



# 06

## 2006 Interim Results

Australia and New Zealand Banking Group Limited

27 April 2006

**John McFarlane**

Chief Executive Officer

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



## A good first half

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1H06 v 1H05

**Statutory profit**

 **16%**

**Cash\* profit**

 **10%**

**Cash\* profit before provisions**

 **10%**

**Cash\* EPS**

 **10%**

**Dividend**

 **10%**

2006 guidance

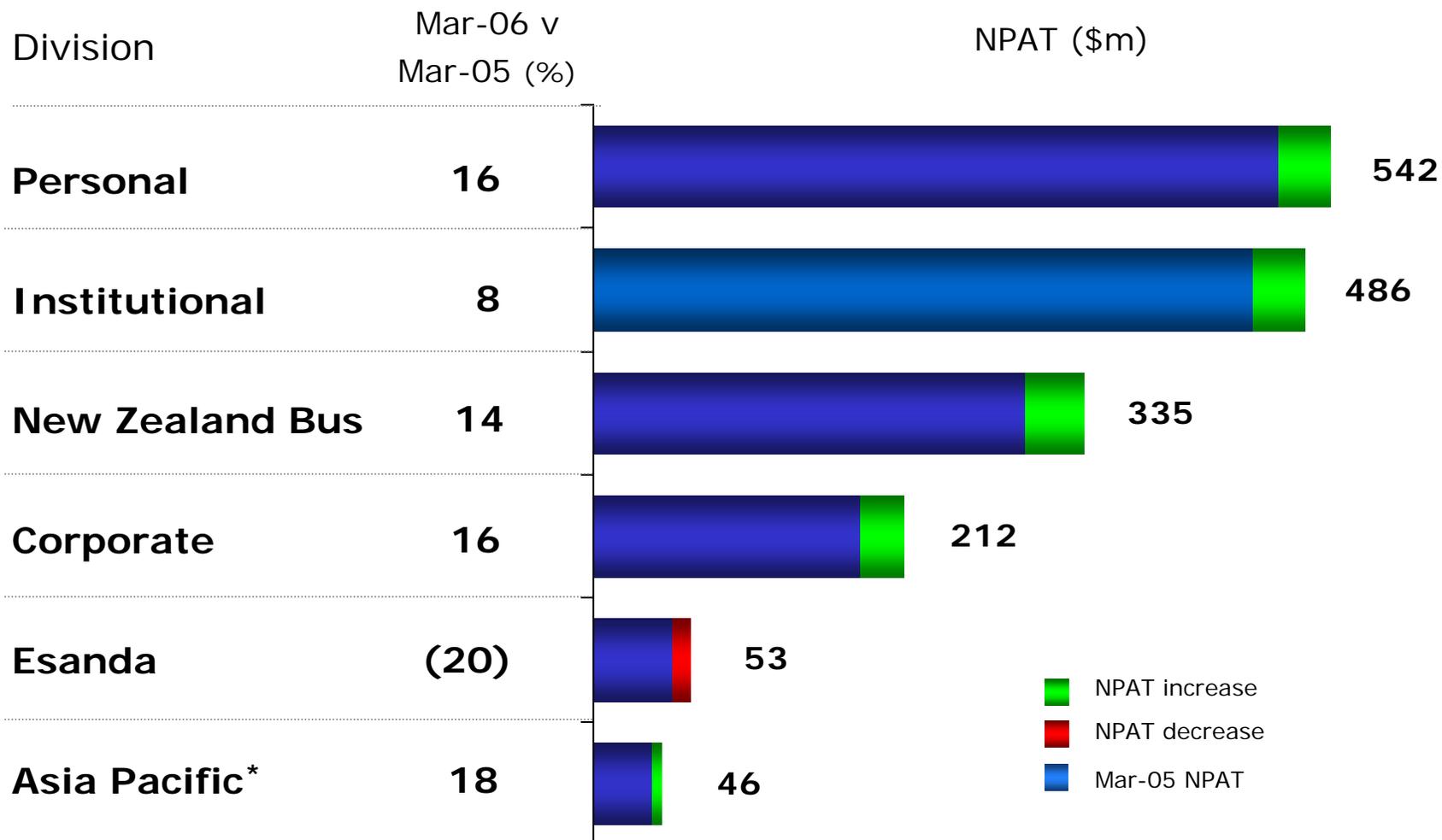
**Revenue Growth\***

**8%**  **7%-9%**

**Expense Growth\***

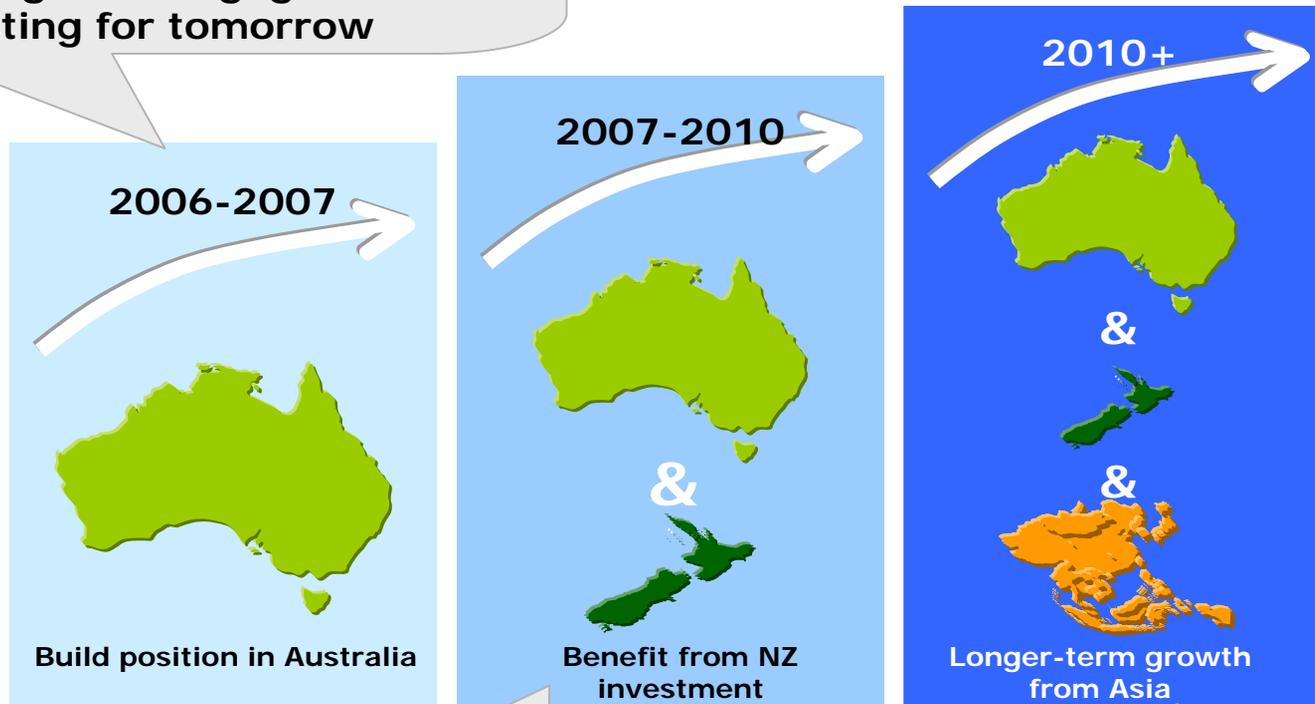
**6%**  **5%-7%**

# Strong performance from the major divisions



# A clear strategy - advance domestically while developing long term growth options in Asia

- Winning share in Australia
- Good earnings momentum
- Leading customer satisfaction
- Leading staff engagement
- Investing for tomorrow



Improved results from New Zealand

Portfolio of low-risk Asian growth investments, where we can add value

# A stronger foundation than ever for the future

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- Years of investment (branches, customers, people, technology, community)
- Now engaged staff, satisfied customers, community respect,
- Specialisation strategy and unique culture key differentiators
- Growing in Australia, dominant in NZ, real Asian opportunity
- Reliable and consistent delivery and execution

**ANZ – now a very different bank,  
for all stakeholders**



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27 April 2006

**Peter Marriott**

Chief Financial Officer

# Welcome to IFRS!

**1 October 2004**

IFRS applies, except AASB 139/132/4.  
AASB 139 the most significant of new standards for a bank

**1 October 2005**

AASB 139, 132 & 4  
come into play

Mar  
2005

Sep  
2005

Mar  
2006

## Statutory IFRS Accounts

2005 not restated for  
AASB 139, 132, and 4



## Fully Comparable IFRS Accounts

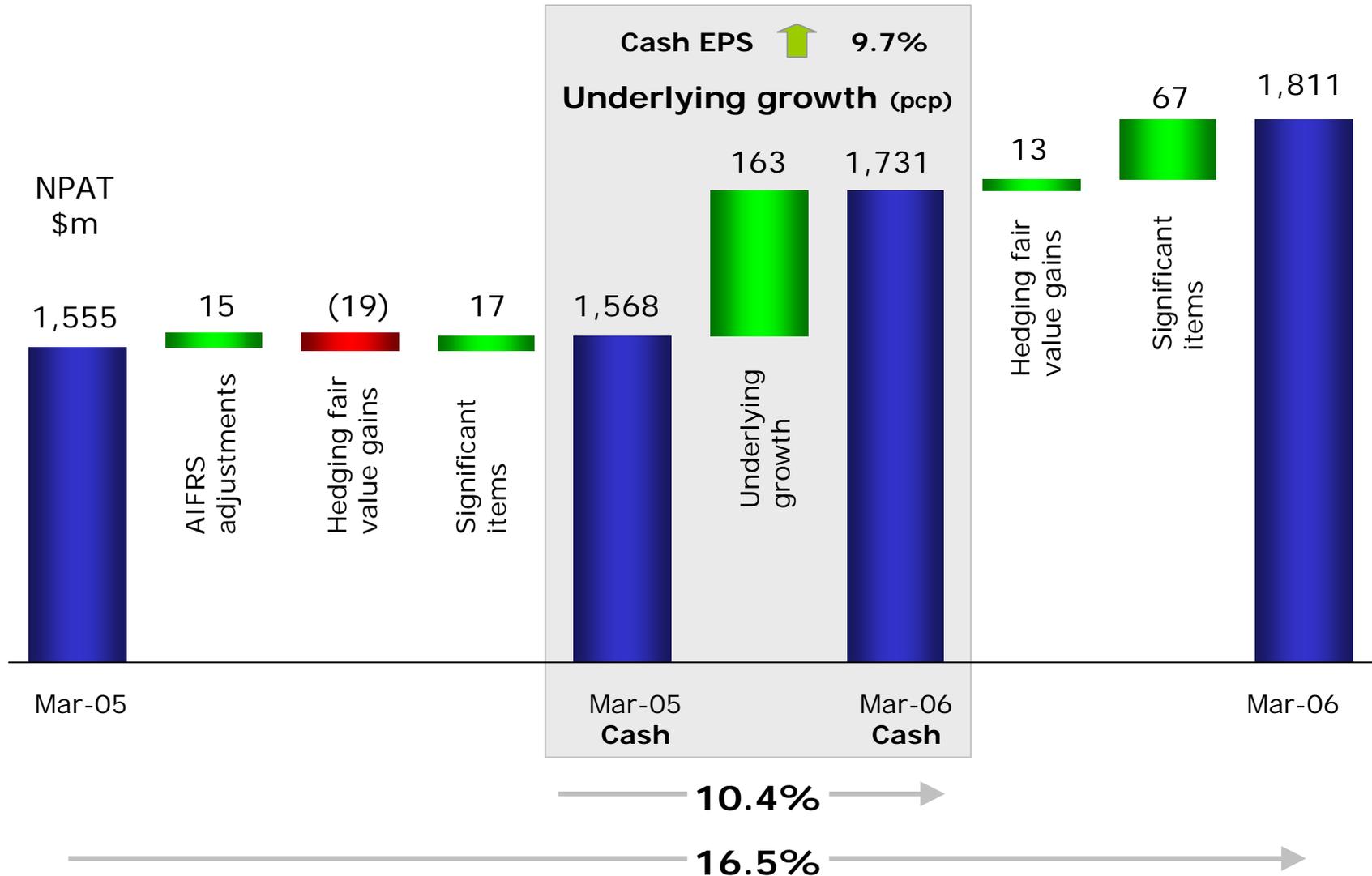
We have applied all standards to  
2005 to generate meaningful  
cash earnings comparatives



## Lack of comparability HOH a real issue eg:

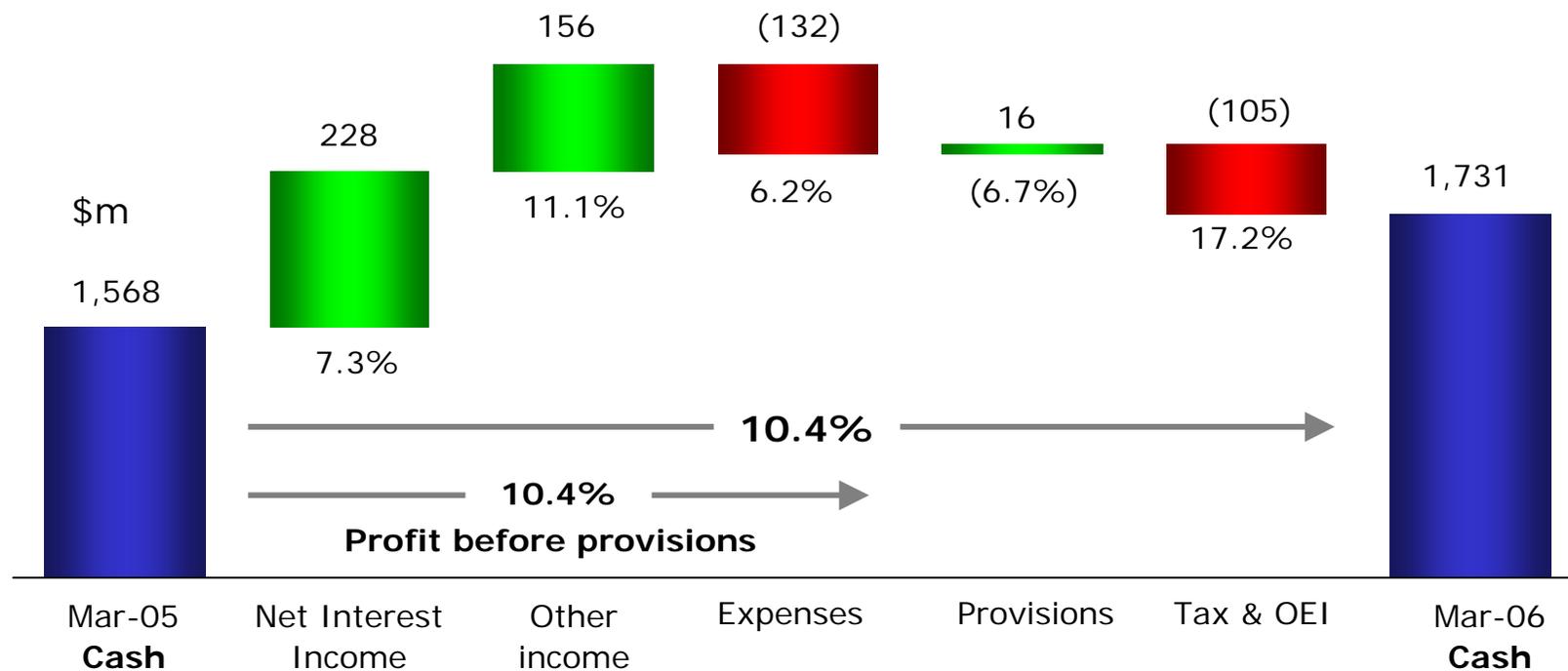
- Change in margin       3 bp (statutory)       7 bp (fully comparable)
- Other income growth       -14% (statutory)       2% (fully comparable)

