CUSTOMERS

performance

transformation

people

UNIQUE

1998 ANNUAL REPORT

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

ANZ

AT ANZ WE ARE

Building a truly **unique** financial company

Transforming the way we do business

Making dealing with ANZ an enjoyable **customer** experience

Creating an environment where **people** excel

Focused on delivering superior growth and financial **performance**

CONTENTS

KEY DATES

Record Date for Final Dividend
20 November 1998

Annual General Meeting
21 December 1998

Payment of Final Dividend
21 December 1998

Announcement of Interim Results
26 May 1999*

Record Date for Interim Dividend
11 June 1999*

Payment of Interim Dividend
5 July 1999*

*tentative dates only

Australia and New Zealand Banking Group Limited
ACN 005 357 522

Printed on environmentally sensitive paper

1998 HIGHLIGHTS

Profit before abnormals steady at $1,175m

Profit after abnormals up to $1,106m

Annual dividend increased 8% to 52 cents, 60% franked

Record results in Australia and New Zealand

Strong performance by Personal Banking

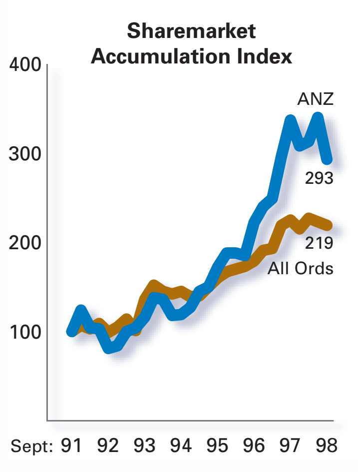
Unfavourable international credit and trading environment

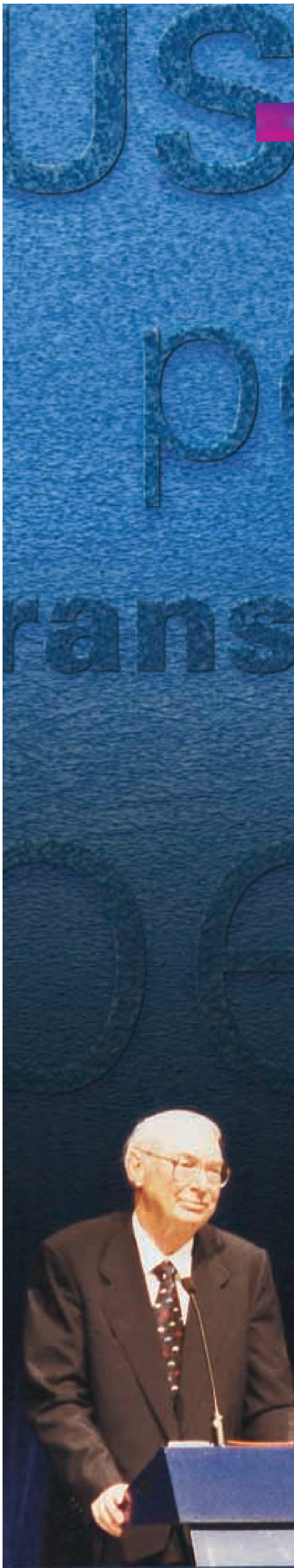
Risk profile reduced

Costs down through significant restructuring

Named Australian "Bank of the Year" *...again*

Named best foreign bank in India



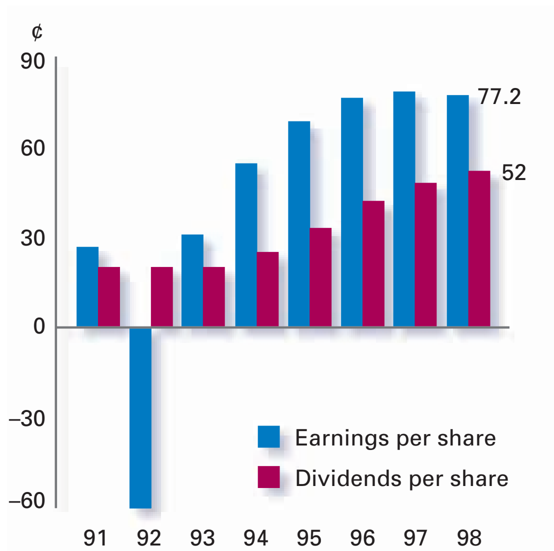


Dear Shareholder

This was a challenging year. Nevertheless profit before abnormals was broadly in line with last year, and Directors were pleased to increase the dividend to reflect the underlying strength of the business and its future prospects.

In the context of the deteriorating international environment, it was a creditable result. Our businesses in Australia and New Zealand performed very well, as did many of our international operations.

Earnings broadly in line with 1997, dividends up



Before abnormals

However, the well publicised Asian turmoil and collapse in emerging market bond markets resulted in lower earnings from our investment bank, offsetting the improvements achieved elsewhere.

Under Chief Executive Officer, Mr John McFarlane, who started on 1 October last year, the Group has made considerable progress in reducing costs and lowering the risk profile of the Bank. We are now placing greater focus on building lower risk consumer franchises while maintaining our leadership positions in business/corporate markets. We are moving out of non-core marginal activities.

There has been a strengthening of our management team and considerable progress in improving our technology. It will take two or three years for us to see the benefits of much of the work now underway.

The annual dividend was increased by 8% to 52 cents per share. As we foreshadowed last year, franking has been reduced to 60%. This is due to the higher level of dividend and the tax deduction for costs associated with the restructuring underway to position ANZ for the future.

There have been two changes to the Board during the year with the retirement of Mr Bruce Vaughan and the appointment of Mr Gary Toomey. Mr Vaughan, who provided wise counsel to the Bank for ten years, reached retirement age in December 1997 but continues his involvement with the Group's superannuation funds.

Mr Gary Toomey joined the Board in March 1998. He is the Chief Financial Officer and Executive General Manager Operations of Qantas Airways Limited.

Australia and New Zealand profit up, International down

Before abnormals

The events of the past year have increased the uncertainty in respect to the short term prospects for the world economy. There will be many challenges ahead of us and we will also remain open to the opportunities which are expected to arise. With improving efficiency, a reduction in our risk profile and a sound capitalisation, ANZ is well positioned to prosper in this environment. We remain confident we are building the foundations which will add to shareholder value over the medium term.

Charles Goode
Chairman

Our domestic businesses are performing well. We have dealt decisively with several international issues and our transformation programme is building a strong foundation for the future.

My first year as Chief Executive Officer of ANZ has been both challenging and rewarding.

Whilst Australia and New Zealand have felt some effect from the Asian crisis, international financial markets have been in turmoil, substantially impacting international banks around the world, including ourselves. Nevertheless, ANZ has delivered a profit broadly similar to last year. We achieved this by producing record results in both Australia and New Zealand, which were up 16% and 28% respectively, to offset a 39% decline internationally. This is a significant achievement in a difficult environment, and serves to underscore the transformation of our domestic businesses over the past two years, as well as the diversified nature of our group.

This said, I do not wish to mask some very real problems we have experienced overseas with the onset of material increases in both country and market risk in emerging markets, particularly in Asia and Russia, which caused credit and trading losses. Faced with this, we acted quickly and decisively to protect earnings by reducing non-core exposure, halting proprietary trading, and withdrawing from high risk segments. This has served to mitigate the potential impact on profits and shareholder value. Whilst slipping against our domestic competitors recently, our share price trend compares favourably with international banks in the USA and Europe, many of which are trading at almost half of their recent values. For the long haul we remain convinced that having an international presence is the right strategy for ANZ.

Record Results Domestically

Our businesses in Australia and New Zealand achieved a significant profit improvement of $144 million after tax in aggregate, notably as a result of our success in reducing costs by $121 million. In both countries we reduced the cost income ratio by more than 5%.

Personal Banking results were up 29% to $462 million, principally following the successful cost rationalisation of the business. In Australia, there has been strong product growth in mortgage lending and cards. ANZ frequently recorded the highest monthly inflows in mortgage lending during the year. In credit cards, we remain the clear market leader. Our retail funds management strategy was enhanced by the introduction of the 'Gateway' master trust, which achieved good customer acceptance.

Business Banking in Australia, where we hold a leading position, achieved sound growth while rebalancing its risk position. Asset Finance achieved strong growth in new business writings while lowering the cost base to maintain leadership in this segment. Our foreign exchange and domestic capital markets activities had an excellent year. ANZ Securities faced substantially increased competition, mainly from foreign entrants, which jeopardised its future prospects. We therefore took the decision to withdraw from institutional stockbroking and to focus on retail broking.

In summary, domestically we simultaneously reduced costs per customer, increased revenue per customer, and increased our market share. We believe this is an excellent set of outcomes.

Overseas Profits Hit by Deteriorating Environment

1998 has been a year of considerable turmoil in international financial markets – the most turbulent period since the 1930s. The current downturn in Asia is the most severe for at least 50 years, and full recovery is unlikely for three to five years. Our long established international positioning, which served us well in the early 1990s when domestic markets were weak, felt the adverse impact of this environment. In response we reduced non-core Asian exposures; total Asian exposures were reduced by 47%. The increase in non-accrual loans of $790 million came mainly from overseas, leading to net specific provisions of $512 million being transferred from the general provision.

The contagion effect spread westwards and emerging markets bond markets collapsed, notably in Russia, resulting in sizeable trading losses for our operations in London. Following a strategic review aimed at lowering risk, we withdrew from this business. The costs of exiting, including the write-down of the residual bond portfolio, and exiting institutional broking, were taken as abnormal items.

We are not proud of this aspect of the result. While we made the most of the volatility in exchange rates and earned good profits from our foreign exchange activities, this more hostile environment tested our existing strategies to their limits, exposing some flaws. We have used this year to put these issues largely behind us and we believe that the reduction in risk, which followed our decisions, will contribute substantially to improved quality of earnings in the future.

Preparing for the Future

Conditions in the year ahead are likely to remain challenging. Most forecasters predict a slowing in economic activity worldwide, including Australia, and market volatility is likely to persist. Indeed, the outlook for the next five years is radically different to the conditions of the last five years. In this lower growth and more volatile environment, we will continue to reduce risk, reduce cost and focus on building our customer businesses.

We are now pursuing a strategy to reposition our business increasingly towards consumer banking and small business, including retail funds management and related products. Nevertheless, we intend to maintain our strength in Corporate Banking but with a lower risk profile and stronger non-interest income. This repositioning of the bank is under way, as has already been demonstrated this year.

We are a major domestic bank but differentiate ourselves by our international presence. However new market conditions overseas require us to be more selective. Everyone is well aware of our strengths in South Asia and the Pacific Islands, but we are underweight in East Asia and have indicated our intention to strengthen this through acquisition when the time is right. As things stand, the environment in East Asia has remained too risky for us to proceed. We have consciously slowed this process, pending an improved environment. Going forward, we intend to maintain roughly the current balance of domestic versus international with effort overseas concentrated on markets that offer the greatest potential for shareholder value, at a lower level of risk.

We also intend to bring alive our promise of making dealing with ANZ an enjoyable experience for our customers, and of creating an environment at ANZ where people excel. We are building a performance based culture, with increasing levels of accountability, better performance management and increased remuneration for those who contribute most. Improving the skills and leadership abilities of our people is a priority. Without jeopardising these objectives, we will continue our emphasis on cost reduction and on the establishment of a more technologically oriented approach to banking.

All of these changes are in the pursuit of increased shareholder value by achieving superior financial performance. Notwithstanding a more hostile environment and a flatter result than we had hoped, we have demonstrated good progress in delivering superior earnings performance domestically. This, together with actions already taken to lower risk, give sufficient confidence to reiterate our promises to shareholders on future profit, return on equity and on lowering our cost income ratio.

Our People have Done Well

The achievements of the last year, especially in a tough external environment, could not have been made without the loyalty, commitment and hard work of many people throughout ANZ. I would like personally to thank all our people for their substantial contribution.

I am conscious that there is still a lot to be done. I am however confident we will rise to the challenge.

