such organisational changes to allow comparability. During the half ended 31 March 2004 the significant changes were:

A new business unit New Zealand Business was created which consists of New Zealand Banking, the National Bank of New Zealand, and Integration costs. New Zealand Banking now includes New Zealand Mortgages.

The Mortgages unit has been renamed Mortgages Australia and excludes the New Zealand Mortgages business.

Within Institutional Financial Services the operations of Structured Finance International and Corporate Finance and Advisory have been brought together and are being managed as one global business, called Corporate and Structured Financing.

ANZ has moved the goodwill amortisation on investments to the Group Centre. This is an extension of equity standardisation and facilitates better comparisons across different business units.

In addition, there have been a number of function transfers including some minor segmentation between Institutional Banking, Corporate, and Asia Pacific together with a number of relatively minor methodology changes to revenue and cost allocations.

Profit & Loss (prior period figures retranslated at current exchange rates(1))

	Half year Mar 04 $M	Half year Sep 03 $M	Half year Mar 03 $M	Movt Mar 04 v. Sep 03 %	Movt Mar 04 v. Mar 03 %
Net profit after income tax					
Consumer Businesses					
Personal Banking Australia	220	204	195	8%	13%
Mortgages Australia	111	119	111	-7%	0%
Consumer Finance	104	95	48	9%	large
	435	418	354	4%	23%
Institutional Financial Services	381	386	370	-1%	3%
New Zealand Business	228	85	89	large	large
Corporate Australia	146	139	130	5%	12%
Esanda and UDC	69	67	61	3%	13%
Asia Pacific	64	62	64	3%	0%
ING Australia	47	43	39	9%	21%
Treasury	45	44	45	2%	0%
Group Centre	(103)	(50)	(51)	large	large
Net profit (excl significant transactions)	1,312	1,194	1,101	10%	19%
Significant transactions(2)	84			n/a	n/a
Net profit	1,396	1,194	1,101	17%	27%
FX impact on reported Net Profit		13	40	-100%	-100%
Reported net profit	1,396	1,207	1,141	16%	22%

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

(2) *ANZ has classified the $84 million net profit after tax and $35 million dividends arising from the TrUEPrS transaction during the March 2004 half year as significant transactions. ANZ excludes significant transactions to eliminate the distorting effect of one-off transactions on the results of its core business*

The Group benefited from USD and NZD revenue hedges during this half. Earnings before tax on revenue hedges were $29 million (Sep 2003: $20 million; Mar 2003 $1 million). Excluding the impact of these revenue hedges, the Group s profit was reduced by $13 million after tax from the September 2003 half and $40 million from the March 2003 half because of foreign exchange movements.

External Environment

Australian Conditions

The Australian economy continued to grow strongly during the half, although higher interest rates in late 2003 have dampened activity in the housing market. The sharp appreciation in the AUD over the half has affected exporters income and competitiveness, but has also provided a boost to consumer spending through lower prices. Economic activity in Australia is expected to strengthen from 2.75% in 2003 to 4% in 2004, with an improvement in exports due to a stronger world economy expected to be the primary driver of growth.

Institutional environment

Business investment has been very strong due to robust domestic demand, lower imported capital goods prices as a result of the stronger AUD and a number of major resource investment projects.

After growing by 16% in 2003, business investment is expected to rise by 10% in 2004, before slowing to 4% in 2005 as major projects are completed. While corporate profitability growth has been strong, some moderation is in prospect.

Corporate and SME Banking environment

The strong domestic economy has buoyed the corporate and SME sector. Housing demand has been strong as has consumer spending, supported by low unemployment and rising house prices.

High levels of business confidence, solid operating conditions and relatively high capacity utilisation should continue to underpin corporate and SME borrowing in the near term.

The corporate and SME sector remains fundamentally healthy with balance sheets in generally good shape. While higher interest rates are unlikely to deter businesses from borrowing, some sectors may be affected by a slowing in consumer spending and housing construction over the course of the year.

Mortgages

Mortgage credit continues to grow strongly, with volumes rising 23% over the year to December 2003. The value of housing finance approvals has fallen 16% from peak levels in October 2003 but is still up 10% over the year to January 2004.

Recent interest rate rises already appear to be affecting the appetite for residential property and associated debt accumulation. Mortgage approvals are expected to decline over much of 2004 but given still high levels of activity, volume growth is expected to ease to around 17% by September 2004.

Providing conditions remain supportive, there could be greater growth in consumer-driven rather than investment driven loan growth.

Consumer Finance

Low unemployment and rising household wealth has supported consumer spending, which rose at its fastest pace in four years through to the December quarter 2003. More recently consumer confidence has slipped, following the interest rate rises in late 2003.

A modest slowing in employment is expected from mid-2004 and with the likelihood of more moderate house price gains, these factors should dampen consumer spending.

With interest rates likely to be at or near a peak, personal non-housing lending is unlikely to slow sharply. We expect credit growth to remain at around 13% by year end.

Leasing

Motor vehicle sales hit record levels in calendar 2003, with the market strong across the board. Sales have continued to rise in early 2004 but a modest easing is forecast over 2004.

Lease approvals strengthened in late 2003, particularly for construction and earth-moving equipment. Shop equipment approvals rose due to buoyant retail trade. Business expansion plans should boost equipment finance in the near term but slower domestic growth will dampen demand from late 2004.

Personal/Wealth Management

Funds under management is showing signs of expanding. A solid lift in earnings has coincided with improving net flows - a trend which is expected to gather pace over coming quarters as household asset portfolios are re-weighted towards the sector. Sustaining net flows at this higher level will however, depend in large part on expectations of solid growth in equity markets which in turn needs a healthy and stable global economic environment.

Reduced expectations for residential housing prices growth and already very low rental market yields should drive sobering sentiment towards residential property, re-generating interest in the funds management sector. Some cashing in of recent property market gains is also likely to find its way back to managed funds products.

New Zealand

While overall growth in the New Zealand economy showed early signs of slowing during the half, the domestic sector (and the housing market in particular) continued to deliver reasonable growth. However, the influence of weaker export incomes due to rises in the New Zealand dollar exchange rate against its major partners, and slowing population growth (due to slowing net immigration) are expected to have a mildly adverse impact on growth in the second half of 2004. GDP growth is expected to slow from 3½% in 2003 to 2¾% in 2004.

Mortgages

Housing market activity was strong in early 2004. While house sales have slowed in recent months they remain well above historical averages.

Slowing population growth will see some easing in housing demand, at a time when the supply of new dwellings is increasing significantly. Converging demand and supply will result in a slowing of housing market activity over 2004 and 2005.

Market growth in mortgage lending accelerated over the half year, with annual growth of 17.1% in the 12 months to January 2004 (compared with 8.7% in the January 2003 year).

Corporate environment

The full effect of the strengthening New Zealand dollar on exporters is yet to be manifested with exporters having generally covered their short-term forward currency positions in the half.

Consumer confidence remains generally optimistic across most regions and customer segments, while competitive pressures are placing net interest margins under pressure.

Residential /Commercial construction is still buoyant with strong demand and levels of work in progress. Domestic and international travel is showing strong positive growth.

Sustained high capacity utilisation has prompted a positive response to investment intentions, which has been assisted by a strong New Zealand dollar reducing the cost of imported investment goods.

Asia Pacific

Economic growth should strengthen in South East Asia over 2004. GDP in Japan is expected to be close to 3.5%, which would represent the strongest annual increase since 1996. Faster growth is also expected in most other East Asian countries in 2004. China is likely to be an exception with growth forecast to slow, from the high levels it has experienced over the last five years to around 6%, in response to policy measures aimed at curbing economic over-heating.

PERSONAL BANKING AUSTRALIA
Elmer Funke Kupper

Personal Distribution
Banking Products

	Half year Mar 04 $M	Half year Sep 03 $M	Half year Mar 03 $M	Movt Mar 04 v. Sep 03 %	Movt Mar 04 v. Mar 03 %
Net interest income	461	430	421	7%	10%
Other external operating income	194	192	187	1%	4%
Net inter business unit fees	189	181	166	4%	14%
Operating income	844	803	774	5%	9%
External operating expenses	(440)	(415)	(400)	6%	10%
Net inter business unit expenses	(79)	(86)	(84)	-8%	-6%
Operating expenses	(519)	(501)	(484)	4%	7%
Profit before debt provision	325	302	290	8%	12%
Provision for doubtful debts	(12)	(14)	(13)	-14%	-8%
Profit before income tax	313	288	277	9%	13%
Income tax expense and outside equity interests	(93)	(84)	(82)	11%	13%
Net profit attributable to members of the Company	220	204	195	8%	13%
Net loans & advances including acceptances	6,362	5,902	5,197	8%	22%
Other external assets	1,033	794	1,034	30%	0%
External assets	7,395	6,696	6,231	10%	19%
Deposits and other borrowings	33,453	31,824	30,425	5%	10%
Other external liabilities	1,481	1,254	1,105	18%	34%
External liabilities	34,934	33,078	31,530	6%	11%
Net interest average margin	2.82%	2.78%	2.84%	1%	-1%
Return on assets	1.28%	1.26%	1.26%	2%	2%
Return on risk weighted assets	3.85%	3.86%	3.94%	0%	-2%
Operating expenses to operating income	61.5%	62.4%	62.5%	-1%	-2%
Operating expenses to average assets	3.02%	3.08%	3.11%	-2%	-3%
Net specific provisions	(6)	(10)	(9)	-40%	-33%
Net specific provision as a% of average net advances	0.20%	0.37%	0.36%	-46%	-44%
Net non-accrual loans	9	10	7	-10%	29%
Net non-accrual loans as a% of net advances	0.14%	0.17%	0.13%	-18%	8%
Total employees	6,597	6,597	6,517	0%	1%

PERSONAL BANKING AUSTRALIA

Elmer Funke Kupper

Comparison with September 2003 half

Profit after tax increased by 8% with profit growth in Banking Products and Personal Distribution of 11% and 6% respectively. Within Personal Distribution, all business units delivered profit increases. Significant factors affecting the result were:

Net interest income increased 7% with volume growth in Rural Banking (lending and deposits grew 8%), and in Banking Products with growth in consumer deposits (5%) and margin lending (18%). Net interest margin increased by 4 basis points with increases in the cash rate increasing deposit margins, but was partly offset by higher growth in lower margin cash management and term deposits.

Other external operating income increased 1% with fees from core transaction products in Banking Products up 6%, and sales and retention payments from INGA up 2.3%, reflecting the improvement in the equity markets. Fees from Rural Banking were flat reflecting a seasonally lower March half with farmers tending to repay debt rather than hold cash balances or invest in their businesses.

Sales and retention commissions received from the sale of ANZ products through the branch network increased 4% reflecting strong demand for mortgages and the effects of our investment in training sales staff.

Operating costs increased 4% due largely to costs associated with the rollout of the new telling platform and increased depreciation associated with investments in technology and the branch network.

Provision for doubtful debts, non-accrual loans and net specific provisions remained low reflecting sound credit quality, and the deposit driven nature of the business.

Comparison with March 2003 half

Profit after tax increased 13%, with growth in Banking Products and Personal Distribution of 20% and 8% respectively. Revenues grew by 9% with net interest income benefiting from consumer deposit growth of 10% and lending growth of 22% largely in Rural Banking (18%) and margin lending (80%). This was in part offset by a 2 basis point decline in margins.

Sales and retention commissions received from the sale of mortgages and consumer products through the branch network increased by 14% reflecting strong growth in mortgages and other sales activity.

Operating costs were 7% higher with additional staff training, the cost of rolling out the telling platform and an increase in depreciation of the investment in technology and refurbished branches.

Provision for doubtful debts reduced slightly.

PERSONAL BANKING AUSTRALIA

Elmer Funke Kupper

Our business

Our business generates revenue through four major activities:

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

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

Providing financial advice to individuals and distributing investment products.

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

Key Performance Indicators	**Half year Mar 04**	**Half year Sep 03**	**Half year Mar 03**
Deposit balances ($billion)	33.5	31.8	30.4
Lending balances ($billion)	6.4	5.9	5.2
Deposit interest margin (%)	2.33	2.27	2.34
Mortgage sales ($billion)	6.54	6.42	5.06
Managed investment flows ($million)	1,138	1,043	970
Sales commissions ($million)	80.9	78.9	69.9
Customers (million)	3.23	3.20	3.17

Executing our strategy

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

Focus	Strategy	Progress
Our People		
Give customers someone local to turn to; contribute to the communities we live in	Re-focus on our local teams and the communities they serve Invest in recruiting, training and coaching	Local management teams implemented Continued positive recognition in local media for community support Trained over 5,000 branch staff in sales skills including FSRA compliance
Our Customers		
Provide products with excellent features which are simple to understand and meet their needs every time	Leading entry products for all channels Needs based discovery and sales process Needs based packaging and cross sell Specialist advice	Industry transaction account award for last three years Growth in accounts 4.3% since September 2003 and 8.9% since March 2003 Growth in cash management FUM of 10% since September 2003 and 24% since March 2003 Market share of deposits increased
Our service		
Accessible; deliver on the basics	Provide a welcoming retailing environment Reliable service every day Simple straight through processes	Reduced peak queue times and queue complaints Over 30% of branch network refreshed or refurbished since 2002 Successfully implemented new Telling platform throughout the branch network Improved customer satisfaction with branches at 8.2 out of 10 compared with 7.7 in last half

PERSONAL BANKING AUSTRALIA

PERSONAL DISTRIBUTION - Satyendra Chelvendra (Personal Banking); Mike Guerin (Rural Banking)
Michael Saadie (Private Banking); Dean Nalder (Financial Planning)

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

	Half year Mar 04 $M	Half year Sep 03 $M	Half year Mar 03 $M	Movt Mar 04 v. Sep 03 %	Movt Mar 04 v. Mar 03 %
Net profit after tax	130	123	120	6%	8%
Revenue	610	585	566	4%	8%
Operating expenses	(417)	(403)	(390)	3%	7%
Provision for doubtful debts	(8)	(9)	(8)	-11%	0%
Net specific provisions	(3)	(7)	(5)	-57%	-40%
Net non-accrual loans	9	10	7	-10%	29%

The March 2004 half showed continued strong sales performance in Personal Banking on the back of strong demand for mortgages and higher sales productivity. The rural sector was relatively quiet in a seasonally slower first half with a trend for customers to repay debt rather than invest in their businesses. An increase in gross flows in equity markets saw increased distribution of investment management products.

The March 2004 half saw continued investment in improving the sales and service performance of the business. In addition to continued investment in the skills of our sales force, we increased our investment in service with the implementation of our new telling platform and our branch refurbishment program. During the half we opened four new branches.

BANKING PRODUCTS - Craig Coleman

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

	Half year	Half year	Half year	Movt Mar 04	Movt Mar 04

	Mar 04	Sep 03	Mar 03	v. Sep 03	v. Mar 03
	$M	$M	$M	%	%
Net profit after tax	90	81	75	11%	20%
Revenue	234	218	208	7%	13%
Operating expenses	(102)	(98)	(94)	4%	9%
Provision for doubtful debts	(4)	(5)	(5)	-20%	-20%
Net specific provisions	(3)	(3)	(4)	0%	-25%
Net non-accrual loans				n/a	n/a

Demand for deposits remained strong in the March 2004 half with deposit balances growing by 6% over the half, slightly increasing our market share of deposits. Margin lending continued to grow strongly, with loan balances increasing by 18% over the half. Transaction volumes via direct channels increased 3% reflecting our ATM fleet expansion and continued growth in internet banking.