# Very strong headline growth; 10.4% underlying growth



# Good underlying business momentum

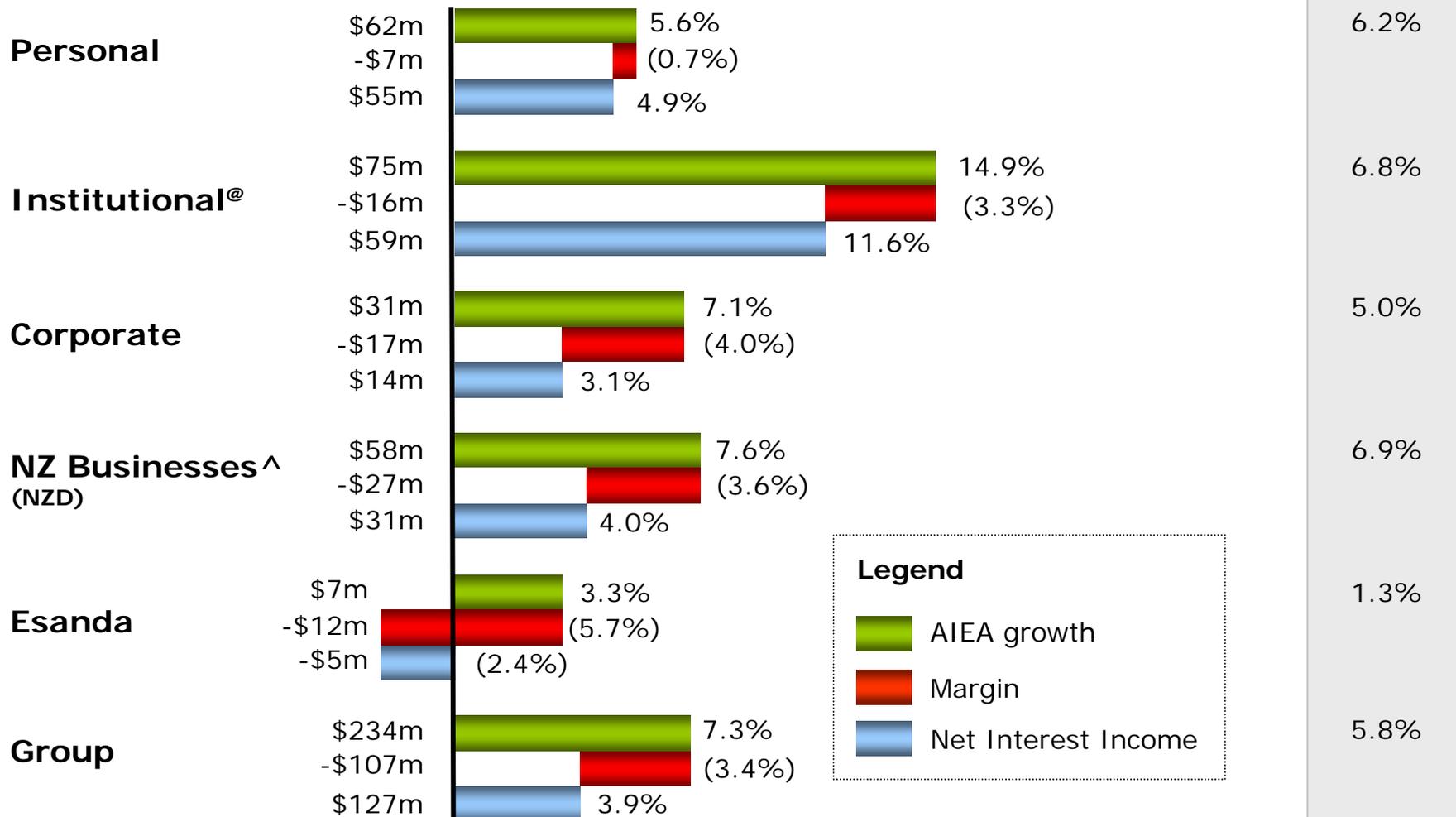
## Strong income growth, continued investment (Cash Earnings)



<b>HOH Growth</b>	4.2%	2.3%	2.1%	(31.1%)	12.4%	<b>9.3%</b>
	<b>Profit before Provisions</b>		<b>4.9%</b>			

# Solid volume growth offset by margin pressure, particularly in Corporate and Esanda

## Net Interest Income# Drivers 1H06 v 2H05

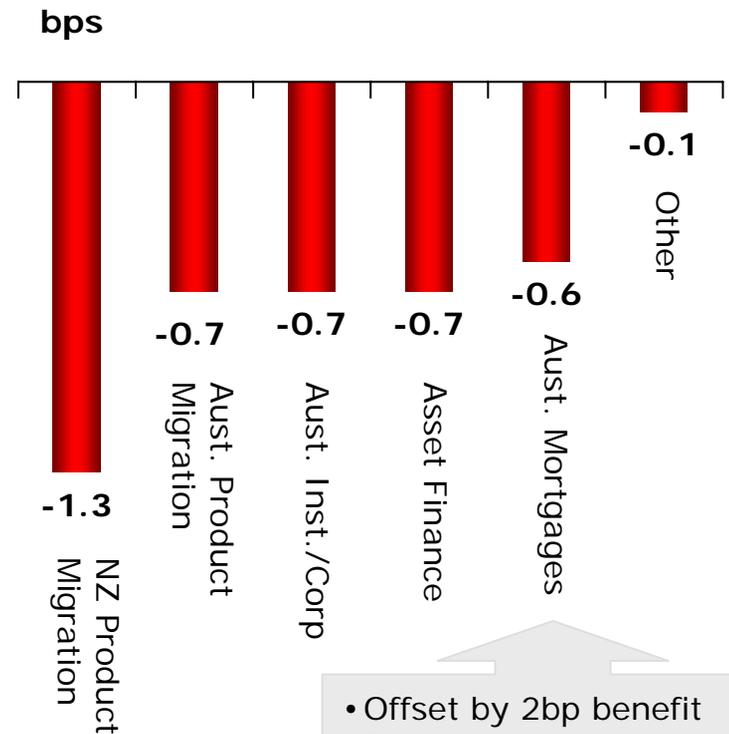
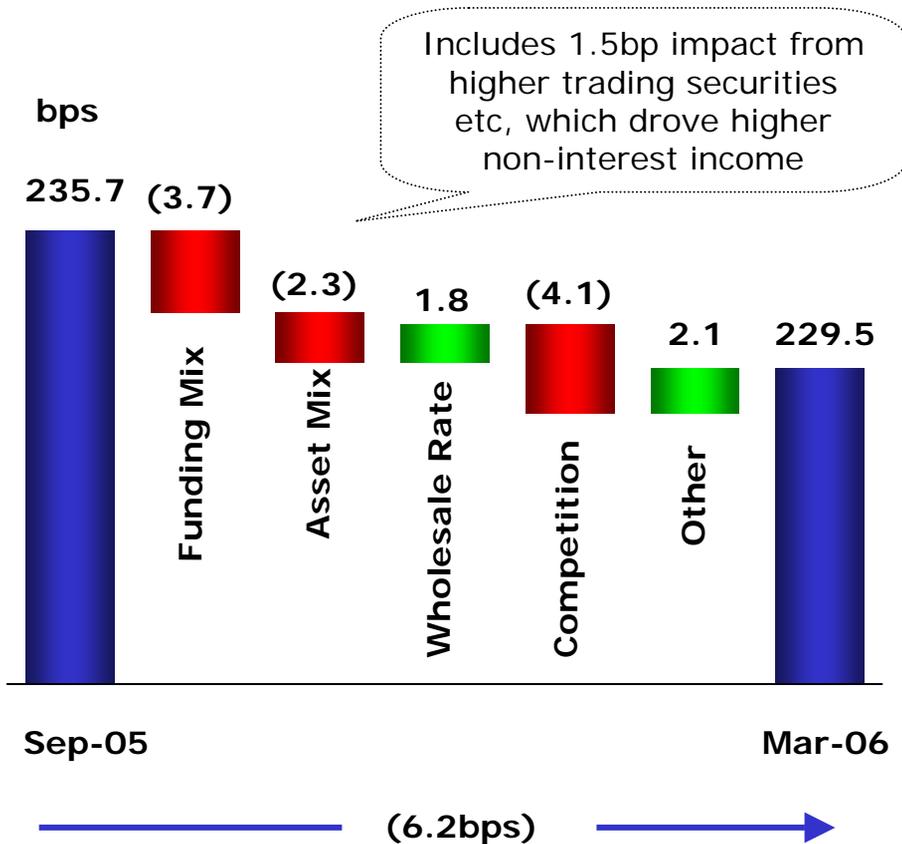


# Competitive impacts on overall margin moderating slightly\*

Lower competitive intensity in NZ, partly offset by increase in Australia

Competition reflected mainly in product migration

(competition impact on Group Margin 2H05 – 1H06)

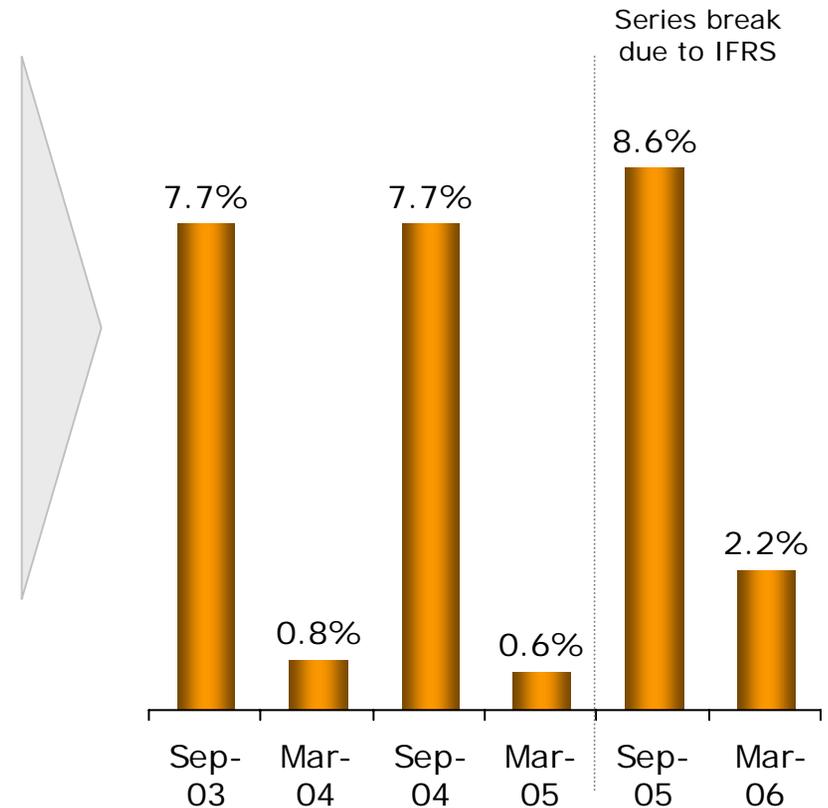


- Offset by 2bp benefit from basis risk
- Total Mortgages margin has increased by 1bp

# Non Interest Income highly seasonal, but good momentum

Item	pcp growth	hoh growth
Fee Income	↑ 8%	↔ flat
FX Earnings	↑ 3%	↓ 2%
Profit on Trading Secs.	↑ large	↑ 56%
Other	↓ 16%	↓ 7%
<b>Total</b>	<b>↑ 11%</b>	<b>↑ 2%</b>

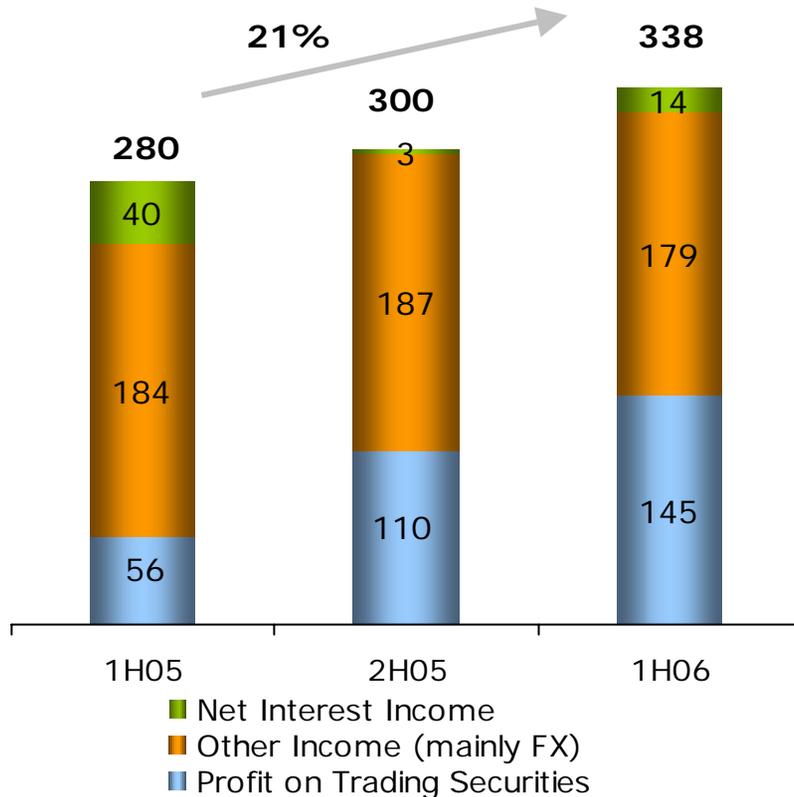
Non Interest Income is subject to seasonality, largely on fee line  
(other income growth hoh\*)