Personal Banking

- Australian 'Bank of the Year' award for the second consecutive year
- Housing and small business market share up
- Acquired Primary Industry Bank of Australia's mortgage business
- Moratorium on rural branch closures
- Branch of the Future roll-out completed
- Business Direct Centre for smaller businesses launched

Cards

- Cards on issue – Aust 2,786,000, NZ 289,000, International 350,000.
- Market share up to 25%, led by Qantas Telstra Visa Card
- ANZ-Australian Football League FootyCard and Westfield Visa Card launched
- Strong growth internationally

Private Banking

- Grindlays Private Bank performed well
- ANZ Private Bank grew strongly in Australia; will be launched in New Zealand

South Asia

- Assets $5 billion
- Profit $78 million
- Branches 71
- Staff 4,319
- Stable asset quality
- Solid growth

Asia Pacific

- Assets $7.1 billion
- Profit $108 million
- Branches 44
- Staff 2,558
- Asian Exposure reduced 47%
- Non accrual loans up $339 million to $357 million

Australia

- Assets $94.2 billion
- Profit $796 million up 16%
- Branches 806
- Staff 17,395
- Market share gains
- Strong foreign exchange earnings
- Cost reduction

New Zealand

- Assets $20.2 billion
- Profit $158 million up 28%
- Branches 160
- Staff 4,273
- Margins reduced
- Systems being standardised with Australia
- Cost reduction

ANZ AT A GLANCE

Americas
- Assets $4.9 billion
- Profit $36 million
- Branches 1, 4 Representative Offices
- Staff 165

UK & Europe
- Assets $13.8 billion
- Loss $56 million
- Branches 7
- Staff 872
- Emerging market losses
- Preparations for Euro

Middle East
- Assets $4.5 billion
- Profit $55 million
- Branches 44
- Staff 1,245
- Project finance growth
- Increased provisions

Asset Finance
- Esanda leading provider of asset finance in Australia
- New asset writing volumes up 30%
- Restructuring reduced costs and improved customer service

Business Banking
- Australian and New Zealand operations fully integrated
  - Strong business growth
  - Quality of lending portfolio further improved
  - 55% of Australian corporate customers now bank electronically
- International Services maintained earning levels despite the Asian crisis

Investment Banking
- Trading losses in London, businesses exited
- No.1 in foreign exchange for the second consecutive year
- Named Indian Loan House of the Year
- Institutional broking exited, ANZ Securities focused on retail broking

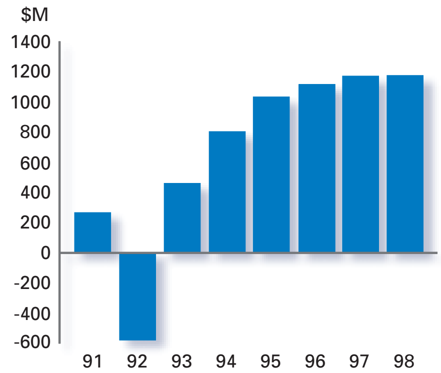
Funds Management
- Funds under management in Australia $10.9 billion
- Successful launch of Gateway Investment Program: $1 billion retail sales
- Funds under management in New Zealand $3 billion
- Financial planning services launched in India
- Increase in number of financial planners

Operations & Technology
- Year 2000 programme on schedule
- Global technology platforms rationalised to improve productivity
- Trans Tasman integration advanced
- Commercial Banking System now operating in 12 countries
- ANZ's systems globally are being prepared for the Euro

CHIEF FINANCIAL OFFICER'S REVIEW

Peter Marriott
Chief Financial Officer

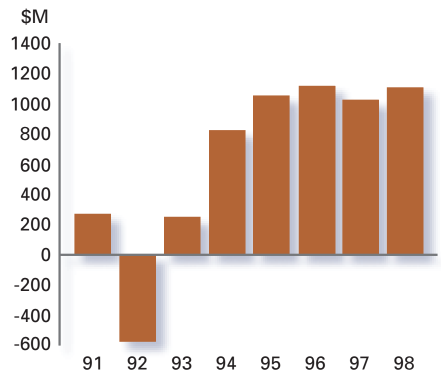
Profit before abnormals steady



Operating Profit

- Operating Profit before abnormals $1,175m (1997 – $1,171m).
- Profit boosted by lending growth, fee and foreign exchange income and lower costs.
- Offset came from trading losses, higher economic loss provisioning, higher restructuring cost and tax.

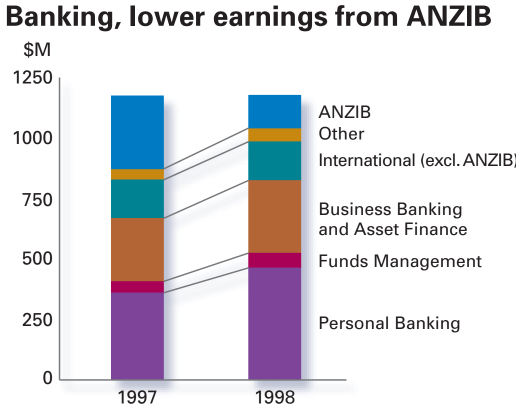
Profit after abnormals up



Abnormal Items

- $69m after tax cost of exiting institutional broking and London based Capital Markets including writedown of emerging markets portfolio.
- Operating profit after abnormal items $1,106m (1997 – $1,024m).

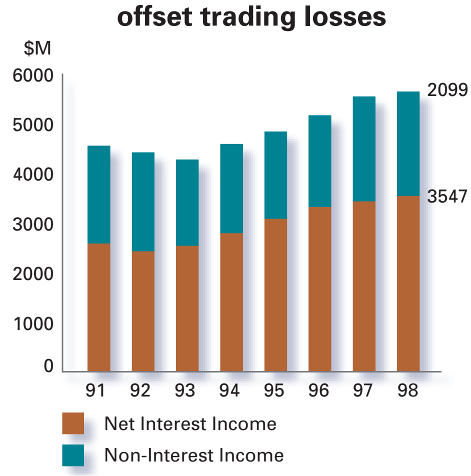
Increased profit from Personal Banking, lower earnings from ANZIB



Business Unit Performance

- Personal Banking up 29%.
- Business Banking up 22%.
- Funds Management up 30%.
- Investment Banking down 55%.

Loan growth and FX earnings offset trading losses



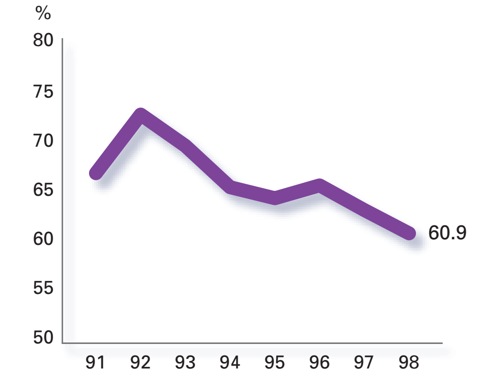
Operating Income

- Loan growth of 12%, 14% in Australia, and stable margins drove higher net interest income.
- Emerging market trading losses led to $83m loss ($182m income in 1997) on securities income partially offset by growth in foreign exchange income and fees.

Operating Expenses

- Costs lower than 1997, second half costs lower than first.
- Cost income ratio reduced by 2.2% to 60.9%. Ratio for continuing businesses down 5.0%.
- Management cost income ratio target 53% in 2000.

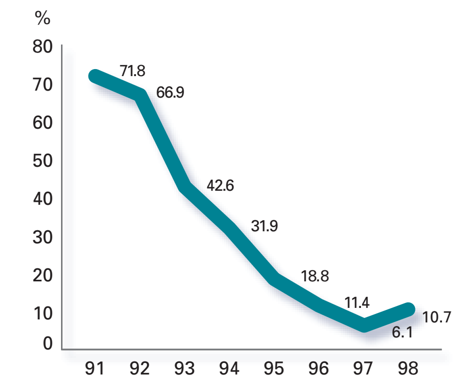
Costs reduced, cost income ratio lower



Asset Quality

- Impacted by Asian turmoil.
- The growth in non-accrual loans came from Asia, Middle East and isolated cases in Australia.
- Non-accrual loans equate to 10.7% of shareholders' equity.

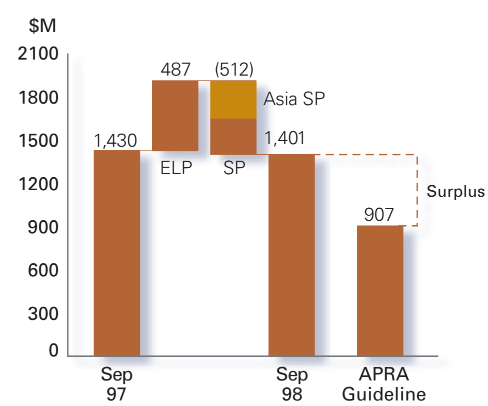
Non-accrual loans increased as proportion of shareholders' equity



Doubtful Debts

- General provision increased by $487m using Economic Loss Provisioning (ELP).
- Specific Provisioning (SP) drawdown $512m of which $263m relates to Asia, $113m Australia, $60m Middle East.
- General provision has surplus of approximately $500m over the Australian Prudential Regulation Authority (APRA) Guideline.

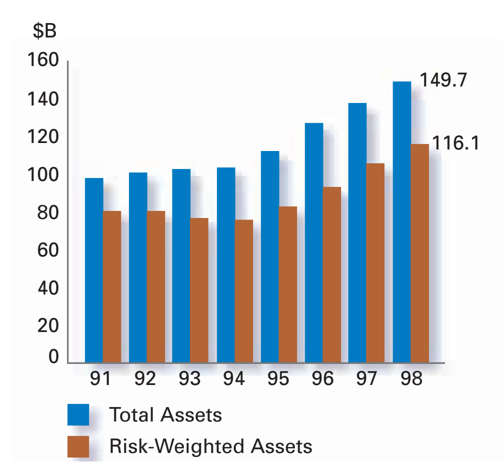
General provision surplus maintained



Balance Sheet

- Lending growth in mortgage and business lending in Australia.
- Reduction in Asian assets.
- Reduction in trading securities.
- Tier 1 lifted to 7.2% (APRA minimum 4%), 10.7% total, primarily as a result of US preference share issue undertaken in September 1998.

Growth in assets



ANZ provides a full range of retail banking services to three million customers in Australia, one million customers in New Zealand and has one million customers internationally.

PERSONAL BANKING

Peter Hawkins
Global Head of
Personal Banking

In 1998, ANZ was awarded Australian 'Bank of the Year' by Personal Investment Magazine for the second consecutive year. In addition to ANZ's established position in Australia and New Zealand, ANZ is the leading bank in the Pacific Islands and ANZ Grindlays is the leading foreign retail bank in South Asia.

Personal Banking had a strong year with the Australian and New Zealand operations increasing profit contribution by 29% to $462 million. Lower costs were the key driver, as margin contraction offset reasonable growth in mortgage and small business lending. The cost income ratio was reduced from 73% to 67%.

The Group's personal banking business is organised to manage separately the servicing of customers, products and delivery channels. This enables business unit managers to focus on revenue and efficiency while providing a strong incentive for co-operation with other areas of the Bank. Branch and telephone sales staff require competitive products to sell, while mortgage and banking product managers are dependent on sales staff providing ongoing customer service.

Retail Banking

ANZ gained market share in the key housing and small business lending markets. The acquisition in October 1998 of the Primary Industry Bank of Australia's $1.5 billion home loan portfolio boosted market share by a further 1%.

Increasing demand for phone banking has seen customer registrations up to 1.7 million, an increase of 97% over the year after being introduced in September 1996. Approximately 100,000 calls a day are received through the centralised call centre in Melbourne, 60% of which are handled automatically by the computerised voice response system with responses available in Mandarin and Cantonese as well as English.

During the year, several distribution initiatives were completed or announced.

- The 'Branch of the Future' has been successfully implemented across Australia and New Zealand. Redesigned procedures and branch layout allows more efficient operation and frees staff from administrative tasks to focus on sales and customer service.
- PC Banking's pilot phase has been completed and following further product and system development will be launched in 1999.
- A Business Direct Centre that offers significantly lower priced products for smaller businesses with simple lending and financial services needs, commenced operation.
- Fee structures were realigned to better reflect cost of providing services.

Cards

In Australia, ANZ is the leading card issuer and has nearly three million cards on issue with the number of Telstra and Qantas Telstra Visa Cards on issue exceeding 1.4 million. ANZ Cards' market share of cards on issue rose from 24% last year to over 25% reflecting the success of co-branded cards. The strong performance of co-branded cards is expected to continue with the ANZ-Australian Football League FootyCard launched in June and the Westfield Visa Card launched in August.

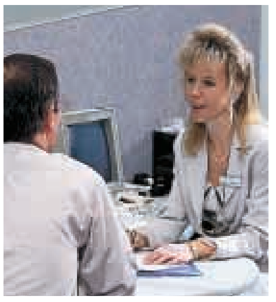
ANZ has card activities in 15 countries outside Australia. Cards on issue maintained strong growth, more than doubling in India and trebling in Pakistan, Bangladesh and Sri Lanka.

Commercial implementation of the Mondex 'electronic purse' began in Melbourne with several retailers accepting Mondex smart cards.

