



# **Australia and New Zealand Banking Group Limited**

ABN 11 005 357 522

**Half Year  
31 March 2007**

**Consolidated Financial Report  
Dividend Announcement and  
Appendix 4D**

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

### Report for the half year ended 31 March 2007

		A\$ million
<b>Group operating revenue</b>	ñ 13%^ to	<b>5,613</b>
<b>Profit after tax attributable to shareholders</b>	ñ 16%^ to	<b>2,102</b>
<b>Proposed interim dividend per ordinary share, fully franked at 30% tax rate</b>		<b>62 cents</b>
Interim 2006 dividend per ordinary share, fully franked at 30% tax rate		56 cents
<b>Record date for the proposed interim dividend</b>		<b>18 May 2007</b>
The proposed interim dividend will be payable to shareholders registered in the books of the Company at 7:00 pm (Melbourne time) on 18 May 2007.		
<b>Payment date for the proposed interim dividend</b>		<b>2 July 2007</b>
^ Compared to March 2006		

### Highlights

All figures compared to March 2006 half year unless otherwise indicated

<b>Profit after tax</b>		
Profit <b>\$2,102</b> million	up	<b>16.1%</b>
Cash* profit <b>\$1,936</b> million	up	<b>11.8%</b>
Cash* profit before provisions <b>\$2,995</b> million	up	<b>12.1%</b>
<b>Earnings per share</b>		
EPS <b>113.2</b> cents	up	<b>15.0%</b>
Cash* EPS <b>104.2</b> cents	up	<b>10.9%</b>
<b>Shareholder return</b>		
Interim dividend <b>62 cents</b>	up	<b>10.7%</b>
Total Shareholder Return		<b>17.1%</b>
Cash* Return on equity		<b>19.7%</b>
<b>Business highlights*</b>		
Strong revenue momentum and continued investment with 2,120 new FTEs		
Strong result in Personal – revenue up 14.4%, profit up 21.6%		
Institutional profit up 10.6%. Profit before provisions more modest at 4.2%		
Good underlying momentum in New Zealand Businesses up 13.5% but offset by provisioning		
Continued growth in customer acquisition in Australia and a successful turnaround in New Zealand		
Achieved targeted revenue and productivity:		
<b>Revenue growth 9.1%</b> (10.4% FX adjusted)		
<b>Cost-Income ratio 44.3%</b> (down 1.5% from 45.8%, medium-term target 40%)		
Credit quality remains strong, better than expected provisions due to recoveries late in the half		
Adjusted Common Equity ratio middle of target range at 4.4%		
* Adjusted for non-core items (including significant items, ANZ National Bank incremental integration costs and AIFRS mark to market of certain hedge gains/losses)		

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**CONSOLIDATED FINANCIAL REPORT, DIVIDEND ANNOUNCEMENT and APPENDIX 4D**

Half year ended 31 March 2007

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This Results Announcement has been prepared for Australia and New Zealand Banking Group Limited (the "Company") together with its subsidiaries which are variously described as "ANZ", "Group", "ANZ Group", "us", "we" or "our".

All amounts are in Australian dollars unless otherwise stated. The Company has a formally constituted Audit Committee of the Board of Directors. This report was approved by resolution of a Committee of the Board of Directors on 26 April 2007.

When used in this Results Announcement the words "estimate", "project", "intend", "anticipate", "believe", "expect", "should" and similar expressions, as they relate to ANZ and its management, are intended to identify forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Such statements constitute "forward-looking statements" for the purposes of the United States Private Securities Litigation Reform Act of 1995. ANZ does not undertake any obligation to publicly release the result of any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

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# Media Release

For Release: 26 April 2007

## ANZ 2007 Interim Profit \$2,102 million

Profit after tax	
Profit \$2,102 million	up 16.1%
Cash* profit \$1,936 million	up 11.8%
Cash* profit before provisions \$2,995 million	up 12.1%

Earnings per share	
EPS 113.2 cents	up 15.0%
Cash* EPS 104.2 cents	up 10.9%

Shareholder return	
Interim dividend 62 cents	up 10.7%
Total Shareholder Return	17.1%
Cash* Return on equity	19.7%

Business highlights*	
Strong revenue momentum and continued investment with 2,120 new FTEs	
Strong result in Personal – revenue up 14.4%, profit up 21.6%	
Institutional profit up 10.6%. Profit before provisions more modest at 4.2%	
Good underlying momentum in New Zealand Businesses up 13.5% but offset by provisioning	
Continued growth in customer acquisition in Australia and a successful turnaround in New Zealand	
Achieved targeted revenue and productivity:	
<b>Revenue growth 9.1%</b> (10.4% FX adjusted)	
<b>Cost-Income ratio 44.3%</b> (down 1.5% from 45.8%, medium-term target 40%)	
Credit quality remains strong, better than expected provisions due to recoveries late in the half	
Adjusted Common Equity ratio middle of target range at 4.4%	

\* Adjusted for non-core items (including significant items, ANZ National Bank incremental integration costs and AIFRS mark to market of certain hedge gains/losses)

All figures compared to March 2006 half year unless otherwise indicated

## Media Release

For Release: 26 April 2007

### ANZ 2007 Interim Profit \$2,102 million

Australia and New Zealand Banking Group Limited (ANZ) today announced a record profit after tax of \$2,102 million for the half year ended 31 March 2007, up 16.1%. Earnings per share were 113.2 cents, up 15.0%.

The headline result included a one-off gain on the Fleetpartners sale. Adjusting for non-core items, cash\* profit was \$1,936 million, up 11.8% and cash\* EPS was up 10.9%. The proposed Interim dividend of 62 cents is up 10.7% on last year.

ANZ Chief Executive Officer Mr John McFarlane said: "This is a good result in a highly competitive market. It builds on seven years of systematic investment in our customers and our people.

"We achieved strong revenue growth of 9.1%\*, or adjusting for exchange rates at 10.4%, which is above the top end of our target range. Good cost management enabled us to maintain a gap between revenue and expense growth of 3.5%, which brought down our cost income ratio by 1.5% to 44.3%. Although provisioning rose, it ended below our expectations as a result of a significant recovery late in the half. Return on equity remained broadly stable at 19.7%\*.

"We had particularly strong results in Personal, which was the highlight. INGA, Asia and Private Banking also delivered strong performances. New Zealand Businesses came in with their best underlying result in recent years, but was impacted by provisions increasing from unsustainably low levels. Institutional NPAT growth was double-digit, benefiting from net provision recoveries but was weaker in revenue and profit before provisions.

"We are continuing to invest in the future. Over the past year, we added a further 2,120 people, and opened 24 new branches in Australia and New Zealand. We announced our intention to expand our international franchise in Malaysia, China, Guam and Laos. At the same time we managed to achieve good revenue/expense productivity. There is also a greater focus on efficiency, partly to help fund investment initiatives, but also to enhance bottom line results.

"Net interest margin decline was better than historical experience, falling just 5 basis points. Credit quality remains strong. Although provisions rose, they were significantly lower than we expected, due to a significant recovery late in the half. We continue to expect a significant increase in provisions in the second half, with no material recoveries expected.

"We continued to advance the foundation and capability of the organisation. Staff engagement again improved to 64% from 60%, and we have a culture that others would find difficult to replicate. We also have strong customer, community and shareholder recognition. Although there is still much more to do, ANZ is now clearly seen as a very different bank.

#### Outlook

Commenting on the outlook for ANZ, Mr McFarlane said: "Conditions remain supportive of good growth. Personal should continue to do well, but may find it difficult to sustain such unusually high levels of growth. We expect to see continued momentum in New Zealand, and have put in place a program to drive improved underlying performance from Institutional. Looking ahead, the growth we are now seeing from Asia will become more material to the Group.

"For the 2007 year, ANZ's revenue and expenses are expected to be in line with previous guidance of 7%-10% revenue growth and 5%-7% cost growth. While the credit environment is benign, we expect provisions to be significantly higher in the second half, with the first half unusually low due to recoveries.

"All in all, this is a good result. It sets us up well for the year as a whole and positions us well for the years ahead", Mr McFarlane said.

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\* Adjusted for non-core items (including significant items, ANZ National Bank incremental integration costs and AIFRS mark to market of certain hedge gains/losses)

All figures compared to March 2006 half year unless otherwise indicated

## Divisional Performance

**Personal** delivered another outstanding result with a clear strategy that was well executed. Profit growth was 21.6% on revenue growth of 14.4%. All businesses delivered double-digit earnings growth, with the exception of Mortgages, which was adversely impacted by the expectations of rising rates and strong price competition. Investment and Insurance Products (up 47%), Esanda (up 36%), Consumer Finance (up 39%) assisted by the sale of MasterCard shares, Pacific (up 20%), and Banking Products (up 22%), were all particularly strong.

Revenue growth was double the 7% expense growth. Staff numbers were up 8%, and we opened 9 new branches in the first half, with a further 31 openings planned in the second half. Credit costs increased in line with expectations at 18%, due to portfolio growth and the seasoning of our credit card and personal loan portfolios.