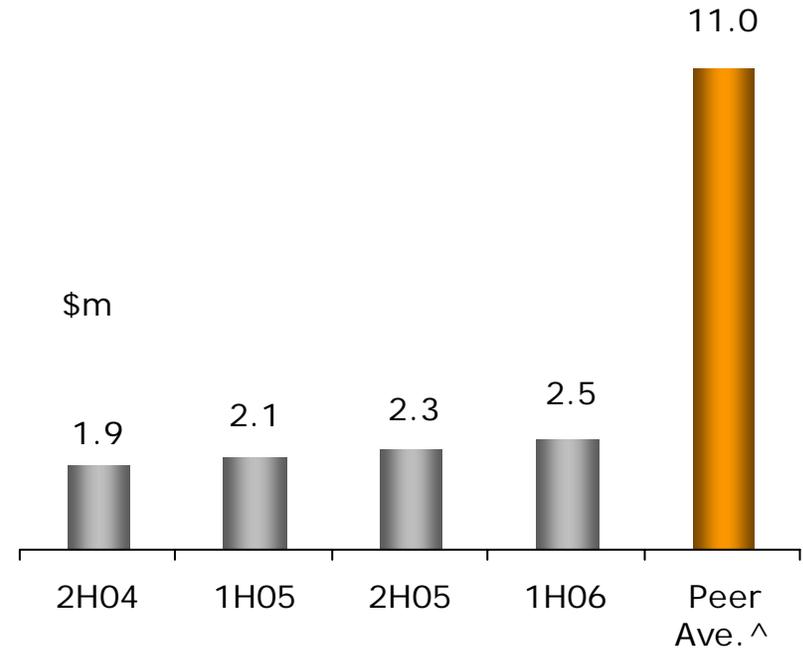
# Client flows driving increased Markets income, assisted by favourable conditions

## Total Markets Revenue (\$m)

Looking at Trading Income in isolation is misleading, given interplay with NII and FX revenue



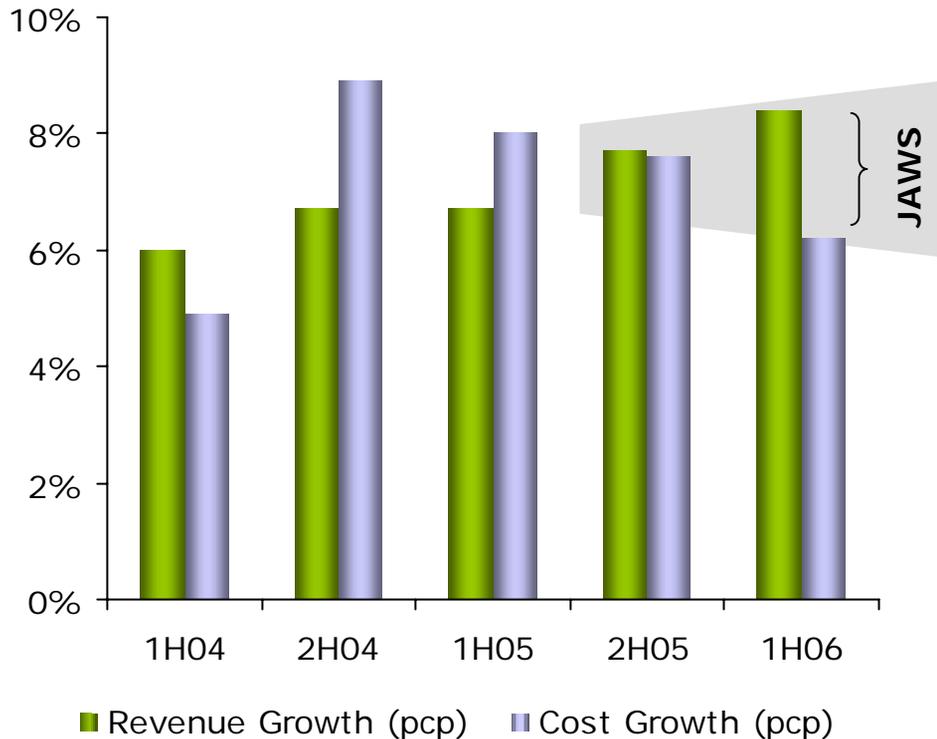
## ANZ VaR remains significantly below peers (Ave period VaR 99% confidence level)



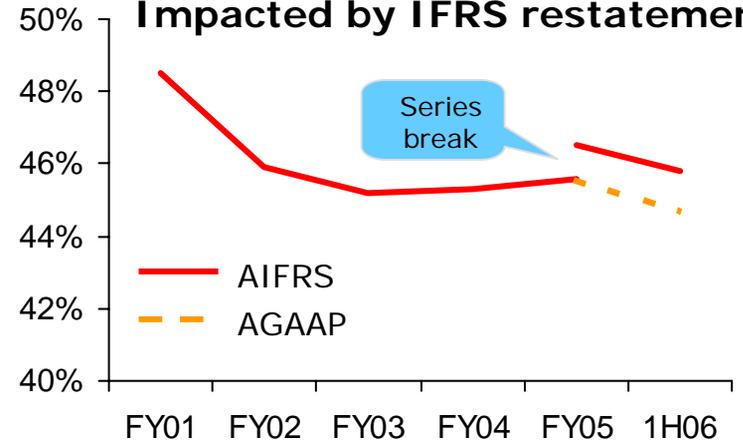
# Re-opening the 'Jaws' – increasing the gap between revenue and cost growth

## Revenue/Cost 'Jaws' reopening

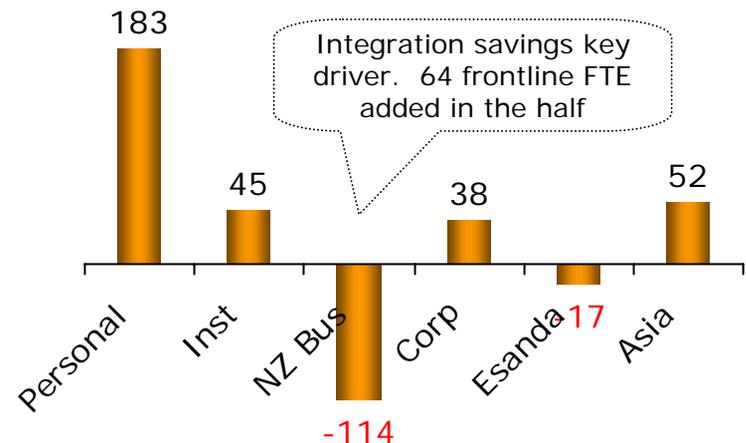
Revenue Growth v Cost Growth (hoh) *				
1.1%	-2.2%	-1.3%	+0.1%	+2.2%



## Cost to Income reduced<sup>^</sup> Impacted by IFRS restatements

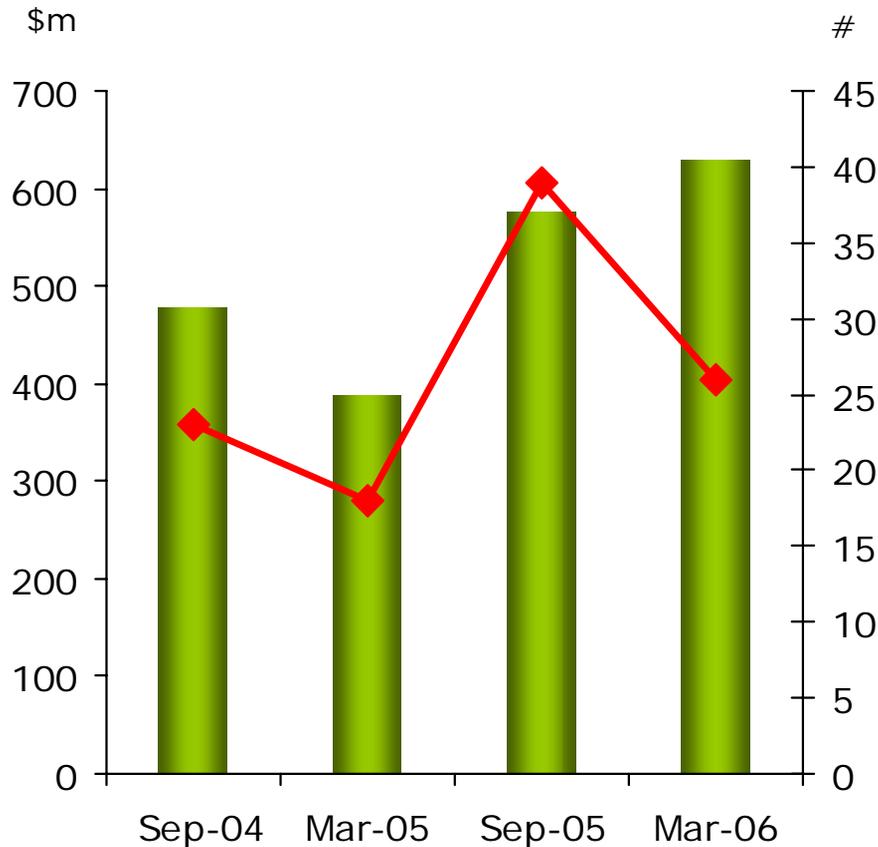


## Continuing to invest in frontline capabilities (1H06 FTE growth)



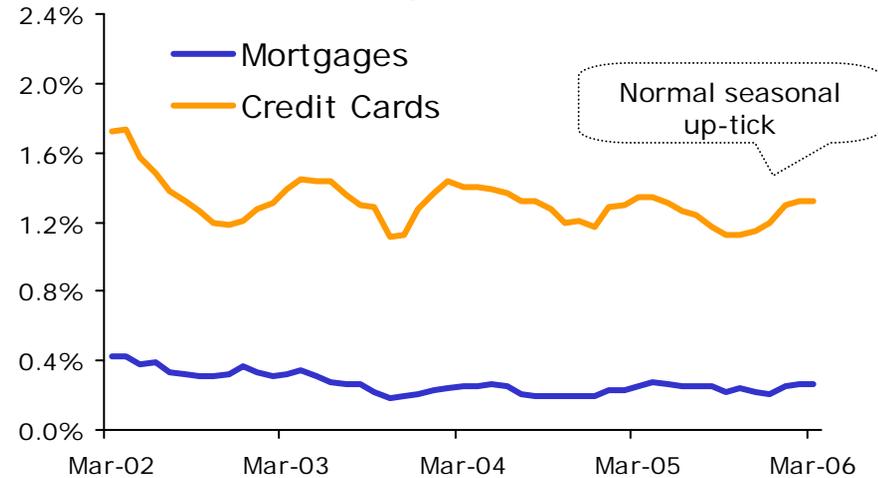
# Portfolio credit quality remains strong

## Increase in Non Accrual loans driven by two accounts

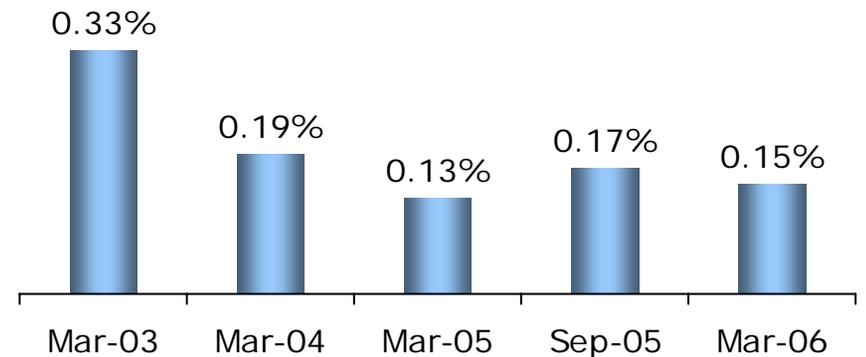


■ New Non Accrual Loans (LHS)  
◆ New Non Accrual Loan Accounts >\$1m (RHS)

## Delinquencies remain low (60+ day delinquencies)



## Individual Provisions maintained at low levels (Ind. Provisions / Net Lending Assets\*)

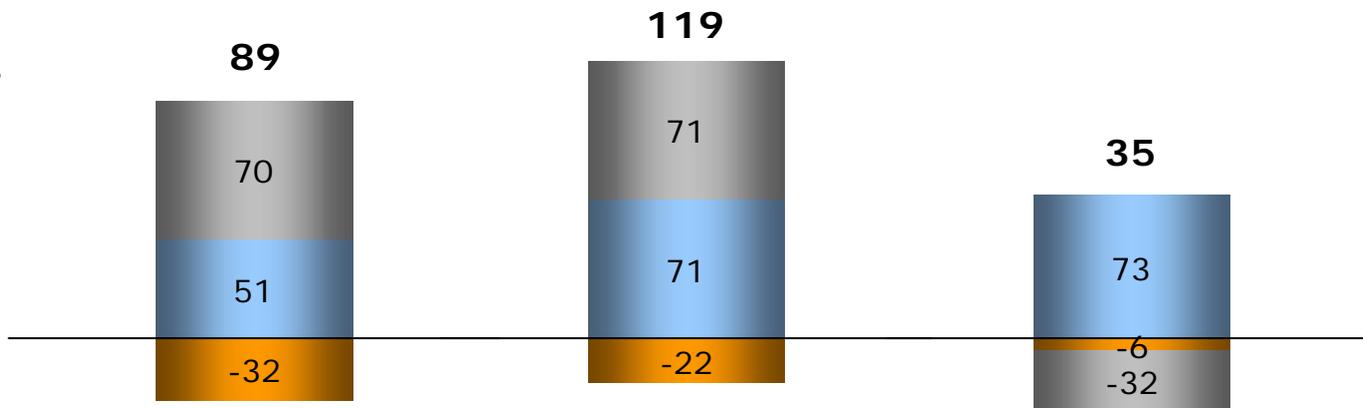


\*annualised

# Collective Provision driven by a reduction in risk offset by lending growth

## Collective Provision Charge (\$m)

- Core Businesses
- Scenario impact
- Non-Continuing Businesses



Key Drivers	1H05	2H05	1H06
Portfolio growth & risk changes	<span style="color: red;">↑</span> 8%+ portfolio growth and flat risk mix in continuing business	<span style="color: red;">↑</span> 10%+ portfolio growth and flat risk mix in continuing business, except for Cards	<span style="color: red;">↑</span> 11%+ portfolio growth and flat risk mix in continuing business, except for Cards & Esanda
Scenario impact	<span style="color: red;">↑</span> Introduction of Oil Provision due to increased volatility in oil price. Rundown of offshore risk provision	<span style="color: red;">↑</span> Increased Oil Provision due to spike in oil price. Rundown of offshore risk provision	<span style="color: green;">↓</span> Oil Provision reduction in line with modelled emergence pattern
Other	<span style="color: green;">↓</span> Reduction in risk as legacy assets, including offshore energy exposures matured or sold	<span style="color: green;">↓</span> Continuing risk reduction as legacy assets matured or sold	<span style="color: green;">↓</span> Final run-off of risk associated with legacy assets

# Capital management and other financial considerations

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## Capital Management

- Capital management initiatives will generally be considered when ACE capital is above the target range
- In the short-term, ACE capital generation needs to cover:
  - Balance Sheet impact of market share gains driving above peer RWA growth
  - Asian acquisitions
  - Deductions - eg capitalised software
  - Lower DRP flow back than peers
- APRA's revised hybrid rules expected to allow access to cost effective non-innovative hybrid capital

## Revenue Hedging

- Current revenue hedging policy is to remain unhedged unless the currency is perceived to be significantly overvalued
- Future foreign exchange hedging may be designated as a mixture of revenue (short term P&L) and capital hedges (Equity)