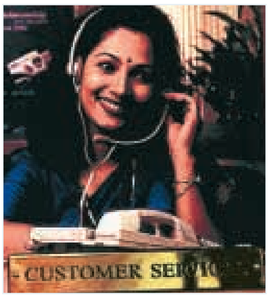
Private Banking

Grindlays Private Bank, which provides full private banking and asset management services to high net worth individuals primarily from Asia and the Middle East, through offices in London, Geneva, Channel Islands and Singapore, performed well.

ANZ Private Bank, which provides a premium service to high net worth customers has grown strongly in Australia and will be launched in New Zealand by the end of 1998.



Roll-out of the 'Branch of the Future' with redesigned procedures and layout allows more efficient operation and frees staff from administrative tasks to focus on sales and customer service.



Branch and telephone sales staff require competitive products to sell, while mortgage and banking product managers are dependent on sales staff providing ongoing customer service.

CORPORATE BANKING

The Group's domestic wholesale banking activities had a solid year increasing their profit contribution by 17% to $492 million, with foreign exchange the strongest performer. However, asset quality issues flowing from the turmoil in Asia and emerging market bond trading losses in London led to profits from our international corporate operations falling from $298 million to $104 million.

Business Banking

ANZ provides banking services and products to around one-third of Australian and New Zealand corporates. The Group also provides international commercial banking products to many leading corporates across the Middle East, South Asia and Asia Pacific.

The Australian and New Zealand business banking operations are now fully integrated, providing a single service proposition. Process improvement which emphasised relationship management and previously focused on Australia, has been implemented in New Zealand.

To improve the delivery of consistent service standards, sales strategy and risk management across the network, Business Banking operations are being integrated in a Global Business Banking unit.

The quality of the lending portfolio in Australia and New Zealand remains good. Management strategies to further reduce the risk profile of the lending portfolio are in place.

The rapid take-up of electronic banking continued with 55% of major customers now using products such as 'ANZ Online' for PC based banking.

ANZ's international operations also underpin our leading position in the provision of trade finance services in Australia, New Zealand and across our international network.

ANZ is a leader in business banking, asset finance, trade finance and investment banking products in Australia and New Zealand. ANZ Grindlays has the largest foreign bank presence in the Indian sub-continent and the Group also provides international commercial banking in the Middle East and Asia. Following trading losses in emerging markets, the Group has closed its capital markets activities in London.

John Ries
Executive Director

This position has been further reinforced by the support we have extended to network customers this year in volatile economic conditions.

As non-strategic international exposures have been reduced, we have been able to refocus our international activities on supporting the trade finance needs of our global customers, including some of Australia and New Zealand's largest exporters.

'Finance Asia' named ANZ as the Best Foreign Commercial Bank in India.

Investment Banking

ANZ Investment Bank provides large corporate and institutional customers active in Australia, New Zealand and Greater Asia with financial solutions involving a wide range of sophisticated financial products.

Our investment banking expertise extends across our international network reflecting the increasingly global nature of our largest customers' businesses. This includes leading positions in some global products and in the key parts of ANZ's network.

'Business Review Weekly' magazine again ranked ANZ number one in foreign exchange, while 'Asiamoney' magazine ranked ANZ among Asia's top five foreign exchange houses. Reflecting the strength of our franchise in South Asia, 'International Financing Review' magazine named ANZ as the Indian Loan House of the Year, and 'Euromoney' magazine named us the number one manager of Pakistan and Indian eurobond issues over three years.

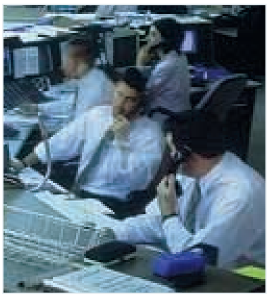
The volatility in Asian financial markets led to asset quality issues and reduced opportunities for our structured and project finance business but created the environment for our foreign exchange activities to increase earnings significantly. ANZ was exposed to the collapse in emerging markets bond prices through our trading activities in London and this led to losses of $83 million on trading securities (profit of $182 million in 1997). Proprietary trading was stopped in July and subsequently the decision was made to exit this business completely and close our capital markets operations in London. The decision was also made to focus on retail stockbroking and withdraw from institutional stockbroking.

Asset Finance

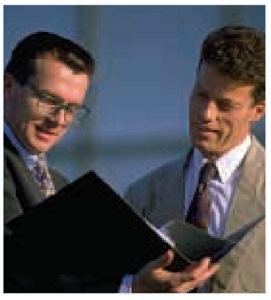
ANZ is the leading provider of asset finance in Australia through Esanda and in New Zealand through UDC with particular strength in automobile finance. New asset writing volumes were 30% higher in Australia than in 1997; margins however, contracted.

Organisational restructuring during 1998 has significantly improved staff productivity and customer service levels. These processes are now being rolled out in New Zealand.

Internationally, asset finance operations in India are in the process of being integrated.



ANZ voted No. 1 in foreign exchange.



The Australian and New Zealand business banking operations are now fully integrated, providing a single service proposition.

Peter Jonson
Managing Director
ANZ Funds Management

The choice of investment funds and insurance products for ANZ customers around the world has been increased.

ANZ manages $17 billion of investment funds for customers around the world. In our two principal domestic markets of Australia and New Zealand we have in excess of $10.9 billion and $3 billion respectively. Further growth of the funds management business remains a key priority for the Group.

The profit contribution from the Group's funds management activities increased to $61 million.

Gateway Investment Program, created in a strategic alliance with the Frank Russell Company, has met with widespread acceptance. Funds under administration are $1.4 billion, well ahead of target. Under this alliance ANZ is using its brand and distribution strengths to combine with world class investment management expertise. To support this growth, additional financial planners are being recruited.

ANZ's Superpool Growth Fund topped the industry performance tables for the 12 month period to September 1998. This fund also recorded strong performance over two, three and five years.

ANZ Funds Management launched financial planning services in India in July 1998. Sales of insurance products expanded in selected Pacific nations during 1998. These international programmes will be accelerated in 1999.

OPERATIONS & TECHNOLOGY

David Boyles
Chief Information Officer

To support the transformation in the way ANZ does business, we are investing in new technologies that expand delivery channels, improve customer service and lower costs.

Technological advance is transforming the way that banking is done. Developing a world class operations and technology capability to provide cost effective support to the business units remains a critical area of focus for ANZ.

The Group's global technology platforms are being rationalised to improve linkages between business units and to achieve economies of scale.

Year 2000

Significant effort continues to be directed to addressing Year 2000 issues, with costs expected to be $183 million. A detailed report was made to the Australian Stock Exchange.

All of ANZ's systems have been analysed and repair and stand-alone testing of ANZ's internal applications are on schedule for completion by the end of December 1998.

ANZ has already begun testing interbank interfaces. Full end-to-end interbank testing and retesting of payment streams is scheduled to continue into 1999. Completion of interbank testing is scheduled for March 1999 in New Zealand, June 1999 in Australia.

A review of externally provided products and services is also under way. Year 2000 has the potential to adversely impact the broader economy and therefore have negative implications for credit quality. ANZ is active in assessing the impact of Year 2000 on the creditworthiness of our customers and in raising their awareness of the effect it could have on their businesses.

Other Major Projects

ANZ's systems globally, particularly in the areas of ANZ Investment Bank, ANZ Private Bank and payments, are being prepared for the Euro, the new European currency which will be introduced electronically on 1 January 1999.

Through Project Tasman, the Group is moving ANZ New Zealand's customer account processing and core transaction management systems from an external supplier to a unified core banking system based on its Australian retail banking technology. Project Tasman is scheduled for completion in July 1999.

ANZ's standard technology platform for its international network, the Commercial Banking System, is now operating in 12 countries including Bangladesh, Fiji and Papua New Guinea. Implementation in the major sites of India and Pakistan is scheduled to be completed by April 1999.

Other major initiatives under way in the Operations and Technology division to improve customer service, productivity and efficiency across the Group include:

- establishing an E-Commerce Centre of Excellence to develop electronic delivery channels for ANZ's products and services and
- a cost efficiency review to reduce mortgage establishment and processing costs.

Elmer Funke Kupper
Group General Manager
Risk Management

RISK MANAGEMENT

Review of 1998

The last twelve months have tested our risk management systems and procedures. While our record is not unblemished, we did reduce the amplitude of the impact as 1998 turned out to be one of the most turbulent years in financial markets since the 1930s with the crisis in Asia unfolding in a way that few economists or governments predicted.

The events of the last twelve months have led to a reassessment and strategic rebalancing of our management of risk. Tangible evidence of this is seen in the decision to close the capital markets operation in London, wind down of interbank money market activities and reduction in non-strategic Asian exposures. Going forward, there will be a continuing rebalancing of our portfolio with reduced emphasis upon wholesale activities. Our international activities will be sharpened with greater focus upon lower risk assets reflecting our areas of traditional strength in trade, foreign exchange and supporting the needs of our network customers and building consumer franchises.

Asia

Four of the 20 largest declines in exchange rates since 1970 have occurred in Asia since mid 1997. Economic activity in the region has gone from an annual growth rate of 7% in the period 1992–1997 to a likely contraction of 5% in 1998. The region continues to be burdened by high levels of bad debts with non performing loans expected to peak between 45% and 75% in Korea, Thailand and Indonesia.

ANZ through its long established international franchise was adversely affected by the Asian turmoil. To address the situation and manage our exposures down, the Group established a specialist team early in the year. This enabled the Group to provide focused management to the situation. At the Annual General Meeting in January the Chairman indicated the Group's specific provisions for the year would be contained within the Economic Loss Provision of "around $500 million". Specific provisions for the year were $512 million, including $263 million for Asia.

The Group has significantly reduced its non-strategic assets in Asia. This resulted in a reduction in total exposure to the region of 47% in US dollar terms during the year.

Lending policies have been reviewed and tightened to focus on network business, particularly trade finance, rather than foreign currency lending to local entities. While further problem exposures in Asia can be expected, these are likely to be well below 1998 levels.

Emerging Markets

Contagion effects from the Asian turmoil have been felt across other emerging markets. Between March and September 1998, the JP Morgan Emerging Markets Bond Index Plus fell by up to 36%, while the problems in Russia led to a drop in the Russian Country Composite Index of 85%.

ANZ was exposed to the emerging bond markets through its capital markets trading activities in London, and incurred losses.

In July, ANZ made the decision to exit all proprietary trading activities. Exposures were reduced but some positions could not be exited due to lack of liquidity in the global bond markets, and losses continued to be incurred in the period between July and August. The decision to close our London capital markets activities was made as part of the programme to rebalance away from higher risk wholesale banking activities. The residual portfolio was written down to market value as at 30 September.

Risk Management Processes

Risk management processes are subject to oversight by the Risk Management Committee of the Board. This includes the review of risk portfolios and the establishment of prudential policies and controls.

The Risk Management Committee is supported by Group Risk Management, which has global responsibility for the effectiveness of the Group's risk management framework.
In order to establish a common 'language' for risk across all risk types, ANZ allocates economic capital to each line of business and key product area.

Credit Risk Management

Credit risk is the potential financial loss resulting from the failure of a customer to honour fully the terms of a loan or contract. Credit risk represents approximately 55% of the Group's risk exposures.

The Board approves a set of policy controls that aim to develop and maintain a well diversified credit portfolio. The authority for individual credit decisions that are within policy has been delegated to the Credit Approvals Committee. The Credit Approvals Committee is also responsible for the ongoing development of credit policy.

At operational levels, all major lending decisions are made under dual authority, involving signoff by a separate and independent credit line. Dedicated business and credit areas have been established for the larger portfolios (eg commercial real estate), whilst a specialist group manages high risk and problem loans.

The credit process is supported by an advanced risk grading system that allows for the objective measurement of the customer's default risk.

Under Group policy, the expected loss on the portfolio of credit risks is charged to profit and added to the General Provision. ANZ believes that this expectation provides a better reflection of the fundamental risk of the portfolio for the year than the actual losses brought to account in that period. Actual credit losses are subsequently transferred from the General Provision.

Market Risk Management

Market risk is the risk to earnings arising from changes in interest rates or exchange rates, or from fluctuations in bond, equity or commodity prices such as happened in emerging markets this year.

The management of market risk and compliance with policy is overseen by the Global Funds Management Committee. The responsibilities of this Committee include the monitoring of risk exposures, the approval of new products and activities, and the maintenance of the limit and control framework.

Trading Risk Management

The Group's trading activities focus on customer trading, distribution and underwriting of a range of securities and derivative instruments. The Group's proprietary trading activities have been closed.

Trading risk is controlled by a specialist function within Risk Management. This function provides specific oversight of each of the main trading areas and is responsible for the establishment of Value at Risk and supplementary limits.