**Institutional** delivered net profit growth of 10.6%. However, revenue growth was more subdued at 5% with average interest earning asset growth of 9% and deposit growth of 14%, offset by contracting credit margins. Staff numbers grew 11% and resultant expense growth was 7%, reducing Profit Before Provisions to 4%. Provisioning showed a net recovery of \$6 million with a significant recovery late in the half, offsetting modest new provisions. Over recent years, we have sought to curtail low margin asset growth and to reduce our reliance on lending over time. This naturally reduces revenue. Encouragingly, Return on Risk Weighted Assets improved accordingly. Strong revenue growth in Markets and Corporate & Structured Financing was offset by weaker performance from the other units.

**New Zealand Businesses** NPAT was up 8.1% in New Zealand dollars, with good revenue growth of 8%. Profit before provisions was strong at 13%, offset by a large increase in credit costs, which bounced from unsustainably low levels. Expense growth was well contained at 4%. Corporate and Commercial Banking, ANZ Retail, The National Bank Retail, Rural Banking, and UDC all delivered double-digit Profit Before Provisions growth. Despite higher credit costs they are still well below cycle average, and credit quality remains strong, with the level of net non-performing loans (0.08%) and individual provision charges (0.07%) well below that seen in Australia.

**Partnerships** delivered very strong growth, with revenue up 38% and NPAT up 30%. ING Australia is now delivering good momentum, with profit up 29%, and is well placed to deliver even better returns as it moves beyond the legacy issues that have constrained performance until now. International Partnerships NPAT grew 57% assisted by a full six month return from Bank of Tianjin. Growth in Partnership earnings should accelerate in the second half, with the expected inclusion of equity earnings from AMMB Holdings Berhad (AMMB).

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**HIGHLIGHTS (continued)**

		<b>Group</b>		<b>Personal</b>	<b>Institutional Continuing</b>	<b>New Zealand Businesses (NZD)</b>
		<b>Half year Mar 2007</b>	<b>Change<sup>2</sup></b>	<b>Change<sup>2</sup></b>	<b>Change<sup>2</sup></b>	<b>Change<sup>2</sup></b>
<b>Key Business Drivers<sup>1</sup></b>						
Total assets	\$m	351,724	9%	11%	7%	13%
Deposits & other borrowings	\$m	210,585	7%	10%	16%	2%
Average interest earning assets	\$m	323,510	10%	12%	9%	13%
Net interest margin	bps	2.24	(5bps)	(2bps)	(11bps)	(10bps)
Net interest income	\$m	3,611	7%	11%	2%	9%
Other operating income	\$m	1,770	13%	24%	10%	7%
Total income	\$m	5,381	9%	14%	5%	8%
FTE	No.	33,183	7%	8%	11%	4%
Operating expenses	\$m	2,386	6%	7%	7%	4%
Profit before provisions <sup>3</sup>	\$m	2,995	12%	21%	4%	13%
Individual provision charge	\$m	188	0%	45%	(114%)	136%
Collective provision charge	\$m	52	44%	(38%)	(133%)	large
Total provision for credit impairment	\$m	240	7%	18%	(112%)	large
Cash profit	\$m	1,936	12%	22%	11%	8%
EVA	\$m	1,119	10%	24%	-1%	22%
<b>Other Measures<sup>1</sup></b>				<b>Actual</b>	<b>Actual</b>	<b>Actual</b>
Individual provision (charge)/credit as a % of average net advances	%	0.14	(0.01)	(0.23)	0.02	(0.07)
Return on average assets	%	1.11	0.01	1.01	1.17	1.06
Return on average RWAs	%	1.59	0.06	1.72	1.41	1.36
Cost to income ratio	%	44.3	(1.50)	47.0	38.9	48.1
Cost to average assets	%	1.37	(0.07)	1.53	1.06	1.55

<sup>1</sup> All numbers adjusted for non-core items

<sup>2</sup> Compared to half year ended 31 March 2006

<sup>3</sup> Profit before credit impairment and income tax

## FINANCIAL HIGHLIGHTS

### Profit

	Half year Mar 07 \$M	Half year Sep 06 \$M	Half year Mar 06 \$M	Movt Mar 07 v. Sep 06 %	Movt Mar 07 v. Mar 06 %
Net interest income	3,611	3,575	3,368	1%	7%
Other operating income	2,002	1,614	1,595	24%	26%
Operating income	5,613	5,189	4,963	8%	13%
Operating expenses	(2,386)	(2,346)	(2,185)	2%	9%
Profit before credit impairment and income tax	3,227	2,843	2,778	14%	16%
Provision for credit impairment	(240)	(183)	(224)	31%	7%
Profit before income tax	2,987	2,660	2,554	12%	17%
Income tax expense	(883)	(780)	(742)	13%	19%
Minority interest	(2)	(3)	(1)	-33%	100%
<b>Profit attributable to shareholders of the Company</b>	<b>2,102</b>	<b>1,877</b>	<b>1,811</b>	<b>12%</b>	<b>16%</b>

### Cash profit

Profit has been adjusted to exclude the following non-core items to arrive at cash profit. Throughout this document figures and ratios that are calculated on a 'cash' basis have been shaded to distinguish them from figures calculated on a statutory basis.

	Half year Mar 07 \$M	Half year Sep 06 \$M	Half year Mar 06 \$M	Movt Mar 07 v. Sep 06 %	Movt Mar 07 v. Mar 06 %
<b>Profit attributable to shareholders of the Company</b>	<b>2,102</b>	<b>1,877</b>	<b>1,811</b>	<b>12%</b>	<b>16%</b>
<b>Less: Non-core items</b>					
<u>Significant items<sup>1</sup></u>					
Sale of Esanda Fleetpartners	141	-	-	n/a	n/a
Settlement of ANZ National Bank claims	-	-	14	n/a	-100%
Settlement of NHB insurance claim	-	-	79	n/a	-100%
Total significant items	141	-	93	n/a	52%
Ineffective hedge fair value gains/losses <sup>2</sup>	28	21	13	33%	large
NZD revenue hedge mark to market volatility <sup>2</sup>	(3)	-	-	n/a	n/a
ANZ National Bank incremental integration costs <sup>3</sup>	-	-	(26)	n/a	-100%
Total non-core items	166	21	80	large	large
<b>Cash profit</b>	<b>1,936</b>	<b>1,856</b>	<b>1,731</b>	<b>4%</b>	<b>12%</b>

<sup>1.</sup> In the March 2007 half ANZ has classified the profit on sale of Esanda Fleetpartners of \$195 million (\$141 million after tax) as a significant item. In the March 2006 half ANZ classified the \$113 million (\$79 million after tax) settlement of the NHB insurance matter and the \$14 million settlement of a dispute with Lloyds TSB over the accounting treatment of certain items in the completion accounts for the acquisition of National Bank of New Zealand Limited (tax on settlement: \$nil) as significant items. ANZ excludes significant items to eliminate the distorting effect of one-off transactions on the results of its core business (refer page 13)

<sup>2.</sup> The Group enters into economic hedges to manage its interest rate and foreign exchange risk. In the March 2007 half ANZ has classified \$28 million after tax (Sep 2006 half: \$21 million; Mar 2006 half: \$13 million) relating to economic hedging as a non-core item (tax impact \$13 million (Sep 2006 half: \$10 million; Mar 2006 half: \$5 million)). Included in this non-core amount is ineffectiveness arising from designated accounting hedges, any volatility arising from usage of the fair value option and approved classes of derivatives not designated in accounting hedge relationships but that are considered to be economic hedges. In addition, ANZ has classified a \$3 million loss after tax (Sep 2006 half: \$nil; Mar 2006 half: \$nil) relating to New Zealand revenue hedges that under the transitional provision of AASB 139 (AASB 2005-1) no longer qualify for hedge accounting from 1 October 2006 (tax impact \$1 million credit). ANZ excludes volatility associated with fair value movements on these transactions to provide a better indication of the core business performance (refer page 14)

<sup>3.</sup> In the March 2006 half ANZ incurred \$26 million after tax from ANZ National Bank incremental integration costs. Tax on ANZ National Bank incremental integration costs was \$13 million. The integration program was completed in March 2006. ANZ National Bank incremental integration costs are excluded to better reflect the core cost base and assist analysis of the cost base following completion of the integration

## FINANCIAL HIGHLIGHTS (continued)

### Cash profit, cont'd

Analysis of Cash<sup>1</sup> profit by key line item:

	Half year Mar 07 \$M	Half year Sep 06 \$M	Half year Mar 06 \$M	Movt Mar 07 v. Sep 06 %	Movt Mar 07 v. Mar 06 %
Net interest income	3,611	3,575	3,368	1%	7%
Other operating income	1,770	1,583	1,563	12%	13%
Operating income	5,381	5,158	4,931	4%	9%
Operating expenses	(2,386)	(2,346)	(2,259)	2%	6%
Profit before credit impairment and income tax	2,995	2,812	2,672	7%	12%
Provision for credit impairment	(240)	(183)	(224)	31%	7%
Profit before income tax	2,755	2,629	2,448	5%	13%
Income tax expense	(817)	(770)	(716)	6%	14%
Minority interest	(2)	(3)	(1)	-33%	100%
<b>Cash<sup>1</sup> profit</b>	<b>1,936</b>	<b>1,856</b>	<b>1,731</b>	<b>4%</b>	<b>12%</b>