## Group outlook

Item	Outlook	Drivers
Revenue	Slightly above mid point of 7% - 9% medium term target range	<ul style="list-style-type: none"> <li>Continued strong volume growth in both Aust &amp; NZ, driving interest and fee income</li> <li>Margin compression forecast to be slighter greater than long term trend</li> </ul>
Expenses	Low end of 5%-7% 2006 guidance	<ul style="list-style-type: none"> <li>Ongoing investment particularly in Personal and increased people costs in Inst/Corp</li> <li>Partly offset by continued efficiency gains across the Group</li> </ul>
Provisions	Difficult to be prescriptive - no immediate concerns	<ul style="list-style-type: none"> <li>Uncertain - dependant on actual losses, asset growth and change in risk profile, but more likely to increase</li> </ul>
Taxation	Higher tax rate than FY05	<ul style="list-style-type: none"> <li>Increased tax rate due to continued run-off of structured transactions. Likely to be higher in 2<sup>nd</sup> half</li> </ul>



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2006 guidance

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**Expense Growth\***

**6%**  **5%-7%**



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# Additional Information

## Profit & Cash EPS reconciliation

	1H06 (\$m)	2H05 (\$m)	1H05 (\$m)	pcp change (%)	hoh change (%)
Income	4,963	4,814	4,582	8.3	3.1
Expenses	(2,185)	(2,266)	(2,152)	(1.5)	3.6
<b><i>Profit before Provisions</i></b>	<b><i>2,778</i></b>	<b><i>2,548</i></b>	<b><i>2,430</i></b>	<b><i>14.3</i></b>	<b><i>9.0</i></b>
Provision for Credit Impairment	(224)	(296)	(284)	21.1	24.3
Tax & OEI	(743)	(632)	(591)	(25.7)	(17.6)
<b><i>NPAT</i></b>	<b><i>1,811</i></b>	<b><i>1,620</i></b>	<b><i>1,555</i></b>	<b><i>16.4</i></b>	<b><i>11.8</i></b>
AIFRS 2005 Adjustments	-	(46)	15		
Non Core Items*	(67)	21	17		
Fair Value Hedging Gains/Losses	(13)	(12)	(19)		
Pref. Share Dividend	(12)	(12)	(6)		
<b><i>Adjusted Cash NPAT</i></b>	<b><i>1,719</i></b>	<b><i>1,571</i></b>	<b><i>1,562</i></b>	<b><i>10.1</i></b>	<b><i>9.4</i></b>
Average Shares	1,828	1825	1823		
<b><i>Basic Cash EPS (cents)</i></b>	<b><i>94.0</i></b>	<b><i>86.1</i></b>	<b><i>85.7</i></b>	<b><i>9.7</i></b>	<b><i>9.2</i></b>

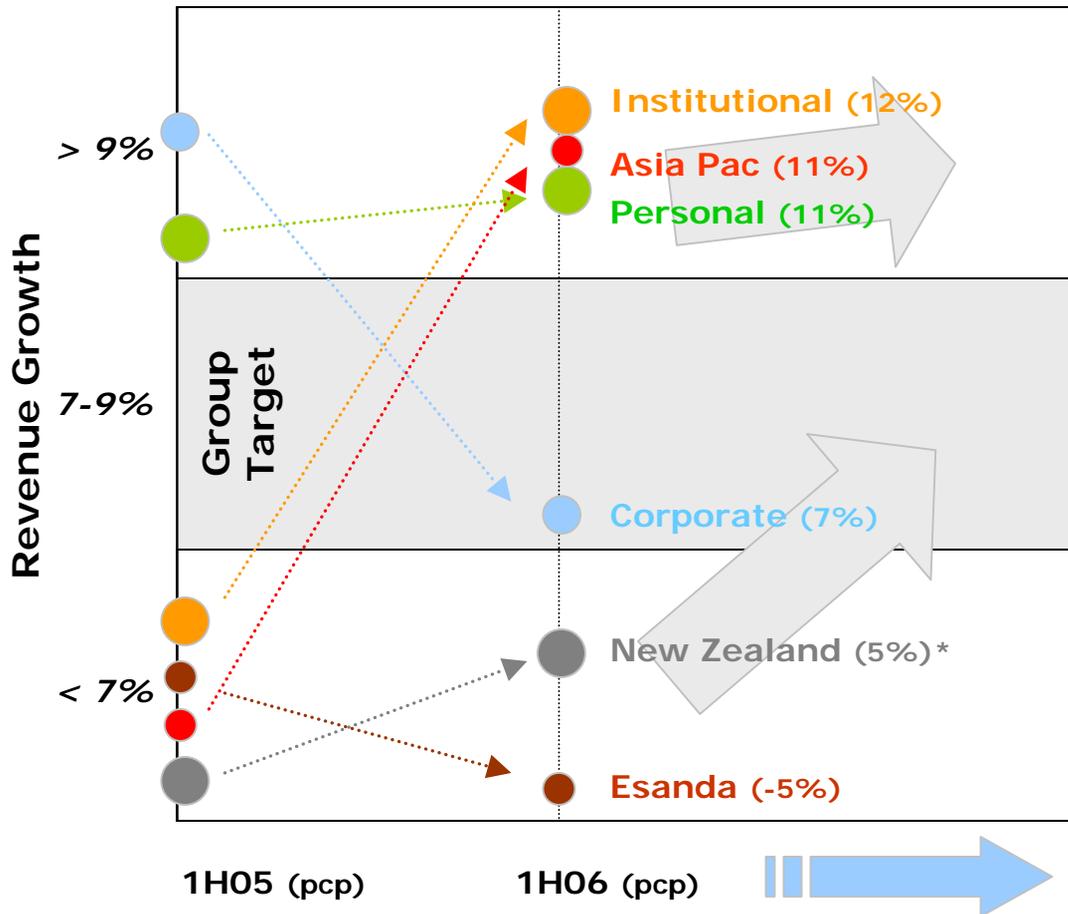
# Cash EPS comparison – AGAAP v A-IFRS

12 months ended 30/09/05 (\$m)	Reported AGAAP	Goodwill amortisation	Share based payments	Fee revenue	Credit loss provisioning	Derivative accounting incl. hedging <sup>1</sup>	Hybrid financial instruments	Other	AIFRS
Net interest income	5,798			622			(66)	17	6,371
Other operating income	3,552	45		(635)		43		(13)	2,992
Operating expenses	(4,515)	179	(80)					(2)	(4,418)
Provision for Credit Impairment	(580)				15				(565)
Income tax expense	(1,234)		17	3	(6)	(12)		(1)	(1,233)
Net profit attributable to minority interests	(3)								(3)
<b>Net profit after tax attributable to shareholders of the Company</b>	<b>3,018</b>	<b>224</b>	<b>(63)</b>	<b>(10)</b>	<b>9</b>	<b>31</b>	<b>(66)</b>	<b>1</b>	<b>3,144</b>
Goodwill amortisation	224	(224)							0
Significant items	38								38
Derivatives revaluation	0					(31)			(31)
<b>"Cash" net profit after tax</b>	<b>3,280</b>								<b>3,151</b>
Hybrid financial instruments	(84)						66		(18)
"Cash" earnings	3,196								3,133
Average shares (basic)	1,824								1,824
<b>Cash EPS (cents per share)</b>	<b>175.2</b>								<b>171.8</b>

<sup>1</sup> This excludes the effect of applying 'bid' or 'offer' prices rather than 'mid' prices and changes in the market value of counterparty risk included in the measurement of the fair value of derivatives

# Major divisions driving improved revenue growth

## Divisional Revenue<sup>^</sup> Growth Matrix

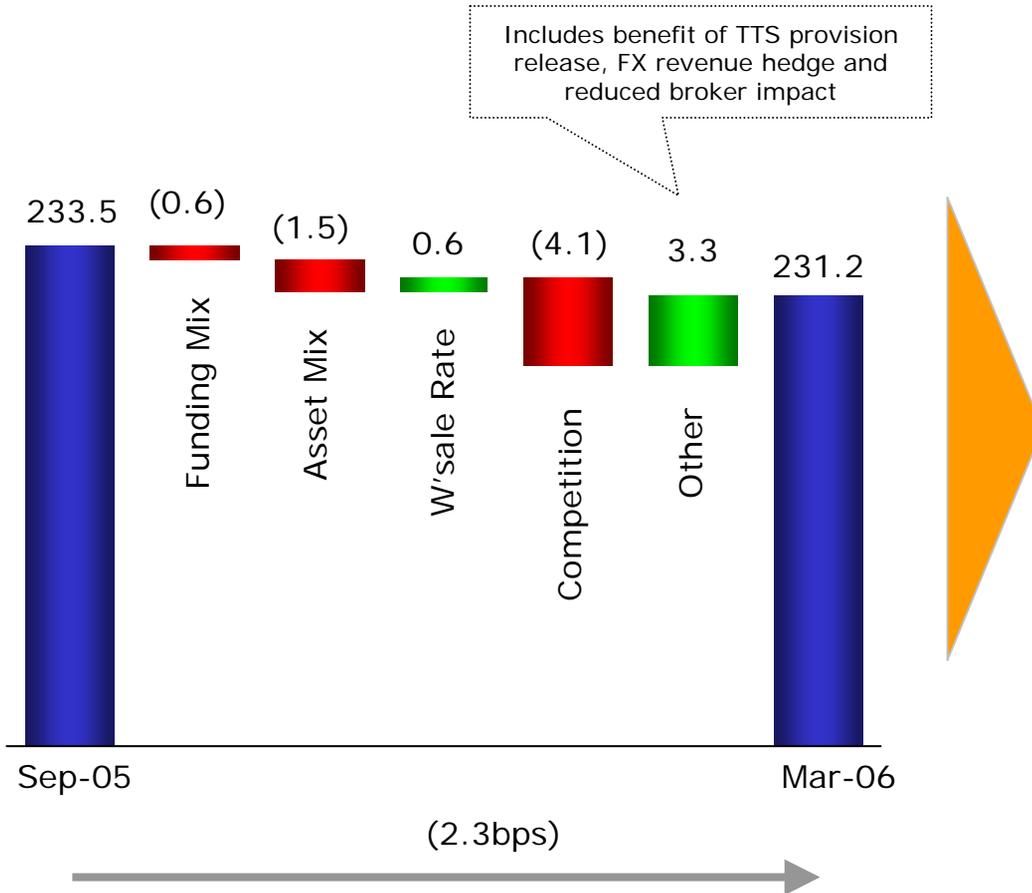


- Good momentum in major divisions
  - **Personal** driven by strong FUM growth and stable margins
  - Good growth in Markets, Trade, C&SF driving **Institutional**
  - Solid volume growth & more favourable margin environment benefiting **New Zealand**
- Good performance from Pacific and growth in Asian Cards earnings driving **Asia Pacific**
- Solid volume growth offset by increased margin contraction impacting **Corporate**
- **Esanda** impacted by reduced margins, continued restructuring of UDC and impact of oil price on residual values

2005 growth represents AGAAP Mar 05 v Mar 04, 2006 growth represents AIFRS Mar 06 v Mar 05

# Australian Geographic margin down 2bps

## Competition key driver of margin decline

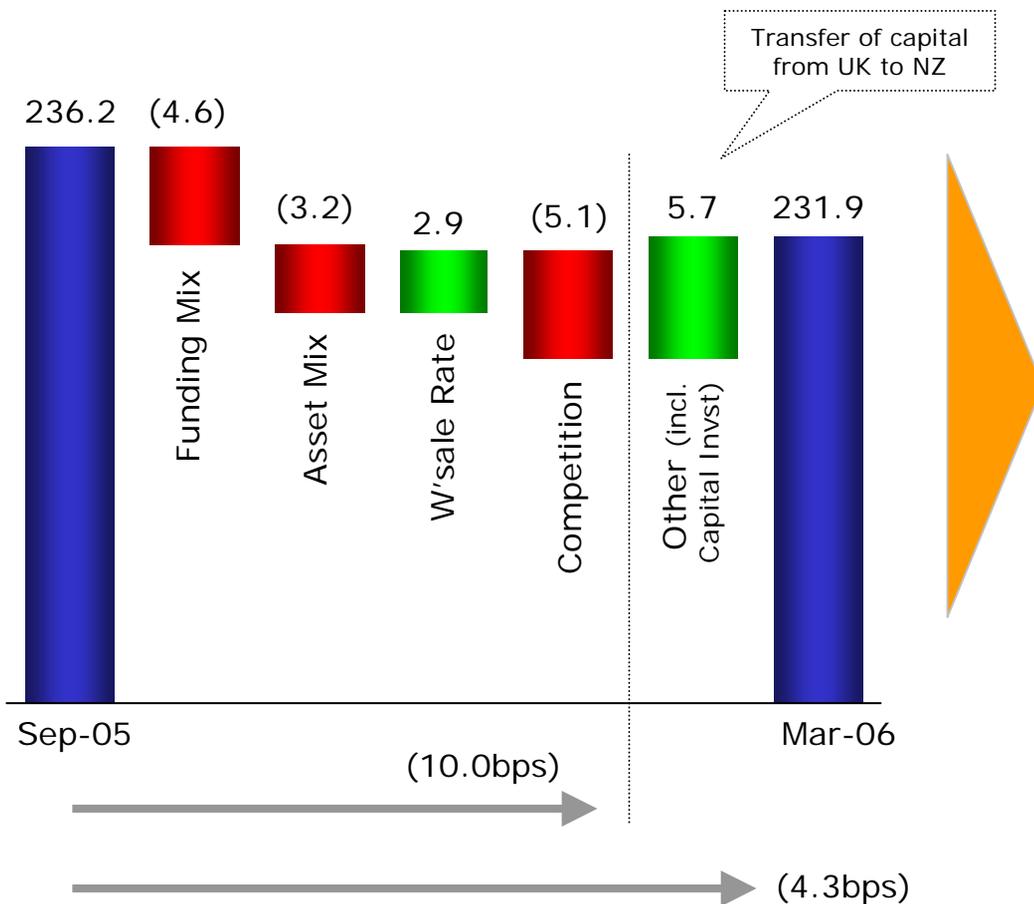


## Competition impacts across the portfolio (competition impact on Aust margin hoh)

Impact	1H06 (bps)	2H05 (bps)
Mortgages	(0.9)	(1.3)
Inst. & Corp	(1.1)	(1.3)
Esanda	(0.6)	(0.5)
Card Product Mix	(0.7)	(0.3)
Deposit Product Mix	(0.3)	(0.4)
Other	(0.5)	(0.2)
<b>Total</b>	<b>(4.1)</b>	<b>(4.0)</b>