MORTGAGES AUSTRALIA

Chris Cooper

Provision of mortgage finance secured by residential real estate in Australia

	Half year Mar 04 $M	Half year Sep 03 $M	Half year Mar 03 $M	Movt Mar 04 v. Sep 03 %	Movt Mar 04 v. Mar 03 %
Net interest income	337	344	311	-2%	8%
Other external operating income	52	42	41	24%	27%
Net inter business unit fees	(118)	(113)	(101)	4%	17%
Operating income	271	273	251	-1%	8%
External operating expenses	(75)	(70)	(62)	7%	21%
Net inter business unit expenses	(21)	(19)	(19)	11%	11%
Operating expenses	(96)	(89)	(81)	8%	19%
Profit before debt provision	175	184	170	-5%	3%
Provision for doubtful debts	(16)	(14)	(13)	14%	23%
Profit before income tax	159	170	157	-6%	1%
Income tax expense and outside equity interests	(48)	(51)	(46)	-6%	4%
Net profit attributable to members of the Company	111	119	111	-7%	0%
Operating expenses to operating income	35.4%	32.6%	32.3%	9%	10%
Net specific provisions	(2)	(3)	(6)	-33%	-67%
Net non-accrual loans	7	14	23	-50%	-70%
Total employees	1,289	1,269	1,154	2%	12%

Comparison with September 2003 half

Profit after tax reduced 7%. Significant influences on the result were:

Net interest income reduced 2%. A 10% increase in mortgage volumes during the half resulting from record sales volumes being written through all key channels was offset by a 12 basis point reduction in margin due to higher funding costs following two increases in the cash rate and market rates rising in anticipation of further official rate rises which did not eventuate.

Other operating income increased by 24% with higher levels of customer activity and strong performance from the Mortgage Insurance business.

Sales and retention commissions paid to Personal Banking Distribution increased 4% with increased sales through the branch network.

Expenses increased 8% due to the impact of annual wage increases, increased staffing to maintain service levels with continued high new business volumes and increased amortisation of capitalised software.

Provisioning remains low reflecting the quality of the portfolio.

Comparison with March 2003 half

Profit after tax was flat. Net interest increased 8% with a 22% growth in the loan portfolio partly offset by reduced margins resulting from higher wholesale funding rate. Other external income grew 27% driven primarily by increased volumes. These increases were partly offset by increased search and valuation costs. Expenses increased by 19%, largely as a result of volume related staff increases and software amortisation. Provision for doubtful debts increased 23%, driven by increased lending volumes.

MORTGAGES AUSTRALIA

Chris Cooper

Our business

ANZ Mortgages has 11.1%1 of the home finance market in Australia. Mortgages are sourced through the business own specialist salesforce, the Bank s branch network and mortgage brokers, with the business continuing to maintain a dominant market share of broker loans in Australia. The business also provides wholesale mortgage funding to other non-bank mortgage lenders. Business critical success factors are:

Meeting customer needs through the delivery of market leading products (measured by product awards received)

Maintaining industry leadership in the delivery of quality service to our customers (measured by independent surveys)

Significantly enhancing distribution capability and capacity (measured by sales by distribution channel)

Delivering significant business improvements to enhance the customer experience and deliver material cost savings

(measured by customer surveys and average acquisition/servicing costs).

Managing risk (measured by arrears levels)

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(1) Cannex independently analyse over 2,000 mortgage products from 150 Australian institutions. Cost, features, flexibility and conditions of mortgage product are compared.

Key Performance Indicators	Half year Mar 04	Half year Sep 03	Half year Mar 03
Interest margin (%)	0.95	1.07	1.08
Loan balance growth (%)	10.1	11.2	9.5
Proportion of Cannex 5 Star awards received (%)	53	40	45
Customer satisfaction ratings	8.2	7.8	7.8
Proportion of Australian sales through brokers (%)	42	40	35
Proportion of broker applications submitted electronically (%)	23	n/a	n/a

(1) *Source: Reserve Bank of Australia February 2004*

Executing our strategy

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

Focus	Strategy	Progress
Business improvement	Delivering end-to-end improvements in mortgage processing	Improved processing times and reduced associated costs through a number of initiatives including enhancing automation of approval process
Distribution strategy	Expansion of our mortgage specialist sales force Establishment of ANZ Mortgage Solutions - franchised mobile salesforce	Mortgage specialist sales force operational from October 2003 Substantial progress made on building supporting technology, documentation and operational process for ANZ Mortgage Solutions. First franchisees planned second half of 2004
Loan approvals	Automated application and approval systems for brokers and mortgage specialists	National roll-out of eMOS system commenced in mid October - 23% of applications currently being submitted electronically resulting in faster customer response times
Marketing	Superior products Move into new market opportunities	Continue to dominate Cannex awards Key product initiatives currently being piloted
Risk management	Portfolio and collection management	Collections strategy continuing to be enhanced with focus

	on high risk customers Delinquencies maintained at historically low levels

CONSUMER FINANCE
Brian Hartzer

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

	Half year Mar 04 $M	Half year Sep 03 $M	Half year Mar 03 $M	Movt Mar 04 v. Sep 03 %	Movt Mar 04 v. Mar 03 %
Net interest income	234	235	214	0%	9%
Other external operating income	219	205	152	7%	44%
Net inter business unit fees	(35)	(37)	(36)	-5%	-3%
Operating income	418	403	330	4%	27%
External operating expenses	(132)	(131)	(126)	1%	5%
Net inter business unit expenses	(56)	(56)	(57)	0%	-2%
Operating expenses	(188)	(187)	(183)	1%	3%
Profit before debt provision	230	216	147	6%	56%
Provision for doubtful debts	(79)	(77)	(75)	3%	5%
Profit before income tax	151	139	72	9%	large
Income tax expense and outside equity interests	(47)	(44)	(24)	7%	96%
Net profit attributable to members of the Company	104	95	48	9%	large
Operating expenses to operating income	45.0%	46.4%	55.5%	-3%	-19%
Net specific provisions	(78)	(72)	(65)	8%	20%
Net non-accrual loans	1	2	2	-50%	-50%
Total employees	1,088	1,234	1,074	-12%	1%

Comparison with September 2003 half

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

Net interest income was flat, with a 13 basis point reduction in net interest margin following increased wholesale rates being offset by a 1% increase in lending volumes.

Other external operating income increased 7% reflecting growth in merchant turnover (7%), particularly over the Christmas period. Whilst the Australian Issuing Business was impacted by reduced revenue due to the Reserve Bank of Australia s (RBA) interchange reforms, a proportion of this was recovered through savings in loyalty point costs. In addition, we conducted a full repricing of our merchant base to reflect the new schedule of interchange rates and market pricing in various segments. All of our other businesses contributed solid profit growth in the half.

Internal commissions paid to the Personal Banking business decreased 5%, largely as a result of reduced branch visits and increased use of electronic channels.

Operating expenses increased by 1%. Personnel costs increased as a result of annual salary increases and a temporary increase in staff in the customer services team (124 FTEs) during the first quarter to handle a higher level of calls associated with the RBA interchange reform project.

ELP increased 3% as a result of an anticipated slight deterioration in credit quality in the current environment.

Comparison with March 2003 half

Profit after tax increased $56 million. Of this, $27 million related to the after-tax effect of the under-accrual of loyalty points booked in the March 2003 half year. Adjusting for this write-back, which is not indicative of core business performance, net profit increased by 39%. Net interest income increased 9%, and other operating income increased by 15% reflecting a higher proportion of credit card balances paying interest and higher merchant activity respectively. Solid profit growth was recorded in all our other businesses. Operating expenses increased 3% in part due to increased FTEs and marketing spend relating to the RBA interchange reform project.

CONSUMER FINANCE

Brian Hartzer

Our business

Cards Issuing [Australia, New Zealand, Indonesia, and the Philippines]

We earn interest income on cardholder outstandings (excluding the interest free period), fee income on each account, and interchange revenue.

We offer credit cards under the Visa, MasterCard, Diners Club, and Bankcard brands. We are responsible for market-leading co-brand partnerships with Qantas, Telstra, and Diners Club.

Cards Acquiring [Australia and New Zealand]

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

We offer a full range of MultiPOS chip-capable terminals in stand-alone, integrated POS, and mobile versions.

Personal Loans [Australia and New Zealand]

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

Executing our strategy

The ANZ Consumer Finance vision is to be one of the best managed Consumer Finance businesses in the world.

Focus/Strategy	Progress
Know our customers and our business better than anyone else	The Australian credit card business was impacted by reduced revenue due to the Reserve Bank of Australia s credit card reforms. The reforms reduced interchange revenue by $34 million after tax in the half. This was partially offset by the restructure of loyalty programs to reduce loyalty costs and the establishment of a relationship with Diners Club Australia to provide an alternative product for high spending customers. The implementation of the changes was well managed. Despite initial concerns, minimal customer attrition was experienced as a result of the system of tiering reward points to protect rewards earned by the majority of customers, an alterative product offered to high spenders as a result of the Diners Club relationship, and the application of significant resources to customer retention. In Cards Acquiring, we conducted a full repricing of our merchant base to reflect the new interchange rates and market dynamics. At the same time, ANZ continues to grow the customer base in its acquiring business. This has been assisted by new products such as the MultiPOS terminal and strong cross-selling results to our existing Small Business customer base. As a result, new customers in the small business segment grew by 11% for the half year. At the same time, merchant turnover has continued to increase, up 7% in the period, particularly over the Christmas period. Our new 40% interest in Metrobank Card Corporation (Philippines) has contributed to profit as expected, and is progressing well
Have the best product for each profitable customer segment	Launched Low Rate MasterCard, ANZ Frequent Flyer Diners, and Telstra Diners Cards Re-launched the Qantas ANZ Visa card in New Zealand. The new program is simpler for cardholders, with points automatically credited to their Qantas Frequent Flyer account Completed the conversion of our Australian merchant terminals to MultiPOS, which leads the industry in functionality, and can support chip security features
Easy to do business with	

	Our Quality program is making a significant impact on customer service, with customer complaints reducing by 37% in the half 60 second approval on the Internet is now a cornerstone of customer acquisition; 90% of new applications are processed within 24 hours Our merchant customer base in Australia grew 6% in the half In New Zealand, monthly customer satisfaction surveys were introduced in August 2003. Our overall service is consistently rated as good or excellent by over 90% of merchant customers
Superior execution in everything we do	We are on track to becoming a best employer, with 83% of staff in Consumer Finance indicating they would recommend ANZ as a place to work (up 4%) Our investments in reengineering and new technology platforms have continued to deliver efficiency gains: average cost per account and per merchant are down 11% and 22% respectively We have continued to strengthen our financial control and compliance framework

INSTITUTIONAL FINANCIAL SERVICES

Bob Edgar

Institutional Banking

Transaction Services

Foreign Exchange

Capital Markets

Corporate & Structured Financing

	Half year Mar 04 $M	Half year Sep 03 $M	Half year Mar 03 $M	Movt Mar 04 v. Sep 03 %	Movt Mar 04 v. Mar 03 %
Net interest income	327	330	374	-1%	-13%
Other external operating income	614	619	580	-1%	6%
Net inter business unit fees	(10)	(12)	(14)	-17%	-29%
Operating income	931	937	940	-1%	-1%
External operating expenses	(277)	(268)	(280)	3%	-1%
Net inter business unit expenses	(62)	(60)	(63)	3%	-2%
Operating expenses	(339)	(328)	(343)	3%	-1%
Profit before debt provision	592	609	597	-3%	-1%
Provision for doubtful debts	(86)	(84)	(80)	2%	8%
Profit before income tax	506	525	517	-4%	-2%
Income tax expense and outside equity interests	(125)	(137)	(132)	-9%	-5%
Net profit attributable to members of the Company	381	388	385	-2%	-1%
Net loans & advances including acceptances	38,986	40,510	42,292	-4%	-8%
Other external assets	15,821	16,058	17,158	-1%	-8%
External assets	54,807	56,568	59,450	-3%	-8%
Deposits and other borrowings	28,350	26,965	29,045	5%	-2%
Other external liabilities	20,167	20,810	20,992	-3%	-4%
External liabilities	48,517	47,775	50,037	2%	-3%
Net interest average margin	1.65%	1.63%	1.76%	1%	-7%
Return on assets	1.35%	1.33%	1.27%	2%	6%
Return on risk weighted assets	1.17%	1.19%	1.16%	-2%	1%
Operating expenses to operating income	36.4%	35.0%	36.5%	4%	0%
Operating expenses to average assets	1.20%	1.12%	1.13%	7%	6%
Net specific provisions	(62)	(94)	(123)	-34%	-50%

Net specific provision as a% of average net advances	0.31%	0.46%	0.57%	-33%	-46%
Net non-accrual loans	360	352	406	2%	-11%
Net non-accrual loans as a% of net advances	0.92%	0.87%	0.96%	6%	-4%
Total employees	2,843	2,768	2,697	3%	5%

INSTITUTIONAL FINANCIAL SERVICES

Bob Edgar

Comparison with September 2003 half

Profit after tax reduced by 2%. After adjusting for the effect of the appreciating AUD on translation of offshore earnings, profit reduced by 1%.

This result was also affected by the major progress made in rebalancing the portfolio to lower risk sectors. The decision to exit higher risk non-strategic offshore assets and non-core complex structured transactions has significantly reduced earnings in some segments of the business. Adjusting for the revenue loss resulting from this risk reduction strategy, and the effect of currency appreciation in the half, those areas of the business where we are focusing our growth efforts achieved profit growth of approximately 5%.

Profit increased in Trade & Transaction Services (9%) and Capital Markets (5%). This was offset by lower profits in Institutional Banking (-3%) and Corporate & Structured Financing (-10%) with earnings in both businesses being affected by a significant reduction in the offshore lending portfolio as a consequence of the strategy to lower risk, and a $19 million profit after tax on the final sale of development properties in the September 2003 half in Institutional Banking. Foreign Exchange (-10%) profit was lower due to subdued customer activity and lower margins as customers reduced derivative hedging activity.

Significant influences on the result (excluding the impact of exchange rates were):

Net interest income increased 1%. An 11% increase in Trade & Transaction Services, driven by increased custody and cash management deposit volumes, a 2% increase in Institutional Banking, resulting from increased interest recoveries offsetting the impact of asset reductions offshore; partly offset by a 3% reduction in Corporate & Structured Financing, where offshore lending assets have been substantially reduced as part of the strategy to lower risk. Overall lending volumes were 2% lower, deposit volumes increased 7% and margins were flat.

Other operating income increased 1%. Excluding a $19 million profit after tax on the final sale of development properties in the September 2003 half, other operating income increased by 5%. Non-interest income increased 7% in Corporate & Structured Financing reflecting strong progress in reducing balance sheet risk and shifting the revenue mix away from net interest income. Fee revenue in Trade & Transaction Services increased 5% despite being suppressed by the impact of the weaker USD on trade flows, reflecting improved trade volumes and improved revenue from international payments. Capital Markets increased 11% and Foreign Exchange reduced 2%, though the split of net interest income and other operating income can vary considerably in markets trading depending on economic conditions.