Value at Risk for trading risk represents an estimate of the potential loss over a one day holding period based on a 97.5% confidence interval.

ANZ has implemented models across all trading areas that provide Value at Risk information and comparison against risk limits on a daily basis. These models comply with the Prudential Supervision Statement C3 (Capital for Market Risk).

Balance Sheet Risk Management

The balance sheet risk management process embraces the management of balance sheet interest rate risk, liquidity and risk to capital and earnings as a result of exchange rate movements. These risks are managed by a specialist Global Balance Sheet Management unit.

The objective of balance sheet management is to produce strong and stable net interest income over time. ANZ uses models to simulate the impact of interest rate changes on earnings and on the market value of the balance sheet.

Structural foreign exchange positions are managed with the objective of ensuring that the ANZ capital ratio is not adversely impacted by movements in exchange rates.

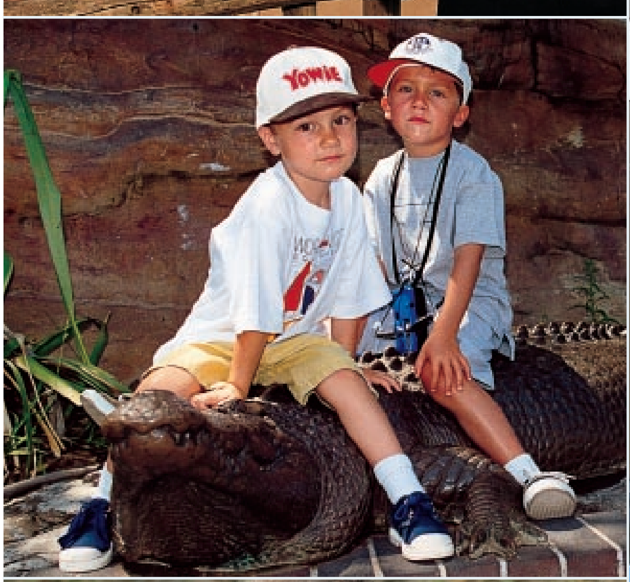
Operating Risk Management

Operating risk arises from the potential break down of day to day operational processes, which directly or indirectly can result in loss. This may arise from failure to comply with policies, laws and regulations, from fraud or forgery, or from a breakdown in the availability or integrity of services, systems and information.

Some operating risks can be insured and where possible, appropriate cover has been taken. Most operating risks, however, are not insurable.

The day to day management of operating risk is by its very nature largely in the hands of the lines of business and country organisations. A structured methodology has been developed to support the business areas in the identification and management of key risks. The Operating Risk Executive Committee, supported by specialist staff, is responsible for the development and implementation of the policies surrounding operating risk.

Risk Management regularly reviews progress and ensures that any Group-wide issues receive sufficient attention across all lines of business with the most significant risks reported to the Risk Management Committee of the Board.



Major Project: ANZ Conservation Theatre – Taronga Zoo, Sydney, New South Wales.

The ANZ Conservation Theatre at Taronga Zoo opened officially on 6 November, 1998. The 300 seat theatre, built with $300,000 financial assistance from ANZ, is designed to provide a venue for world-renowned conservationists and experts to share their knowledge on conservation and environmental education with the community.

At ANZ we are conscious of our responsibilities to the communities in which we operate.

ANZ is aware of the profound effects that changes in the banking industry are having on many communities, especially in country areas. A 12 month freeze on country branch closures was announced in July. In addition, $10 million has been allocated for ANZ to work with people in rural communities affected by branch closures to develop and implement alternatives to meet their banking needs.

Charitable Donations

ANZ supports the community through charitable contributions to a wide range of organisations for community welfare, medical research, educational and cultural projects.

Major charitable donations include:

- ANZ Conservation Theatre – Taronga Zoo, Sydney $300,000.
- Disaster relief: $68,879 for the Katherine Flood Appeal, $52,400 to Papua New Guinea for victims of the drought and the tsunami and $25,000 to Bangladesh for the victims of the flood.
- Food Bank: $40,000 in New South Wales and $40,000 in Victoria in support of distribution of meals and provisions to more than 40,000 people each week through welfare organisations such as the Salvation Army, Lions Club, Melbourne City Mission and Odyssey House.

ANZ Foundation

The ANZ Foundation is a charitable trust that assists those in need by making grants to eligible charities. It is funded by contributions made by ANZ and its staff. ANZ matches staff contributions dollar-for-dollar and meets administration costs. The Foundation may also accept contributions from the public which are tax deductible.

ANZ Foundation grants amounted to $152,776 and included $38,600 to the Down Syndrome Association of Victoria, $32,300 to Youth Insearch (NSW) and $10,000 to Ngaimpe Aboriginal Corporation (NSW).

For more information about the ANZ Foundation, please ring (03) 9273 4492.

Political Donations

ANZ supports a vigorous multi-party democracy as the best guarantee of a market oriented economy with strong private and commercial rights and freedoms. Accordingly we provide some level of support for the major parties in our home markets.

In the year to September 1998 in Australia, we donated $95,000 to the Liberal Party, $20,000 to the Australian Labor Party and $10,000 to the National Party of Australia.

In New Zealand, we donated NZ$7,500 to the National Party, NZ$2,500 to the Labor Party and NZ$2,500 to the A.C.T. Party.

Photo: World Vision.

A child wades through floodwaters in Bangladesh in September 1998. ANZ and staff donated $25,000 to flood victims.

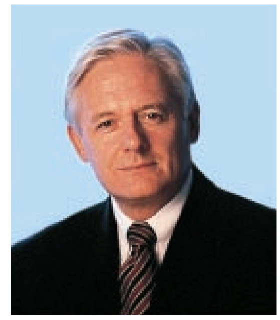
ANZ Foundation grants amounted to $152,776.

BOARD of DIRECTORS

Mr C B Goode

B Com (Hons) (Melb), MBA (Columbia University, New York), FCPA, FSIA
Chairman
Company Director.

Director since July 1991, appointed Chairman August 1995. Director of CSR Limited, Pacific Dunlop Ltd, Queensland Investment Corporation, Woodside Petroleum Ltd and other companies.
Lives in Melbourne. Age 60.



Mr J McFarlane OBE

MA, MBA, MSI, FHKIB, FRSA, FAIBF
Chief Executive Officer.

Appointed Group Managing Director and Chief Executive Officer in October 1997. Former Group Executive Director, Standard Chartered plc (1993–1997), Head of Citibank, United Kingdom (1990–1993) and Director London Stock Exchange (1989–1991).
Lives in Melbourne. Age 51.

Dr B W Scott AO

B Ec, MBA, DBA
Company Director.

Director since August 1985. Chairman of Management Frontiers Pty Ltd, W.D. Scott International Development Consultants Pty Ltd, Television Makers Pty Ltd and The Foundation for Development Co-operation Ltd. Director of Air Liquide Australia Ltd and the James N. Kirby Foundation Ltd. Australian member of the Board of Governors of the Asian Institute of Management and Chairman of the Australia-Korea Foundation. Chairman and Counsellor of the Australian Simon University. Former Chairman of the Australian Government's Trade Development Council (1984–1990). Former Federal President, Institute of Directors in Australia (1982–1986)
Lives in Sydney. Age 63.

Mr C J Harper

CA (Scots)
Company Director.

Director since October 1976. Chairman of CSL Ltd. Former General Manager and Chief Executive of the merchant bank Australian United Corporation Ltd (1968–1976) and since then a professional non-executive director. Inaugural National Vice President of The Australian Institute of Company Directors.
Lives in Melbourne. Age 67.

Mr J K Ellis

MA (Oxon) FAIMM FTS
Chairman, The Broken Hill Proprietary Co Ltd.

Director since October 1995. Chairman of Sandvik Australia Pty Ltd and the International Copper Association Ltd. Patron of the Australian-Korea Business Council. Board Member of the Museum of Contemporary Art.
Lives in Melbourne. Age 61.

Mr J C Dahlsen

LLB, MBA (Melb)
Solicitor and Company Director.

Director since May 1985. Consultant to and former Partner of the legal firm Corrs Chambers Westgarth. Chairman of Woolworths Ltd and Melbourne Business School Ltd, Director of Southern Cross Broadcasting (Australia) Ltd, Mining Project Investors Pty Ltd, The Smith Family, GS Private Equity Pty Limited and J. C. Dahlsen Pty Ltd Group. Former Chairman of The Herald and Weekly Times Ltd and Deputy Chairman Myer Emporium Ltd.
Lives in Melbourne. Age 63.

Mr J F Ries

B Bus, FCPA, FAIBF
Executive Director

Executive Director since August 1992. Thirty-eight years experience in banking with the Group including Managing Director, ANZ Grindlays Bank plc, London (1988–1990) and Chief General Manager, International Banking (1990–1992).
Lives in Melbourne. Age 54.

Dr R S Deane

PhD, B Com (Hons), FCA, FCIS, FNZIM
Chief Executive and Managing Director, Telecom New Zealand Limited.

Director since September 1994. Director of Fletcher Challenge Limited, IHC Mortgages Ltd, The Centre for Independent Studies Ltd and Institute of Policy Studies, Victoria University, Wellington. Formerly Chief Executive, Electricity Corporation of New Zealand Ltd, Chairman State Services Commission, Alternate Executive Director, International Monetary Fund and Deputy Governor, Reserve Bank of New Zealand.
Lives in Wellington, New Zealand. Age 57.

Ms M A Jackson

MBA, B Econ, FCA
Company Director.

Director since March 1994. Chairman of Transport Accident Commission (Victoria) and the Playbox Theatre. Director of The Broken Hill Proprietary Co Ltd, Pacific Dunlop Ltd and Qantas Airways Ltd. Trustee of The Brain Imaging Research Foundation, member of the French Australian Industrial Research Program Steering Committee, Interim Board member of Melbourne University Private Limited and Patron of the Salvation Army Capital Appeal for homeless youth in Victoria.
Lives in Melbourne. Age 45.

Mr G K Toomey

B Com, FCPA, FCA, FCIS
Director, Qantas Airways Limited

Director since March 1998. Chief Financial Officer and Executive General Manager Operations, Qantas Airways Ltd. Director of subsidiary and associated companies as well as holding a wide range of executive responsibilities in the Qantas Group.
Lives in Sydney. Age 43.

GROUP SENIOR MANAGEMENT

During the year the management team was strengthened through the recruitment of external executives as well as internal promotions. Key external appointments included John McFarlane, Larry Crawford, David Boyles, Elizabeth Proust, Rod Slater, Jane Slatter and Michael Domann.

Executive Management Committee	
Chief Executive Officer	John McFarlane
Executive Director	John Ries
Global Head Personal Banking	Peter Hawkins
Chief Financial Officer	Peter Marriott
Business Heads	
Business Bank	Bob Edgar
Australasian Branch Network	Larry Crawford
Asset Finance	Peter McMahon
Investment Bank	Grahame Miller
Cards	Charles Carbonaro
Funds Management	Peter Jonson
Private Banking	David Airey
ANZ New Zealand	Murray Horn
Mortgages	Greg Camm
Financial Markets	Mark Coombs
Banking Products	Kathryn Fagg
International Services	John Winders
Direct Distribution	Satyendra Chelvendra
Group Functions	
Chief Information Officer	David Boyles
Strategy	(External Search)
Human Resources & Management Services	Elizabeth Proust
Risk Management	Elmer Funke Kupper
Acquisitions	David Valentine
Finance & Information Management	Ian Snape
Marketing	Rod Slater
General Counsel and Company Secretary	Jane Slatter
Audit	Michael Domann
CEO's Office	David Ward

Role of the Board of Directors

The Board of Directors is responsible to shareholders for the overall governance and performance of ANZ. The Board:

- charts the direction of the Group by setting objectives and strategy and establishing policy guidelines and performance targets
- monitors management's running of the business to ensure implementation is in accordance with the agreed framework
- through the Audit, Compliance & Finance Committee, liaises with the external auditors on accounting policies and practices, compliance issues and reporting to shareholders.

Composition of Board

To achieve its objectives, a well structured Board is necessary. Details of the qualifications and experience of directors are set out on page 20.

The Board Nominations Committee identifies and nominates suitable candidates for consideration by the full Board.

Although flexible, criteria include the individual's background, experience, skills and geographical considerations and availability to commit sufficient time to Board matters.

To ensure the benefit of independent views, the constitution of the Company states that there must be a majority of non-executive directors on the Board and that the role of Chairman cannot be held by an executive director, ensuring that the roles of Chairman and Chief Executive Officer are separate. Committees of the Board are chaired by non-executive directors.

The Board has eight non-executive directors and two executive directors.