# Reduced competition offset by increased funding impact in NZ Geographic margin

## Shift in funding mix offset by capital investment earnings

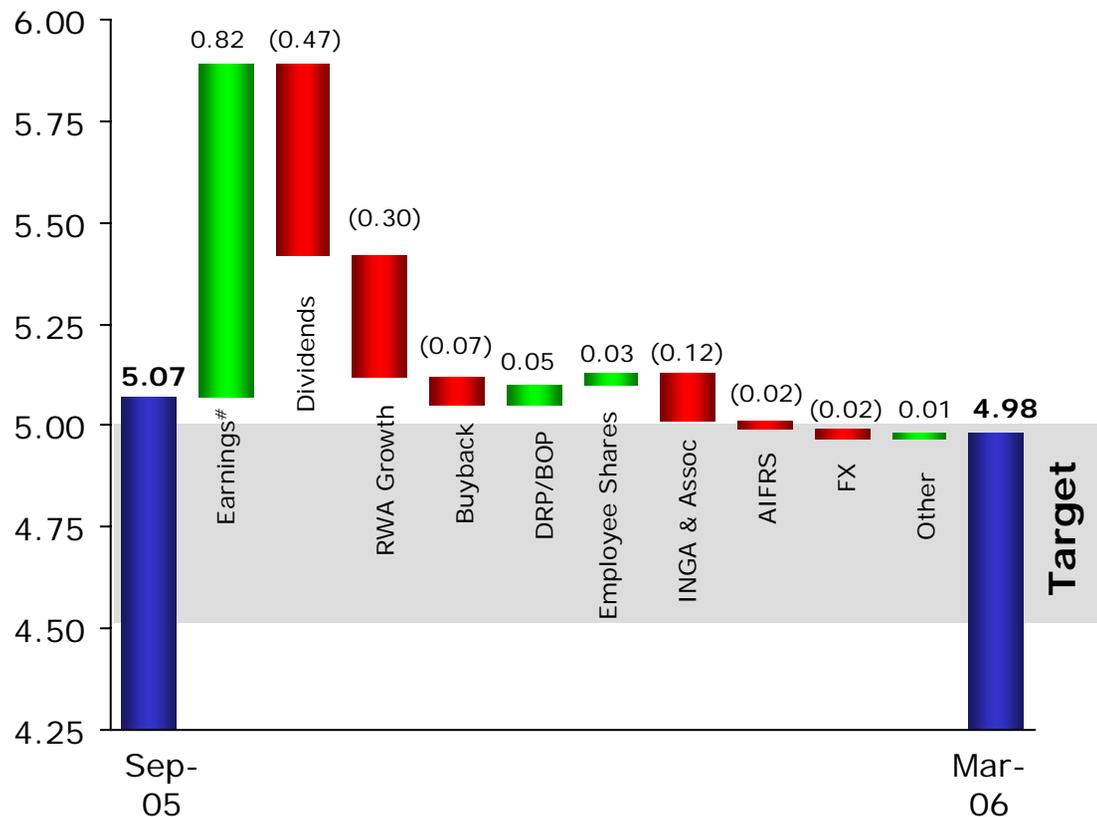


## Fixed rate mortgage competition abated in 1H06 (competition impact on NZ margin hoh)

Impact	1H06 (bps)	2H05 (bps)
Mortgage Product Mix	(1.9)	(3.3)
Fixed Rate Competition	(0.1)	(2.5)
Inst. & Corp	(0.2)	(1.2)
UDC	(1.1)	(0.4)
Deposit Product Mix	(3.1)	(2.5)
Other (incl. Liab's)	1.3	(0.4)
<b>Total</b>	<b>(5.1)</b>	<b>(10.3)</b>

# ACE capital position relatively stable over the half

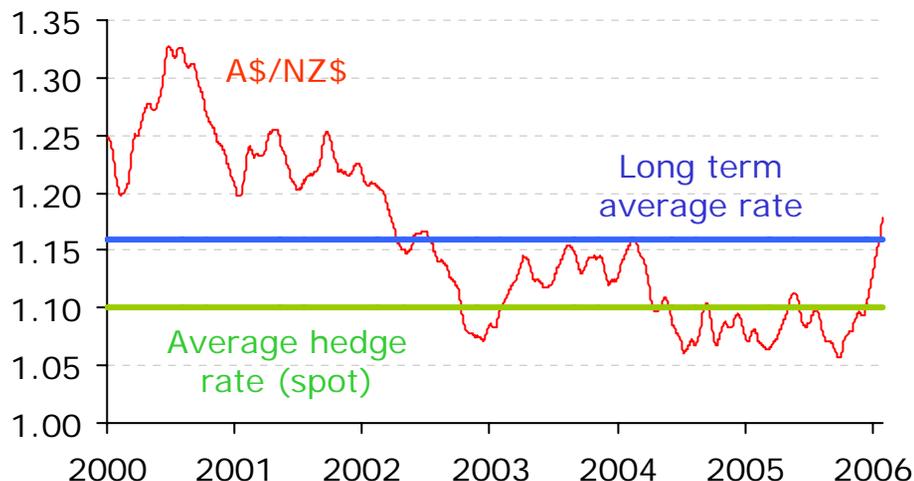
ACE Capital conservatively managed during 1H06 awaiting final APRA rules



- ANZ continues to generate sufficient organic capital to fund business growth and capital initiatives
- Commitment for Tianjin partnership included in 1H06 ACE calculation
- APRA recently announced deferral of net AIFRS deductions (deferred pensions liabilities, capitalised software, derivative hedge accounting) to Jan 2008 coinciding with expected BASEL II implementation

# NZ revenue hedges partially unwound as NZ\$ weakens

## A\$/NZ\$ weakened to long term average rate

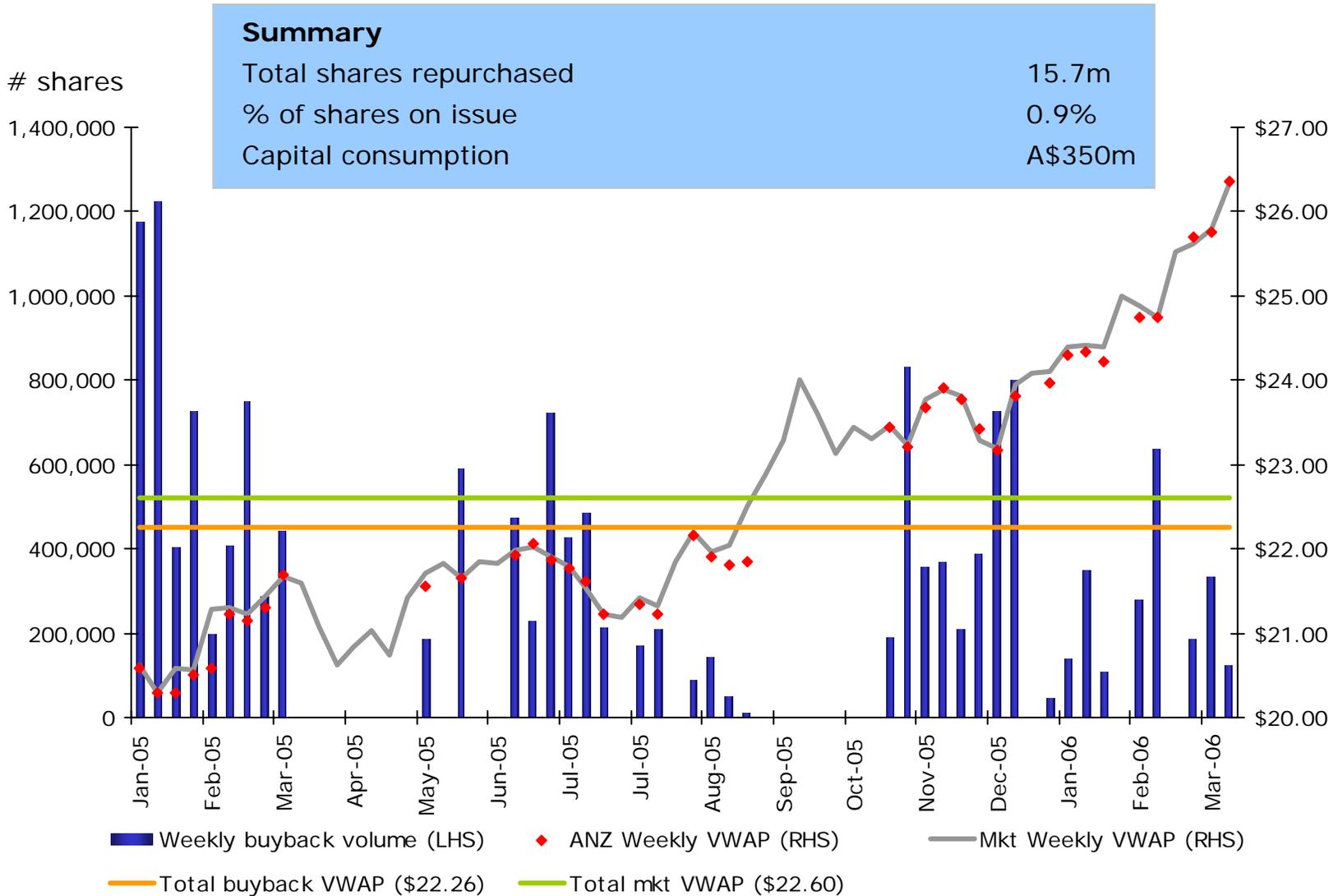


## NZ\$ Revenue Hedging

	Mar-06	Sep-05
Notional Principal (NZ\$b pre-tax)	2.91	4.35
Deferred Market Value (A\$m post-tax)	143 <sup>#</sup>	29
• Expected 2H06 Benefit	26	
• Post 2006	117	
Ave. exchange rate of open position (spot)	~ 1.095	~ 1.088

- Current revenue hedging policy is to remain unhedged unless the currency is perceived to be significantly overvalued.
- Post Sept 06, AIFRS requires revenue hedges to be MTM through P&L. ANZ will continue with its current hedging policy, however future hedging may be designated as a mixture of revenue (short term P&L) and capital hedges (Equity).
- At Sept 06, realised & unrealised profits taken to retained earnings
- During the half, NZ\$0.7b of hedges matured against 1H06 earnings (cost \$2m), and additional NZ\$0.7b of hedges unwound as NZ\$ weakened approaching longer term average (benefit locked in \$26m).
- 95% of 2H06 NZ earnings hedged at ~1.106.

# \$350m on market share buyback completed in March 06



# Trying to making your life easier!

ILLUSTRATIVE

## Revenue Growth

Profit before provisions

2H	FY	-3.7%	4%	-1.8%	5%	0.0%	6%	1.9%	7%	3.8%	8%	5.7%	9%	7.6%	10%
7.5%	8%	-13%	1%	-10%	2%	-6%	4%	-3%	6%	1%	8%	4%	10%	8%	12%
5.6%	7%	-12%	1%	-8%	3%	-5%	5%	-1%	7%	2%	9%	6%	11%	9%	13%
3.6%	6%	-10%	2%	-6%	4%	-3%	6%	0%	8%	4%	10%	7%	12%	11%	13%
1.7%	5%	-8%	3%	-5%	5%	-1%	7%	2%	9%	6%	11%	9%	12%	13%	14%
-0.2%	4%	-7%	4%	-3%	6%	0%	8%	4%	10%	7%	11%	11%	13%	14%	15%
-2.1%	3%	-5%	5%	-2%	7%	2%	9%	5%	10%	9%	12%	12%	14%	16%	16%
-4.0%	2%	-3%	6%	0%	8%	4%	9%	7%	11%	10%	13%	14%	15%	17%	17%

Expense growth

## PBP Growth

Cash Profit

	2H	FY	-1.1%	7%	0.7%	8%	2.6%	9%	4.4%	10%	6.3%	11%	8.2%	12%	10.0%	13%
\$ 454	103%	20%	-11%	4%	-9%	5%	-7%	6%	-5%	7%	-3%	8%	-1%	9%	1%	10%
\$ 678	77%	10%	-9%	5%	-7%	6%	-5%	7%	-3%	8%	-1%	9%	1%	10%	3%	11%
\$ 398	52%	0%	-7%	6%	-5%	7%	-3%	8%	-1%	9%	1%	11%	3%	12%	5%	13%
\$ 622	27%	-10%	-5%	7%	-3%	8%	-1%	10%	1%	11%	4%	12%	6%	13%	8%	14%
\$ 341	2%	-20%	-2%	9%	0%	10%	2%	11%	4%	12%	6%	13%	8%	14%	10%	15%
\$ 565	-23%	-30%	0%	10%	2%	11%	4%	12%	6%	13%	8%	14%	10%	15%	12%	17%
\$ 285	-49%	-40%	2%	11%	4%	12%	6%	13%	8%	14%	10%	16%	12%	17%	14%	18%
\$ 509																
\$ 228																
\$ 452																
\$ 172																
\$ 396																
\$ 115																
\$ 339																

Provisioning

Each 10% change in provisioning charge yoy equals 1.3% change in growth rate

Assumes slightly higher tax rate in second half.

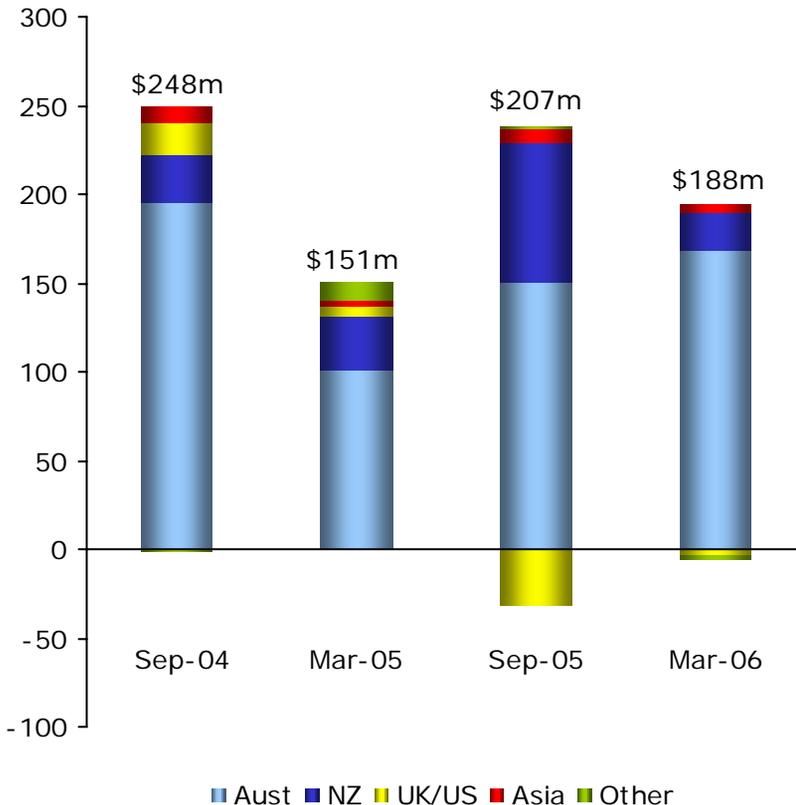
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# Credit Quality

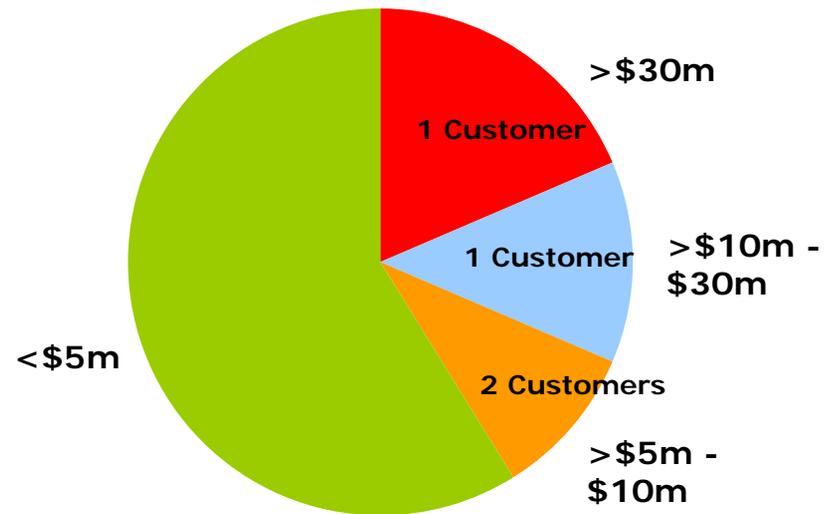
# Net Individual Provision charge down 8.5%

- Credit quality in New Zealand and Offshore continues to improve, with lower Net Individual Provisions.
- Net Individual Provisions are up in Australia, due to the downgrade and provisioning of two Institutional accounts.