### Earnings per share

	Half year Mar 07 \$M	Half year Sep 06 \$M	Half year Mar 06 \$M	Movt Mar 07 v. Sep 06 %	Movt Mar 07 v. Mar 06 %
<b>Earnings per ordinary share (cents)</b>					
Basic	113.2	101.6	98.4	11%	15%
Diluted	110.0	98.5	95.5	12%	15%
Cash <sup>1</sup> (basic adjusted for non-core items)	104.2	100.5	94.0	4%	11%

### Balance Sheet

	As at Mar 07 \$M	As at Sep 06 \$M	As at Mar 06 \$M	Movt Mar 07 v. Sep 06 %	Movt Mar 07 v. Mar 06 %
<b>Assets</b>					
Liquid assets	15,433	15,019	13,870	3%	11%
Due from other financial institutions	6,439	9,665	8,336	-33%	-23%
Trading and available for sale assets	24,100	19,832	22,008	22%	10%
Net loans and advances including acceptances	281,822	269,384	255,745	5%	10%
Other	23,930	20,740	22,222	15%	8%
<b>Total assets</b>	<b>351,724</b>	<b>334,640</b>	<b>322,181</b>	<b>5%</b>	<b>9%</b>
<b>Liabilities</b>					
Due to other financial institutions	14,872	14,118	13,345	5%	11%
Deposits and other borrowings	210,585	204,794	196,850	3%	7%
Liability for acceptances	14,013	13,435	13,692	4%	2%
Bonds and notes	54,188	50,050	46,923	8%	15%
Other	37,156	32,337	32,575	15%	14%
<b>Total liabilities</b>	<b>330,814</b>	<b>314,734</b>	<b>303,385</b>	<b>5%</b>	<b>9%</b>
<b>Total shareholders' equity</b>	<b>20,910</b>	<b>19,906</b>	<b>18,796</b>	<b>5%</b>	<b>11%</b>

<sup>1</sup> Refer footnotes 1 to 3 on page 5

**Financial ratios**

	Half year Mar 07 \$M	Half year Sep 06 \$M	Half year Mar 06 \$M
<b>Profit attributable to shareholders of the Company</b>	2,102	1,877	1,811
<b>Cash<sup>1</sup> profit</b>	1,936	1,856	1,731
<b>EVA<sup>TM 2</sup></b>	1,119	1,069	1,013

**Profitability ratios**

Return on:			
Average ordinary shareholders' equity <sup>3</sup>	21.3%	20.4%	20.9%
Average ordinary shareholders' equity <sup>3</sup> (cash <sup>1</sup> profit basis)	19.7%	20.2%	20.0%
Average assets	1.21%	1.13%	1.15%
Average assets (cash <sup>1</sup> profit basis)	1.11%	1.11%	1.10%
Average risk weighted assets	1.73%	1.59%	1.60%
Average risk weighted assets (cash <sup>1</sup> profit basis)	1.59%	1.57%	1.53%
Total income	14.4%	14.2%	14.5%
Net interest margin	2.24	2.33	2.29
Profit per average FTE (\$)	64,203	59,187	58,202

**Efficiency ratios**

Operating expenses to operating income	42.5%	45.2%	44.0%
Operating expenses to average assets	1.37%	1.41%	1.39%
Operating expenses to operating income (cash <sup>1</sup> )	44.3%	45.5%	45.8%
Operating expenses to average assets (cash <sup>1</sup> )	1.37%	1.41%	1.44%

**Credit impairment provisioning**

Collective provision charge	52	33	36
Individual provision charge	188	150	188
Total provision charge	240	183	224
Individual provision charge as a % of average net advances	0.14%	0.11%	0.15%

**Ordinary share dividends (cents)**

Interim - 100% franked (Mar 06: 100% franked)	62	n/a	56
Final - 100% franked (Sep 06: 100% franked)	n/a	69	n/a
Ordinary share dividend payout ratio <sup>4</sup>	54.9%	68.0%	56.9%
Cash <sup>1</sup> ordinary share dividend payout ratio <sup>4</sup>	59.6%	68.8%	59.6%

**Preference share dividend (cents)**

Dividend paid <sup>5</sup>	17	15	12
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<sup>1.</sup> Refer footnotes 1 to 3 on page 5

<sup>2.</sup> EVA<sup>TM</sup> refers to Economic Value Added, a measure of shareholder value. See page 25 for a reconciliation of EVA<sup>TM</sup> to reported net profit, a discussion of EVA<sup>TM</sup> and an explanation of its relevance as a performance measure

<sup>3.</sup> Average ordinary shareholders' equity excludes minority interest and preference share dividend

<sup>4.</sup> Dividend payout ratio is calculated using the proposed interim dividend as at 31 March 2007, the 30 September 2006 and 31 March 2006 dividends

<sup>5.</sup> Represents dividends paid on Euro Hybrid issued on 13 December 2004

## FINANCIAL HIGHLIGHTS (continued)

### Financial ratios, cont'd

	As at Mar 07	As at Sep 06	As at Mar 06	Movt Mar 07 v. Sep 06 %	Movt Mar 07 v. Mar 06 %
<b>Net Assets</b>					
Net tangible assets <sup>1</sup> per ordinary share (\$)	9.01	8.53	7.99	6%	13%
Net tangible assets <sup>1</sup> attributable to ordinary shareholders (\$M)	16,613	15,664	14,619	6%	14%
Total number of ordinary shares (M)	1,844.7	1,836.6	1,828.7	0%	1%
<b>Capital adequacy ratio (%)</b>					
Tier 1	6.7%	6.8%	6.8%		
Tier 2	4.3%	4.2%	4.0%		
Total capital ratio	10.3%	10.6%	10.4%		
Adjusted Common Equity ratio <sup>2</sup>	4.4%	4.7%	5.0%		
Risk weighted assets EOP (\$M)	250,485	240,219	230,653		
<b>Impaired assets</b>					
Collective provision (\$M)	1,981	1,940	1,903	2%	4%
Collective provision as a % of risk weighted assets	0.79%	0.81%	0.83%	-2%	-5%
Gross non-performing loans (\$M)	640	661	726	-3%	-12%
Individual provisions on non-performing loans <sup>3</sup> (\$M)	(275)	(279)	(305)	-1%	-10%
Net non-performing loans (\$M)	365	382	421	-4%	-13%
Individual provision as a % of total non-performing loans	43.0%	42.2%	42.0%	2%	2%
Gross non-performing loans as % of net advances	0.23%	0.25%	0.28%	-8%	-18%
Net non-performing loans as a % of net advances	0.13%	0.14%	0.16%	-7%	-19%
Net non-performing loans as a % of shareholders' equity <sup>4</sup>	1.7%	1.9%	2.2%	-11%	-23%
<b>Other information</b>					
Full time equivalent staff (FTEs)	33,183	32,256	31,063	3%	7%
Assets per FTE (\$M)	10.6	10.4	10.4	2%	2%
Market capitalisation of ordinary shares (\$M)	54,788	49,331	48,461	11%	13%

<sup>1.</sup> Equals shareholders' equity less preference share capital, minority interest and unamortised goodwill and other intangibles

<sup>2.</sup> Adjusted common equity is calculated as Tier 1 capital, less Innovative Tier 1 capital instruments (converted at balance date spot rates), less transitional Tier 1 capital relief and deductions. This measure is commonly used to assess the adequacy of common equity held. See page 98 for a reconciliation to Tier 1 capital

<sup>3.</sup> Excludes individual provision on unproductive facilities

<sup>4.</sup> Includes minority interest

**Business unit analysis**

	Half year Mar 07 \$M	Half year Sep 06 \$M	Half year Mar 06 \$M	Movt Mar 07 v. Sep 06 %	Movt Mar 07 v. Mar 06 %
<b>Profit after income tax<sup>1</sup></b>					
Personal	709	654	583	8%	22%
Institutional	750	701	678	7%	11%
New Zealand Businesses <sup>2</sup>	351	339	337	4%	4%
Partnerships & Private Bank	103	91	79	13%	30%
Non-continuing businesses	-	22	31	-100%	-100%
Group Centre	23	49	23	-53%	0%
<b>Cash profit</b>	<b>1,936</b>	<b>1,856</b>	<b>1,731</b>	<b>4%</b>	<b>12%</b>
Non-core items <sup>3</sup>	166	21	80	large	large
<b>Profit</b>	<b>2,102</b>	<b>1,877</b>	<b>1,811</b>	<b>12%</b>	<b>16%</b>

<sup>1.</sup> Prior period numbers have been adjusted for organisational structure changes. Refer page 33 for an explanation of the changes

<sup>2.</sup> New Zealand Businesses growth rates in NZD terms were (1%) and 8% compared to the September 2006 half year and March 2006 half year respectively