While operating expenses were 5% higher, continuing cost discipline was evident across the business. The increase is largely due to increased pension funding costs in the United Kingdom ($2 million), further investment in Foreign Exchange capability in London and Asia, and an increase in Capital Markets presence in Asia.

Provision for doubtful debts (economic loss provision) increased 6% due to growth in lending assets in Australia, and exchange rate movements increasing the credit risk on derivative positions. Net specific provisions were 34% lower, with new specific provisions of $62 million relating largely to further provisioning against the offshore power and telecommunications sectors and a final provision on a large Australian corporate that defaulted in 2002. While net non-accrual loans increased marginally due to offshore power and telecommunications exposures, substantial progress has been made in lowering risk in the offshore portfolio. Offshore net lending assets are now only 3% of the Group s balance sheet.

Income tax expense reduced 9% reflecting lower profit and a $7 million release of over provision of prior year tax expense in the US.

Comparison with March 2003 half

Profit after tax reduced by 1%. After adjusting for the impact of the appreciating AUD on translation of offshore earnings, profit increased by 3%.

Profit increased in Institutional Banking (5%), Trade & Transaction Services (4%) and Capital Markets (14%). This was offset by lower profits in Corporate & Structured Financing (-16%) and Foreign Exchange (-16%).

Significant influences on the result (excluding the impact of exchange rates were):

Operating income increased 4%. Income in Institutional Banking increased 3% driven by increased lending volumes in Australia and New Zealand. Trade & Transaction Services revenue increased 10% despite the appreciation of the AUD and NZD against the USD, impacting trade revenue flows. Corporate & Structured Financing revenue increased 1%. Revenue in Capital Markets increased 12% while Foreign Exchange revenues reduced 5% with reduced customer activity in a very competitive market.

Operating expenses increased 5%. The increase is a result of consolidation of the TradeCentrix processing hub, higher software amortisation charges and increased pension funding costs in the United Kingdom ($2 million). Expenses in other segments of the business were well contained.

Provision for doubtful debts (economic loss provision) increased 14% due to growth in lending assets in Australia and exchange rate movements increasing the credit risk on derivative positions. Net specific provisions are 33% lower and net non-accrual loans decreased by 2%, reflecting good progress in rebalancing the portfolio towards lower risk sectors.

INSTITUTIONAL FINANCIAL SERVICES

Bob Edgar

Our business

Institutional Financial Services (IFS) provides a complete range of financial solutions for our large corporate clients, bringing together the Institutional Banking customer segment and the specialist product segments of Trade & Transaction Services, Foreign Exchange & Commodities, Capital Markets and Corporate & Structured Financing.

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

Asset quality, including the level of impaired assets, is a key factor in IFS performance.

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

IFS has a leading market position in Australia and New Zealand and is well positioned in offshore market niches to deliver profitable growth. Institutional Banking has maintained its leadership position in the Australian and New Zealand markets through industry specialisation, which has now been rolled out globally, and continues to lead the market in overall quality of Relationship Management.

Each of the product segments hold strong market positions. Selected achievements during the half include:

Product Segment	**Achievement**
Foreign Exchange	Best FX Bank in Australia & New Zealand - Global Finance Best FX house in Australia - Euromoney
Capital Markets	Holds top 3 market position for all products in its portfolio in Australasia Best Bond Deal of the Year - AsiaMoney Best Securitisation Deal of the Year - AsiaMoney Best Syndicated Loan House of the Year - AsiaMoney
Corporate & Structured Financing	*A market leader in project and structured finance* Best Bank in Project Finance in Australasia - Global Finance Oil & Gas Deal of the Year - PFI

	Best Asian Project Finance Deal - Euroweek
Trade & Transaction Services	*Domestic market leader in Trade and Clearing; and has a top 2 position in cash management*

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INSTITUTIONAL FINANCIAL SERVICES

Bob Edgar

Executing our strategy

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

Key priorities	Progress/Plan
Deepen our domestic leadership position	The industry specialisation model continues to be extended with additional resources committed for sub segment specialists in Institutional Banking Corporate & Structured Financing has reorganised to increase its focus on industry specialisation in project and structured finance Product penetration has increased across every major product group The Corporate Portal now provides customers with a single view of IFS products
Develop new revenue streams for sustainable growth	The penetration of sophisticated trading products into the Corporate and Small to Medium Enterprise segments is progressing very successfully anz.com FX Online has been extended to offshore points Good progress continues to be made in acquiring and/or launching specialist wholesale funds for infrastructure finance Focus continues to be given to expansion of the commodities business
Maintain a viable offshore franchise by leveraging the strengths of our domestic business	Corporate relationship lending has been disaggregated from Structured Finance International and is now managed on global industry lines A stronger foreign exchange and interest rate business presence has been established in Asia Commodity & Trade Finance capability has been strengthened with further investment in resources in Asia

	Standardisation of the Asian operating platforms is progressing well
Maintain excellence in Risk Management	Major progress has been made in exiting non-core lending, with total offshore net lending assets reduced to 3% of the Group s balance sheet Lower single customer limits offshore have substantially reduced the size of individual offshore customer exposures A selective asset writing strategy in Asia has successfully focused on lending to corporates with a connection to Australasia Large name single exposure risk has continued to improve with the Top 10 exposures as a percentage of ACE now at 72%, down from 103% at September 2002 A new systems platform for the Capital Markets business has been implemented, providing improved functionality and risk management capability

Grade	**Sep 02**	**Mar 03**	**Sep 03**	**Mar 04**
B+to CCC	2.7%	3.2%	3.5%	1.9%
Below CCC	1.8%	1.7%	1.6%	1.4%

INSTITUTIONAL BANKING - Murray Horn

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

	Half year Mar 04 $M	Half year Sep 03 $M	Half year Mar 03 $M	Movt Mar 04 v. Sep 03 %	Movt Mar 04 v. Mar 03 %
Net profit after tax	152	157	145	-3%	5%
Revenue	348	368	350	-5%	-1%
Operating expenses	(82)	(85)	(87)	-4%	-6%
Provision for doubtful debts	(58)	(60)	(55)	-3%	5%
Net specific provisions	(45)	(38)	(42)	18%	7%
Net non-accrual loans	126	137	199	-8%	-37%

ANZ has maintained its leading market position in Australia and, with the acquisition of NBNZ, also has the leading market position in New Zealand. The half has seen substantial progress in the strategy to reduce high risk exposures, particularly in the UK and US markets. Overall credit quality has continued to improve, reflected in the improvement in economic loss provisions, and the positive trend in net non-accrual loans. Net specific provisions included a final provision relating to a large Australian corporate that defaulted in 2002. The September 2003 results benefited from a $19 million profit after tax on the final sale of development properties. After adjusting for this item, growth in the underlying business was approximately 10%.

TRANSACTION SERVICES - Mark Paton

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

	Half year Mar 04 $M	Half year Sep 03 $M	Half year Mar 03 $M	Movt Mar 04 v. Sep 03 %	Movt Mar 04 v. Mar 03 %
Net profit after tax	87	80	84	9%	4%
Revenue	225	212	211	6%	7%
Operating expenses	(97)	(96)	(92)	1%	5%
Provision for doubtful debts	(4)	(3)	(4)	33%	0%
Net specific provisions		(6)	3	-100%	-100%
Net non-accrual loans	1	4	4	-75%	-75%

The profit result reflects solid performance across all segments of the business. Cash Management has continued to experience strong deposit growth, while Custodian Services increased assets under custody and transaction volumes with the acquisition of new customers over the half.

International Payments benefited from increased activity with improved channel management. Trade Finance revenues have experienced strong growth despite the impact of the AUD and NZD appreciation against the USD denominated trade flows. Expenses were well contained while increasing investment in upgrading our customer servicing platforms.

FOREIGN EXCHANGE - Rick Sawers

Provision of products and services that assist ANZ customers globally to manage Foreign Exchange risk and Commodity risk

	Half year Mar 04	Half year Sep 03	Half year Mar 03	Movt Mar 04 v. Sep 03	Movt Mar 04 v. Mar 03
	$M	$M	$M	%	%
Net profit after tax	37	41	44	-10%	-16%
Revenue	115	118	127	-3%	-9%
Operating expenses	(60)	(57)	(63)	5%	-5%
Provision for doubtful debts	(1)		(1)	n/a	0%
Net specific provisions	(10)	(9)	(24)	11%	-58%
Net non-accrual loans	36	45	53	-20%	-32%

Revenue was slightly lower than last half, as a result of the rapid weakening of the US dollar against all currencies during the period. This sustained movement presented customers with a strong one-way directional trend, and the consequent lack of volatility subdued customer activity in the half. Margins were also negatively affected as customers reduced derivative product hedging activity because of uncertainty around the effectiveness of derivative hedging under revised International Accounting Standards. During the half, our capabilities in London were strengthened in recognition of the increasing dominance of the London FX market and its importance to our risk management needs. We also added capabilities in the Asia region in recognition of customer growth and the future potential of these regions. Net specific provisions and non-accrual loans relate to one large Australian Corporate that defaulted in 2002.

CAPITAL MARKETS - David Hornery

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

	Half year Mar 04	Half year Sep 03	Half year Mar 03	Movt Mar 04 v. Sep 03	Movt Mar 04 v. Mar 03
	$M	$M	$M	%	%
Net profit after tax	41	39	36	5%	14%
Revenue	107	100	98	7%	9%
Operating expenses	(44)	(42)	(44)	5%	0%
Provision for doubtful debts	(3)	(2)		50%	n/a
Net specific provisions	(6)	(5)		20%	n/a
Net non-accrual loans	30	12	19	large	58%

The markets in the March 2004 half have been characterised by continuing low credit spreads and interest rates, with customer expectations that these historically low levels would continue in the medium term. The business saw moderate but improving levels of customer derivative activity, with outstanding customer satisfaction polling in the Interest Rate Derivative businesses. Reduced activity in structured finance as a result of the strategy to lower risk in the business has had a flow on impact into Capital Markets with fewer structured derivative transactions. Underwriting, Syndication and Securitisation activity has been strong over the half, with 5 major industry awards ranging from Most Innovative Deal of the Year to Syndication House of the Year. Non-accrual loans and net specific provisions relate to one US power exposure.

CORPORATE AND STRUCTURED FINANCING - Gordon Branston, Peter Hodgson

Provision of complex financing and advisory services, structured financial products, leasing, private equity and development capital, project, export and leveraged finance and infrastructure investment

	Half year Mar 04	Half year Sep 03	Half year Mar 03	Movt Mar 04 v. Sep 03	Movt Mar 04 v. Mar 03
	$M	$M	$M	%	%
Net profit after tax	64	71	76	-10%	-16%
Revenue	136	138	153	-1%	-11%
Operating expenses	(56)	(48)	(57)	17%	-2%
Provision for doubtful debts	(20)	(19)	(20)	5%	0%
Net specific provisions	(1)	(36)	(60)	-97%	-98%
Net non-accrual loans	167	154	131	8%	27%

In the March 2004 half, the activities of Corporate Financing & Advisory and Structured Finance International were brought together to leverage synergies across the markets in which we operate. The March 2004 result reflects the impact of the stronger AUD on offshore earnings and the impact of revenue foregone as the portfolio is rebalanced towards lower risk sectors. In addition, contributions have commenced to the UK defined benefit scheme. Net lending assets for the business have been reduced by 12% ($1.2 billion) since September 2003 and 22% ($2.4 billion) since September 2002. Strong performances from Leasing & Structured Asset Finance and Corporate Finance have partly offset lower activity in Project Financing as a consequence of subdued market conditions and the asset writing strategy which is focused on lowering risk. The increase in net non-accrual loans relates to a small number of exposures to the power sector.

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NEW ZEALAND BUSINESS
Sir John Anderson

ANZ New Zealand Banking
National Bank of New Zealand
New Zealand integration costs

	Half year Mar 04 $M	Half year Sep 03 $M	Half year Mar 03 $M	Movt Mar 04 v. Sep 03 %	Movt Mar 04 v. Mar 03 %
Net interest income	514	211	219	large	large
Other external operating income	200	94	95	large	large
Net inter business unit fees	8	8	8	0%	0%
Operating income	722	313	322	large	large
External operating expenses	(299)	(121)	(120)	large	large
Net inter business unit expenses	(55)	(55)	(55)	0%	0%
Operating expenses	(354)	(176)	(175)	large	large
Profit before debt provision	368	137	147	large	large
Provision for doubtful debts	(36)	(9)	(9)	large	large
Profit before income tax	332	128	138	large	large
Income tax expense and outside equity interests	(104)	(42)	(46)	large	large
Net profit attributable to members of the Company	228	86	92	large	large
Net loans & advances including acceptances	46,486	13,429	13,456	large	large
Other external assets	6,892	381	501	large	large
External assets	53,378	13,810	13,957	large	large
Deposits and other borrowings	45,334	11,693	11,963	large	large
Other external liabilities	2,721	288	346	large	large
External liabilities	48,055	11,981	12,309	large	large
Net interest average margin	2.72%	3.11%	3.30%	-13%	-18%
Return on assets	1.15%	1.25%	1.38%	-8%	-17%
Return on risk weighted assets	1.63%	1.80%	2.13%	-9%	-23%
Operating expenses to operating income	49.0%	56.2%	54.3%	-13%	-10%
Operating expenses to average assets	1.78%	2.56%	2.60%	-30%	-31%
Net specific provisions	(4)	(3)		33%	n/a
Net specific provision as a% of average net advances	0.02%	0.04%	0.00%	-50%	n/a
Net non-accrual loans	26	8	13	large	100%
Net non-accrual loans as a% of net advances	0.06%	0.06%	0.10%	0%	-40%
Total employees	7,581	2,727	2,613	large	large

NEW ZEALAND BUSINESS

Sir John Anderson

Comparison with September 2003 half

Profit after tax increased $142 million, with the National Bank of New Zealand (NBNZ) contributing $150 million (excluding integration costs) since acquisition on 1 December 2003 (refer page 12 for a discussion of the performance of NBNZ compared to the proforma results published in the rights issue prospectus). Profit after tax in ANZ New Zealand Banking reduced $3 million, including a $1 million reduction resulting from the depreciation in the NZD over the half. Integration costs incurred in the half were $5 million after tax.

Key influences on the result include the following:

Net interest income increased $303 million. Excluding the contribution of NBNZ, net interest income was flat. Lending volumes increased 4% in ANZ New Zealand Banking, driven by growth in Mortgages (5%), Corporate (6%) and Business and Rural (4%). Lending in NBNZ since acquisition increased 2%, driven by an 11% increase in home loans, and 3% growth in rural which experiences seasonally lower growth in the March half year. These increases were partly offset by a 8% reduction in Corporate and Institutional.

ANZ New Zealand Banking deposit volumes increased 1%. Deposits in NBNZ have grown 2%.

Reduced asset margins, particularly in mortgages as a result of the rises in bond rates and bank bill rates, have offset the growth in lending and deposit volumes.

The NBNZ contribution to other operating income was $106 million in the 4 months to March 2004. Fees in ANZ New Zealand Banking were flat with increased fees in corporate banking being offset by the ongoing impact of simplified fee structures and generally lower fees in Personal.

Operating expenses increased $178 million, of which $168 million related to the inclusion of NBNZ. Integration costs of $7 million have been incurred with integration at the planning stage. Costs in ANZ New Zealand Banking increased 2%, reflecting annual salary increases, an increased number of frontline staff with two new branches being opened, an increase in mobile mortgage managers and an increased spend on brand and sales training.