### Net Individual Provisions by Geography

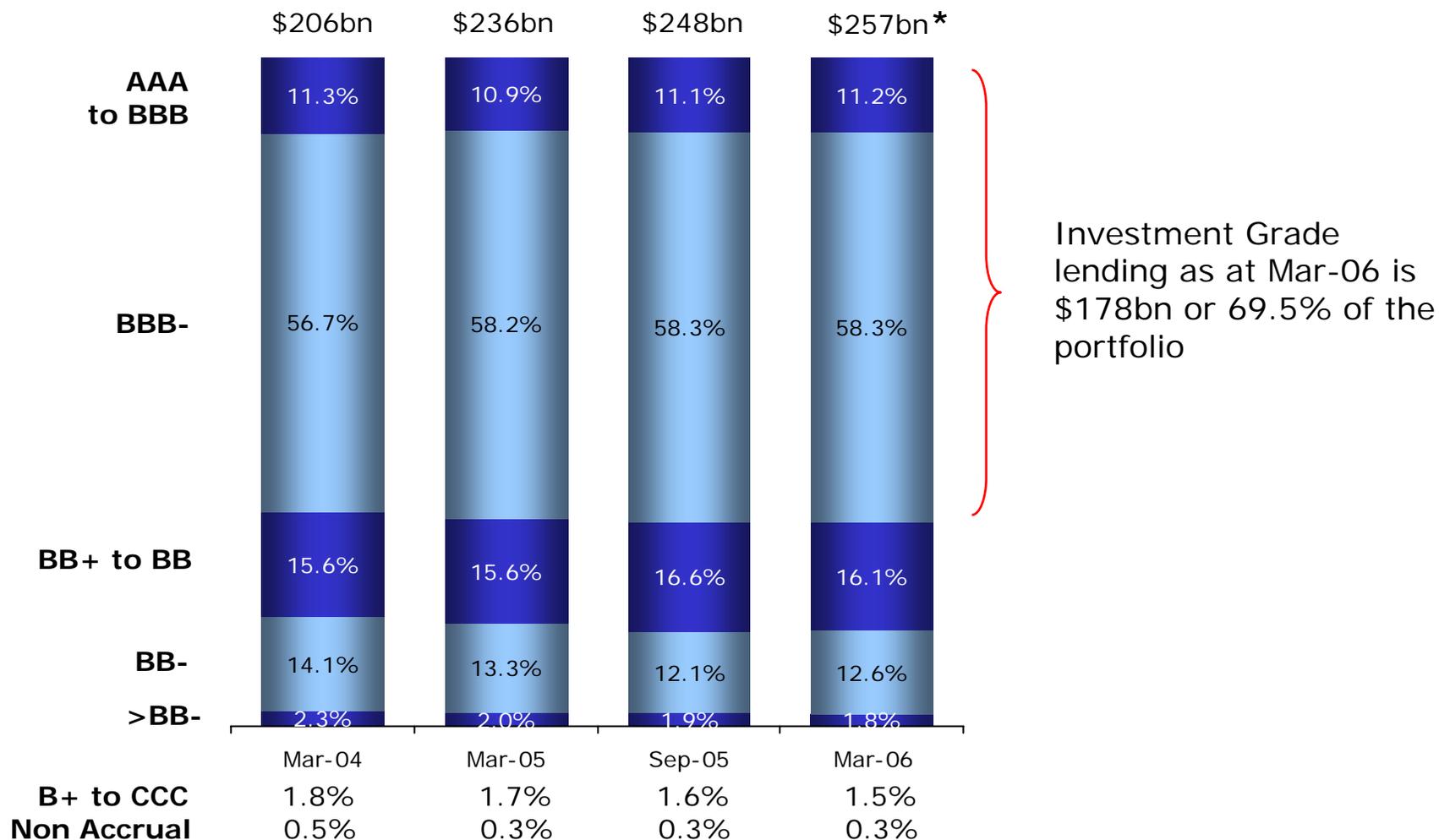


### Net Individual Provisions By Size 1H06



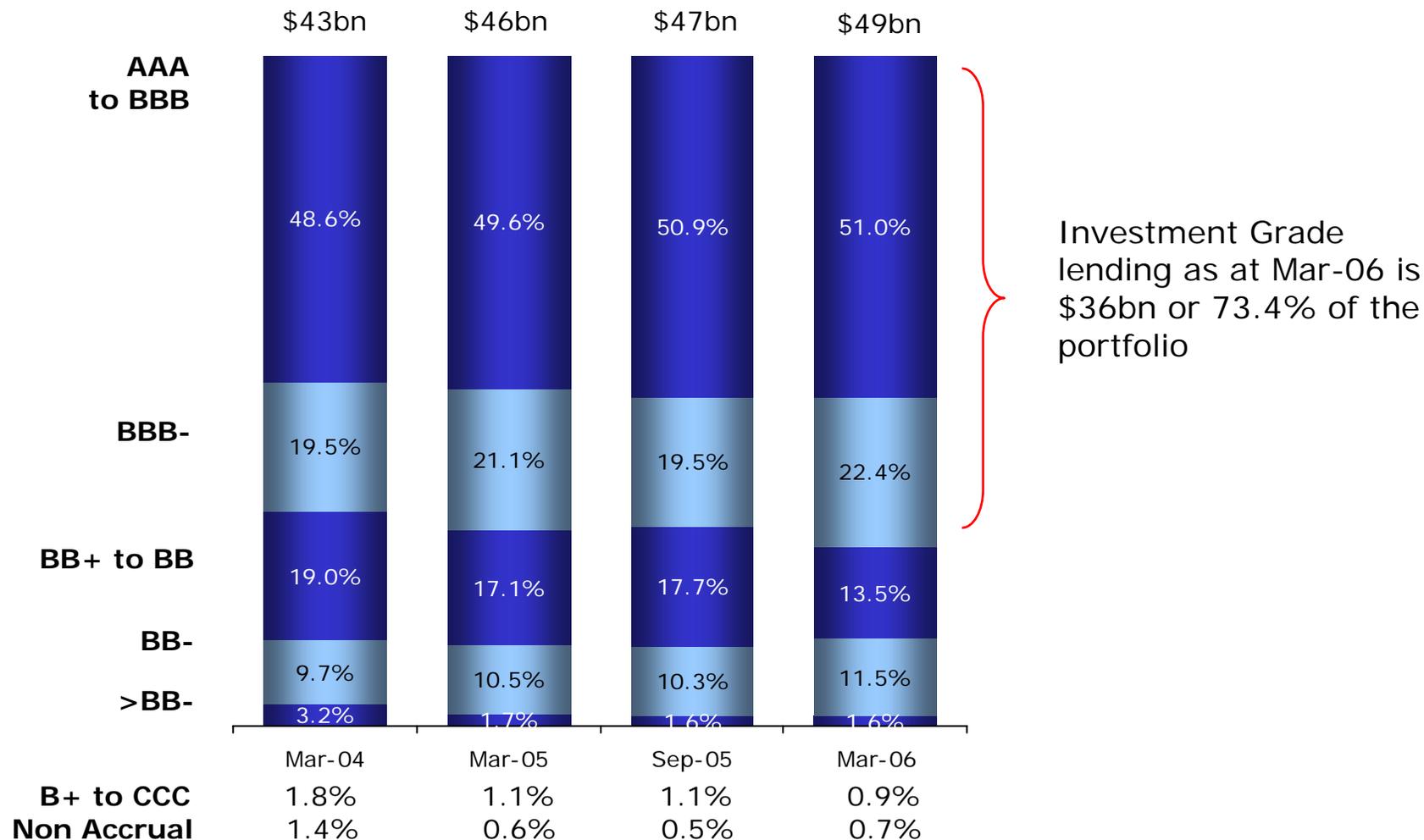
# Group risk grade profile largely unchanged

## Group – Outstandings



# Institutional risk grade profile continues to improve

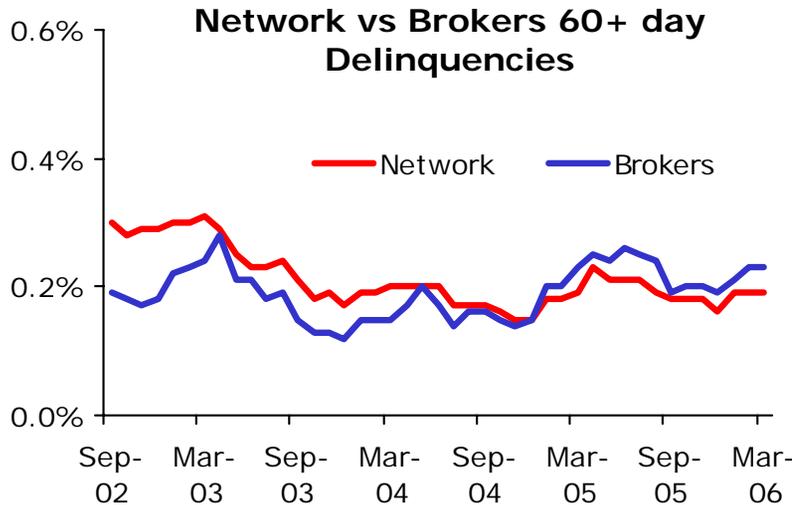
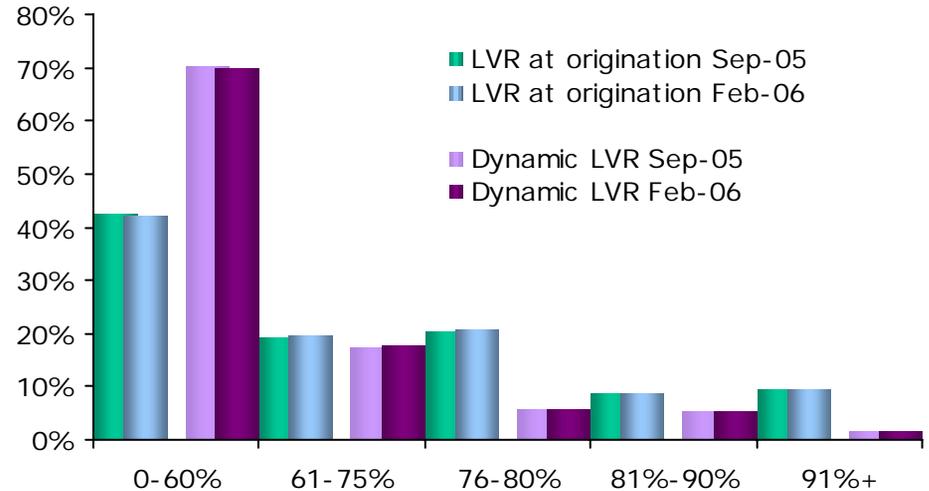
## Institutional – Outstandings



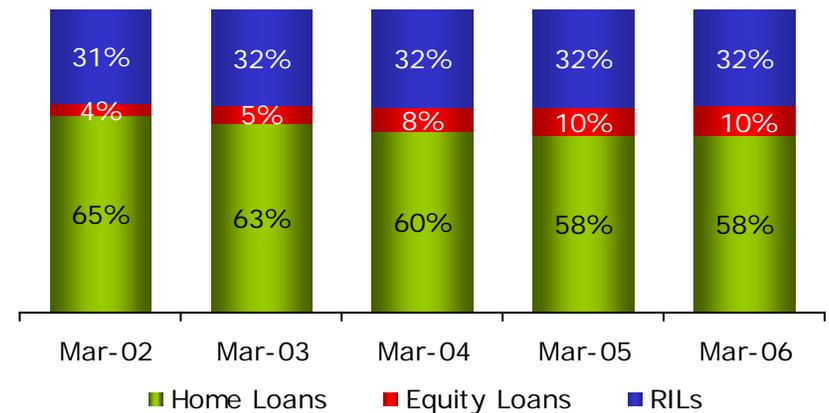
# Credit quality robust in Mortgages Australia

- Dynamic LVR profile reflects strong migration into lower LVR buckets compared to time of origination
- Owner Occupied dominates the portfolio, while the uptake of Equity products has stabilised
- Broker and Network 60+ day arrears are marginally higher at Mar-06 than at Sep-05 due to seasonality, but in line with Mar-05

**Strong LVR profile**



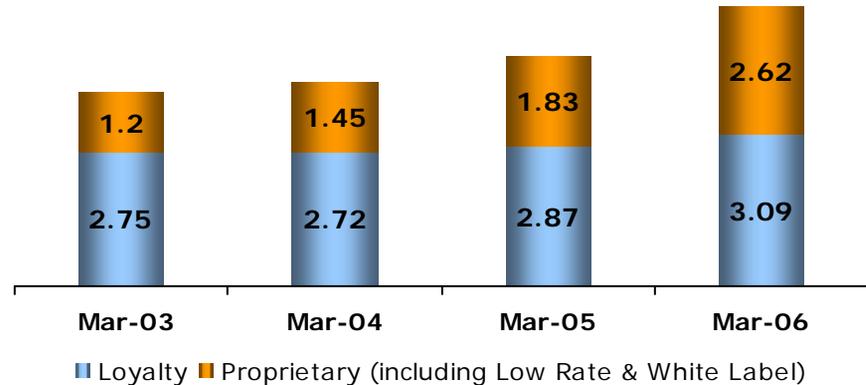
**Portfolio by product – Mortgages Australia (incl Origin)**



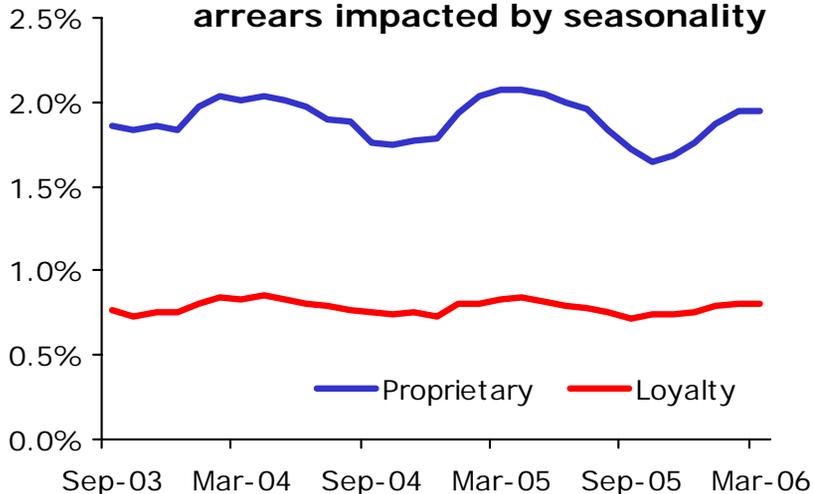
# Credit Cards: Risk Mix shift towards Proprietary Cards