<sup>3.</sup> Refer footnotes 1 to 3 on page 5

	As at Mar 07 \$M	As at Sep 06 \$M	As at Mar 06 \$M	Movt Mar 07 v. Sep 06 %	Movt Mar 07 v. Mar 06 %
<b>Net loans and advances including acceptances by business unit<sup>1</sup></b>					
Personal	140,226	133,652	126,776	5%	11%
Institutional	73,308	71,436	69,474	3%	6%
New Zealand Businesses <sup>2</sup>	66,672	61,937	56,935	8%	17%
Partnerships & Private Bank	1,592	1,270	1,204	25%	32%
Non-continuing businesses	-	1,054	1,337	-100%	-100%
Group Centre	24	35	19	-31%	26%
<b>Net loans and advances including acceptances</b>	<b>281,822</b>	<b>269,384</b>	<b>255,745</b>	<b>5%</b>	<b>10%</b>

<sup>1.</sup> Prior period numbers have been adjusted for organisational structure changes. Refer page 33 for an explanation of the changes

<sup>2.</sup> New Zealand Businesses growth rates in NZD terms were 6% and 13% compared to the September 2006 half year and March 2006 half year respectively

	As at Mar 07 \$M	As at Sep 06 \$M	As at Mar 06 \$M	Movt Mar 07 v. Sep 06 %	Movt Mar 07 v. Mar 06 %
<b>Deposits and other borrowings by business unit<sup>1</sup></b>					
Personal	67,748	64,977	61,818	4%	10%
Institutional	76,094	69,239	65,381	10%	16%
New Zealand Businesses <sup>2</sup>	42,467	41,987	40,135	1%	6%
Partnerships & Private Bank	1,233	1,159	983	6%	25%
Group Centre	23,043	27,432	28,533	-16%	-19%
<b>Deposits and other borrowings</b>	<b>210,585</b>	<b>204,794</b>	<b>196,850</b>	<b>3%</b>	<b>7%</b>

<sup>1.</sup> Prior period numbers have been adjusted for organisational structure changes. Refer page 33 for an explanation of the changes

<sup>2.</sup> New Zealand Businesses growth rates in NZD terms were 0% and 2% compared to the September 2006 half year and March 2006 half year respectively

	As at Mar 07 \$M	As at Sep 06 \$M	As at Mar 06 \$M	Movt Mar 07 v. Sep 06 %	Movt Mar 07 v. Mar 06 %
<b>Deposits and other borrowings by funding type</b>					
Customer funding	170,450	158,905	145,602	7%	17%
Wholesale funding	40,135	45,889	51,248	-13%	-22%
<b>Deposits and other borrowings</b>	<b>210,585</b>	<b>204,794</b>	<b>196,850</b>	<b>3%</b>	<b>7%</b>

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March 2007 half year compared to March 2006 half year

ANZ recorded a profit after tax of \$2,102 million for the half year ended 31 March 2007, an increase of 16% over the March 2006 half year. Earnings per share increased 15% to 113.2 cents over the March 2006 half year. After adjusting for non-core items<sup>1</sup> referred to on pages 13 to 14, Cash<sup>1</sup> profit increased 12% to \$1,936 million and Cash EPS increased 11% to 104.2 cents.

	Half year Mar 07 \$M	Half year Sep 06 \$M	Half year Mar 06 \$M	Movt Mar 07 v. Sep 06 %	Movt Mar 07 v. Mar 06 %
<b>Profit attributable to shareholders of the Company</b>	<b>2,102</b>	<b>1,877</b>	<b>1,811</b>	<b>12%</b>	<b>16%</b>
Less: Non-core items <sup>1</sup> (refer to page 13)	<b>(166)</b>	<b>(21)</b>	<b>(80)</b>	<b>large</b>	<b>large</b>
<b>Cash<sup>1</sup> profit</b>	<b>1,936</b>	<b>1,856</b>	<b>1,731</b>	<b>4%</b>	<b>12%</b>

Cash<sup>1</sup> profit

	Half year Mar 07 \$M	Half year Sep 06 \$M	Half year Mar 06 \$M	Movt Mar 07 v. Sep 06 %	Movt Mar 07 v. Mar 06 %
Net interest income	<b>3,611</b>	3,575	3,368	1%	7%
Other operating income	<b>1,770</b>	1,583	1,563	12%	13%
Operating income	<b>5,381</b>	5,158	4,931	4%	9%
Operating expenses	<b>(2,386)</b>	(2,346)	(2,259)	2%	6%
Profit before credit impairment and income tax	<b>2,995</b>	2,812	2,672	7%	12%
Provision for credit impairment	<b>(240)</b>	(183)	(224)	31%	7%
Profit before income tax	<b>2,755</b>	2,629	2,448	5%	13%
Income tax expense	<b>(817)</b>	(770)	(716)	6%	14%
Minority interest	<b>(2)</b>	(3)	(1)	-33%	100%
<b>Cash<sup>1</sup> profit</b>	<b>1,936</b>	<b>1,856</b>	<b>1,731</b>	<b>4%</b>	<b>12%</b>

Profit growth

Cash profit increased 12% to \$1,936 million. Core<sup>1</sup> revenue increased 9% with growth in average interest earning assets offset by reduced margins (-5 basis points), higher fee income from volume growth and pricing initiatives, higher markets income and higher other income from equity accounting earnings and other investments. Operating expense growth of 6% reflected ongoing investment in the business. Provision for credit impairment was flat with growth in Personal and New Zealand offset by high recoveries in Institutional.

In Australia, cash profit increased 19% over the March 2006 half year with solid growth across all Personal businesses and higher Institutional revenue, primarily in Markets. Provision for credit impairment reduced with a significant recovery during the March 2007 half.

Cash profit in New Zealand decreased 2% (an increase of 2% in NZD terms) reflecting weaker Markets income and an increase in collective provision charge. Operating income increased 4% in NZD terms with lending growth of 11% partly offset by a decline in net interest margin of 9 basis points and lower revenue in Markets following the strong performance in the March 2006 half. Operating expense growth was contained to 2%.

Within Overseas Markets, cash profit in Asia and Pacific increased 40% and 7% respectively, driven by strong growth in the Institutional business in Singapore, higher equity accounting income in Asia and balance sheet growth in the Pacific. Cash profit in the UK and US decreased driven by reduced profit in non-continuing businesses and repatriation of capital, partly offset by revenue growth in the March 2007 half with increased trading income in Markets.

<sup>1</sup> In the March 2007 half ANZ has classified the profit on sale of Esanda Fleetpartners of \$195 million (\$141 million after tax) as a significant item. In the March 2006 half ANZ classified the \$113 million (\$79 million after tax) settlement of the NHB insurance matter and the \$14 million settlement of a dispute with Lloyds TSB over the accounting treatment of certain items in the completion accounts for the acquisition of National Bank of New Zealand Limited (tax on settlement: \$nil) as significant items. ANZ excludes significant items to eliminate the distorting effect of one-off transactions on the results of its core business (refer page 13). The Group enters into economic hedges to manage its interest rate and foreign exchange risk. In the March 2007 half ANZ has classified \$28 million after tax (Sep 2006 half: \$21 million; Mar 2006 half: \$13 million) relating to economic hedging as a non-core item (tax impact \$13 million (Sep 2006 half: \$10 million; Mar 2006 half: \$5 million)). Included in this non-core amount is ineffectiveness arising from designated accounting hedges, any volatility arising from usage of the fair value option and approved classes of derivatives not designated in accounting hedge relationships but that are considered to be economic hedges. In addition, ANZ has classified a \$3 million loss after tax (Sep 2006 half: \$nil; Mar 2006 half: \$nil) relating to New Zealand revenue hedges that under the transitional provision of AASB 139 (AASB 2005-1) no longer qualify for hedge accounting from 1 October 2006 (tax impact \$1 million credit). ANZ excludes volatility associated with fair value movements on these transactions to provide a better indication of the core business performance (refer page 14). In the March 2006 half ANZ incurred \$26 million after tax from ANZ National Bank incremental integration costs. Tax on ANZ National Bank incremental integration costs was \$13 million. The integration program was completed in March 2006. ANZ National Bank incremental integration costs are excluded to better reflect the core cost base and assist analysis of the cost base following completion of the integration.

March 2007 half year compared to March 2006 half year, cont'd

Impact of exchange rate movements<sup>1</sup>

Presented below is an analysis of the impact of foreign exchange movements on the income statement, net of earnings from economic revenue hedges put in place to hedge New Zealand revenue.

Movements in exchange rates have resulted in a \$22 million decrease in Cash<sup>2</sup> profit for the March 2007 half year, principally due to the translation of NZD earnings net of associated revenue hedges which are booked in Australia as foreign exchange earnings. 2006 NZD earnings were translated at an effective exchange rate of 1.105 and the March 2007 half year NZD earnings were translated at an effective rate of 1.145.