Credit quality remains sound with the increase in provision for doubtful debts charge in ANZ New Zealand Banking substantially in line with lending growth. Net specific provisions continue to be well below our ELP charge. Economic loss provisioning methodologies are in the process of being implemented in NBNZ and a $27 million charge was recognised in the four months to March 2004.

NBNZ results have not been equity standardised, and ANZ Group full service transfer pricing methodologies have not yet been adopted in NBNZ.

Comparison with March 2003 half

Profit after tax increased $136 million largely as a result of the consolidation of NBNZ. The NBNZ result reflected steady growth, mainly from net interest income with solid lending volumes, particularly in home and rural, partly offset by lower margins. Profit after tax in ANZ New Zealand Banking reduced by 10%, or 7% in local currency terms. Excluding the exchange rate impact, revenue was flat largely reflecting the impact of reduced mortgage margins caused by rises in bond rates as well as short term rates; and narrowed deposit margins with the Official Cash Rate lower than in the March 2003 half. These margin impacts have more than offset the contribution from volume growth (8% lending growth in Corporate and 12% in Business & Rural lending, and 3% growth in Personal deposit volumes). Operating costs increased by 6% driven by growth in frontline staff.

Reconciliation to geographic result

	Half year Mar 04 $M	Half year Sep 03 $M	Half year Mar 03 $M	Movt Mar 04 v. Sep 03 %	Movt Mar 04 v. Mar 03 %
Net profit after tax					
New Zealand Business	228	86	93	large	large
Institutional Financial Services	59	59	59	0%	0%
UDC	18	18	18	0%	0%
Consumer Finance	20	19	15	5%	33%
Treasury	8	6	5	33%	60%
Group Centre/Other	(106)	(12)	(18)	large	large
New Zealand geographic	227	176	172	29%	32%

NEW ZEALAND BUSINESS

Sir John Anderson

Our business

New Zealand Business comprises the ANZ New Zealand Banking business unit, and the National Bank of New Zealand (NBNZ) acquired on 1 December 2003. For the first time this half-year, ANZ New Zealand s mortgage business is included within New Zealand Banking, and excluded from the Mortgages business. All other ANZ businesses operating in New Zealand through global lines are excluded from New Zealand Business . These businesses are: Consumer Finance, UDC, the IFS businesses and Treasury. However, all of NBNZ s businesses, including Institutional Financial Services and Treasury markets, are presently part of New Zealand Business.

The ANZ New Zealand Business provides full service banking operations in the Personal, Corporate, Business and Rural sectors in New Zealand. The wealth management sector is serviced by Private Banking and by ING New Zealand and by the NBNZ funds management, life insurance and fire and general insurance businesses.

Together, New Zealand Business provides banking and related products and services to close to two million New Zealanders, around half New Zealand s population.

(1). NBNZ figures are for 4 months; IFS results for NZ geography booked in IFS business

ANZ New Zealand Strategy

ANZ New Zealand Banking continued to roll out its human face strategy in Personal Banking. Further progress has been made in the following areas:

Focus	Strategy	Progress
Brand	Launch campaign to reinvigorate overall brand	New advertising launched in November 2003, which has resulted in favourable customer responses
Products (Personal)	Simplify products and improve their competitiveness	Realignment of fees for existing customers
Products (Corporate)	Deliver Wall Street to Main Street (Investment Banking solutions to the mid-market)	Continued progress on enhancing customer segmentation and providing investment banking solutions to those markets
Sales & Service (Personal)	Introduce team-based incentive program Establish new training programs on induction, needs-based sales and sales management Continue branch revitalising program Expand Mobile Mortgage Manager program Segment customer base	Incentive program rolled out to frontline staff Sales and leadership training delivered for frontline staff across Branch Network New branch openings in North Auckland and Christchurch Branch refurbishments underway Continued expansion of Mobile Mortgage sales force Segmentation of the retail client base and tailor of services accordingly
Sales & Service (Mortgages)	Utilise technology to enhance service proposition	Implemented automated credit approval process in Branch Network
Sales & Service (Business & Rural)	Expand frontline sales force Drive industry specialisation	Continued recruitment of new staff Launch of Business Brand campaign to take place in next half (aligned with overall brand)

		Continued focus on industry specialisation
Sales & Service (Corporate)	Deliver segmentation strategies	Overall portfolio growth

National Bank of New Zealand Strategy

The underlying NBNZ strategy has been to adopt a customer-centric business model and to drive organic growth in market share across all segments by leveraging a strong brand position, investing in front line sales capability and targeting error-free service.

Focus	Strategy	Progress
Exceptional brand	Build awareness of NBNZ brand Maintain high customer satisfaction	Brand awareness measure exceeds 2003 targets Customer satisfaction levels lead the market
Targeted Growth (Personal)	Focus on High-Value Customers Grow retail deposit funds Main Bank Share Focus on youth acquisition and retention	Main Bank share growth from 17.6% in 2002 to 18.5% in 2003 Growth in deposit market share over 2003 2004 Tertiary campaign underway
Aligning resources with growth opportunities	Optimise branch representation Pilot new customer service model Proactive customer contact management Invest in our people	Dominion Road branch reopened as new Mt Eden branch (Auckland) Completing pilot of new Personal Manager role in early to mid 2004 Proactive outbound calling program embedded into branch and contact centre staff roles Increased front line staff numbers
Efficient, quality customer service experience	Continued focus on maintaining leadership position for customer service Sales & Service Automation program	Branch Service program Ongoing development of recruitment model, training programs and performance review framework Implemented SDA (Single front-end view to core systems across all channels) Automation of loan processing

		Major upgrade of Contact Centre and ATM network systems architecture underway
Efficient, quality customer service experience (Rural)	Enhance credit approval process	Commenced improvement of automated credit tools
Reputation for customer service (Small Business)	Provide referral service at customer point of contact Establishing a culture of thinking and acting like a business person	Branch network referrals Increased relationships with influencers Communications and training program underway

Integration

Legal amalgamation of ANZ New Zealand and NBNZ is expected in the second half of 2004. Integration planning is well progressed and in line with plan. The focus of the New Zealand Business is to continue to progress integration to deliver benefits as efficiently as possible while maintaining the momentum of business growth and initiatives of both banks to deliver a superior financial outcome for ANZ.

ANZ NEW ZEALAND BANKING - Sir John Anderson

Provides a full range of banking services, including mortgage lending and wealth management, through branches, call centres, relationship managers and on-line banking. New Zealand Banking excludes Institutional Financial Services, Consumer Finance and Asset Finance. New Zealand geography (page 61) includes all ANZ operations in New Zealand.

	Half year Mar 04 $M	Half year Sep 03 $M	Half year Mar 03 $M	Movt Mar 04 v. Sep 03 %	Movt Mar 04 v. Mar 03 %
Net profit after tax	83	86	92	-3%	-10%
Revenue	312	313	322	0%	-3%
Operating expenses	(179)	(176)	(175)	2%	2%
Provision for doubtful debts	(9)	(9)	(9)	0%	0%
Net specific provisions		(3)		-100%	n/a
Net non-accrual loans	5	8	13	-38%	-62%

ANZ has experienced strong demand in the residential housing market reflecting a turnaround from the recent trend of flat or reducing volumes, with a significant slowing in the erosion of market share. Margins in the mortgage sector have been squeezed over the half with cash rates increasing, and ANZ and NBNZ deliberately delaying passing on the impact of these rate rises to customers. Investment in the frontline continues with the opening of two new branches during the half, and an increased spend on brand image and sales training to counter the impact of recent under-investment in these areas.

NATIONAL BANK OF NEW ZEALAND - Sir John Anderson

Provides a full range of banking services for personal, rural, small business, corporate and institutional customers in New Zealand. The National Bank of New Zealand results on this page exclude goodwill amortisation. New Zealand geography (page 61) includes all NBNZ operations.

	Four months Mar 04 $M	Half year Sep 03 $M	Half year Mar 03 $M	Movt Mar 04 v. Sep 03 %	Movt Mar 04 v. Mar 03 %
Net profit after tax	150			n/a	n/a
Revenue	410			n/a	n/a
Operating expenses	(168)			n/a	n/a
Provision for doubtful debts	(27)			n/a	n/a
Net specific provisions	(4)			n/a	n/a
Net non-accrual loans	21			n/a	n/a

This table shows the results of the NBNZ business for the four months since it was acquired by ANZ on 1 December 2003. The National Bank has continued to experience strong growth in the residential housing market, fueled by a buoyant market particularly in the Auckland region. Lower rural lending growth reflects the cyclical nature of the industry where settlements and dairy payouts occur principally in the June half. Corporate and institutional volumes have reduced 8% since acquisition, as a result of some large repayments. The above figures exclude integration costs of $5 million after tax. Refer page 12 for a comparison to the Rights Issue Prospectus proforma.

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CORPORATE AUSTRALIA

Graham Hodges

Small to Medium Enterprises Australia
Corporate Banking Australia

	Half year Mar 04 $M	Half year Sep 03 $M	Half year Mar 03 $M	Movt Mar 04 v. Sep 03 %	Movt Mar 04 v. Mar 03 %
Net interest income	267	249	238	7%	12%
Other external operating income	112	109	100	3%	12%
Net inter business unit fees	(24)	(22)	(22)	9%	9%
Operating income	355	336	316	6%	12%
External operating expenses	(97)	(91)	(87)	7%	11%
Net inter business unit expenses	(23)	(22)	(20)	5%	15%
Operating expenses	(120)	(113)	(107)	6%	12%
Profit before debt provision	235	223	209	5%	12%
Provision for doubtful debts	(26)	(24)	(24)	8%	8%
Profit before income tax	209	199	185	5%	13%
Income tax expense and outside equity interests	(63)	(60)	(55)	5%	15%
Net profit attributable to members of the Company	146	139	130	5%	12%
Net loans & advances including acceptances	17,762	16,030	14,827	11%	20%
Other external assets	61	55	58	11%	5%
External assets	17,823	16,085	14,885	11%	20%
Deposits and other borrowings	13,517	12,846	11,881	5%	14%
Other external liabilities	5,403	5,104	4,636	6%	17%
External liabilities	18,920	17,950	16,517	5%	15%
Net interest average margin	3.82%	3.83%	3.82%	0%	0%
Return on assets	1.57%	1.63%	1.60%	-4%	-2%
Return on risk weighted assets	1.74%	1.84%	1.86%	-5%	-7%
Operating expenses to operating income	33.8%	33.6%	33.9%	1%	-0%
Operating expenses to average assets	1.29%	1.32%	1.31%	-3%	-2%
Net specific provisions	(18)	(49)	(8)	-63%	large
Net specific provision as a% of average net advances	0.21%	0.64%	0.11%	-67%	91%
Net non-accrual loans	40	74	87	-46%	-54%
Net non-accrual loans as a% of net advances	0.22%	0.46%	0.58%	-51%	-62%
Total employees	1,632	1,594	1,520	2%	7%

Comparison with September 2003 half

Profit after tax increased by 5%. Significant influences on the result were:

Net interest income increased 7% with strong growth in both lending and deposit volumes. SME achieved 7% revenue growth from 14% growth in average lending volumes. This growth resulted from increased activity with existing customers and new customer acquisition through a very competitive customer service proposition and 3rd party origination. SME lending margins on variable rate products were negatively impacted by a market-based rise in the business-funding rate, which could not be matched in the rate charged to customers. Corporate Banking average lending volumes grew by 10% with commercial bills growing at a somewhat faster pace. (Commercial Bill income is reported in other external operating income). Deposit volumes grew solidly over the half with average volumes up 9% in SME and 8% in Corporate. Margins on funds placed in transaction accounts increased reflecting the impact of the rising interest rate environment.

Other external operating income increased 3% driven by growth in commercial bill fees in Corporate Banking. The SME business is traditionally subject to a degree of seasonality, which results in a cyclically stronger September half year.

Net inter business unit fees, which represents net payments made to the branch network, were 9% higher with increased investment in the branch network and increased transaction volumes associated with customer growth.

Operating expenses increased 6% driven by higher personnel costs in both SME and Corporate Banking with annual salary increases, as well as continued investment in new graduate roles where the business recruited over 50 staff into the frontline. Cost to income ratio increased marginally, but at 33.8%, remains low.

Provision for doubtful debts have increased $2 million, driven by the 11% growth in average lending volumes. Credit quality in the SME sector remains sound with the portfolio quality reviewed every quarter to detect any early adverse trends. Portfolio analysis on GST payment funding indicates that this sector continues to perform strongly in terms of its cash generation ability.

Net specific provision is down significantly as a result of higher provisioning against two large Corporate Banking customer exposures in the September half year. The reduction in net non-accrual loans has predominantly been driven by the successful management of the non-accrual loan portfolio.

Comparison with March 2003 half

Profit after tax increased 12% with growth in Small to Medium Enterprises of 14% and Corporate Banking of 9%. Revenue increased 12% with strong growth in both lending and deposit volumes (20% and 14% respectively) resulting in increased net interest and fee income in both the Corporate and SME sectors.

Operating costs increased by 12% driven by an annual salary increase and 7% increase in staff numbers. Increased software amortisation costs and business volume related increases in technology costs contributed to the increase in net interbusiness unit expense.

Our business

The Corporate and SME Banking businesses were brought together in December 2002. The businesses are at different stages of development, but synergies continue to be extracted from the closer alignment of the teams.

Small to Medium Enterprises Australia

There has been strong growth in revenue and business profits in the SME business over the past few years, which has allowed a significant investment in the business to drive future growth. FUM growth in the SME business continues to outperform the segment based on RBA data (business lending <$2 million).

Credit quality has been maintained during a period of strong lending growth. The portfolio is ~80% fully secured and is reviewed via behaviour scoring on a quarterly basis.

SME employs over 700 frontline staff, with 79 business centres across Australia and over 36,000 customers.

Corporate Banking Australia

Corporate Banking has a strong market position in a relatively mature market place, supported by a leading customer proposition and the broadest product offering. The business is focused on excellence in customer service and new customer acquisition, as well as great emphasis on the cross-selling of other business units products to the Corporate customer base. Strong revenue growth in the past year has enabled the Corporate segment to invest in the business in order to drive future growth.

Corporate employs nearly 400 frontline staff, with 31 business centres across Australia and nearly 3,000 customers.

Executing our strategy

The strategy of the business unit remains unchanged, with a high degree of staff engagement. This clarity and focus has delivered good progress over the current half year.