- The Consumer Cards portfolio has traditionally been weighted towards Loyalty however this balance is progressively changing due to strong Proprietary growth through competitive products and focused marketing campaigns, including the very successful Zero % balance transfer
- Proprietary products are higher risk than Loyalty products and while their arrears rate is higher, there is no deteriorating trend present in either product

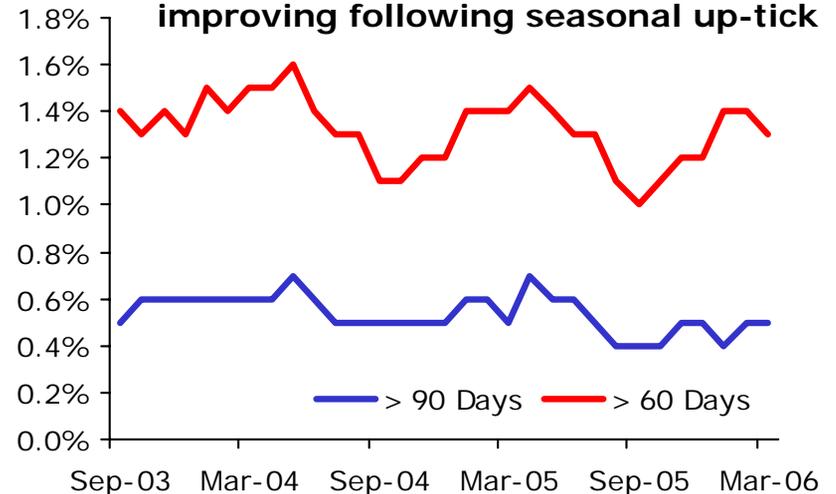
Consumer Cards Outstandings (A\$b)



Credit Cards Australia 60+Days arrears impacted by seasonality

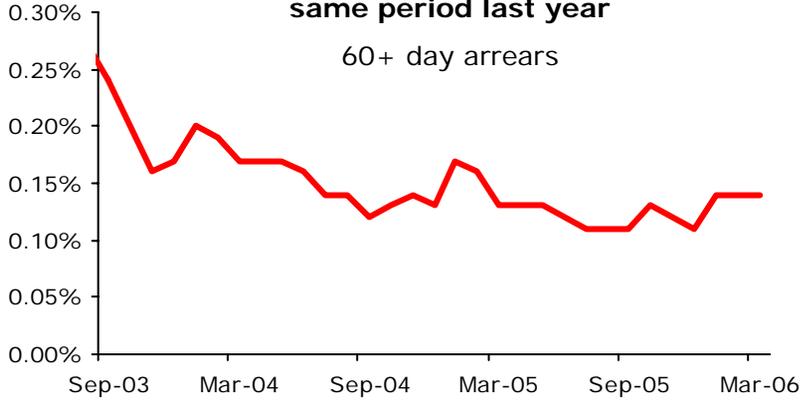


Personal Loans Australia arrears improving following seasonal up-tick

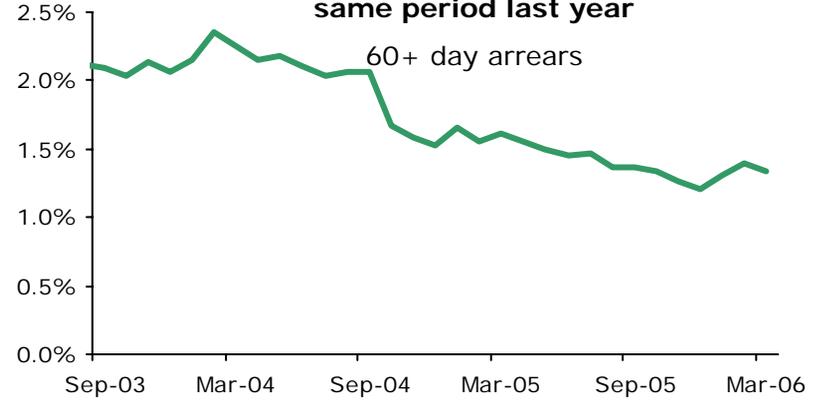


# NZ consumer credit quality – putting it in perspective

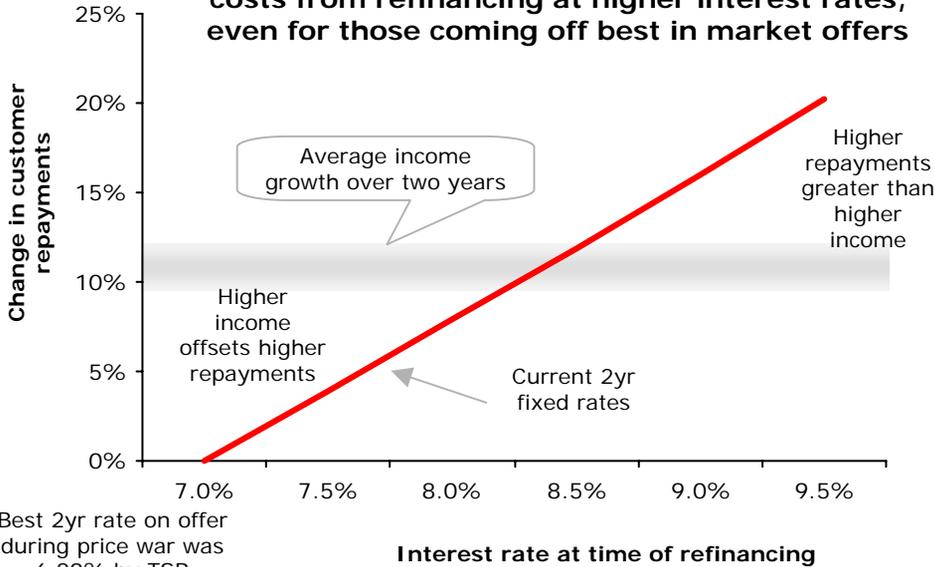
**NZ Home Loan arrears in line with same period last year**



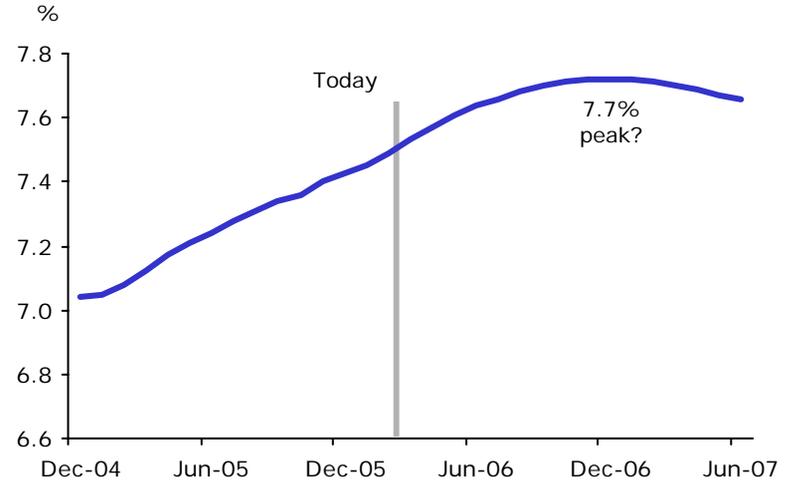
**NZ Credit Card arrears well down on same period last year**



**Income growth likely to absorb higher repayment costs from refinancing at higher interest rates, even for those coming off best in market offers**



**Estimated Effective Rate on fixed borrowings across all tenors**



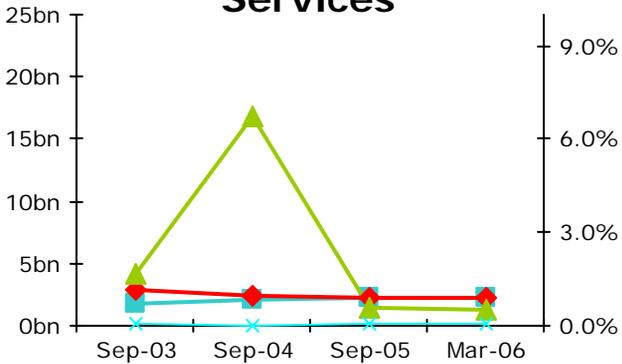
\* Based on 20 year loan period



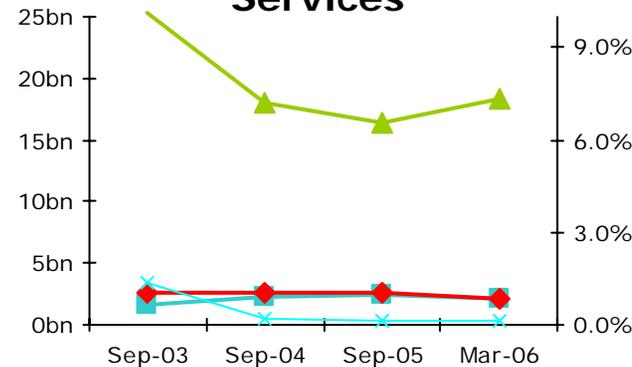
# Industry exposures – Australia & New Zealand

- Lending Assets (AUD)
- ◆ % of Portfolio (RHS scale)
- ▲ % in High Risk (RHS scale)
- × % in Non Accrual (RHS scale)

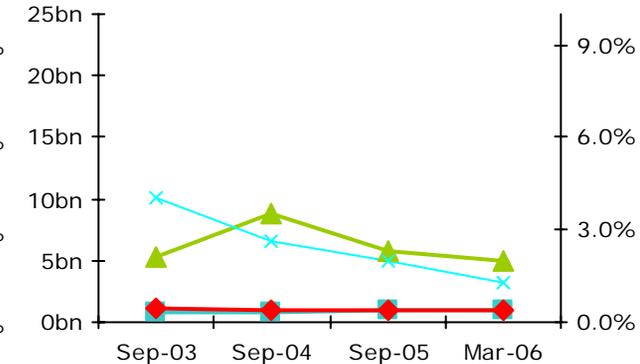
## Health & Community Services



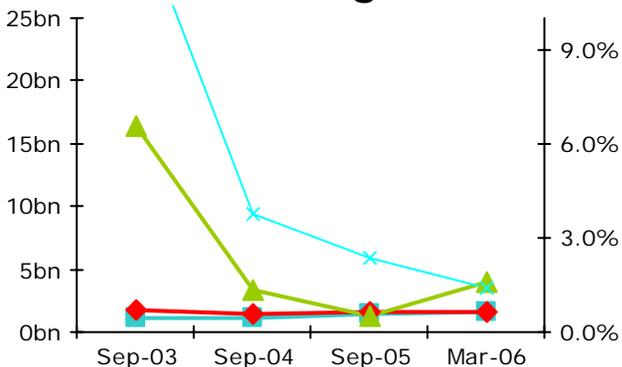
## Cultural & Recreational Services



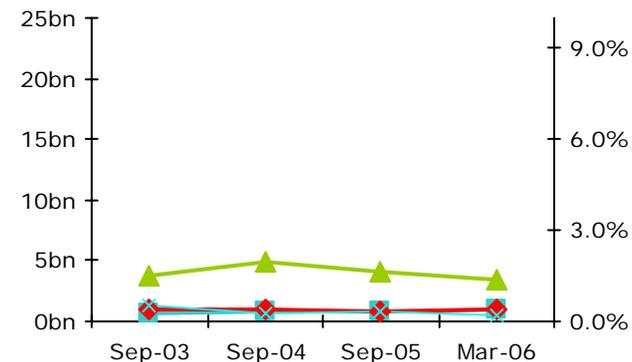
## Forestry & Fishing



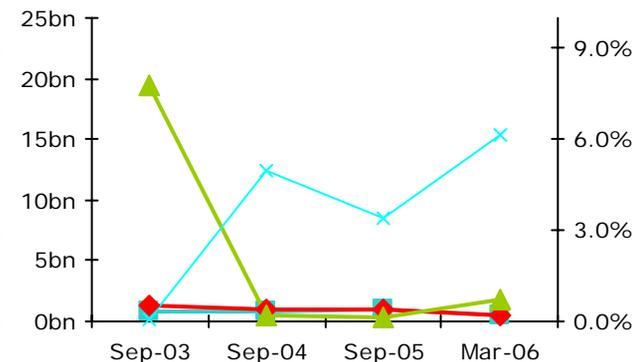
## Mining



## Personal & Other Services



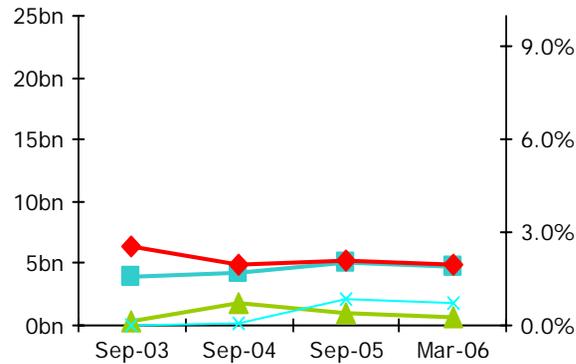
## Communication Services



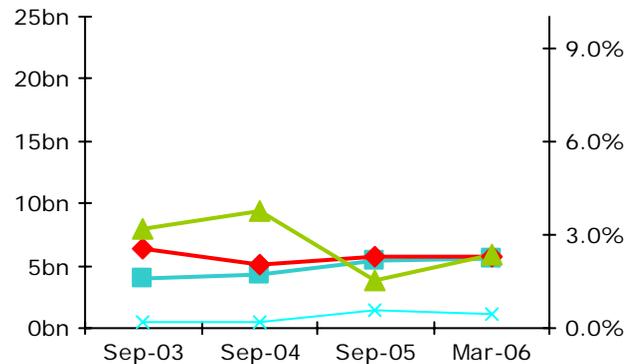
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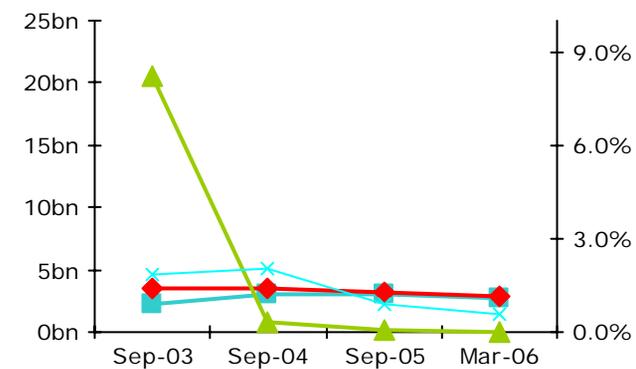
### Finance - Other