	Half Year Mar 07 v. Half Year Sep 06			Half Year Mar 07 v. Half Year Mar 06		
	FX unadjusted % growth	FX adjusted % growth	FX impact \$M	FX unadjusted % growth	FX adjusted % growth	FX impact \$M
Net interest income <sup>3</sup>	1%	1%	(9)	7%	8%	(38)
Other operating income <sup>4</sup>	12%	11%	15	13%	15%	(22)
Operating income	4%	4%	6	9%	10%	(60)
Operating expenses	2%	1%	(25)	6%	7%	27
Profit before credit impairment and income tax	7%	7%	(19)	12%	13%	(33)
Provision for credit impairment	31%	30%	(1)	7%	8%	1
Profit before income tax	5%	6%	(20)	13%	14%	(32)
Income tax expense	6%	7%	5	14%	16%	10
Minority interest	-33%	-33%	-	100%	100%	-
Cash profit <sup>2</sup>	4%	5%	(15)	12%	13%	(22)

<sup>1</sup> ANZ has removed the impact of exchange rate movements realised to cash profit to provide a better indication of the Group's performance in local currency terms. Retranslation is net of revenue hedges, refer page 26

<sup>2</sup> Refer footnote 1 on page 11

<sup>3</sup> In 2006, revenue hedge earnings were included in net interest income which resulted in an impact in the March 2007 half of an increase over the March 2006 half of \$3 million and a decrease of \$49 million over the September half

<sup>4</sup> In 2007, revenue hedge earnings were included in other operating income which resulted in an impact in the March 2007 half of a decrease over the March 2006 half of \$1 million and a decrease of \$1 million over the September 2006 half

Profit drivers

Profit after tax increased 16% over the March 2006 half year and Cash<sup>1</sup> profit increased 12% over the March 2006 half year. For a discussion of the impact of non-core items refer pages 13 to 14. Key influences on profit are shown below.

Explanations are on cash profit adjusted for non-core items:

**Net interest ñ 7% - Adjusted for non-core items<sup>1</sup> ñ 7%:**

Net interest income was driven by growth of 10% in average interest earning assets (11% excluding the impact of exchange rates) with strong growth in New Zealand (9%, or 13% excluding exchange rate impact) and Personal (12%). Average deposits grew 6% (8% excluding exchange rates) following strong growth in Institutional (14%), Personal (11%) and New Zealand (1%, or 5% excluding exchange rates). Volume growth was offset by a 5 basis point decline in margin, primarily from competitive pressures.

**Other income ñ 25% - Adjusted for non-core items<sup>1</sup> ñ 13%:**

Adjusted for non-core items, other income growth was underpinned by volume growth initiatives, strong Markets income and increased equity accounting income and a \$27 million profit on the sale of MasterCard shares.

**Operating expenses ñ 9% - Adjusted for non-core items<sup>1</sup> ñ 6%:**

Operating expense growth was primarily due to annual salary increases and a 7% increase in staff numbers, largely in Personal and Institutional, as we continue to invest in the business.

**Provision for credit impairment ñ 7% - Adjusted for non-core items<sup>1</sup> ñ 7%:**

Individual provisions were unchanged with an increase in Personal due to higher provisions primarily in the Cards portfolio, offset by Institutional with lower provisions raised and higher recoveries. The collective provision charge increased by \$16 million driven largely by different trends in risk levels in New Zealand is ANZ Retail and strong volume growth in Corporate & Commercial and volume increases in Institutional, partially offset by a reduction in Personal from moderating portfolio growth in Consumer Finance.

**Income tax ñ 19% - Adjusted for non-core items<sup>1</sup> ñ 14%:**

The increase in tax expense is driven by growth in profit before tax and an increase in the effective tax rate by 0.5% reflecting the run-off of certain structured finance transactions and the ongoing appraisal of global tax provisioning requirements.

<sup>1</sup> Refer footnote 1 on page 11

**March 2007 half year compared to September 2006 half year**

The Group recorded a profit after tax of \$2,102 million for the half year ended 31 March 2007, an increase of 12% over the September 2006 half. Basic earnings per share increased 11% (11.6 cents) to 113.2 cents.

Cash profit increased 4% over the September 2006 half which reflects seasonality in the halves and higher provisions for credit impairment. Cash earnings per share (refer page 24) increased 4% (3.7 cents) to 104.2 cents.

Operating income increased 8% assisted by the profit on sale of Esanda Fleetpartners. After adjusting for non-core items, operating income increased 4%. Net interest income increased 1%, impacted by a reduction in interest income on revenue hedges (\$50 million or -3 basis points) and lower net interest income on derivative transactions (\$35 million offset in other income). Average interest earning assets grew 5%, primarily in Personal and New Zealand, which was partially offset by a decline in net interest margin of 6 basis points (excluding the impact of revenue hedges). Other income increased 12% reflecting increased profit on trading instruments in Institutional, which includes unrealised gains which are partly offset in net interest income. Operating expense growth was contained to 2% following the strong growth in the September 2006 half.

**Non-core items**

ANZ has adjusted the income statement for non-core items, as outlined below, to assist in understanding the core business performance by removing the volatility in reported results created by one-off significant items, ANZ National Bank incremental integration costs which ceased in the half year March 2006, and the timing differences in the recognition of fair value gains in profit on ineffective hedging contracts.

**Non-core items in the income statement**

	Half year Mar 07	Half year Sep 06	Half year Mar 06	Movt Mar 07 v. Sep 06	Movt Mar 07 v. Mar 06
	\$M	\$M	\$M	%	%
<b>Significant items</b>					
Sale of Esanda Fleetpartners	141	-	-	n/a	n/a
Settlement of ANZ National Bank claims	-	-	14	n/a	-100%
Settlement of NHB insurance claim	-	-	79	n/a	-100%
<b>Total significant items</b>	<b>141</b>	<b>-</b>	<b>93</b>	<b>n/a</b>	<b>52%</b>
Ineffective hedge fair value gains/losses	28	21	13	33%	large
NZD revenue hedge mark to market volatility	(3)	-	-	n/a	n/a
ANZ National Bank incremental integration costs	-	-	(26)	n/a	-100%
<b>Non-core items</b>	<b>166</b>	<b>21</b>	<b>80</b>	<b>large</b>	<b>large</b>

§ **Significant items**

Significant items in the income statement are those items that management believe do not form part of the core business by virtue of their magnitude and infrequent nature and, as such, should be removed from profit when analysing the core business performance. The following are considered significant items:

- Sale of Esanda Fleetpartners (March 2007 half year)  
During the March 2007 half ANZ sold Esanda Fleetpartners, which had operations in Australia and New Zealand, to Nikko Principal Investments in Australia. Profit on disposal was \$195 million (\$141 million after tax) with \$128 million (\$74 million after tax) recognised in Australia and \$67 million (\$67 million after tax) recognised in New Zealand.
- Settlement of the NHB insurance claim (March 2006 half year)  
During the March 2006 half ANZ settled its \$130 million claim against a number of reinsurers in relation to the National Housing Bank (NHB) matter. ANZ has reported the \$113 million (\$79 million after tax) cost recovery as a significant item in 2006. \$1 million was received in 2005 and not treated as significant as it was immaterial.
- Settlement of ANZ National Bank claims (March 2006 half year)  
Following the purchase of National Bank of New Zealand Limited on 1 December 2003, a dispute arose with Lloyds TSB in relation to the accounting treatment in the Completion Accounts of the provision for retirement gratuities. The dispute was referred to arbitration and, as a result, ANZ National Bank received \$14 million in March 2006 (\$14 million after tax) in final settlement.

Non-core items, cont'd

§ **Volatility resulting from the application of hedge accounting**

The Group enters into economic hedges to manage its interest rate and foreign exchange risk. The implementation of AIFRS accounting policies on hedge accounting from 1 October 2005 (1 October 2006 in respect of hedges of NZD revenue) introduced volatility within the Income Statement in respect of ineffective hedges as follows:

- ineffectiveness of designated accounting cash flow and fair value hedges; and
- approved classes of derivatives not designated in accounting hedge relationships but that are considered to be economic hedges.

ANZ has separately reported the impact of volatility due to hedge ineffectiveness as a non-core item as the profit reported on hedge transactions is asymmetrical to the treatment of the hedged item and will reverse over time and as such is not part of the core operating performance. During the March 2007 half year ANZ has classified \$25 million after tax (Sep 2006 half: \$21 million; Mar 2006 half: \$13 million) relating to ineffective hedging and, from 1 October 2006, NZD revenue hedges as a non-core items (tax on hedges \$12 million (Sep half 2006: \$10 million; Mar 2006 half: \$5 million)).

<b>Ineffective hedge fair value gains (income statement)</b>	<b>Half year Mar 07 \$m</b>	<b>Half year Sep 06 \$m</b>	<b>Half year Mar 06 \$m</b>
Non-compliant hedges	40	18	27
NZD revenue hedges	(5)	-	-
Ineffective portion of effective cash flow and fair value hedges	2	13	(9)
<b>Volatility resulting from the application of hedge accounting (before tax)</b>	<b>37</b>	<b>31</b>	<b>18</b>
<b>Volatility resulting from the application of hedge accounting (after tax)</b>	<b>25</b>	<b>21</b>	<b>13</b>

On transition to AIFRS at 1 October 2005, the life to date impact of hedge ineffectiveness and economic hedges not designated in accounting hedge relationships was \$144 million (pre-tax). This amount was taken directly to retained earnings as a loss.