Focus	Strategy	Progress
SME		
Increased revenue opportunities	Expanding specialised business segments Leveraging 3rd party origination capabilities Leverage cross-selling opportunities	Specialised business segments account for around $0.5 billion of FUM, from a zero base two years ago 3rd party originated business is approaching nearly $1 billion of FUM (lending and deposits), from a minimal base two years ago Appointed new dedicated product specialists at the SME frontline
Enhance operational effectiveness	Maximise efficiency of frontline network Maximise efficiency of shared services and operational support	Greater use of remote customer calling and enhancement of relationship management desktop tools Incremental platform development, including Straight Through Processing for loan origination
Corporate		
Sales culture and excellent customer service	Implement a more disciplined sales regime	9% growth in average FUM over current half
Customer solutions focus	Maintain a strong focus on cross sell to corporate customer base	Increased activity in sophisticated solutions (Wall Street to Main Street programme) and investment in Wall Street specialist teams

SMALL TO MEDIUM ENTERPRISES AUSTRALIA - Graham Hodges

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

	Half year Mar 04	Half year Sep 03	Half year Mar 03	Movt Mar 04 v. Sep 03	Movt Mar 04 v. Mar 03
	$M	$M	$M	%	%
Net profit after tax	87	82	76	6%	14%
Revenue	197	184	170	7%	16%
Operating expenses	(64)	(59)	(53)	8%	21%
Provision for doubtful debts	(9)	(8)	(8)	13%	13%
Net specific provisions	(3)	(3)	(2)	0%	50%
Net non-accrual loans	6	5	6	20%	0%

Revenues have continued to grow strongly, supported by the development of a strong customer proposition, increased investment in the business, continued leverage of 3rd party origination and industry specialisation channels. Total average FUM grew strongly over the half, with average lending up 14% and average deposits up 9%. Investment continues to be centered on expanding the number of customer relationship staff, industry specialists and business related support staff. There is an ongoing focus on monitoring the credit portfolio, which is reflected in specific provisioning being well below economic loss provisioning levels.

CORPORATE BANKING AUSTRALIA - Graham Hodges

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

	Half year Mar 04	Half year Sep 03	Half year Mar 03	Movt Mar 04 v. Sep 03	Movt Mar 04 v. Mar 03
	$M	$M	$M	%	%
Net profit after tax	59	57	54	4%	9%
Revenue	158	152	146	4%	8%
Operating expenses	(56)	(54)	(54)	4%	4%
Provision for doubtful debts	(17)	(16)	(16)	6%	6%
Net specific provisions	(15)	(46)	(6)	-67%	large
Net non-accrual loans	34	69	81	-51%	-58%

The business has continued its focus on acquiring new customers and cross-selling the products of other ANZ business units, particularly through the continued success of the Wall Street to Main Street customer service proposition. Total customer profitability increased by 5% over the previous half year with 46% of total profitability being reported in the profits of other product businesses. Overall credit quality of the portfolio has improved, with net specific provisions down from high levels due to two large specific customer charges in the September 03 half. Net non-accrual loans have reduced due to a strong focus on the active management of the Corporate portfolio.

ESANDA AND UDC

Elizabeth Proust

Provides vehicle and equipment finance and rental services. Operates in Australia as Esanda and Esanda FleetPartners and in New Zealand as UDC and Esanda FleetPartners.

	Half year Mar 04	Half year Sep 03	Half year Mar 03	Movt Mar 04 v. Sep 03	Movt Mar 04 v. Mar 03
	$M	$M	$M	%	%
Net interest income	179	177	173	1%	3%
Other external operating income	48	44	42	9%	14%
Net inter business unit fees	(5)	(3)	(4)	67%	25%
Operating income	222	218	211	2%	5%
External operating expenses	(75)	(77)	(78)	-3%	-4%
Net inter business unit expenses	(14)	(12)	(12)	17%	17%
Operating expenses	(89)	(89)	(90)	0%	-1%
Profit before debt provision	133	129	121	3%	10%
Provision for doubtful debts	(33)	(32)	(32)	3%	3%
Profit before income tax	100	97	89	3%	12%
Income tax expense and outside equity interests	(31)	(30)	(27)	3%	15%
Net profit attributable to members of the Company	69	67	62	3%	11%
Operating expenses to operating income	40.1%	40.8%	42.7%	-2%	-6%
Net specific provisions	(24)	(47)	(25)	-49%	-4%
Net non-accrual loans	59	49	55	20%	7%
Total employees	1,247	1,311	1,290	-5%	-3%

Comparison with September 2003 half

Profit after tax increased by 3%. Significant influences on the result were:

Net interest income grew by 1% with a 4% increase in lending volumes partly offset by a 4 basis point decline in margins brought about by the scheduled run off of higher yielding loans during the half. New business writings were in line with previous half, achieving record growth during 2003.

Other operating income increased by 9% due mainly to changes in the fee structure for business lending.

A general uplift in wages and other costs was offset by back office efficiency gains from our end to end process review. As a result operating expenses for the half were flat. The continued control of expenses has resulted in the cost to income ratio falling to 40.1%.

Provision for doubtful debts increased by 3% reflecting the increase in lending volumes. Net specific provisions were significantly lower than the September half year reflecting the $20 million write-down associated with the discontinued aircraft lease business in the September half year and an ongoing improvement in the overall credit quality of the business portfolio.

Net Non Accrual loans increased by 20%, reflecting the increase in lending assets and the impact of two single-name non accrual loans in New Zealand.

Comparison with March 2003 half

Profit after tax grew by 11%. A buoyant new car market drove higher new business writings in the year to March 2004, which flowed through to a 3% increase in net interest income and 14% growth in fee income. Operating expenses declined by 1%, despite a 5% increase in income and 7% growth in assets, with efficiency gains made in back office operations. Provision for doubtful debts increased in line with asset volumes while net specific provisions reduced by 4% with an improvement in the credit quality of the portfolio. Net Non Accrual loans increased in line with lending volumes and the impact of the two single-name non accrual loans in New Zealand.

Our business

Esanda provides:

motor vehicle and equipment finance;

equipment operating lease and management services;

fleet management services; and

investment products

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

Approximately 74% of our profit is derived in Australia.

Our loan book totals $13.2 billion

Approximately 70% of our loan book is funded through the issue of debentures

Our debenture portfolio grew by 7% in 1H04 reaching $9 billion for the first time 84% of debenture customers renew their investments on maturity We employ 965 staff in Australia and 282 in New Zealand

Our primary distribution channels for providing finance are our dealer and broker networks in both Australia and New Zealand, and ANZ Critical success factors for us are:

Capturing growth in selected segments of the market

Risk Management

Ongoing productivity improvement and cost control

Key Performance Indicators	Half year Mar 04	Half year Sep 03	Half year Mar 03
New business writings ($m)	3,337	3,356	3,190
Annualised Revenue per FTE ($000 s)	346.8	328.6	321.3
Specific Provision/Net Lending Assets (%)	0.37	0.77	0.42

Executing our strategy

Esanda s goal is to be the leading provider of vehicle and equipment finance and rental services in Australia and New Zealand by delivering superior shareholder returns, excellent customer service, value for our channel partners and contributing to our community. In order to achieve this, we have developed and are implementing strategies under the themes of Redesign, Refocus and Reshape

Focus/Strategy	Progress of strategic initiatives and projects
Redesign - Improve economics of existing business	
End to End (E2E) Redesign Improve economics of dealer channel	Twenty of thirty five initiatives implemented since November 2003 Estimated benefit of $2.3 million to date Change in dealer remuneration structures and business lending fees implemented
Refocus - Create sustainable growth	
Increase new business generation through existing brokers Increase penetration of new business products through ANZ SME channel Increase motor vehicle finance through ANZ branches Increase penetration of Fleet and Specialised Asset Finance (SAF) products and rental services into ANZ Corporate & Institutional customers	Writings 2% up on 2H03 Writings of $148 million are up 22% on the same time last year $24 million written year to date compared to $32 million full year 2003 Stronger ties with Corporate and IFS business; writings up 7.5% year to date
Reshape - Deliver excellent customer experience	
Reshape the way we present to the market, with a new brand in both Australia and New Zealand and an increased focus on excellent customer experience and customer retention	Esanda promoted as easy to deal with, progressive and forward thinking Pre-approval of loans for existing customers has resulted in new business writings of $80 million since October 2002

ASIA PACIFIC

Bob Lyon

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

	Half year Mar 04 $M	Half year Sep 03 $M	Half year Mar 03 $M	Movt Mar 04 v. Sep 03 %	Movt Mar 04 v. Mar 03 %
Net interest income	57	59	58	-3%	-2%
Other external operating income	92	88	97	5%	-5%
Net inter business unit fees				n/a	n/a
Operating income	149	147	155	1%	4%
External operating expenses	(47)	(44)	(48)	7%	-2%
Net inter business unit expenses	(14)	(15)	(16)	-7%	-13%
Operating expenses	(61)	(59)	(64)	3%	-5%
Profit before debt provision	88	88	91	0%	-3%
Provision for doubtful debts	(5)	(5)	(5)	0%	0%
Profit before income tax	83	83	86	0%	-3%
Income tax expense and outside equity interests	(19)	(18)	(18)	6%	6%
Net profit attributable to members of the Company	64	65	68	-2%	-6%
Operating expenses to operating income	40.9%	40.1%	41.3%	2%	-1%
Net specific provisions	(2)	7	1	large	large
Net non-accrual loans	17	18	12	-6%	42%
Total employees	1,579	1,545	1,526	2%	3%

Comparison with September 2003 half

Profit after tax decreased by 2%. Excluding the impact of foreign exchange movements profit increased 3%. Significant influences on the result, excluding exchange rate movements, were:

Net interest increased by 3% with a 7% increase in deposit volumes, and 8% increase in lending volumes, driven by continued improvement in Fiji s tourism industry.

Other operating income increased 9% due largely to higher foreign exchange earnings partly offset following the Reserve Bank of Fiji s suspension of trading forward foreign exchange by all banks. Fee income increased 4% with higher lending volumes. Profit of $25 million from PT Panin was flat half on half.

Operating expenses increased 8% as we build capability in Quest (100% owned subsidiary company) to support further centralisation of regional operations; the cost increase is exaggerated by the lags in extracting these benefits from in-country savings. An amended consumption tax assessment in PNG also contributed to the uplift.

Credit quality remains sound. Net specific provisions remain at very low levels.

Comparison with March 2003 half

Profit after tax decreased by 6%. However, after excluding the impact of exchange rate movements:

Profit after tax was flat.

Operating income increased 4% due to an 11% increase in net interest income, driven by a 17% increase in lending volumes, and increased fees, predominantly due to the alignment of fee structures across the Pacific. These increases were partly offset by lower equity accounted income from PT Panin reflecting lower profit on bond sales.

Operating expenses increased 6% as we build capacity in Quest and from the amended consumption tax assessment in PNG.

Our business

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

We manage ANZ s consumer banking business in Singapore, Japan and Vietnam

We equity account 29% of the profits of PT Panin Bank in Indonesia. PT Panin Bank has 154 branches

PT Panin, Papua New Guinea and Fiji together comprise 76% of our 2004 half year profit

In 2002 we established Quest in Fiji as the Operational Hub in Pacific Region to build scale within the region, reduce operating risks, optimise costs and create a centre of expertise. A highlight for this period has been gaining Colonial Bank Fiji as an insourced customer for local voucher processing

Executing our strategy

To ensure sustainability of our position, we are pursuing a four-point strategy for growth based on the following:

Focus	Strategy	Progress
Customer delight	Installation of automatic queuing system aimed at reducing queue waiting time by 50% Strengthen customer advocacy and roll out customer charter to all countries	Automated queuing system installed in 9 countries Customer charter and advocacy established in Fiji - complaints reduced by over 40%

		Regional customer charter and standardised complaints management to be introduced in 2004
Develop our people	Develop our local staff Greater focus on training and development Promote gender diversity	80% of management roles in Pacific Business Unit are held offshore (outside Australia), of these around 73% are held by locally employed nationals Pacific Development Centre to be established in June 2004 Currently 30% of Senior Management roles filled by women
Organisational efficiency	Strengthen the business operating model Leverage Quest to centralise operational support	Phase one of sales and service re-engineering to be rolled out in April 2004, covering 80% of front line processes Quest now running fully operational help desk, finance and credit card back office functions for 8 Pacific countries. IT help desk support is provided to the entire Asia/Pacific region Centralised ANZ Fiji voucher processing and imaging to be rolled out in June 2004. Voucher processing and imaging services have been extended to Colonial National Bank Fiji
Tactical growth options	Build scale. Increase revenue through insourcing into Quest	Continue searching for acquisition opportunities Continue seeking insourced customers

ING AUSTRALIA (JOINT VENTURE)

Paul Bedbrook

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

ING Australia

	Half year Mar 04 $M	Half year Sep 03 $M	Half year Mar 03 $M	Movt Mar 04 v. Sep 03 %	Movt Mar 04 v. Mar 03 %
Funds management income	206	202	190	2%	8%
Risk income	80	82	76	-2%	5%
	286	284	266	1%	8%
Costs (excl goodwill on purchase of ANZ business)	(198)	(196)	(207)	1%	-4%
	88	88	59	0%	49%
Capital investment earnings	65	61	24	7%	large
Net income	153	149	83	3%	84%
Income tax expense	(27)	(29)		-7%	n/a
Profit after tax	126	120	83	5%	52%
ANZ share					
ANZ share of INGA earnings @ 49%	62	58	41	7%	51%
Notional goodwill(1)				n/a	n/a
ANZ equity accounted profits	62	58	41	7%	51%
ANZ capital hedges	(6)	(8)	2	-25%	large
Net funding cost	(9)	(7)	(4)	29%	large
Net return to ANZ	47	43	39	9%	21%

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(1). Notional Goodwill amortisation of $22 million (Sep 03: $22 million; Mar 03: $22 million) is now reported in the Corporate Centre

Comparison with September 2003 half

Profit after tax increased by 5%. Significant influences on the result include:

Funds management income increased marginally due to higher fees arising from growth in funds under management. Net funds flows have performed well compared to major competitors with INGA maintaining its number 4 position in Retail Funds Under Management as measured by ASSIRT.

Life risk income decreased by 2% due to slower sales over the Christmas period and related seasonality factors, with increased sales of life insurance products through the ANZ network and continued positive claims experience being the major contributors.

Capital investment earnings increased by 7% over the September half due to strong equity markets and rising interest rates. ANZ continues to hedge against volatility in this income stream; as a result, gains in capital investment earnings were partially offset by hedge losses.

Costs remained flat due to continued tight expense controls.

Tax expense declined due to the increased risk and capital investment earnings, higher sales of investment products through life companies which receive favourable taxation treatment.

Comparison with March 2003 half

Profit after tax increased 52%. Funds management income increased by 8% primarily due to favourable market value adjustments arising from equity market improvements. Life risk income increased by 5% driven by positive claims experience and increased insurance sales. Costs have decreased by 4% reflecting the delivery of synergy benefits of the joint venture and continued tight cost control. Capital investment earnings have increased over the March 2003 half which was adversely impacted by the global uncertainties at that time. These gains are partly offset by losses on ANZs hedges. Tax expense increased due to the increased risk and capital investment earnings and a one-off tax credit recorded in the March 2003 result.

Our business

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

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

Executing our strategy

Focus	Strategy	Progress
Market Share and Performance		
Target top 3 position	Align closely with ANZ s businesses	Sales targets and structures more aligned. Focus on Planner recruitment, training and productivity
	Target increased net inflows from all channels, with particular emphasis	Distribution channels restructured to drive increases in net flows over previous

	on ANZ channel	half. MIS changes, due in the June quarter, to accelerate change
	Build Life Risk business	Small increase in earned premium over previous half. Improved claims management capability and tighter underwriting is improving overall profitability
	Grow advice businesses	Agreement reached to re-structure RetireInvest s franchise agreements

Efficient and cost effective		
Efficient delivery of quality products and services to our chosen markets	Continue focus on cost reduction	The cost to income ratio of 65% shows a 10% improvement from 77% for the same period last year
	Tailor financial advice to meet needs of our customers	Obtained Financial Services Licenses on March 1
	Reduce business complexity - simplify	Project to simplify products, booking and legal entities commenced

Be easy to do business with		
Provide a positive customer experience every time	Rationalise and improve platforms Deliver simple straight through processes Measure customer satisfaction	Various strategic projects are underway to transform the back-office and convert from legacy systems to new, modern platforms

Valuation of investment in INGA

A valuation of INGA has been prepared by Ernst & Young ABC Pty Ltd as at 31 March 2004. Based on this valuation, the directors believe the current carrying value of the Group s investment in INGA is supported, and accordingly no change has been made to the carrying value.