All non-executive directors are regarded as independent, having no substantial supplier/ customer relationship and no prior executive role in the Group.

Both non-executive and executive directors (other than the Chief Executive Officer) are subject to re-appointment by shareholders on a rolling three year basis and must retire upon attaining the age of 70. In the interests of ensuring smooth succession and a reasonable range and turnover of skills, non-executive directors appointed since 1993 have agreed that they will not, in normal circumstances, serve as a director beyond 15 years. Executive directors retire as directors on the cessation of their employment with the Group.

Board Activities

The Board meets regularly ten times a year and there are special meetings from time to time. Committee meetings are held at regular intervals. The Board receives reports on performance and outlook, and reviews activities and strategies of the Group and each division. Overall strategic direction is also reviewed at a two day retreat each year.

Directors participate in a programme of visits to operations and opportunities are created for directors to meet and discuss current issues with management and staff.

The Board carries out its duties to a significant extent through four main committees which meet regularly and make recommendations to the main Board.

Each non-executive director is on two of these committees. The four main committees are:

- Audit, Compliance and Finance Committee
- Risk Management Committee
- Human Resources Committee
- Strategic Issues Committee.

Membership of the committees and attendance at Board and committee meetings during the year is set out below. Details of the function of these committees are set out on page 24.

Directors have also participated in meetings of Committees of the Board (seven meetings during 1998) to sign accounts and to declare dividends, and Share Committees (36 meetings during 1998) to make allotments under the Company's various dividend reinvestment and employee share schemes.

There is also an Executive Committee of the Board (11 meetings during 1998) which has general executive authority to deal with all matters relating to the Company's affairs which require attention between scheduled Board meetings.

ANZ Chairman, Charles Goode, listens to a shareholder at the January 1998 AGM.

Directors' Meetings

The number of directors' meetings, including meetings of committees of directors held in the period each director held office during the year, and the number of meetings attended by each director were:

	Board		Risk Management		Audit, Compliance & Finance		Human Resources		Strategic Issues		Executive Committee		Donations Committee	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B
J C Dahlsen	12	11	–	–	10	9	–	–	8	7	6	6	–	–
RS Deane[1]	12	9	20	14	–	–	2	2	8	4	3	3	–	–
J K Ellis	12	12	20	13	–	–	10	8	–	–	3	3	–	–
C B Goode	12	12	20	16	10	10	10	10	8	8	10	10	4	4
C J Harper	12	12	20	19	–	–	10	9	–	–	10	10	–	–
M A Jackson	12	12	–	–	10	7	–	–	8	8	5	5	–	–
J McFarlane	12	12	20	14	–	–	10	10	8	5	9	9	4	4
J F Ries	12	12	20	19	–	–	–	–	–	–	7	7	–	–
B W Scott	12	12	–	–	10	10	10	10	–	–	5	5	–	–
G K Toomey[2]	6	6	6	6	–	–	6	6	–	–	1	1	–	–
R B Vaughan[3]	3	3	–	–	3	2	–	–	–	–	2	2	–	–

Column **A** – Indicates number of meetings held during the period the Director was a Member of the Board and/or Committee.
Column **B** – Indicates number of meetings attended during the period the Director was a Member of the Board and/or Committee.

The Chairman is an ex-officio member of all Board Committees.

[1] Resident of New Zealand [2] Mr Toomey appointed 17/3/98 [3] Mr Vaughan retired 31/12/97

In addition there were 36 meetings of the Shares Committee which were attended by those directors necessary and available to meet quorum requirements, Mr Goode (23), Mr Harper (20), Mr McFarlane (6), Mr Dahlsen (6), Mr Scott (4), Mr Ellis (3), Ms Jackson (3) and Mr Ries (2) and 7 meetings of the Committee of the Board which were attended by Mr Goode (5), Mr McFarlane (5), Mr Harper (3) and Mr Ries (2).

Sir Ronald Trotter retired 9/10/97. No meetings were held during the period from 1/10/97 – 9/10/97.

Board Conduct

Whilst there is no formal restriction on the number of external Board or charitable committee appointments a director may have, directors are required to seek Board approval before accepting an appointment.

The Board has established a code of conduct in the event of a conflict of interest.

To assist in the exercise of their responsibilities, directors are entitled to seek independent professional advice. With the Chairman's prior approval the advice can be obtained at the Bank's expense and is to be made available to the whole Board.

Directors are required to hold at least 2,000 shares in the Company. Details of their holdings are shown on page 39. Except for participating in the shareholders' Dividend Reinvestment Plan and the shareholders' Bonus Option Plan, directors are not permitted to deal in the Company's shares for their personal benefit except in three four week periods; following the announcement of half year and full year results, and the Annual General Meeting, and in each case the Chairman of the Board must be informed prior to any trading. The Company's share trading policy also places similar restrictions on senior management and those staff in departments with access to market sensitive information, with notification being required to the Chief Executive Officer.

The constitution provides an indemnity to directors and employees for costs and liabilities incurred in the execution of their duties. The external auditor is not indemnified.

ANZ has a number of controlled entities and affiliated companies, some of which have non-executive directors.

M A Jackson and B W Scott AO are directors of ANZ Grindlays Bank Limited.

J G Todd and F H Wilde are directors of ANZ Banking Group (New Zealand) Limited.

D P McDonald, C M William, and L J Willett AO are directors of companies within ANZ Funds Management Group.

B W Scott AO is a member of the boards of the main Australian Staff Superannuation and Pension companies.

Audit Compliance & Finance Committee

(Chairman – J C Dahlsen)

Reviews the Group's accounting policies and practices; financial statements; due diligence processes in relation to capital raisings; and compliance with the Group's statutory responsibilities including those relating to Consumer Credit Legislation, Trade Practices Act and privacy issues. Monitors compliance with approved policies and controls; liaises with internal and external auditors. Approves audit plans and the audit fee of the external auditor.

Risk Management Committee

(Chairman – C J Harper)

Supervises all aspects of risk management. This includes approving and overseeing the delegation policies, standards and reporting mechanisms for credit risk, trading risk, balance sheet risk and operating risk. Monitors the risks being assumed by the Group to ensure standards are being met. A description of the Group's Risk Management procedures is contained on pages 16 and 17 of this report.

Human Resources Committee

(Chairman – Dr B W Scott AO)

Oversees major policies and guidelines relating to the management of human resources, particularly as it relates to the major change programmes under way (including productivity, staff morale and performance). The committee oversees such matters as employment guideposts, remuneration schemes, industrial relations strategies, staff development programmes, and assessment of senior executives.

Strategic Issues Committee

(Chairman – M A Jackson)

Oversees overall business strategy including proposed acquisitions, divestments and joint ventures. The committee also monitors the progress of major projects.

Board Nominations Committee

(Chairman – C B Goode)

Reviews and makes recommendations to the Board in respect of the composition of the Board to ensure that it has the appropriate mix of expertise and experience.

Donations Committee

(Chairman – C B Goode)

Advises on donations policy and considers requests for corporate contributions.

1998 CONCISE FINANCIAL REPORT

CONTENTS

The 1998 Concise Financial Report has been derived from the Group's 1998 Financial Statements. This Concise Financial Report cannot be expected to provide as full an understanding of the Group's financial performance, financial position and financing and investing activities as the Group's 1998 Financial Statements.

The Chief Financial Officer's Review on pages 8 to 9 provides a discussion and analysis of the financial statements.

1998 Financial Statements

A copy of the Group's 1998 Financial Statements, including the independent Audit Report, is available to all shareholders, and will be sent to shareholders without charge upon request. The Financial Statements can be requested by telephone (Australia: **1800 113 399**, Overseas: **61 3 9205 4892**) and by internet at **investor.relations@anz.com**

Nine Year Summary[1]

	1998 $M	1997 $M	1996 $M	1995 $M	1994 $M	1993 $M	1992 $M	1991 $M	1990 $M
Profit and loss									
Net interest income	3,547	3,437	3,327	3,084	2,794	2,539	2,427	2,587	2,456
Other operating income	2,099	2,110	1,839	1,754	1,793	1,730	1,990	1,964	1,675
Operating expenses	(3,438)	(3,502)	(3,397)	(3,116)	(3,001)	(2,975)	(3,199)	(3,035)	(2,739)
Operating profit before tax, debt provision and abnormals	2,208	2,045	1,769	1,722	1,586	1,294	1,218	1,516	1,392
Debt provision	(487)	(400)	(175)	(237)	(388)	(637)	(2,127)	(1,062)	(796)
Income tax (expense) benefit	(537)	(466)	(469)	(442)	(388)	(190)	336	(184)	(183)
Outside equity interests	(9)	(8)	(9)	(10)	(7)	(7)	(5)	(4)	(1)
Operating profit (loss) after tax before abnormals	1,175	1,171	1,116	1,033	803	460	(578)	266	412
Net abnormal (loss) profit	(69)	(147)	–	19	19	(213)	(1)	1	(191)
Operating profit (loss) after tax	1,106	1,024	1,116	1,052	822	247	(579)	267	221
Balance Sheet									
Assets	149,720	138,241	127,604	112,587	103,874	103,045	101,138	98,212	99,300
Net Assets	8,391	6,993	6,336	5,747	5,504	5,133	4,591	5,018	4,323
Ratios (before abnormals)									
Cost to income	60.9%	63.1%	65.8%	64.4%	65.4%	69.7%	72.4%	66.7%	66.3%
Ratios (after abnormals)									
Return on average equity	14.6%	14.8%	18.3%	17.9%	15.6%	5.0%	–11.4%	5.8%	5.4%
Return on average assets	0.7%	0.7%	0.9%	0.9%	0.8%	0.2%	–0.6%	0.3%	0.2%
Tier 1 capital	7.2%	6.6%	6.7%	6.6%	6.8%	5.9%	4.8%	6.0%	5.1%
Shareholder value									
Total return to shareholders (share price appreciation plus dividends)	–15.6%	62.4%	33.9%	52.4%	2.0%	47.2%	–19.6%	2.3%	–21.4%
Market value of shareholders' equity	13,885	17,017	10,687	8,199	5,293	5,285	3,037	3,904	3,884
Dividend	52.0c	48.0c	42.0c	33.0c	25.0c	20.0c	20.0c	20.0c	38.0c
Franked portion	60%	100%	79%	18%	–	–	50%	100%	100%
Closing share price – high	$11.88	$11.58	$7.28	$5.75	$5.68	$4.40	$4.88	$4.20	$6.38
– low	$8.45	$7.10	$5.41	$3.55	$3.78	$2.53	$2.87	$2.92	$3.95
– 30 Sep	$9.02	$11.28	$7.23	$5.67	$3.91	$4.04	$2.88	$3.83	$4.00
Share information (per fully paid share)									
Earnings before abnormals – basic	77.2c	78.4c	76.3c	68.5c	54.5c	30.8c	–60.1c	26.7c	45.0c
Earnings after abnormals – basic	72.6c	68.6c	76.3c	69.9c	55.9c	13.5c	–60.2c	26.9c	24.2c
Dividend payout ratio (before abnormals) Ordinary	67.8%	61.6%	55.5%	49.1%	46.4%	65.6%	n/a	69.6%	79.9%
Net tangible assets	$4.98	$4.59	$4.24	$3.94	$3.58	$3.43	$3.40	$4.31	$4.45
No. of ordinary shares issued (millions)	1,539.4	1,508.6	1,478.1	1,446.0	1,353.6	1,308.2	1,054.5	1,019.3	971.1
DRP issue price – interim	$10.64	$9.77	$5.59	$4.40	$3.78	$3.42	$3.58	$3.42	$4.35
– final	–	$9.92	$7.60	$6.27	$3.73	$4.44	$2.51	$4.46	$2.72
Other information									
Points of representation	1,205	1,473	1,744	1,881	2,026	2,136	2,302	2,367	2,431
No. of permanent employees (full time equivalents)	30,827	35,926	39,721	39,240	39,642	40,277	43,977	46,261	48,182
No. of shareholders	151,564	132,450	121,847	114,829	121,070	115,000	112,036	101,188	92,606

[1] All years restated for impact of changes in accounting policies for leases and other expenses (refer page 34) and tax effecting of general provision for doubtful debts. 1997 has been restated for impact of measuring the annual debt provision charge using economic loss provisioning; prior year data has not been restated for this change in measurement approach

Directors' Report

The directors present their report for the year ended 30 September 1998. The information is provided in conformity with the Corporations Law.

Activities

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

There has been no significant change in the nature of the principal activities of the Group during the financial year. At 30 September 1998, the Group had 1,205 points of representation.