<b>Net unrealised loss (balance sheet)</b>	<b>\$m</b>
As at 1 October 2005, transition to AIFRS	(144)
Net volatility recorded in income statement	
- half year ended 31 March 2006	18
- half year ended 30 September 2006	31
- half year ended 31 March 2007	37
<b>Net unrealised loss 31 March 2007</b>	<b>(58)</b>

The net volatility recorded in the income statement represents the progressive reversal of the \$144 million loss on transition to AIFRS together with volatility arising on existing and new ineffective hedge transactions.

§ **ANZ National Bank incremental integration costs**

Expenditure on the integration of ANZ National Bank, which was completed in March 2006, included both the reallocation of existing resources to integration and incremental integration costs. Incremental costs were those costs that did not recur once integration was completed and thus did not form part of the core ongoing cost base. During the March 2006 half year \$26 million after tax or \$39 million before tax of incremental integration costs was incurred.

Income and expenses

Net Interest Income

	Half year Mar 07 \$M	Half year Sep 06 \$M	Half year Mar 06 \$M	Movt Mar 07 v. Sep 06 %	Movt Mar 07 v. Mar 06 %
Net interest income	3,611	3,575	3,368	1%	7%
Average interest earning assets	323,510	305,962	294,364	6%	10%
Net interest margin (%)	2.24	2.33	2.29	-4%	-2%

§ March 2007 half year compared to March 2006 half year

Net interest income increased \$243 million (7%) over the March 2006 half.

**Volume**

Average interest earning assets increased \$29.1 billion (10%):

- Average net advances grew by \$24.8 billion (10%). Growth in net advances in Australia was attributable to: Personal (\$14.0 billion or 11%), with \$10.6 billion or 11% in Mortgages; Institutional Australia (\$5.1 billion or 10%), with \$2.0 billion or 14% in Business Banking, \$2.5 billion or 8% in Debt Product Group, \$0.3 billion or 10% in Trade and Transaction Services Australia; and Non-continuing Businesses (-\$0.5 billion). New Zealand's average net advances increased by \$5.1 billion or 8% (increased \$8.6 billion or 12% in NZD terms). Average net advances increased by \$1.1 billion (12%) in Overseas Markets.
- Other interest earning assets increased \$4.3 billion (8%), driven by higher levels of liquid assets (\$2.6 billion) and trading securities (\$2.2 billion).

Average deposits and other borrowings grew \$12.3 billion or 6%. Growth in Australia was attributable to: Personal (\$6.2 billion or 11%), with \$4.6 billion or 13% in Banking Products and \$0.9 billion or 18% in Regional, Rural and Small Business Banking; Institutional Australia (\$6.1 billion or 16%), with \$5.7 billion or 28% in Trade and Transaction Services Australia; and \$2.9 billion or 15% in Treasury. Average deposits and other borrowings increased in New Zealand \$1.8 billion or 3% (increased \$4.5 billion or 7% in NZD terms comprising core deposits growth of 10%, partially offset by a decrease in Treasury Certificates of Deposits and Commercial Paper due to a switch to longer term funding). Average deposits and other borrowings decreased (\$4.8 billion or 20%) in Overseas Markets including an exchange rate impact of -\$0.6 billion.

**Margin**

Net interest margin decreased 5 basis points from the March 2006 half:

- Funding mix (+1 basis point)  
Margins were assisted by substitution of customer deposits for wholesale funding (+1 basis point) and a small increase in the proportion of free funds.
- Asset mix (-1 basis point)  
Reduction in margin was due to an increase in the proportion of lower yielding liquid assets and trading securities in Group Treasury and Markets (-2 basis points) partially offset by lower proportions of other Institutional assets (+1 basis point).
- Competition (-7 basis points)  
Competitive pressures reduced margins, mainly in Australian and New Zealand Mortgages (-3 basis points) and Institutional lending (-2 basis points). In addition, migration to high yielding customer deposits and lower rate credit cards reduced margins (-2 basis points).
- Wholesale rates (+2 basis points)  
Increased income on the investment of capital and rate insensitive deposits (+3 basis points) partially offset by a reduction in basis risk on variable rate mortgages and credit cards (-1 basis point).
- Other items include:
  - Lower funding costs associated with unrealised trading gains (+2 basis points), however this is directly offset by an equivalent decrease in trading income.
  - Reduced effective yield fee income (-2 basis points)

**Income and expenses, cont'd**

**Net Interest Income, cont'd**

**§ March 2007 half year compared to September 2006 half year**

Net interest income at \$3,611 million was 1% (\$36 million) higher than the September 2006 half.

**Volume**

Average interest earning assets increased \$17.5 billion (6%):

- Average net advances grew by \$15.0 billion (6%). Growth in Australia was attributable to: Personal (\$6.2 billion or 5%), with \$4.8 billion or 5% in Mortgages; Institutional Australia (\$2.3 billion or 4%) with \$0.7 billion or 5% in Business Banking, \$1.3 billion or 4% in Debt Product Group; and Non-continuing Businesses (-\$0.2 billion). New Zealand's average net advances increased by \$6.5 billion or 10% (NZD3.4 billion or 5% in NZD terms). Average net advances grew by \$0.2 billion (3%) in Overseas Markets.
- Other interest earning assets increased \$2.5 billion (4%), driven by higher levels of liquid assets (\$1.5 billion), trading securities (\$0.1 billion), available-for-sale assets and interbank lending (\$1.3 billion).

Average deposits and other borrowings grew \$6.2 billion or 3%. Growth in Australia was attributable to: Personal (\$3.3 billion or 5%), with \$2.8 billion or 8% in Banking Products and \$0.6 billion or 12% in Regional, Rural and Small Business Banking; and Institutional Australia (\$3.5 billion or 9%) with \$4.1 billion or 19% in Trade & Transaction Services Australia; and -\$1.1 billion or 5% in Treasury. Average deposits and other borrowings increased in New Zealand \$4.8 billion or 9% (NZD2.3 billion increase or 4% in NZD terms). Average deposits and other borrowings decreased \$4.3 billion (18%) in Overseas Markets, with exchange rate impacts -\$0.6 billion.

**Margin**

Net interest margin was down 9 basis points to 2.24% from the September 2006 half:

- Funding mix (+1 basis point)  
Margins were assisted by substitution of customer deposits for wholesale funding (+1 basis point) and a small increase in proportions of free funds.
- Asset mix (-1 basis point)  
Reduction in margin was due to an increase in the proportion of lower yielding liquid assets and trading securities in Group Treasury and Institutional (-2 basis points) partially offset by lower proportions of other Institutional assets (+1 basis point).
- Competition (-4 basis points)  
Competitive pressures reduced margins, mainly in Australian and New Zealand Mortgages (-2 basis points) and Institutional lending (-1 basis point). In addition, margins have reduced given migration into high yielding customer deposits principally in New Zealand (-1 basis point).
- Wholesale rates (+2 basis points)  
Wholesale rate movements benefited margins through increases in earnings on the investment of capital and rate insensitive deposits (+2 basis points) partially offset by increased basis risk on variable rate mortgages and credit cards.
- Other items (-7 basis points) include:
  - § Foreign exchange revenue hedging no longer classified as interest income (-3 basis points or \$50 million).
  - § Higher funding costs associated with unrealised trading gains (-2 basis points), however this is directly offset by an equivalent increase in trading income.
  - § Interest received on tax refunds in the prior period (-2 basis points).
  - § Other impacts include reduced effective yield, fee income increases in the proportion of retail broker payments, decrease in the proportion of credit card balances earning interest and impacts from discontinued businesses.

Income and expenses, cont'd

Other Operating Income

	Half year Mar 07 \$M	Half year Sep 06 \$M	Half year Mar 06 \$M	Movt Mar 07 v. Sep 06 %	Movt Mar 07 v. Mar 06 %
<b>Other operating income</b>					
Total fee income	1,143	1,116	1,029	2%	11%
Foreign exchange earnings	237	220	227	8%	4%
Profit on trading instruments	173	65	144	large	20%
Other	217	182	163	19%	33%
<b>Core other operating income</b>	<b>1,770</b>	<b>1,583</b>	<b>1,563</b>	<b>12%</b>	<b>13%</b>
Ineffective hedge fair value gains/losses <sup>1</sup>	41	31	18	32%	large
NZD revenue hedge mark to market volatility	(4)	-	-	n/a	n/a
Significant items <sup>1</sup>	195	-	14	n/a	large
<b>Total other income</b>	<b>2,002</b>	<b>1,614</b>	<b>1,595</b>	<b>24%</b>	<b>26%</b>

Composition of Markets' income

Net interest income	50	85	28	-41%	79%
Foreign exchange earnings	178	166	172	7%	3%
Profit on trading instruments	156	74	146	large	7%
Fee and other income	13	19	6	-32%	large
<b>Total Markets' income</b>	<b>397</b>	<b>344</b>	<b>352</b>	<b>15%</b>	<b>13%</b>

<sup>1</sup> Refer footnote 1 on page 11

§ March 2007 half year compared to March 2006 half year

Other operating income increased \$407 million (26%). Core other operating income increased \$207 million (13%) after excluding non-core items (refer pages 13 to 14). The following explanations are based on core other operating income:

- Fee income increased \$114 million (11%):

Lending fee income increased \$17 million (8%)

- Personal increased \$23 million. Banking Products increased \$8 million as a result of growth in the number of transaction accounts and pricing initiatives. Mortgages increased \$7 million due to pricing initiatives as well as growth in account numbers and Esanda increased \$4 million as a result of higher predetermination fee income.