TREASURY

Michael Dontschuk

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

	Half year Mar 04	Half year Sep 03	Half year Mar 03	Movt Mar 04 v. Sep 03	Movt Mar 04 v. Mar 03
	$M	$M	$M	%	%
Net interest income	75	74	81	1%	-7%
Other external operating income	1			n/a	n/a
Net inter business unit fees				n/a	n/a
Operating income	76	74	81	3%	-6%
External operating expenses	(8)	(7)	(7)	14%	14%
Net inter business unit expenses	(3)	(2)	(3)	50%	0%
Operating expenses	(11)	(9)	(10)	22%	10%
Profit before debt provision	65	65	71	0%	-8%
Provision for doubtful debts				n/a	n/a
Profit before income tax	65	65	71	0%	-8%
Income tax expense and outside equity interests	(20)	(19)	(22)	5%	-9%
Net profit attributable to members of the Company	45	46	49	-2%	-8%
Total employees	46	43	43	7%	7%

Comparison with September 2003 half

Net profit for the year was $1 million lower than the September half, as the mismatch was structured to benefit from the rising interest rate environment in Australia and New Zealand:

The Australian operations continued to be impacted by the run-off in high yielding assets written in previous periods. This has been offset by a gain in short end earnings through favourable positioning of the portfolio to take advantage of market conditions around the RBA rate increases in November and December 2003.

The NZD market, similar to the AUD market, has experienced increases in the overnight cash rate during the half, which has increased short end earnings.

The offshore operations are predominately exposed to USD interest rates and have continued to suffer revenue declines through the lack of opportunity on the yield curve for writing term assets given the low and largely benign USD interest rate environment prevailing for much of the last twelve to eighteen months.

Looking ahead to the second half, modest economic growth combined with relatively low inflationary pressures, are likely to result in the continuation of relatively flat yield curves which may lead to a continued contraction in earnings, both on term assets and the short end of the portfolios. The extent of the impact will largely depend on the performances of the US and Australian economies and the associated outlook for interest rates.

Comparison with March 2003 half

Profit after tax is $4 million lower than March 2003 half with lower earnings from maturing assets not being able to be replaced at similar margins due to the lower and more benign interest rate environment. This was offset by higher earnings at the short end due to favourable positioning at the time of the RBA rate increases in the current half.

Our business

Capital Management

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

In November 2003, the Group raised a net A$3.6 billion of ordinary equity to fund the NBNZ acquisition, and executed US$1.1 billion of Tier 1 hybrid equity to further support the capital and funding base of the business post the NBNZ acquisition. In December, ANZ bought back its TrUEPrS hybrid Tier 1 capital instrument. This reduced funding costs.

During the half, ANZ reduced its target capital range to 4.75% to 5.25% - calculated as adjusted common equity (ACE) as a percentage of risk weighted assets. The lower ACE ratio recognised the reduction in the risk profile of the business, which was further enhanced by the NBNZ acquisition.

Wholesale Funding

ANZ s term wholesale funding of $32 billion is managed within Management and Board approved metrics, and is designed to achieve:

Funding diversification by structure, investor, geography and maturity; and

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

In the half, $8 billion of term debt was issued ($7.5 billion in senior debt and $500 million in subordinated debt), which is over half of the expected $14 billion expected to be required for the full year.

Significant transactions during the period include   800 million 5 year fixed rate note issue and AUD1.075 billion 5 year fixed/floating rate domestic Transferable Certificate of Deposit issue. These transactions continue our pursuit of establishing fixed rate yield curves in the major global capital markets that ANZ accesses.

Non-traded interest rate risk

Non-traded interest rate risk arises principally from the mismatch in repricing terms of interest bearing assets and liabilities, plus the investment of capital and other non-interest bearing items. These interest rate exposures are managed to enhance net interest income and, ultimately, shareholder value. Given that Treasury is usually funding term assets with shorter term liabilities, its profitability trends tend to be correlated to the spread between long and short term interest rates. However, with interest rate markets being at historical low levels, coupled with a short end inverted yield curve, positioning around variable rate assets has been a key factor to Treasury s earnings over the last year. The graph compares income for the Australasian mismatch operations to the Australian yield curve spreads of the average rolling 90 day rates to both the average rolling 3 year (long end margins) and the average rolling 30 day rate (short end margins).

Interest rate exposures are managed within clearly prescribed parameters from the Board, which limit both earnings at risk (over the next 12 months) and the variation in the balance sheet s overall fair value. Non-traded interest rate risk continues to be maintained at low levels to stabilise the balance sheet s overall fair value without having a significant impact on earnings.

GROUP CENTRE

Group People Capital

Group Risk Management

Capital Funding Unit & Group Items

Call Centre

Group Strategic Development

CFO Units

Operations, Technology & Shared Services

	Half year Mar 04 $M	Half year Sep 03 $M	Half year Mar 03 $M	Movt Mar 04 v. Sep 03 %	Movt Mar 04 v. Mar 03 %
Net interest income	68	72	57	-6%	19%
Other external operating income	(13)	17	14	large	large
Net inter business unit fees	(5)	(2)	3	large	large
Operating income	50	87	74	-43%	-32%
External operating expenses	(452)	(403)	(395)	12%	14%
Net inter business unit expenses	328	328	330	0%	-1%
Operating expenses	(124)	(75)	(65)	65%	91%
Profit before debt provision	(74)	12	9	large	large
Provision for doubtful debts	(20)	(52)	(52)	-62%	-62%
Profit before income tax	(94)	(40)	(43)	large	large
Income tax expense and outside equity interests	(9)	(5)	5	80%	large
Net profit attributable to members of the Company	(103)	(45)	(38)	large	large
Total employees	4,069	4,050	4,045	0%	1%

Comparison with September 2003 half

The result for the Group Centre was a loss of $103 million compared with a loss of $45 million in the September 2003 half. Significant influences on the result were:

The level of the Group s surplus capital reduced as a result of the acquisition of NBNZ partly offset by retained earnings growth and further de-risking of offshore credit portfolios.

Income in 2003 benefited from earnings on an interest rate swap ($35 million in the September 2003 half) that hedged the distributions to TrUEPrS investors.

The continued strengthening of the AUD over the year resulted in gains on contracts put in place to hedge USD denominated offshore earnings. Relativity between the NZD and the AUD was maintained through the current half resulting in continued interest revenue from NZD hedge contracts entered during the 2003 year.

The Group withdrew from plans to overhaul its core ATM banking platform to focus on integrating the NBNZ and ANZ systems. The remaining $20 million capitalised project costs of the Next Generation Switching/Tandem Replacement project were written off in the Group Centre.

Goodwill amortisation increased $54 million as a result of the NBNZ acquisition - all goodwill amortisation is booked in the Group Centre. Other external operating expenses increased as a result of a higher technology spend, and the transfer of certain functions to the Corporate Centre.

Provision for doubtful debts reduced $32 million. De-risking of the offshore lending portfolio and reduced defaults have allowed reduction in the charge that was taken in prior halves. This charge is based on uncertainty in offshore portfolios.

Comparison with March 2003 half

The half year loss of $103 million compared with a loss of $38 million in the March 2003 half. Revenue reduced 32% as a result of lower earnings on surplus capital following the acquisition of NBNZ and lower earnings from the TrUEPrS interest rate hedge. Operating costs increased with higher goodwill amortisation on the NBNZ acquisition. Provision for doubtful debts reduced $32 million with a reduction in the charge taken in prior halves for greater than expected levels of default in offshore portfolios.

GEOGRAPHIC SEGMENT PERFORMANCE

	Half year Mar 04 $M	Half year Sep 03 $M	Half year Mar 03 $M	Movt Mar 04 v. Sep 03 %	Movt Mar 04 v. Mar 03 %
Net profit attributable to shareholders of the Company(1)					
Australia	1,000	895	804	12%	24%
New Zealand	227	176	172	29%	32%
UK / USA and Other	77	45	72	71%	7%
Asia	55	56	60	-2%	-8%
Pacific	37	35	33	6%	12%
	1,396	1,207	1,141	16%	22%

	Half year Mar 04 $M	Half year Sep 03 $M	Half year Mar 03 $M	Movt Mar 04 v. Sep 03 %	Movt Mar 04 v. Mar 03 %
External assets					
Australia	161,542	151,538	142,547	7%	13%
New Zealand	67,921	25,696	26,037	large	large
UK / USA and Other	10,181	10,635	13,417	-4%	-24%
Asia	6,054	6,202	6,941	-2%	-13%
Pacific	1,590	1,520	1,576	5%	1%
	247,288	195,591	190,518	26%	30%
Risk weighted assets					
Australia	122,982	117,018	110,001	5%	12%
New Zealand	46,900	18,605	18,758	large	large
UK / USA and Other	10,931	10,734	13,442	2%	-19%
Asia	4,219	4,690	5,161	-10%	-18%
Pacific	1,125	1,117	1,241	1%	-9%
	186,157	152,164	148,603	22%	25%

(1). *Includes significant transactions*

Australia

	Half year Mar 04 $M	Half year Sep 03 $M	Half year Mar 03 $M	Movt Mar 04 v. Sep 03 %	Movt Mar 04 v. Mar 03 %
Net interest income	1,701	1,627	1,584	5%	7%
Fee income	818	786	711	4%	15%
Other operating income	357	271	215	32%	66%
Operating income	2,876	2,684	2,510	7%	15%
Operating expenses	(1,246)	(1,192)	(1,160)	5%	7%
Profit before debt provision	1,630	1,492	1,350	9%	21%
Provision for doubtful debts	(220)	(237)	(234)	-7%	-6%
Income tax expense	(410)	(360)	(312)	14%	31%
Net profit attributable to members of the Company	1,000	895	804	12%	24%
Net interest average margin	2.54%	2.64%	2.77%	-4%	-8%
Return on risk weighted assets	1.65%	1.59%	1.50%	4%	10%
Operating expenses(1) to operating income	43.2%	44.3%	46.1%	-2%	-6%
Operating expenses(1) to average assets	1.58%	1.61%	1.68%	-2%	-6%
Net specific provision	(165)	(192)	(132)	-14%	25%
Net specific provision as a % of average net advances	0.24%	0.30%	0.22%	-20%	9%
Net non-accrual loans	275	256	286	7%	-4%
Net non-accrual loans as a % of net advances	0.19%	0.19%	0.24%	0%	-21%
Total employees	16,411	16,400	15,894	0%	3%
Lending growth	7.2%	8.3%	7.1%	-13%	1%
External assets	161,542	151,538	142,547	7%	13%
Risk weighted assets	122,982	117,018	110,001	5%	12%

(1). *This excludes goodwill amortisation. Refer to page 118 for a reconciliation and an explanation of the usefulness of this adjusted measure*

Comparison with September 2003 half

Profit after tax increased by 12%. Excluding the Australian component of significant transactions that increased profit by $84 million and the associated lower TrUEPrS swap hedge income in September 2003, profit grew 6% reflecting:

Net interest income increasing 4% with higher lending volumes in Personal Banking Australia and Small to Medium Enterprises. Margin reduced 10 basis points as a result of a 12 basis point reduction in Mortgages following cash rate increases partly offset by increased deposit margins in Personal Banking.

Fee income increased by 4% largely in Consumer Finance from higher merchant activity over the Christmas period and Personal Banking with increased customer numbers and higher transaction volumes, together with increased M&A activity in Corporate and Structured Financing.

Other operating income decreased 9% with the September half including profit on the sale of development properties in Institutional Banking. Profit from the sale of trading securities increased, principally from a change in the split of Capital Markets earnings between trading and net interest income.

Operating expense growth was contained to 5% reflecting higher staff and technology costs largely in Personal Banking and Consumer Finance.

Provision for doubtful debts decreased 7% reflecting the de-risking of offshore portfolios and lower defaults allowing a reduction in the charge taken in previous halves for greater than expected offshore lending.

Comparison with March 2003 half

Profit after tax increased by 24%. After adjusting for the Australian component of significant transactions, and the $27 million after tax charge resulting from the under accrual of loyalty points in the March 2003 half:

Profit increased 10%.

Net interest income increased 7% on increased lending volumes partly offset by a 23 basis point reduction in interest margin.

Fee income increased 9% largely in Consumer Finance, Institutional Financial Services and Corporate.

Other income increased 14% as a result of higher profit and loss on trading securities and increased equity accounted profit from the INGA Joint Venture.

Operating expenses increased 7% with increased staff in Mortgages and Personal Banking Australia; higher technology costs and higher premises costs (largely as a result of the change in the method of accounting for rental costs in March 2003).

New Zealand

Sir John Anderson

	Half year Mar 04 $M	Half year Sep 03 $M	Half year Mar 03 $M	Movt Mar 04 v. Sep 03 %	Movt Mar 04 v. Mar 03 %
Net interest income	600	346	329	73%	82%
Fee income	230	155	159	48%	45%
Other operating income	61	37	43	65%	42%
Operating income	891	538	531	66%	68%
Operating expenses	(488)	(260)	(259)	88%	88%
Profit before debt provision	403	278	272	45%	48%
Provision for doubtful debts	(55)	(27)	(28)	large	96%
Income tax expense	(119)	(75)	(72)	59%	65%
Outside equity interests	(2)			n/a	n/a
Net profit attributable to members of the Company	227	176	172	29%	32%
Net interest average margin	2.52%	2.99%	2.84%	-16%	-11%
Return on risk weighted assets	1.22%	1.89%	1.96%	-35%	-38%
Operating expenses(1) to operating income	48.4%	47.8%	48.2%	1%	0%
Operating expenses(1) to average assets	1.59%	2.03%	2.02%	-22%	-21%
Net specific provision	(19)	(18)	(10)	6%	90%
Net specific provision as a% of average net advances	0.09%	0.18%	0.10%	-50%	-10%
Net non-accrual loans	41	13	22	large	86%
Net non-accrual loans as a% of net advances	0.08%	0.06%	0.10%	33%	-20%
Total employees	8,596	3,822	3,715	large	large
Lending growth (including FX impact)	162.4%	-2.5%	12.4%	large	large
Lending growth (excluding FX impact)	163.3%	2.3%	5.8%	large	large
External assets	67,921	25,696	26,037	large	large
Risk weighted assets	46,900	18,605	18,758	large	large

(1). This excludes goodwill amortisation. Refer to page 118 for a reconciliation and an explanation of the usefulness of this adjusted measure

Geographic reconciliation

	Half year New Zealand $M	Four months NBNZ $M	Integration costs $M	Acquisition & funding(2) $M	Half year ANZ Proforma $M	Half year Sep 03 $M
Net interest income	**600**	304		(54)	**350**	**346**

Other operating income	**291**	106			**185**	**192**
Operating income	**891**	410		(54)	**535**	**538**
Operating expenses	**(488)**	(168)	(4)	(58)	**(258)**	**(260)**
Profit before debt provision	**403**	242	(4)	(112)	**277**	**278**
Provision for doubtful debts	**(55)**	(27)			**(28)**	**(27)**
Profit before income tax	**348**	215	(4)	(112)	**249**	**251**
Income tax expense	**(119)**	(64)	1	19	**(75)**	**(75)**
Outside equity interests	**(2)**	(1)			**(1)**	
Net profit attributable to members of the Company	**227**	150	(3)	(93)	**173**	**176**

(2). *Includes goodwill amortisation of $54 million*

National Bank of New Zealand (NBNZ)

NBNZ contributed $150 million profit (excluding goodwill amortisation, integration costs and employee share plan costs) in the four months since acquisition on 1 December 2003 (refer page 12 for comparison with proforma results published in the rights issue prospectus).