Result

Consolidated operating profit after income tax and abnormal items attributable to members of the Company was $1,106 million. Further details are contained in the Chief Executive Officer's Review and the Chief Financial Officer's Review commencing on pages 4 and 8 respectively of the 1998 Annual Report and these pages are incorporated in and form part of this report.

Dividends

The directors propose payment of a final dividend of 28 cents per ordinary fully paid share, partially franked to 60%, to be formally declared on 23 November 1998 and to be paid on 21 December 1998. The proposed payment amounts to $431 million.

During the financial year, the following dividends were paid on fully paid ordinary shares (final dividend: fully franked; interim: partially franked to 60%):

Type	Cents per share	Amount before bonus option $m	Date of payment
Final	26	392	21 January 1998
Interim	24	366	6 July 1998

The final dividend paid on 21 January 1998 was detailed in the directors' report dated 28 November 1997.

Review of Operations

A review of the operations of the Group during the financial year and the results of those operations are contained in the Chairman's Report, Chief Executive Officer's Review and the Chief Financial Officer's Review, which are incorporated in and form part of this report.

State of Affairs

In the directors' opinion, there have been no significant changes in the state of affairs of the Group during the financial year, other than:

Net loans and advances increased by 13% from $83,741 million to $94,457 million, primarily from growth in mortgage lending and commercial lending in Australia and New Zealand. Deposits and other borrowings increased by 6% from $89,152 million to $94,599 million.

The charge for doubtful debts has been determined using economic loss provisioning and is based on the Group's risk management models. The economic loss provision increased from $400 million to $487 million, reflecting asset growth and a deterioration in the risk profile of the Asian portfolio. New and increased specific provisions were $670 million and releases and recoveries were $158 million. Gross non–accrual loans increased to $1,662 million, or 1.8% of net loans and advances, from $872 million at 30 September 1997.

The Group's aggregate Asian exposure reduced in US dollar terms by 47% over the year, from US$ 11.5 billion to US$ 6.1 billion, achieved mainly by contracting non–strategic lending principally in the interbank market. The collapse in emerging markets led to significant losses from investment banking activities in London. The subsequent decision to exit London capital markets operations and the institutional stockbroking business resulted in an abnormal loss after tax of $69 million. All proprietary trading activities have been terminated.

On 23 September 1998 the Company issued 64,016,000 fully paid non–converting, non–cumulative preference shares for US$ 6.25 per share. The purpose of the issue of preference shares was for general banking purposes. We look for opportunities to raise additional modest amounts from this source when circumstances permit.

Following the Arbitration Award handed down in the Group's favour on 29 March 1997, the National Housing Bank of India had the award reviewed by the Special Court (Trial of Offences Relating to Transactions in Securities) at Mumbai. On 4 February 1998 the Special Court ordered that the award be set aside. The Group has filed an appeal with the Supreme Court of India seeking that the Special Court's order be set aside. As the matter is sub judice, comment by the parties is limited.

The Group has obtained firm legal advice from Senior Counsel and based on that advice no provision has been made in respect of this claim.

While the above matters are those considered to be significant changes, reviews of matters affecting the Group's state of affairs are also contained in the Chairman's Report, the Chief Executive Officer's Review and the Chief Financial Officer's Review.

Events since the End of the Financial Year

In October 1998, the Group announced its decision to exit its London capital markets operations (including the writedown of the bond portfolio) and institutional stockbroking business with a consequent abnormal loss after tax of $69 million.

No other matter or circumstance has arisen between 30 September 1998 and the date of this report that has significantly affected or may significantly affect the operations of the Group in future financial years, the results of those operations or the state of affairs of the Group in future years.

Future Developments

Details of likely developments in the operations of the Group in future financial years are contained in the Chairman's Report and the Chief Executive Officer's Review.

In the opinion of the directors, disclosure of any further information would be likely to result in unreasonable prejudice to the Group.

Rounding of Amounts

The Company is a company of the kind referred to in the Australian Securities and Investments Commission class order 98/100, dated on 10 July 1998 pursuant to section 341(1) of the Corporations Law. As a result, amounts in this report and the accompanying financial statements have been rounded to the nearest million dollars except where otherwise indicated.

Shareholdings

The directors' interests, beneficial and non–beneficial, in the shares of the Company are detailed on page 39 of the Shareholder Information section of the 1998 Annual Report and this table is incorporated in and forms part of this report.

Share Options

Details of share options granted to directors, senior executives and officers, and unissued shares under option, are shown under Directors' and Executive Officers' Emoluments in this report, and in note 43 of the financial statements.

No person entitled to exercise any option has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

The names of all persons who currently hold options granted under the schemes are entered in the register kept by the Company pursuant to section 170 of the Corporations Law and the register may be inspected free of charge.

Directors, their Qualifications and Experience

The Board includes eight non–executive directors who have a diversity of business and community experience and two directors with executive responsibilities who have extensive banking experience. The names, qualifications and experience of the directors who are in office at the date of this report are contained on page 20 of the 1998 Annual Report and this page is incorporated in and forms part of this report.

Sir R R Trotter and Mr R B Vaughan retired as directors on 9 October 1997 and 31 December 1997 respectively, having held office since before the commencement of the financial year.

Special responsibilities and attendance at meetings, are shown on pages 22 to 24 of the 1998 Annual Report and these pages are incorporated in and form part of this report.

Directors' and Executive Officers' Emoluments

The Human Resources Committee (the Committee) of the Board assists the Board in its oversight of major policies and guidelines relating to the management of human resources. The Committee consists of the executive and non–executive directors shown in the table on page 23.

The Committee's responsibilities include the review of all proposed remuneration and profit sharing programmes. The Committee recommends these programmes to the Board for approval and monitors their ongoing operation. It also reviews all personnel entitlements for senior executives, approving the same or, in the case of Board appointees, making remuneration recommendations to the Board. Executive directors do not participate in discussions and decisions relating to their own remuneration.

The Committee does not set fees for the Chairman or other non–executive directors. These are recommended by external advisors and approved by the Board. Non–executive directors' fees are within the limit set by shareholders at the Annual General Meeting of 21 January 1998, and are set at levels which fairly represent the responsibilities of and time spent by the non–executive directors on Group matters. Regard is also had to the level of fees payable to non–executive directors in comparable companies.

Directors' Report

The Group's remuneration policy is to ensure that remuneration packages properly reflect the duties and responsibilities of the senior executives and are sufficient to attract, retain and motivate personnel of the requisite quality.

Remuneration packages are structured in such a way that a significant part of the individual's reward depends upon the achievement of business objectives and the profitability of the Group as measured by the Economic Value Added™ Methodology.

All senior executives have performance objectives including the achievement of key strategic milestones and operating performance targets. These objectives are agreed at the beginning of the year.

Performance bonus payments are contingent on the achievement of agreed performance goals, assessed through the annual performance management process.

One third of the performance related bonus of senior executives, other than executive directors, is paid as deferred shares in the Company. The issue price of deferred shares is based on the average closing price of the Company's shares during the five days prior to the relevant Annual General Meeting.

These shares are held in trust and vest with the senior executive after three years. If the senior executive resigns during that period, the shares are forfeited.

Details of the emoluments of each director and of the five most highly paid officers for the Group and the Company are shown below.

Amounts in $	Base fee	Committee fee	Retiring allowance	Superannuation contributions	Total
Non executive directors					
C B Goode	300,000	–	–	18,750	318,750
J C Dahlsen	85,000	10,000	–	5,937	100,937
Dr R S Deane	85,000	–	–	5,312	90,312
J K Ellis	85,000	–	–	5,312	90,312
C J Harper	85,000	10,000	–	5,937	100,937
M A Jackson	85,000	12,500	–	6,094	103,594
Dr B W Scott	85,000	22,500	–	6,719	114,219
G K Toomey[1]	42,500	–	–	2,762	45,262
R B Vaughan[2]	15,000	7,250	213,756	1,095	237,101
Sir R R Trotter[3]	2,370	–	177,162	–	179,532

[1] Appointed 17 March 1998 [2] Retired 31 December 1997 [3] Retired 9 October 1997

Amounts in $	Salary or fees	Performance related bonus[1]	Benefits[2]	Superannuation contributions	Other	Total	Deferred shares issued (Number)[3]	Options (Number)[4]
Executive Management Committee								
J McFarlane (executive director)	1,145,400	560,000	–	54,600	–	1,760,000	–	1,000,000[5]
J F Ries (executive director)	601,892	–	18,533	29,575	–	650,000	–	200,000[6]
P J O Hawkins	543,264	400,000	29,436	27,300	–	1,000,000	–	200,000[7]
P R Marriott	522,375	250,000	2,600	25,025	–	800,000	–	175,000[7]
Other disclosable executives								
L Crawford	313,399	400,000	1,717	15,021	736,377[8]	1,466,514	60,000	100,000[7]
D L Boyles	372,442	320,000	16,681	18,549	194,295[9]	921,967	50,506	300,000[7]
E Funke Kupper	571,565	75,000	–	190,009	–	836,574	–	150,000[7]
Former executive								
J Sunderland	1,427,241	–	156,917	384,038	845,109[10]	2,813,305	–	–

1 One third of the performance related bonus of senior executives, other than executive directors, is paid as deferred shares in the Company and forfeitable upon the recipient leaving the Group within three years for reasons other than retirement, retrenchment, death or disablement
2 Benefits include the provision of housing, cars, private health insurance and subsidised loans
3 Deferred shares were issued at $9.90
4 Each option entitles the holder to purchase one ordinary share in the Company
5 500,000 options exercisable at $12.12 after 1 February 2000; 500,000 options exercisable at $11.40 after 1 June 2001
6 100,000 options exercisable at $10.65 after 1 February 2001; 100,000 exercisable at $11.40 after 1 February 2001
7 Options exercisable at $9.51 after 23 February 2001
8 Payment to compensate for forfeiture of options from previous employer
9 Sign on and relocation payments
10 Payment under contract

Directors' Report

Directors' and Officers' Indemnity

Article 143 provides that to the extent permitted by the Corporations Law "every director, secretary or employee of the Company shall be entitled to be indemnified by the Company against all costs, charges, losses, expenses and liabilities incurred by him in the execution and discharge of his duties or in relation thereto". The Corporations Law prohibits a company from indemnifying directors, secretaries, executive officers and auditors for liabilities except for a liability to a party, other than the Company or a related body corporate, where the liability arises out of conduct involving good faith, and for costs and expenses incurred in defending proceedings in which the officer or auditor is successful. An indemnity for officers or employees who are not directors, secretaries or executive officers, is not expressly restricted by the Corporations Law.

In addition to its obligations under Article 143, it is the policy of the Company to:

(a) indemnify, in the same terms as Article 143, directors, secretaries and executive officers of related bodies corporate; and

(b) indemnify other employees of related bodies corporate for all liability incurred,

where they are acting in good faith in furtherance of the objectives of the Company and its related bodies corporate.

The directors, the secretaries of the Company, P R Marriott, J L Slatter, K K Phillips and former secretaries R T Jones and J E Clark, and executive officers of the Company have the benefit of the indemnity in Article 143.

During the financial year, and again since the end of the financial year, the Company has paid a premium for an insurance policy for the benefit of the directors, secretaries as named above and executive officers of the Company, and directors, secretaries and executive officers of related bodies corporate of the Company. In accordance with common commercial practice, the insurance policy prohibits disclosure of the nature of the liability insured against and the amount of the premium.

During the financial year, the Company entered into Deeds of Indemnity in favour of the trustees and former trustees of certain of the Company's superannuation funds and directors, former directors, officers and former officers of trustees of various Company sponsored superannuation schemes in Australia. Under the Deeds, the Company must indemnify each Indemnified Person if and to the extent that the assets of the relevant fund are insufficient to cover any loss, damage, liability or cost incurred by the Indemnified Person in connection with the fund, being loss, damage, liability or costs for which the Indemnified Person would have been entitled to be indemnified out of the assets of the fund in accordance with the trust deed and the Superannuation Industry (Supervision) Act 1993. This indemnity survives the termination of the fund. Some of the Indemnified Persons are or were directors or executive officers of the Company.

During the financial year, the Company agreed to indemnify officers of the company being trustees and administrators of a subsidiary entity, being a trust. Under the agreement, the Company indemnifies these persons from and against any loss, damage, liability, tax, penalty, expense or claim of any kind or nature arising out of or in connection with the creation, operation or dissolution of the trust, where they are acting in good faith and in a manner that they reasonably believed to be within the scope of the authority conferred by the trust.

Except for the above, during the financial year and since the end of it, no person has been indemnified nor has the Company or a related body corporate of the Company made an agreement for indemnifying any person who is or has been an officer or auditor of the Company or of a related body corporate.

Signed in accordance with a resolution of the directors.