- New Zealand increased \$4 million (NZD increase \$6 million) due to a \$2 million increase in National Bank Retail as a result of increased revenue from overdraft management fees and a \$2 million increase in ANZ Retail as a result of pricing initiatives.

- Institutional decreased \$13 million. Corporate & Structured Financing decreased \$8 million with a change in business mix (higher non-lending fees) and Working Capital decreased \$6 million due to lower loan administration fees.

Non-lending fee income increased \$97 million (12%)

- Personal increased \$69 million. Consumer Finance increased \$41 million due to volume growth and pricing initiatives. Banking Products increased \$15 million driven by new product and pricing initiatives. Investment and Insurance Products grew \$13 million due to an increase in income generated by financial planners.

- Institutional increased \$42 million. Corporate & Structured Financing increased \$28 million with significant growth experienced within the advisory, private equity and structured finance portfolios. Working Capital increased \$7 million reflecting stronger growth in transaction volumes and higher fee revenue in commodity trade finance deals from China. Markets increased \$6 million reflecting the strategic focus to grow the credit business.

- Non-continuing businesses decreased \$9 million due to the sale of Esanda Fleetpartners.

- Foreign exchange earnings increased \$10 million. Institutional increased \$11 million with a \$7 million increase in Markets due to growth particularly in the currency trading business and a \$5 million increase in Working Capital as a result of continuing growth particularly from international payments revenue.

- Profit on trading instruments increased \$29 million:

Corporate & Structured Financing increased \$13 million as a result of mark to market gains on private equity securities held in a trading portfolio.

Markets increased \$11 million driven by good performance within the Rates business. Included within the Markets growth was a \$23 million decrease due to unrealised positions which were offset in net interest income.

Working Capital increased \$5 million due to the mark to market of the credit derivative swap portfolio.

Income and expenses, cont'd

Other Operating Income, cont'd

- Other operating income increased \$54 million (33%):

Partnerships & Private Bank increased \$30 million. INGA equity accounted income rose \$17 million reflecting improved funds management and life risk performances, increased capital investment earnings and reduced remediation expenses. International Partnerships increased \$11 million due mainly to equity accounted income from Bank of Tianjin (formerly Tianjin City Commercial Bank) and Private Bank \$4 million from higher sales volumes.

Personal increased \$35 million. Consumer Finance increased \$17 million due mainly to the sale of MasterCard shares. Mortgages increased \$11 million from higher sales volumes and associated LMI policy premiums.

New Zealand increased \$10 million due mainly to the sale of MasterCard shares.

Non-continuing businesses decreased \$13 million as the first half of 2006 included a \$12 million gain from settlement of the sale warranties relating to the sale of the London headquartered project finance business.

Institutional decreased \$5 million largely in Corporate & Structured Financing as the first half of 2006 included a \$6 million gain on sale of power assets.

- Movements in average exchange rates over the March 2006 half year decreased total other income by \$22 million.

Total Markets income is impacted by mix impacts between the categories within other operating income and net interest income. The effect for the 2007 half year was to decrease total other income by \$23 million (offset in net interest income).

§ March 2007 half year compared to September 2006 half year

Other operating income increased \$388 million (24%). After adjusting for non-core items (refer pages 13 to 14), core other operating income increased \$187 million (12%).

The following explanations are based on core other operating income:

- Fee income increased \$27 million (2%). Growth is typically slower in the first half:

Lending fee income increased \$17 million (8%):

- Personal increased \$11 million with Banking Products increasing \$7 million as a result of growth in the number of transaction accounts and pricing initiatives.
- New Zealand increased \$5 million due to pricing initiatives.

Non-lending fee income increased \$10 million (1%):

- New Zealand increased \$7 million (NZD decreased \$4 million) due to the impact of movements in exchange rates. The decrease in NZD terms is due to the highly competitive fee environment and the impact of a realignment of product and fee structures to improve customer offerings.
- Institutional increased \$10 million (4%). Working Capital increased \$10 million reflecting increased deposit volumes, higher commodity trade fees and higher volumes in custody and clearing.
- Non-continuing businesses decreased \$9 million due to the sale of Esanda Fleetpartners.

- Foreign exchange earnings increased \$17 million (8%). Institutional increased \$16 million due to Markets increasing \$12 million as a result of growth principally in the currency trading business, and Working Capital increasing \$4 million as a result of continuing growth particularly from international payments revenue.

- Profit on trading instruments increased \$108 million largely in Institutional. Markets increased \$82 million driven by a strong performance within the Rates business. Included within the Markets growth was a \$34 million increase due to unrealised gains which were offset in net interest income. Corporate & Structured Financing increased \$12 million as a result of mark to market gains on private equity securities held in a trading portfolio and mark to market impacts of Working Capital's credit derivatives were up \$13 million.

- Other operating income increased \$35 million (19%):

Partnerships & Private Bank increased \$18 million. INGA equity accounted profits grew \$12 million with a 12% increase in core operating profit and a 45% increase in capital investment earnings. International Partnerships increased \$7 million due to a \$5 million increase in Bank of Tianjin as the March 2007 half includes a full 6 months of equity accounted income.

Personal increased \$16 million. Consumer Finance increased \$11 million due mainly to the sale of MasterCard shares.

New Zealand increased \$5 million due mainly to the sale of MasterCard shares.

Institutional decreased \$9 million largely in Markets as the second half of 2006 included \$6 million from bond sales which was not repeated in 2007.

- Movements in average exchange rates over the September 2006 half increased total other income by \$15 million.

The Markets mix impact increased total other income by \$34 million (offset in net interest income).

Income and expenses, cont'd

Expenses

	Half year Mar 07 \$M	Half year Sep 06 \$M	Half year Mar 06 \$M	Movt Mar 07 v. Sep 06 %	Movt Mar 07 v. Mar 06 %
<b>Operating expenses</b>					
Personnel expenses	1,451	1,390	1,365	4%	6%
Premises expenses	223	207	204	8%	9%
Computer expenses	278	284	258	-2%	8%
Other expenses	434	465	432	-7%	0%
<b>Core operating expenses</b>	<b>2,386</b>	<b>2,346</b>	<b>2,259</b>	<b>2%</b>	<b>6%</b>
Significant items - settlement of NHB insurance claim	-	-	(113)	n/a	-100%
ANZ National Bank incremental integration costs <sup>1</sup>	-	-	39	n/a	-100%
<b>Total operating expenses</b>	<b>2,386</b>	<b>2,346</b>	<b>2,185</b>	<b>2%</b>	<b>9%</b>
<b>Total employees</b>	<b>33,183</b>	<b>32,256</b>	<b>31,063</b>	<b>3%</b>	<b>7%</b>

<sup>1</sup> For March 2006 these costs are personnel costs of \$22 million, computer costs of \$6 million, and other costs of \$11 million

§ March 2007 half year compared to March 2006 half year

Operating expenses increased \$201 million (9%) or \$127 million (6%) adjusting for non-core items (refer pages 13 to 14). The following explanations exclude non-core items:

- Personnel costs were up \$86 million (6%) with a 7% increase in staff numbers. Increases in staff numbers were mainly in the following business units:
  - Personal staff numbers increased 8%. Retail Banking staff numbers increased 7% due to the opening of new branches under the Branch Investment Program together with extending opening hours of branches. Mortgages increased 11% due to increased volumes. Consumer Finance increased 12% to resource increased volumes, cards initiatives and additional collections staff.
  - Institutional increased 11% due to a 15% increase in Working Capital reflecting new operations sites and Markets increasing 21% with higher levels of frontline staff to support the revenue strategy in Commodities, Corporate Sales and Asia business.
  - New Zealand grew 4% due to increases in frontline staff to facilitate business growth and compliance staff required for Basel II projects.
  - Partnership & Private Bank increased 43% driven mainly by the branch expansion program in Cambodia and increased specialist staff to further the growth agenda in Private Banking.
- Premises costs increased \$19 million (9%) mainly driven by higher rental expense reflecting additional space requirements, opening of new branches and ATMs as well as market rental growth.
- Computer costs increased \$20 million (8%) due to increased software purchases of \$10 million which includes additional software and software licence fees and a \$4 million increase in data communication costs.
- Other expenses were \$2 million higher. Non lending losses decreased \$20 million compared with the first half of 2006 due to Institutional and New Zealand (the latter included a NZD10 million New Zealand Commerce Commission settlement impact). Advertising spend decreased \$9 million as a result of Consumer Finance cost initiatives and March 2006 half including the cost of launching ANZ Everyday Visa Debit. Travel expenses increased \$10 million and professional fees rose \$8 million with small increases spread across most business units. Freight costs grew \$4 million, depreciation charges increased \$3 million and indirect taxes increased \$3 million.
- Movements in exchange rates decreased cost growth by \$27 million.