The National Bank has experienced 5% annualised growth in lending volumes since November 2003 with strong growth in the residential housing market, partly offset by seasonally lower rural lending growth and reduced corporate and institutional volumes. Deposits have grown 6% on an annualised basis over November 2003. Other operating income for the 4 months of $106 million represents a slightly lower run-rate than prior to acquisition, with lower fee income from the corporate and institutional businesses. Operating expenses remained low with a reduced infrastructure spend while integration planning takes place. Economic loss provisioning methodologies are in the process of being rolled out in NBNZ with a $27 million charge in the four months to March 2004 representing an annualised charge of 0.25%

Acquisition and funding costs

The National Bank of New Zealand was purchased by ANZ Banking Group (New Zealand) Limited on 1 December 2003. The acquisition was internally funded by three main sources: $1.0 billion ordinary shares, $1.3 billion redeemable preference shares and $2.6 billion intra-group interest bearing debt. The pre-tax cost of this funding was $58 million for the four months.

The actual purchase price of $4,833 million differed from the $4,940 million published in the prospectus due to exchange rate movements, the impact of hedging and reduced acquisition costs. The resulting goodwill of $3,111 million is being amortised in accordance with Australian Accounting Standards over 20 years with a charge of $54 million in the four months since acquisition.

Integration costs

Incremental integration costs of $3 million after tax have been incurred in New Zealand with integration at the planning stage. Integration activity is limited until the two companies are merged following Reserve Bank of New Zealand approval.

ANZ New Zealand results

Comparison with September 2003 half

Profit after tax reduced 2% in ANZ New Zealand, which includes 1% as a result of AUD/NZD exchange rate movements. Key influences on the result include:

Net interest income increased 1% with lending volumes increasing 3% driven by growth in Mortgages (5%) and Business and Rural (5%). These increases were partly offset by the maturity of a structured financing transaction. Deposit volumes increased 5%, assisted by strong growth in Trade and Transaction Services.

Reduced asset margins, including a 14 basis point reduction in mortgages as a result of the rise in wholesale interest rates and the deliberate delay in passing this cost on to customers, has offset the higher net interest income from growth in lending and deposit volumes.

Fee growth was modest, with increases in Corporate and Institutional being partly offset by a decline in honour fees. The reduction in other income reflects reduced activity in the private equity business, and run off of certain structured financing activities.

Operating expenses decreased 1% with annual salary increases, an increased number of frontline staff, and an increased spend on brand image and sales training. These increases were offset by cost savings in the support areas.

Credit quality remains sound with economic loss provisions well in excess of net specific provisions.

Comparison with March 2003 half

Profit after tax at $173 million was flat with the March 2003 half. After adjusting for the impact of exchange rate movements, profit after tax increased 4% driven by a 4% increase in revenue with strong growth in Consumer Finance, Treasury and UDC. Solid lending growth in Mortgages, Corporate, and Business and Rural, together with deposit growth in Personal contributed to solid growth in net interest income. However, this was partly offset by reduced mortgage margins caused by the rise in bond rates as well as short-term rates; and narrowed deposit margins, with the official cash rate on average lower than during the March 2003 half. Operating costs increased 3% in NZD terms, driven by an investment in frontline staff.

UK / USA and Other

	Half year Mar 04 $M	Half year Sep 03 $M	Half year Mar 03 $M	Movt Mar 04 v. Sep 03 %	Movt Mar 04 v. Mar 03 %
Net interest income	99	86	119	15%	-17%
Fee income	62	64	67	-3%	-7%
Other operating income	24	14	19	71%	26%
Operating income	185	164	205	13%	-10%
Operating expenses	(66)	(68)	(72)	-3%	-8%
Profit before debt provision	119	96	133	24%	-11%
Provision for doubtful debts	(20)	(28)	(25)	-29%	-20%
Income tax expense	(22)	(23)	(35)	-4%	-37%
Outside equity interests			(1)	n/a	-100%
Net profit attributable to members of the Company	77	45	72	71%	7%
Operating expenses to operating income	35.7%	41.5%	34.9%	-14%	2%
Net specific provision	(2)	(62)	(100)	-97%	-98%
Net non-accrual loans	177	223	261	-21%	-32%
Total employees	833	821	807	1%	3%

Comparison with September 2003 half

Profit after tax increased by 71% as a result of three main factors: an additional $14 million after tax benefit from intergroup funding of the NBNZ acquisition, the release to profit of tax that was over-provided in previous years (transferred to Australia) and reduced provision for doubtful debts reflecting the strategy to de-risk offshore portfolios. The weakening of the USD and GBP against the AUD reduced profit 5%. Significant influences on the result excluding exchange rate movements include:

Net interest income increased 22% due to an additional $19 million interest earnings on increased capital levels in the UK associated with intergroup funding of the acquisition of NBNZ.

Fee income rose 3% largely in Corporate and Structured Financing.

Other operating income increased by 74% due to higher customer driven foreign exchange earnings.

Operating expenses increased 3% reflecting a 1% increase in staff numbers with a strengthening of the London team and increased contributions into the UK defined benefit superannuation scheme offset by ongoing tight cost control.

Provision for doubtful debts reduced by 8% and net specific provisions reduced to $2 million from $62 million in the September 2003 half, reflecting a general improvement in credit quality as a result of the strategy to de-risk offshore portfolios and some recoveries of prior period provisions.

Income tax expense reduced as a result of the release of a $7 million over provision of prior year tax expense in the US.

Comparison with March 2003 half

Profit after tax increased 7% with the favourable impact of the NBNZ acquisition funding and the release of the tax provision mentioned above offsetting the impact of the significant weakening of the USD which suppressed profit by $12 million. After adjusting for the impact of exchange rate movements:

Profit increased 31% driven by a 12% increase in fee income, mainly in Corporate and Structured Financing and Institutional Banking, and a 39% increase in other income largely due to higher customer driven foreign exchange earnings in the UK. Operating expenses increased 9% in reflecting increased staff numbers and higher performance related payments - these were significantly reduced in March 2003 as a result of the large credit losses suffered at that time. Provision for doubtful debts and net specific provisions have reduced significantly reflecting the de-risking of offshore portfolios and in particular the reduction in exposure to the power and telecommunications sectors.

Asia
John Winders

	Half year Mar 04 $M	Half year Sep 03 $M	Half year Mar 03 $M	Movt Mar 04 v. Sep 03 %	Movt Mar 04 v. Mar 03 %
Net interest income	56	60	60	-7%	-7%
Fee income	29	30	30	-3%	-3%
Other operating income	44	45	49	-2%	-10%
Operating income	129	135	139	-4%	-7%
Operating expenses	(50)	(56)	(56)	-11%	-11%
Profit before debt provision	79	79	83	0%	-5%
Provision for doubtful debts	(13)	(14)	(11)	-7%	18%
Income tax expense	(10)	(8)	(11)	25%	-9%
Outside equity interests	(1)	(1)	(1)	0%	0%
Net profit attributable to members of the Company	55	56	60	-2%	-8%
Operating expenses(1) to operating income	38.8%	40.7%	39.4%	-5%	-2%
Net specific provision	(8)	(3)	(13)	large	-38%
Net non-accrual loans	7	13	17	-46%	-59%
Total employees	645	644	628	0%	3%

(1). This excludes goodwill amortisation. Refer to page 118 for a reconciliation and an explanation of the usefulness of this adjusted measure

Comparison with September 2003 half

Profit after tax reduced by 2%. Excluding the impact of exchange rate movements, which are not indicative of core business performance, profit increased by 2%. The main features of the result excluding the exchange rate impact were:

Net interest income increased by 6% mainly due to the expansion of the Cards business in Indonesia. Corporate lending activity continues to be constrained as risk is improved and high levels of regional liquidity are contributing to a further reduction in balance sheet levels for the Asian business.

Fee income increased 10% with an increase in Trade Finance activity and credit cards on issue. These increases were offset by lower Corporate and Structured Financing fees resulting from reduced market activity.

Equity accounted profit from PT Panin was flat at $25 million, with reduced profit on bond sales being offset by a withholding tax credit in the current half.

Operating expenses reduced 2% resulting from the wind up of the Hong Kong Cards business.

Provision for doubtful debts increased 8% with lending growth occurring in the relatively higher risk cards business in Indonesia. The decrease in the non-accrual loans relates to one large corporate exposure recovery in Hong Kong.

Income tax expense returned to more normal levels with the September 2003 half including $2 million tax credit.

Comparison with March 2003 half

Net profit decreased 8%. After adjusting for the impact of exchange rate movements profit increased 3%. Excluding exchange rate movements: revenue increased 10% with volume driven increases in net interest and fees partly offset by a lower equity accounted contribution from PT Panin (March 2003 included $16 million profit on the sale of bonds), and operating expenses increased 9% with an increase in personnel costs resulting from a strengthening of the Institutional Banking presence in Asia.

Pacific

Bob Lyon

	Half year Mar 04 $M	Half year Sep 03 $M	Half year Mar 03 $M	Movt Mar 04 v. Sep 03 %	Movt Mar 04 v. Mar 03 %
Net interest income	53	52	48	2%	10%
Fee income	22	23	23	-4%	-4%
Other operating income	36	31	36	16%	0%
Operating income	111	106	107	5%	4%
Operating expenses	(52)	(50)	(55)	4%	-5%
Profit before debt provision	59	56	52	5%	13%
Provision for doubtful debts	(5)	(5)	(5)	0%	0%
Income tax expense	(17)	(16)	(14)	6%	21%
Outside equity interests				n/a	n/a
Net profit attributable to members of the Company	37	35	33	6%	12%
Operating expenses(1) to operating income	45.9%	46.2%	50.5%	-1%	-9%
Net specific provision	(2)	7	1	large	large
Net non-accrual loans	17	18	12	-6%	42%
Total employees	1,486	1,452	1,434	2%	4%

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(1). This excludes goodwill amortisation. Refer to page 118 for a reconciliation and an explanation of the usefulness of this adjusted measure

Comparison with September 2003 half

Profit after tax increased by 6% despite a significant appreciation in the AUD. Excluding the exchange rate impact, which is not indicative of core business performance, profit increased by 13%. The main features of the result, excluding the impact of exchange rate movements were:

Net interest income increased by 6% with strong loan growth particularly in Fiji as the tourism industry has continued to improve.

Other operating income increased by 24% mainly driven by a 25% increase in foreign exchange earnings.

Operating expenses grew 8% due to an amended consumption tax assessment in PNG relating to prior years and a 9% increase in personnel expenses as we build capability in Quest to support further centralisation of regional operations.

Credit quality remains sound with the increase in net specific provisions due to the write-back/recovery of specific provisions in the prior two halves.

Comparison with March 2003 half

Profit after tax increased by 12%. However, after adjusting for the impact from exchange rate movements profit after tax increased by 25%. Excluding exchange rate movements: operating income increased 15% with a 20% increase in net interest income driven by higher lending volumes, particularly in Fiji. Other income increased 10% largely from foreign exchange earnings arising from ANZ s strong market position. Operating expenses have increased 5% as a result of strengthening the Quest team and the consumption tax assessment in PNG.

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GROUP RISK
Mark Lawrence

KEY DEVELOPMENTS OVER THE HALF

Net specific provision down 27% from $268 million to $196 million.

Gross non-accrual loans down 8% from $1,007 million to $931 million.

Reduction in offshore Telco credit limits by 25% to $1.2 billion.

Reduction in exposure to the US power industry from $1.3 billion to $0.9 billion.

Portfolio concentrations reduced - aggregate of 10 largest committed corporate exposures as a percentage of adjusted common equity down from 75% to 68%.

Retail delinquencies further reduced.

RISK MANAGEMENT FRAMEWORK AND STRATEGY

ANZ s risk management capability gives confidence to grow the Group s businesses consistent with our objective to be a medium growth bank with low risk. Through a robust governance structure, risk and return are evaluated to produce sustainable revenue, to reduce earnings volatility and increase shareholder value.

This competitive advantage is underpinned by an ongoing focus on risk and compliance issues and strategy at the highest levels, and a comprehensive risk and compliance management framework comprising:

Board

Board of Directors

Members - 8 Independent Directors + CEO

Meetings - At least 9 times/year

Risk Focus - Leadership; overseeing risk appetite & strategy; ensuring a robust risk & compliance culture

Board Committees

Risk Management Committee of the Board

Members - 4 Independent Directors

Meetings - At least 6 times/year

Focus - Overseeing the Group s risk management policies and controls and compliance with regulatory and internal requirements; may approve credit transactions and other matters beyond the approval discretion of executive management

Audit Committee of the Board

Members - 4 Independent Directors (including one financial expert)

Meetings - At least 7 times/year

Focus - Oversight of the Company s financial reporting policies/controls, integrity of the Company s financial statements, Group (internal) Audit, the Audit Committees of the subsidiary companies, prudential returns and compliance with regulatory requirements

Group Audit

Independent oversight reporting directly to the Chairman of the Audit Committee of the Board.

Group Executives

Compliance and Risk Control Review Committee

Members - CEO, CFO, COO, Chief Risk Officer (CRO)

Meetings - Monthly

Focus - The most material risk & compliance issues arising anywhere across the organisation

Group Asset and Liability Committee

Members - Senior Executives

Meetings - Monthly

Focus - Asset and liability management, capital, liquidity, and funding issues, and oversees market risks in the balance sheet

Credit & Trading Committee

Members - Senior Executives

Meetings - At least weekly

Focus - Transactional credit approvals, market risks in the trading book, and overall credit and market risk governance frameworks

Operational Risk Executive Committee

Members - Senior Executives

Meeting - Monthly

Focus - Key operational risks faced by the group, and the overall operational risk governance framework

Project Initiative Review Committee

Members - Senior Executives

Meeting - Monthly

Focus - All major projects across the Group, organisational priorities for projects, and the overall project governance framework

Risk Executives

Risk & Compliance Council

Members - Senior risk professionals (Executives) from Group Risk Management & Business Units

Meeting - Monthly

Focus - Ensure alignment of goals, strategies, and risk approaches across the Group s wider risk and compliance organisation, including the risk and compliance staff within the business units.