Charles Goode
Chairman
9 November 1998

John McFarlane
Chief Executive Officer

Australia and New Zealand Banking Group Limited and Controlled Entities
Profit and Loss Account for the year ended 30 September 1998

	Note	Consolidated 1998 $M	1997 $M	1996 $M
Interest income		9,499	9,455	9,298
Interest expense		(5,952)	(6,018)	(5,971)
Net interest income		3,547	3,437	3,327
Other operating income		2,099	2,110	1,839
Operating income		5,646	5,547	5,166
Operating expenses		(3,438)	(3,502)	(3,397)
Operating profit before debt provision and abnormal items		2,208	2,045	1,769
Provision for doubtful debts		(487)	(400)	(175)
Operating profit before abnormal items		1,721	1,645	1,594
Abnormal loss	2	(102)	(182)	–
Operating profit before tax		1,619	1,463	1,594
Income tax (expense) benefit				
Operating profit		(537)	(466)	(469)
Abnormal loss	2	33	35	–
Income tax expense		(504)	(431)	(469)
Operating profit after income tax		1,115	1,032	1,125
Outside equity interests		(9)	(8)	(9)
Operating profit after income tax attributable to members of the Company		1,106	1,024	1,116
Retained profits at start of year		1,830	1,583	1,106
Total available for appropriation		2,936	2,607	2,222
Transfers from (to) reserves		223	(82)	(55)
Ordinary share dividends provided for or paid	3	(747)	(695)	(584)
Retained profits at end of year		2,412	1,830	1,583

	1998	1997	1996
Earnings per ordinary share (cents)			
Basic			
Before abnormal items	77.2	78.4	76.3
After abnormal items	72.6	68.6	76.3
Diluted			
Before abnormal items	76.9	78.2	76.1
After abnormal items	72.4	68.4	76.1

Australia and New Zealand Banking Group Limited and Controlled Entities
Balance Sheet as at 30 September 1998

		Consolidated	
		1998	1997
	Note	$M	$M
Assets			
Liquid assets		7,527	6,974
Due from other financial institutions		4,158	10,912
Trading securities		5,973	7,266
Investment securities		3,979	3,139
Net loans and advances		94,457	83,741
Customers' liabilities for acceptances		15,648	14,040
Regulatory deposits		1,530	1,206
Shares in associates		11	7
Other assets		14,925	9,312
Premises and equipment		1,512	1,644
Total assets		149,720	138,241
Liabilities			
Due to other financial institutions		10,758	10,874
Deposits and other borrowings		94,599	89,152
Liability for acceptances		15,648	14,040
Income tax liability		914	778
Creditors and other liabilities		14,009	9,807
Provisions		987	1,218
Bonds and notes		666	1,990
Loan capital		3,748	3,389
Total liabilities		141,329	131,248
Net assets		8,391	6,993
Shareholders' equity			
Ordinary share capital		4,581	4,335
Preference share capital	4	645	–
Reserves		697	778
Retained profits		2,412	1,830
Share capital and reserves attributable to members of the Company		8,335	6,943
Outside equity interests		56	50
Total shareholders' equity and outside equity interests		8,391	6,993
Contingent liabilities	5		

Australia and New Zealand Banking Group Limited and Controlled Entities
Statement of Cash Flows for the year ended 30 September 1998

	Consolidated 1998 $M	1997 $M	1996 $M
	Inflows/(Outflows)		
Cash flows from operating activities			
Interest received	9,403	9,389	9,470
Dividends received	169	327	111
Fees and other income received	1,797	1,664	1,689
Interest paid	(6,238)	(5,996)	(6,138)
Personnel expenses paid	(2,001)	(2,155)	(1,850)
Premises expenses paid	(291)	(315)	(351)
Other operating expenses paid	(1,085)	(759)	(887)
Income taxes paid	(423)	(426)	(353)
Net decrease (increase) in trading securities	926	304	(1,595)
Net cash provided by operating activities	2,257	2,033	96
Cash flows from investing activities			
Net decrease (increase)			
Due from other financial institutions	2,299	1,840	(171)
Regulatory deposits	(308)	(14)	(28)
Loans and advances	(9,680)	(8,029)	(8,435)
Investment securities			
Purchases	(5,490)	(3,140)	(2,166)
Proceeds from sale or maturity	5,279	2,803	2,381
Controlled/associated entities and branches			
Purchased (net of cash acquired)	(8)	(11)	13
Proceeds from sale (net of cash disposed)	–	41	14
Premises and equipment			
Purchases	(143)	(219)	(235)
Proceeds from sale	75	47	43
Other	1,483	1,389	(904)
Net cash used in investing activities	(6,493)	(5,293)	(9,488)
Cash flows from financing activities			
Net (decrease) increase			
Due to other financial institutions	(2,047)	(2,787)	2,094
Deposits and other borrowings	2,131	7,861	10,109
Creditors and other liabilities	(288)	425	879
Bonds and notes			
Issue proceeds	802	973	1,427
Redemptions	(2,174)	(1,434)	(655)
Loan capital			
Issue proceeds	559	323	634
Redemptions	(273)	(851)	(110)
Decrease in outside equity interests	(3)	(3)	(8)
Dividends paid	(491)	(478)	(354)
Share capital issues	714	39	18
Net cash (used in) provided by financing activities	(1,070)	4,068	14,034
Net cash provided by operating activities	2,257	2,033	96
Net cash used in investing activities	(6,493)	(5,293)	(9,488)
Net cash (used in) provided by financing activities	(1,070)	4,068	14,034
Net (decrease) increase in cash and cash equivalents	(5,306)	808	4,642
Cash and cash equivalents at beginning of year	12,456	11,246	7,079
Foreign currency translation on opening balances	1,831	402	(475)
Cash and cash equivalents at end of year	8,981	12,456	11,246

Notes to the Concise Financial Statements

1: Accounting Policies

This concise financial report has been derived from the Group's 1998 Financial Statements which comply with the Corporations Law, Australian Accounting Standards and Urgent Issues Group Consensus Views. A full description of the accounting policies adopted by the Group is provided in the 1998 Financial Statements. The accounting policies are consistent with those of the previous financial year except for the changes disclosed below.

Changes in Accounting Policy

Other expenses

Effective 1 October 1997, costs representing expenditure that is reimbursed under a contractual arrangement are netted against the related revenue in accordance with the revised International Accounting Standards IAS 1 "Presentation of Financial Statements".

Included in this category are card issuer reimbursement fees, co–branded loyalty payments and certain brokerage costs. Prior period comparatives have been restated. The impact on the profit and loss for the year ended 30 September 1998 is nil.

Leasing

Effective 1 October 1997, operating leases entered into by the Group as lessor are treated as a financing transaction with the assets recorded as part loan and part residual value, the latter classified under Other assets. Income received is allocated between interest and principal repayments on the loan. Previously these assets were included within premises and equipment. Prior period comparatives have been restated. The impact on the profit and loss for the year ended 30 September 1998 is nil.

	Consolidated 1998 $M	1997 $M	1996 $M
2: Abnormal Items			
Profit before tax			
Interest on National Housing Bank deposit	–	145	–
(Loss) before tax			
Restructuring costs	–	(327)	–
Costs of exiting businesses			
Restructuring	(32)	–	–
Write down of residual emerging markets securities portfolio	(70)	–	–
Total abnormal loss before tax	(102)	(182)	–
Income tax (expense) benefit applicable to			
Interest on National Housing Bank deposit	–	(80)	–
Restructuring costs	–	115	–
Costs of exiting businesses			
Restructuring	11	–	–
Write down of residual emerging markets securities portfolio	22	–	–
Total abnormal tax benefit	33	35	–
Total abnormal loss after tax	(69)	(147)	–
3: Dividends			
Ordinary dividends			
Interim dividend	366	329	264
Proposed final dividend	431	392	355
Bonus option plan adjustment	(50)	(26)	(35)
Dividends on ordinary shares	747	695	584

A final dividend of 28 cents partially franked to 60% is proposed to be paid on each fully paid ordinary share (1997: final dividend of 26 cents per fully paid share, fully franked; 1996: final dividend of 24 cents per fully paid share, fully franked). The 1998 interim dividend of 24 cents was partially franked to 60% (1997: interim dividend of 22 cents, fully franked; 1996: interim dividend of 18 cents, partially franked to 50%). The unfranked portion will be sourced from the Company's foreign dividend account. As a result, non–resident shareholders will be exempt from dividend withholding tax.

Dividend Franking Account

The amount of franking credits available for the subsequent financial year is nil (1997: nil), after adjusting for franking credits that will arise from the payment of tax on Australian profits for the 1998 financial year, less franking credits which will be utilised in franking the proposed final dividend and franking credits that may not be accessable by the Company at present.

4: Share Capital

On 23 September 1998, the Company issued 64,016,000 fully paid non–converting non–cumulative preference shares for US$ 6.25 per share raising capital of US$ 400 million for the Group via a Trust Securities issue. The Trust Securities are mandatorily exchangeable for the preference shares issued by the Company and carry an entitlement to a non–cumulative trust distribution of 8% per annum payable quarterly in arrears.

The preference shares themselves carry no present entitlement to dividends. Distributions to investors in the Trust Securities are funded by income distributions made by the Group.

Upon maturity of the Trust Securities in 2047, investors will mandatorily exchange the Trust Securities for the preference shares and thereupon the preference shares will carry an entitlement to non–cumulative dividends of 8% per annum payable quarterly in arrears. The mandatory exchange of Trust Securities for preference shares may occur earlier at the Company's option or in specified circumstances.

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

5: Contingent Liabilities

General

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

India – National Housing Bank

In 1992 the branch of ANZ Grindlays Bank Limited in India (the Bank) received a claim, aggregating approximately Indian Rupees 5.06 billion ($200 million) from the National Housing Bank (NHB) in that country. The claim arose out of certain cheques drawn by NHB in favour of the Bank, the proceeds of which were credited into the account of one of the customers of the Bank.

On 29 March 1997, pursuant to an Arbitration Agreement entered into on 4 November 1992, the Arbitrators made an award on this dispute in favour of the Bank. NHB paid to the Bank the principal and interest (aggregating Indian Rupees 9.05 billion ($357 million)) due under the award.

Subsequently, NHB had the award reviewed by the Special Court (Trial of Offences Relating to Transactions in Securities) at Mumbai, which on 4 February 1998 ordered the award be set aside. ANZ has filed an appeal with the Supreme Court of India seeking that the Special Court's order be set aside. As the matter is sub judice, comment by the parties is limited. The Group has obtained firm legal advice from Senior Counsel and based on that advice no provision has been made in respect of the claim.

India – Foreign Exchange Regulation Act

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

The Indian authorities have served preliminary notices on the Bank and certain of its officers in India which could lead to proceedings and possible penalties. The Group's lawyers in India have prepared responses to these notices, and the Group considers that the outcome will have no material adverse effect on the financial statements.

6: Segment Analysis

The following analysis shows income, operating profit and total assets by geographic and industry segments.

	Consolidated					
	1998		1997		1996	
	$M	%	$M	%	$M	%
Geographic						
Income[1]						
Australia	6,403	56	6,390	55	6,480	58
New Zealand	2,008	17	1,917	16	1,802	16
UK and Europe	800	7	1,163	10	990	9
Asia Pacific	868	7	863	7	822	7
South Asia	572	5	655	6	433	4
Americas	419	4	362	3	323	3
Middle East	458	4	360	3	287	3
	11,528	100	11,710	100	11,137	100
Operating profit after income tax						
Australia	796	68	687	59	657	59
New Zealand	158	13	123	11	138	12
UK and Europe	(56)	(5)	105	9	106	10
Asia Pacific	108	9	97	8	99	9
South Asia	78	7	84	7	36	3
Americas	36	3	24	2	38	3
Middle East	55	5	51	4	42	4
	1,175	100	1,171	100	1,116	100
Abnormal loss	(69)		(147)		–	
	1,106		1,024		1,116	
Total assets						
Australia	94,194	63	80,321	58	75,110	59
New Zealand	20,155	14	18,831	14	17,463	14
UK and Europe	13,803	9	16,886	12	15,008	12
Asia Pacific	7,104	5	9,844	7	9,163	7
South Asia	5,008	3	3,959	3	3,333	2
Americas	4,919	3	4,611	3	4,723	4
Middle East	4,537	3	3,789	3	2,804	2
	149,720	100	138,241	100	127,604	100
Industry						
Income[1]						
Domestic banking						
Personal banking	4,347	38	4,499	38		
Business banking	1,125	10	1,075	9		
Asset finance	1,006	9	1,039	9		
Funds management	201	2	200	2		
Investment banking	1,245	11	1,137	10		
International markets						
Commercial banking	1,564	13	1,518	13		
Investment banking	1,678	14	1,998	17		
Other	362	3	244	2		
	11,528	100	11,710	100		

6: Segment Analysis (continued)

	Consolidated			
	1998		1997	
	$M	%	$M	%
Operating profit after income tax				
Domestic banking				
Personal banking	462	39	359	31
Business banking	223	19	183	16
Asset finance	77	7	82	7
Funds management	61	5	47	4
Investment banking	192	16	163	14
International markets				
Commercial banking	160	14	159	13
Investment banking	(56)	(5)	139	12
Other	56	5	39	3
	1,175	100	1,171	100
Abnormal loss	(69)		(147)	
	1,106		1,024	
Total assets				
Domestic banking				
Personal banking	46,884	31	43,806	32
Business banking	23,911	16	18,364	13
Asset finance	11,366	8	11,212	8
Funds management	225	–	673	1
Investment banking	27,703	19	19,753	14
International markets				
Commercial banking	13,791	9	16,568	12
Investment banking	19,623	13	22,300	16
Other	6,217	4	5,565	4
	149,720	100	138,241	100

[1] Includes abnormal items

7: Events Since the End of the Financial Year

In October 1998, the Group announced its decision to exit its London capital markets operations and institutional stockbroking business with a consequent abnormal loss after tax of $69 million. There have been no other significant events since 30 September 1998 to the date of this Report.