**Income and expenses, cont'd**

**Expenses, cont'd**

**§ March 2007 half year compared to September 2006 half year**

Operating expenses increased \$40 million (2%).

- Personnel expenses increased \$61 million (4%) as a result of annual salary increases and a 3% increase in staff numbers mainly in the following business units:
  - Personal staff numbers increased 4%. Mortgages increased 7% due to increased volumes. Investment and Insurance Products increased 9% due to the ongoing recruitment of financial planners.
  - Institutional staff numbers increased 5% due to a 5% increase in Working Capital reflecting increased investment in Asia, new international payment sites and Corporate & Structured Financing increased 14% particularly due to growth in Structured Debt.
- Premises costs increased \$16 million (8%) reflecting additional space requirements, opening of new branches and ATMs as well as market rental growth.
- Computer costs decreased \$6 million (2%). A \$9 million reduction in other computer costs due to Mortgages reassessment of software projects in September 2006 half year was offset by a \$4 million increase in computer repairs due to the timing of computer maintenance contracts.
- Other expenses decreased \$31 million:
  - Advertising spend decreased \$24 million due to Consumer Finance decreasing \$14 million as the second half of 2006 included expenditure relating to the launch of new products including chip cards, designmycard and Platinum. New Zealand decreased \$5 million with National Bank Retail marketing spend greater in the second half.
  - Card processing expense decreased \$13 million, due mainly to the second half of 2006 expenditure on microchip rollout costs.
- Movements in exchange rates increased costs by \$25 million.

**Credit Risk**

**Provision for credit impairment charge**

The credit impairment charge was \$240 million, up \$16 million from the March 2006 half and up \$57 million from the September 2006 half. Personal and New Zealand predominantly drove the increases, partially offset by a decrease in Institutional.

	Half year Mar 07	Half year Sep 06	Half year Mar 06	Movt Mar 07 v. Sep 06	Movt Mar 07 v. Mar 06
	\$M	\$M	\$M	%	%
Personal	192	173	163	11%	18%
Institutional	(6)	8	50	large	large
New Zealand Businesses	33	1	3	large	large
Partnerships & Private Bank	19	15	9	27%	large
Non-continuing businesses	-	(14)	(1)	-100%	-100%
Group Centre	2	-	-	n/a	n/a
<b>Provision for credit impairment charge</b>	<b>240</b>	<b>183</b>	<b>224</b>	<b>31%</b>	<b>7%</b>

**Individual provision charge**

The individual provision charge was \$188 million, which was flat in relation to the March 2006 half and up \$38 million from the September 2006 half. Since the March 2006 half Institutional has continued to record a release due to provisions being lower than recoveries and particularly influenced by a significant recovery late in the March 2007 half. This was partly offset by a higher charge in Personal, largely in consumer businesses, primarily driven by strong asset growth in prior periods maturing to expected default rates and a modest rise in bankruptcy losses. The New Zealand charge increased, reflecting a return to more expected levels following the benefit of higher than usual writebacks in the September 2006 half.

	Half year Mar 07	Half year Sep 06	Half year Mar 06	Movt Mar 07 v. Sep 06	Movt Mar 07 v. Mar 06
	\$M	\$M	\$M	%	%
Personal	159	146	110	9%	45%
Institutional	(8)	(7)	56	14%	large
New Zealand Businesses	23	8	10	large	large
Partnerships & Private Bank	14	14	8	0%	75%
Non-continuing businesses	-	(11)	4	-100%	-100%
<b>Individual provision charge</b>	<b>188</b>	<b>150</b>	<b>188</b>	<b>25%</b>	<b>0%</b>

	Half year Mar 07	Half year Sep 06	Half year Mar 06	Movt Mar 07 v. Sep 06	Movt Mar 07 v. Mar 06
	\$M	\$M	\$M	%	%
<b>New and increased provisions</b>					
Personal <sup>1</sup>	213	198	156	8%	37%
Institutional	80	58	106	38%	-25%
New Zealand Businesses	37	39	29	-5%	28%
Partnerships & Private Bank	15	16	9	-6%	67%
Non-continuing businesses	-	-	7	n/a	-100%
<b>New and increased provisions</b>	<b>345</b>	<b>311</b>	<b>307</b>	<b>11%</b>	<b>12%</b>

<sup>1</sup> Includes unsecured credit card 90 day past due accounts which are allowed by APRA to be retained on an accrual basis for up to 180 days past due whereupon they are written-off, amounting to \$111 million (Sep 2006 half: \$105 million; Mar 2006 half: \$79 million)

	Half year Mar 07	Half year Sep 06	Half year Mar 06	Movt Mar 07 v. Sep 06	Movt Mar 07 v. Mar 06
	\$M	\$M	\$M	%	%
<b>Recoveries and writebacks</b>					
Personal	(54)	(52)	(46)	4%	17%
Institutional	(88)	(65)	(50)	35%	76%
New Zealand Businesses	(14)	(31)	(19)	-55%	-26%
Partnerships & Private Bank	(1)	(2)	(1)	-50%	0%
Non-continuing businesses	-	(11)	(3)	-100%	-100%
<b>Recoveries and writebacks</b>	<b>(157)</b>	<b>(161)</b>	<b>(119)</b>	<b>-2%</b>	<b>32%</b>

Credit Risk, cont'd

Collective provision charge

The collective provision charge was \$52 million, up \$16 million from the March 2006 half and up \$19 million from the September 2006 half. The charge for both halves was driven by asset growth and changes in portfolio risk. This was partially offset by the continued release of the scenario impact provision taken in 2005 to reflect the risk change of materially higher and sustained oil prices.

The increase on both halves was predominantly driven by New Zealand, due to strong portfolio growth, reduced oil shock releases and a stable risk profile relative to a modest improvement last year. Personal offset the increase since the March 2006 half due mainly to slowing growth rates across the division, particularly in the unsecured portfolios, coupled with a lower rate of risk movement than in the first half of 2006. Institutional offset the increase since the September 2006 half due to slowing growth rates across the division and a higher oil shock provision release.

	Half year Mar 07 \$M	Half year Sep 06 \$M	Half year Mar 06 \$M	Movt Mar 07 v. Sep 06 %	Movt Mar 07 v. Mar 06 %
Lending growth	63	61	70	3%	-10%
Risk profile	18	22	(5)	-18%	large
Portfolio mix	7	(2)	8	large	-13%
Scenario impact <sup>1</sup>	(36)	(45)	(32)	-20%	13%
Non-continuing business	-	(3)	(5)	-100%	-100%
<b>Collective provision charge</b>	<b>52</b>	<b>33</b>	<b>36</b>	<b>58%</b>	<b>44%</b>

<sup>1</sup> Scenario impact includes oil price shock and offshore risk provision in 2005 and the modelled unwind of the oil price shock provision to offset the emergence of related Individual and Collective provisions from these scenario impacts

The analysis of the collective provision charge by business unit is set out below:

	Half year Mar 07 \$M	Half year Sep 06 \$M	Half year Mar 06 \$M	Movt Mar 07 v. Sep 06 %	Movt Mar 07 v. Mar 06 %
<b>Collective provision charge</b>					
Personal	33	27	53	22%	-38%
Institutional	2	15	(6)	-87%	large
New Zealand Businesses	10	(7)	(7)	large	large
Partnerships & Private Bank	5	1	1	large	large
Non-continuing businesses	-	(3)	(5)	-100%	-100%
Group Centre	2	-	-	n/a	n/a
<b>Collective provision charge</b>	<b>52</b>	<b>33</b>	<b>36</b>	<b>58%</b>	<b>44%</b>

Expected loss

Management believe that disclosure of modelled expected loss data will assist in assessing the longer term expected loss rates on the lending portfolio as it removes the volatility in reported earnings created by the use of AIFRS credit loss provisioning. The expected loss concept also aligns with the Basel II advanced approach to capital management. The expected loss methodology is used internally for Economic Value Added (EVA) reporting and as a factor when determining the dividend payout ratio. Expected loss outcomes are subject to change as Basel II validation work is completed.

Expected loss was \$388 million, an increase of \$54 million over the March 2006 half and an increase of \$31 million over the September 2006 half. The increase in both halves was predominantly driven by growth and product mix movements in Personal, particularly in Consumer Finance, and moderately higher losses in Esanda due to lower recovery values on defaulted motor vehicle facilities, however the risk movement is slowing in comparison to the previous two halves.





































































































































