Group Risk Management

Members/staff - Risk and compliance professionals

Reporting - Independently directly through the Chief Risk Officer to the CEO & the Risk Committee of the Board

Focus - Responsible for the development and maintenance of Group-wide global risk and compliance management policies, procedures and systems

Group Compliance

Market Risk

Operational & Technology Risk

Retail Risk

Wholesale Risk

Business Units

Risk Focus - Accountability for management of risks & compliance with all external & internal obligations

Market Risk Management

Risk philosophy and current risk profile

ANZ has for many years adopted a low-risk philosophy and reduced its level of trading risk. ANZ s risk profile is the lowest of the big four Australian banks, and has been on a consistent downward trend over the last six years, as reflected in the following chart

Recent review of controls

Best practice risk management requires that the organisation be continually alert to emerging risks and changes in its risk profile, and to learn the applicable lessons from relevant internal and external experience.

In light of this, ANZ has recently conducted a detailed review of its trading risks and controls. This review concluded that ANZ s markets control framework was appropriate for the scope and volume of trading activity undertaken. More importantly, it highlighted a strong market risk capability and culture, featuring senior independent oversight of the markets business, including daily risk analysis and reporting generated by a fully independent Market Risk team and characterised by an environment in which limit excesses are rare and closed immediately. Trading exposures are monitored daily against Value-at-Risk limits, along with an extensive range of other specific control limits, and daily stress-testing of the portfolio is performed by Market Risk to ensure that risks in the portfolio are understood across a wide range of scenarios.

The market risk control framework has continued to be strengthened, with the implementation of a single integrated front-office system for the Capital Markets business. In light of the success of this implementation, the Foreign Exchange and Commodities business is currently investigating a similar, integrated systems solution.

With the acquisition of NBNZ in December 2003, ANZ s Market Risk department has established independent risk oversight of NBNZ trading activities. The full integration of NBNZ into the ANZ market risk framework was completed by the end of March 2004, with Value-at-Risk figures incorporated into consolidated ANZ reporting from the date of acquisition on 1 December 2003.

Credit Risk Management

From a credit risk perspective, the risk environment for ANZ has improved over the last half, while the focus has been maintained on areas of concern in our portfolios.

Over the half, reductions in corporate risk (particularly offshore) led to a reduction in overall credit risk levels as measured by Economic Loss Provisioning, which reduced by 6 basis points of average net lending assets to 33 basis points, along with a reduction of $72 million in net specific provisions compared to the September 2003 half.

Offshore exposures

Major inroads have been achieved in reducing our offshore credit risk. Many of the benefits are only just beginning to bear tangible results. We have remained vigilant in controlling risk including:

- continued focus on large single name risk limit concentrations for offshore and Structured Finance Lending.
- disciplined asset writing strategy for offshore Institutional borrowers, focused on our Australasian franchise.
- continued winding down and refocusing our involvement in non-core or higher risk sectors.

Offshore exposures (continued)

This half has continued to see some residual impact from legacy issues attached to our Power (US power particularly) and Telecommunications exposures. These portfolios are continuing to be actively managed down.

Offshore Telecommunications   as a result of active portfolio management of this sector, credit limits for offshore telecommunication operators fell by 25% over the half, representing a 50% reduction in telecommunications exposures over the last year.

US Power   Whilst there is still concern over the US power industry, no new signs of deterioration have emerged over the last half. We have continued to work actively in reducing these exposures and manage them closely. Since March 2003 our US power exposures have been reduced by 48%.

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(1). *Includes NBNZ $0.3 billion*

At March 2004 committed limits are $8.3 billion

(2). *Includes NBNZ $1.3 billion*

At March 2004 committed limits are $2.7 billion

Operational Risk Management

Measurement framework

Significant improvements have been made in the half to the Group s framework for operational risk measurement and capital allocation, which was first implemented in 2000. ANZ employs a Risk Drivers and Controls Approach to the measurement of operational risk, which assesses the level of the Group s exposure to specified drivers of risk in 13 different categories of operational risk, and the scope and quality of the key operational processes and risk mitigants, and directly links these assessments to risk capital.

This framework:

Directly connects operational risk measurement with the day-to-day operational risk management process;

Provides increased understanding and transparency of operational risk exposures;

Provides a road map for reducing risk; and

Provides transparent behavioural incentives through the EVA framework for the specialist businesses to invest in internal controls where these investments are most needed.

Technology and Projects

The Group s reliance on technology demands a rigorous approach to technology risk management. A specialist Technology Risk function has been established within Group Risk Management to enhance the approach to technology risk management and to provide additional focus on large and high-risk technology projects. Governance and reporting has also been strengthened with added Executive Management oversight and monitoring through the Project Initiative Review Committee.

Fraud

Fraud prevention and detection is a key focus area for risk management, particularly due to the growing trend in electronic fraud. We are making increased use of technical tools to detect anomalies in customer transactions to reduce potential fraudulent activity. Education continues to be an essential component in fraud prevention for both staff and customers. In response to incidents such as hoax emails, false websites and computer viruses, a wide range of information has been made available to customers via the new Protect your banking site.

Business Continuity and Crisis Management

The monitoring and continuous assessment of country security risk has been strengthened by the implementation of a country security risk rating framework, which assists ANZ s response to changing risks in the international business environment and the ongoing safety of ANZ s staff and operations. Business continuity capabilities continue to be subject to regular review and testing.

Other

There are a number of other risks, which are not classified as either Market, Credit or Operational Risk, for which ANZ holds economic capital. These include, but are not limited to, items such as investment risk (including $3.2 billion goodwill and our $1.7 billion investment in ING Australia) and fixed asset risk.

Key risk issues for the Group

NBNZ

The acquisition of the NBNZ on 1 December 2003 represents a major change to ANZ s risk profile, further increasing the percentage of the Group s portfolio represented by retail exposures.

Group Risk Management is closely monitoring the management of integration risks, with regular reporting of integration risks to both Executive Management and the Risk Management Committee of the Board.

We are progressively aligning the NBNZ risk management framework with the ANZ approach, with appropriate adjustments to reflect local business strategies and conditions.

Residential property and consumer exposures

Australia s strong economic conditions have helped the unemployment rate to fall to 5.6%, its lowest points since 1981. This coupled with our prudent credit practices have seen our Retail delinquency and loss rates remain at very low levels. Credit risk however is cyclical and we remain alert to the fact that rising interest rates, increasing household debt and subdued residential property prices, may change the risk environment. Our risk policies remain firmly entrenched, based on sound loan-to-value ratios, conservative debt servicing capacity and the avoidance of speculative lending. Regular stress-testing of the Mortgages portfolio supports the assessment that whilst some increase in delinquencies can be expected over the next 24 months, the impact is unlikely to be material. Our Credit Card portfolio also remains strong and as yet there has been no material effect as a result of the RBA reforms, however, this continues to be closely monitored.

Large single name exposures

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 ratio has declined significantly over the past 2 years and is now 68% as at 31 March 2004. This is mainly due to our focus on reducing large risk concentrations and substantial changes to the structure of limits granted to large individual customers.

Key Risk Enhancements

Strategy engagement

Group Risk Management is actively involved in key strategy developments and major investment decisions. Best Practice risk management involves an independent group providing input into strategy development and key investment decisions, ensuring that all risks are transparently reflected and properly understood at key decision levels. Specific engagements over the last six months have included the decision to acquire NBNZ and the establishment of a strategic alliance with the Shanghai Rural Credit Cooperatives Union.

Compliance

A dedicated compliance function within Group Risk Management, Group Compliance is responsible for the Group s overall compliance framework, across all regulatory and internal operating policy requirements. Group Compliance is responsible for:

overseeing appropriate Group and Business Unit policies and processes and ensuring they underpin compliance with all applicable business rules, including both regulatory requirements and internal operating policies;

anticipating emerging regulatory issues; and

assisting business units in interpreting Group policies and embedding strong compliance processes, including execution and compliance testing.

Some specific activities:

Australian Financial Services Licence (AFSL) - ANZ was the first major Australian bank to acquire its AFSL from ASIC under the FSRA amendments to the Corporations Act, while 8 specialist businesses have acquired their own separate AFSLs. Group Compliance supports all specialist businesses in meeting their obligations by providing specialist technical support and advice.

Anti-Money Laundering and Terrorist Financing (AMLTF)- Group Compliance is driving compliance with AMLTF requirements throughout all points of representation, including the USA and UK. During the half, it established an Anti Money Laundering Oversight Committee (AMLOC) to provide leadership and oversight of the Group s compliance with anti-money laundering and terrorist financing regulatory obligations in all points of representation.

Specialist compliance management by other Group functions Group Compliance also oversees the program for specialist compliance management by other Group functions, such as that required under APRA Prudential Standards, thus bringing a complex array of diverse regulatory obligations under a single Group compliance framework.

Basel II

The common framework for determining the appropriate quantum of bank regulatory capital is set by the Basel Committee , a sub-committee of the Bank for International Settlements. The new Accord, commonly known as Basel II , has been designed to improve stability of the global financial system by encouraging improved risk management practices and requiring banks to hold levels of regulatory capital commensurate with their risk profile. In particular, Basel II will introduce a more risk-sensitive and detailed regulatory capital regime for credit risk and will introduce for the first time an explicit regulatory capital charge for operational risk.

The final version of Basel II is due to be released in the second quarter of 2004. Basel II is scheduled to commence in ANZ in 2006 for a year of parallel running with the current Accord with full implementation from 2007. ANZ is taking the following steps towards readiness for the new Accord:

At this time ANZ intends pursuing accreditation under the most advanced approaches for both credit and operational risk, in line with the Group s vision of risk management as a strategic asset and source of competitive advantage

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.

The National Bank of New Zealand also has an extensive Basel programme which is in the process of being integrated with the broader ANZ Group programme.

ANZ is currently in the design and implementation phase of its Basel II Programme.

Certain requirements are already in place including:

a credit risk rating system that separately measures default probabilities and likely losses in the event of default, and

a framework for operational risk measurement and capital allocation.

ANZ took part in an international exercise in late 2002 to help refine the calibration of the capital functions within the new Accord. The results indicate that under the more advanced approaches which are planned to be incorporated within Basel II, ANZ would need less regulatory capital than must be held under current rules. Although the precise details are yet to be finalised, APRA has stated that it is likely there will be some differences in the way Basel II is implemented in Australia, which will lessen this reduction.

COUNTRY EXPOSURES

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

Both local currency and cross border exposures are included.

Trade finance is captured at 100% of face value.

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

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

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

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

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

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

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

Product disclosure by selected regions

As at 31 March 2004 in USD millions (net exposures)

CROSS BORDER RISK AND LOCAL CURRENCY RISK

Countries	Trade	Treasury On Balance Sheet	Treasury Off Balance Sheet	Performance Bonds	Financial Guarantees Securing Regional Lending in Countries not detailed	Term Lending MNC s	Term Lending XBR	Term Lending LCY	Underwriting & Project Risk	Total	Movement from Sep 03
ASIA											
Brunei										0	-2
China	1,030	114	13		24	37	30	101	28	1,377	399
Hong Kong	219	25	268	4	158	66	102	224	23	1,089	147
Indonesia	140	7	3	10	1	11	14	135	36	357	-2
Japan	40		176	125	27	183		8		559	86
Macau			3							3	2
Malaysia	152		10	2			14		9	187	40
Philippines	87	47	1	4			46	16	22	223	38
Singapore	98	104	564	1	250	51	327	78		1,473	105
South Korea	1,005		30	28	26	3	34		9	1,135	163
Taiwan	167	16	56	5	2	16	56	148		466	12
Thailand	20		8	2					3	33	-6
Vietnam	93	3	15	1	6	6	9	103		236	1
Total	3,051	316	1147	182	494	373	632	813	130	7,138	983
SOUTHASIA											
Bangladesh	15		35						14	64	-8
India	182		3		1	17	26		40	269	-15
Nepal										0	-1
Sri Lanka	1		14	1					1	17	-3
Total	198		52	1	1	17	26		55	350	-27
LATIN AMERICA											
Argentina	1						11		1	13	-17
Brazil	54		2						66	122	-34
Chile	67						48		63	178	55
Colombia											-4
Mexico	48		7	3			20		56	134	-27
Panama			1							1	0
Peru									7	7	-8
Venezuela	4								46	50	0
Total	174		10	3			79		239	505	-35

MIDDLE EAST								
Bahrain	11				3	35	49	37
Egypt	33					30	63	26
Greece	1						1	1
Iran	87					11	98	17
Israel	2	2	32	13			49	-20
Jordan	1						1	-4
Kuwait	4			1			5	-6
Lebanon								-1
Oman	3	40		7		54	104	-160
Pakistan	3	25				11	39	-4
Qatar	2	23	6	12		58	101	32
Saudi Arabia	24	6		11		18	59	2
U.A.E.	50	22			31	12	115	-23
Political Risk Insurance							40	0
First Loss(1)								
Total	221	118	38	44	34	229	724	-103
EASTERN EUROPE								
Hungary	1						1	0
Poland								-1
Romania								-3
Total	1						1	-4
Total Countries externally rated Investment grade							7,006	266
Total Countries externally rated below Investment Grade							1,712	548
Total all Countries							8,718	814

(1). *Middle East project exposure is USD453 million, however ANZ has Political Risk Insurance. ANZ is liable for the first loss of USD40 million*

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FOUR YEAR SUMMARY BY HALF YEAR

	Mar 04	Sep 03	Mar 03	Sep 02	Mar 02	Sep 01	Mar 01	Sep 00
	$M	$M	$M	$M	$M	$M	$M	$M
Statement of Financial Performance								
Net interest income	**2,509**	2,171	2,140	2,053	1,965	1,954	1,879	1,929
Other operating income	**1,683**	1,456	1,352	1,561	1,409	1,333	1,240	2,422
Operating expenses	**(1,902)**	(1,626)	(1,602)	(1,575)	(1,330)	(1,553)	(1,539)	(2,622)
Provision for doubtful debts	**(313)**	(311)	(303)	(309)	(551)	(290)	(241)	(246)
Profit before income tax	**1,977**	1,690	1,587	1,730	1,493	1,444	1,339	1,483
Income tax expense	**(578)**	(482)	(444)	(457)	(441)	(468)	(443)	(552)
Outside equity interests	**(3)**	(1)	(2)	(1)	(2)	(1)	(1)	(1)
Net profit attributable to members of the Company	**1,396**	1,207	1,141	1,272	1,050	975	895	930
Statement of Financial Position								
Assets	**247,288**	195,591	190,518	183,105	176,589	185,493	180,967	172,467
Net assets	**16,748**	13,787	12,485	11,465	10,803	10,551	10,200	9,807
Ratios								
Return on average ordinary equity	**19.1%**	20.9%	20.3%	24.8%	21.6%	20.9%	19.6%	19.7%
Return on average assets	**1.2%**	1.2%	1.2%	1.4%	1.2%	1.1%	1.0%	1.1%
Tier 1 capital ratio	**7.0%**	7.7%	7.7%	7.9%	7.8%	7.5%	7.3%	7.4%
Operating Expenses(1) to operating income	**45.1%**	44.6%	45.6%	45.5%	46.5%	47.0%	49.1%	60.1%
Shareholder value - ordinary shares								
Total return to shareholders (share price movement plus dividends)	**13.6%**	2.5%	4.1%	1.4%	13.7%	18.6%	6.4%	30.9%
Market capitalisation	**34,284**	27,314	27,135	26,544	26,579	23,783	20,488	20,002
Dividend	**47 cents**	51 cents	44 cents	46 cents	39 cents	40 cents	33 cents	35 cents
Franked portion								
- interim	**100.0%**		100%		100%		100%	
- final								