Directors' Declaration

The directors of Australia and New Zealand Banking Group Limited declare that the accompanying concise financial report of the consolidated Group is fairly presented as an abbreviation of the Group's 30 September 1998 Financial Statements.

In our report on the Group's 1998 Financial Statements we declared that

(i) the financial statements and notes comply with applicable Australian Accounting Standards and Urgent Issues Group Consensus Views; and

(ii) the financial statements and notes give a true and fair view of the financial position and performance of the Company and of the consolidated Group; and

(iii) in our opinion, at the date of this declaration there are reasonable grounds to believe that the Company and consolidated Group will be able to pay its debts as and when they become due and payable; and

(iv) in our opinion, the financial statements and notes are in accordance with the Corporations Law, including section 296 and section 297.

Signed in accordance with a resolution of the directors

Charles Goode
Chairman
9 November 1998

John McFarlane
Chief Executive Officer

Auditors' Report

To the members of Australia and New Zealand Banking Group Limited.

Scope

We have audited the concise financial report of Australia and New Zealand Banking Group Limited for the year ended 30 September 1998 as set out on pages 8 and 9 and pages 31 to 37 in accordance with Australian Auditing Standards. The concise financial report has been extracted from the annual statutory financial report. For a better understanding of the scope of our audit, this report should be read in conjunction with our audit report on the annual statutory financial report.

Audit Opinion

(i) We have audited the annual statutory financial report for ANZ for the year ended 30 September 1998. Our audit report on the annual statutory financial report, addressed to the members and dated 9 November 1998, was unqualified.

(ii) In our opinion,

(a) the information reported in the concise financial report is consistent with the annual statutory financial report from which it is derived;

(b) the concise financial report complies with the Australian Securities and Investments Commission Order dated 24 September 1998 which enables ANZ to issue concise financial statements in accordance with Section 314(2) as if Australian Accounting Standards Board exposure draft ED 94 "Concise Financial Reports" were an accounting standard.

KPMG

KPMG
Chartered Accountants
Melbourne
9 November 1998

P S Nash
Partner

Shareholder Information

Ordinary shares

At 9 October 1998 the twenty largest holders of ordinary shares held 849,083,506 ordinary shares, equal to 55.2 per cent of the total issued ordinary capital.

	Number of shares	%
Chase Manhattan Nominees Ltd	190,970,091	12.4
Westpac Custodian Nominees Limited	177,779,572	11.6
National Nominees Limited	112,106,234	7.3
ANZ Nominees Limited	49,462,784	3.2
Citicorp Nominees Pty Limited	35,949,708	2.3
BT Custodial Services Pty Ltd	29,546,675	1.9
MLC Limited	29,377,208	1.9
Permanent Trustee Australia Limited	28,559,039	1.9
Queensland Investment Corporation	27,736,617	1.8
AMP Life Limited	27,597,804	1.8
SAS Trustee Corporation	26,265,281	1.7
Perpetual Trustees Nominees Limited	20,170,290	1.3
Mercantile Mutual Life Insurance Company Limited	18,608,082	1.2
Perpetual Trustee Company Limited	14,348,037	1.0
Perpetual Trustees Victoria Limited	12,942,706	0.9
Commonwealth Custodial Services Limited	12,660,402	0.8
Permanent Trustee Company Limited	9,754,215	0.6
HKBA Nominees Limited	9,584,445	0.6
The National Mutual Life Association of Australasia Ltd	7,896,746	0.5
NRMA Investments Pty Ltd	7,767,570	0.5
	849,083,506	55.2

Preference Shares

At 9 October 1998 Hare and Co. (a nominee company of The Bank of New York) held 64,016,000 preference shares, equal to 100 per cent of the total issued preference capital.

Shareholder Information

Distribution of shareholdings

At 9 October 1998 Range	Number of holders	% of holders	Number of shares	% of shares
1 to 1,000 shares	67,997	44.6	33,700,627	2.2
1,001 to 5,000 shares	64,123	42.1	149,948,720	9.7
5,001 to 10,000 shares	11,950	7.9	85,077,528	5.5
10,001 to 100,000 shares	7,748	5.1	168,463,877	11.0
Over 100,001 shares	511	0.3	1,102,252,925	71.6

At 9 October 1998, there were no entries recorded in the Register of Substantial Shareholdings. The average size of ordinary shareholding was 10,106 (1997: 11,432) shares. Shareholdings of less than a marketable parcel (market value less than $500) were 5,671 (1997: 6,519), which is 3.7% of the total holdings of ordinary shares.

Voting rights of ordinary shares

The Constitution provides for
(i) on show of hands 1 vote;
(ii) on a poll 1 vote for each ordinary share held; and
(iii) 1 vote for every 10, 10 cent paid shares issued pursuant to the Company's Group Share Purchase Scheme.

Voting rights of preference shares

The Constitution and terms of issue provide for holders of the preference shares to vote together with (and on the same basis as) holders of ordinary shares:

(i) on a proposal to reduce ANZ's share capital, any resolution to approve a share buy-back agreement, any proposal to wind up ANZ, any proposal for the disposal of the whole of ANZ's property, business and undertaking and any matter during the winding up of ANZ;

(ii) (if the preference shares become dividend paying) on all matters, during a period commencing when a quarterly dividend payment or an optional special dividend payment is not paid by the prescribed date until the day before four consecutive quarterly dividend payments have been made.

A voting right is also conferred on a proposal which affects the rights attaching to the preference shares.

Employee Shareholder Information

At the January 1994 Annual General Meeting, shareholders approved a limit of 7% of the issued share capital of the Company on the number of shares and options which may be issued under the Group Employee Share Acquisition Scheme, the Group Share Purchase Scheme, Group Share Option Scheme and the former Group Employee Share Purchase Scheme and the unissued shares to which options may be granted under any incentive schemes for employees and directors of the Group.

At 9 October 1998, participants in the above Schemes held 2.1% (1997: 1.6%) of the issued ordinary share capital. At 9 October 1998, 6,167,719 options to purchase ordinary shares, which have been granted under the Group Share Option Schemes, had not been exercised.

Directors' Shareholding Interests

	Beneficially held				Non-beneficially held
	Shares	Options	Options	Deferred shares	Shares
C B Goode	280,257				
J C Dahlsen	83,400				12,000
Dr R S Deane	75,000				
J K Ellis	52,593				
C J Harper	55,500				
M A Jackson	74,634				
J McFarlane	302,000		1,000,000[1]		
J F Ries	152,000	310,710[2]	200,000[3]	12,243[4]	
Dr B W Scott	86,861				
G K Toomey	2,045				
	1,164,290	310,710	1,200,000	12,243	12,000

[1] 500,000 options exercisable at $12.12 after 1 February 2000; 500,000 options exercisable at $11.40 after 1 June 2001
[2] 300,000 options exercisable at $5.34 after 30 Jan 1997; 10,710 options exercisable at $8.76 after 30 Jan 2000
[3] 100,000 options exercisable at $10.65 after 1 February 2001; 100,000 options exercisable at $11.40 after 1 February 2001
[4] Deferred ordinary shares issued under the Group Employee Share Acquisition Scheme, restricted until 21 January 2001 and forfeitable during that time upon the recipient leaving the Group for reasons other than retirement, retrenchment, death or disablement

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Financial Highlights in Key Currencies

Millions	1998 AUD	1998 USD[1]	1998 GBP[1]	1998 NZD[1]
Profit and loss				
Net income	5,646	3,652	2,209	6,539
Operating expenses	(3,438)	(2,224)	(1,345)	(3,982)
Profit before tax, debt provision and abnormal items	2,208	1,428	864	2,557
Provision for doubtful debts	(487)	(315)	(191)	(564)
Profit before tax and abnormal items	1,721	1,113	673	1,993
Income tax expense	(537)	(347)	(210)	(622)
Outside equity interests	(9)	(6)	(4)	(10)
Profit before abnormal items	1,175	760	459	1,361
Net abnormal loss	(69)	(45)	(27)	(80)
Profit after tax and abnormal items	1,106	715	432	1,281
Balance Sheet				
Assets	149,720	89,412	52,342	177,688
Liabilities	141,329	84,401	49,409	167,730
Shareholders' equity[2]	8,391	5,011	2,933	9,958
Ratios				
Earnings per share – after abnormal items (basic)	72.6c	47.0c	28.4p	84.1c
Dividends per share – declared rate	52.0c	33.6c	20.3p	60.2c
Net tangible assets per ordinary share	$4.98	$3.22	£1.95	$5.77

[1] USD, GBP and NZD amounts – profit and loss converted at average rates for financial year 30 September 1998 and balance sheet items at closing rates at 30 September 1998

[2] Includes outside equity interests

Exchange Rates

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

	1998		1997		1996	
	Closing	Average	Closing	Average	Closing	Average
Great Britain pound	0.3496	0.3913	0.4465	0.4694	0.5062	0.4963
United States dollar	0.5972	0.6468	0.7197	0.7679	0.7914	0.7685
New Zealand dollar	1.1868	1.1581	1.1272	1.1191	1.1314	1.1340

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Shareholder Information

Dividend

The final dividend of 28 cents per share will be paid on 21 December 1998, 60% franked. Dividends may be paid directly to a bank account in Australia, New Zealand or the United Kingdom. Shareholders who want their dividends paid this way should advise the relevant share registry in writing prior to record date. Dividend Reinvestment and Bonus Option plans are available to shareholders. The plans are detailed in a booklet called 'Shareholder Alternatives', copies of which are available from the share registries at the addresses shown.

Stock Exchange Listings

The Group's ordinary shares are listed on the Australian Stock Exchange and the New Zealand Stock Exchange. The Capital Securities offered in February 1993 are listed on the New York Stock Exchange. The Trust Securities relating to the Preference Shares issued in September 1998 are also listed on the New York Stock Exchange.

American Depositary Receipts

The Bank of New York sponsors an American Depositary Receipt (ADR) program in the United States of America. The ADRs were listed on the New York Stock Exchange on 6 December 1994. ADR holders should deal directly with the Depositary, Bank of New York, New York, Telephone (212) 815-2729, Fax (212) 571-3050 on all matters relating to their ADRs.

Credit Ratings (November 1998)

Short Term

Moody's Investors Service	P-1
Standard & Poor's Rating Group	A-1+

Long Term Debt

Moody's Investors Service	Aa3 (outlook negative)
Standard & Poor's Rating Group	AA- (outlook negative)

1998 Financial Statements

A copy of the Group's 1998 Financial Statements, including the independent Audit Report, is available to all shareholders, and will be sent to shareholders without charge upon request. The Financial Statements can be requested by telephone (Australia: **1800 113 399**, Overseas: **61 3 9205 4892**) and by internet at **investor.relations@anz.com**

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Securities Registration Services
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Toll Free: 1800 331 721
(outside metropolitan area)
Fax: (03) 9205-4900

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Corporate Registry Services
Private Bag 92119
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International Services	**1800 678 273**
ANZ Stockbroking	**13 13 70**
Esanda Finance	**13 23 73**
ANZ Funds Management	**1800 022 893**
Credit Card Enquiries	**13 22 73**
Lost or Stolen Cards	**1800 033 844**

Internet

ANZ product information is also available from ANZ's internet site: **www.anz.com**

or by email through **retail.enquiry@anz.com**