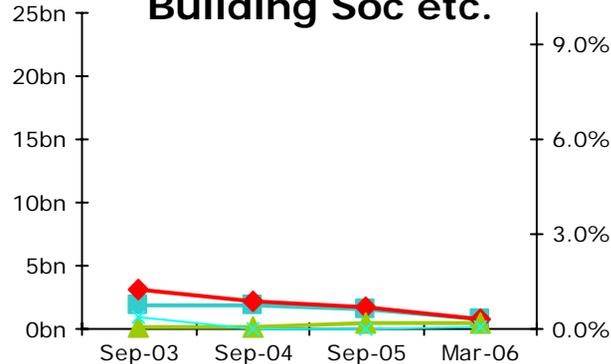
### Transport & Storage



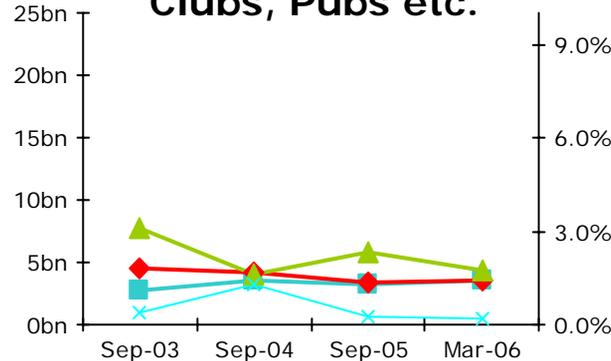
### Utilities



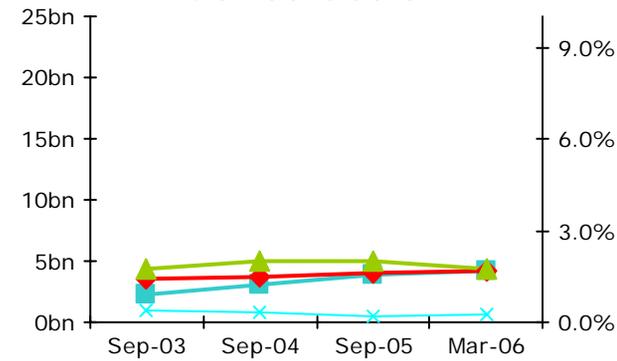
### Finance – Banks, Building Soc etc.



### Accommodation, Clubs, Pubs etc.



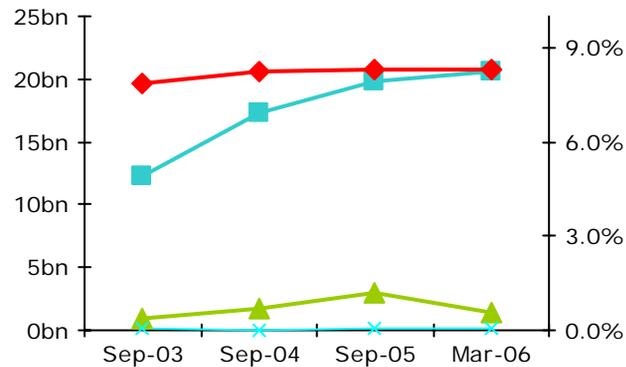
### Construction



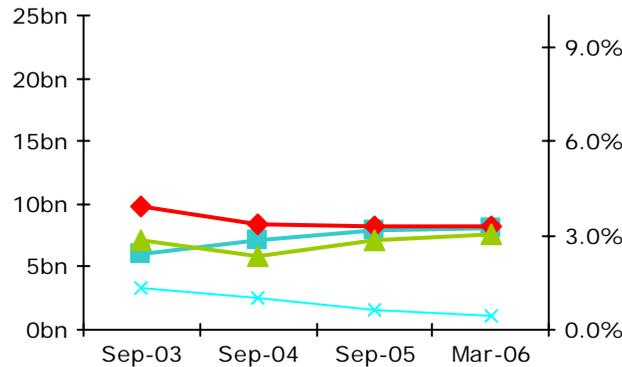
# Industry exposures – Australia & New Zealand

- Lending Assets (AUD)
- ◆ % of Portfolio (RHS scale)
- ▲ % in High Risk (RHS scale)
- × % in Non Accrual (RHS scale)

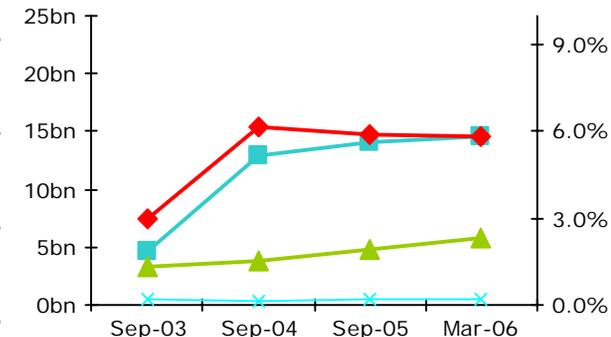
## Real Estate Operators & Dev.



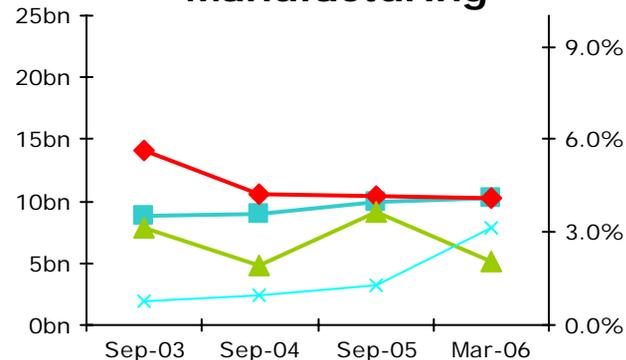
## Retail Trade



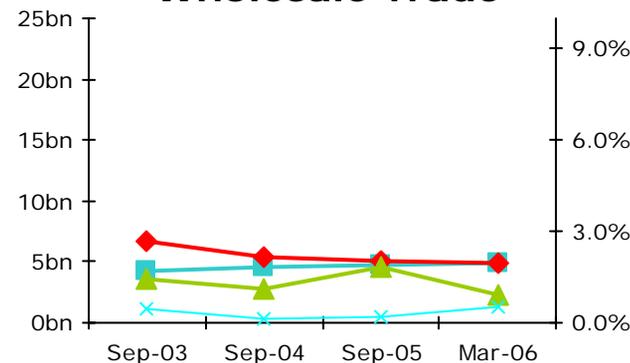
## Agriculture



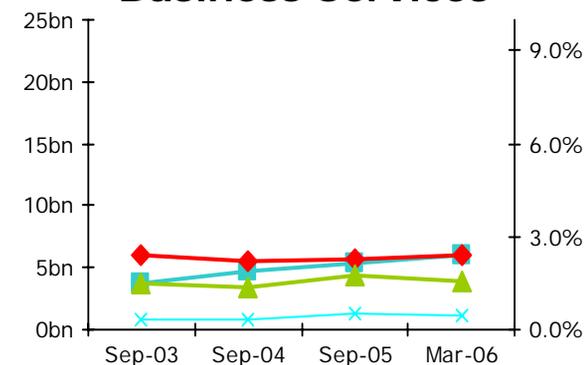
## Manufacturing



## Wholesale Trade



## Business Services

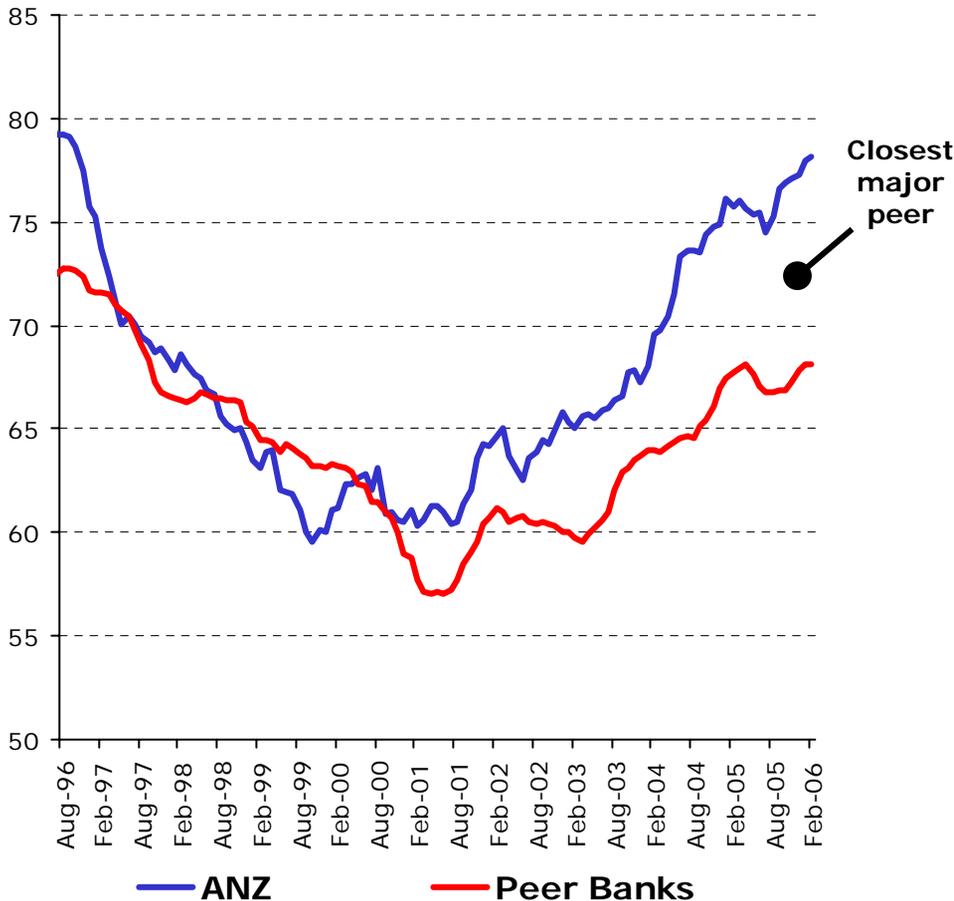


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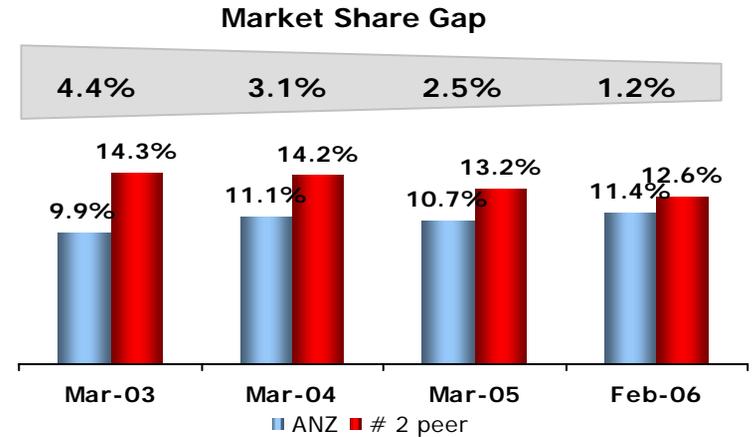
# Divisional Performance

# Personal: Record lead on customer satisfaction driving market share and share of wallet gains

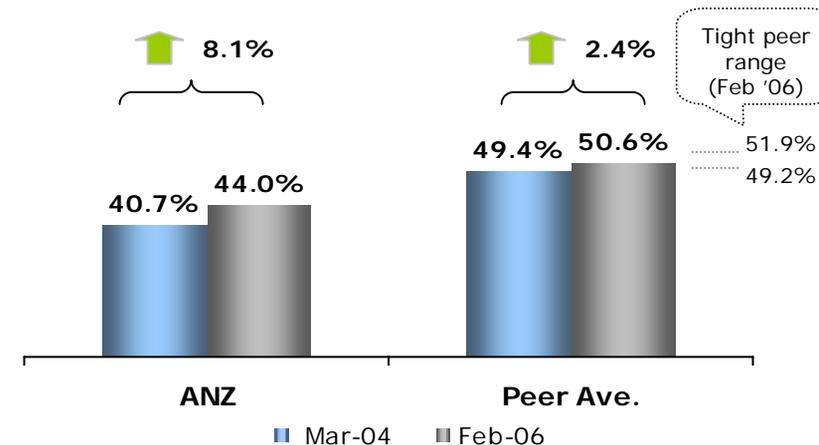
## Leading major bank customer satisfaction (Main Financial Institution\*)



## Closing gap on number 2 market position (share of traditional banking products\*)

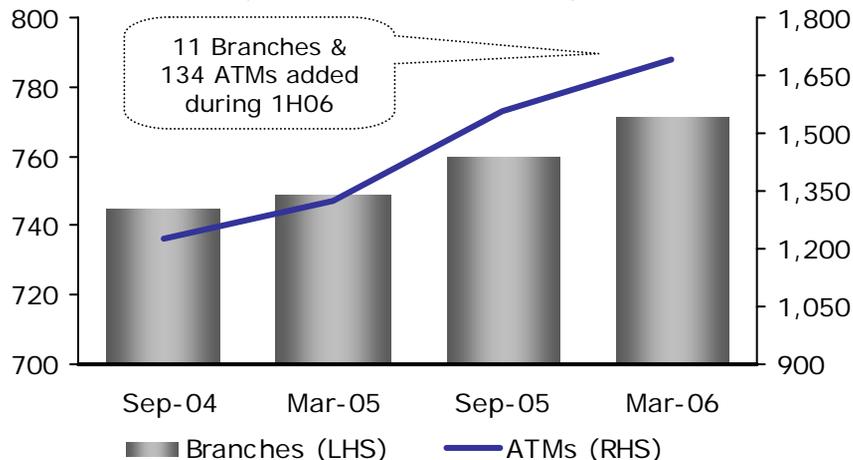


## Significantly increasing customer share of wallet (traditional banking products\*)

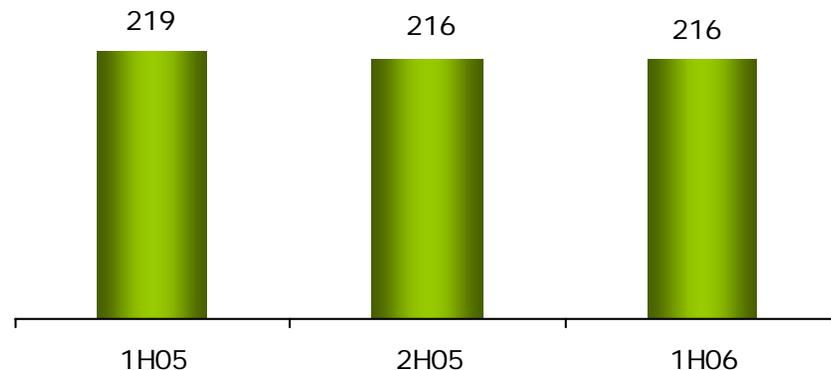


# Personal: Convenience & Simplicity delivering for our staff and customers

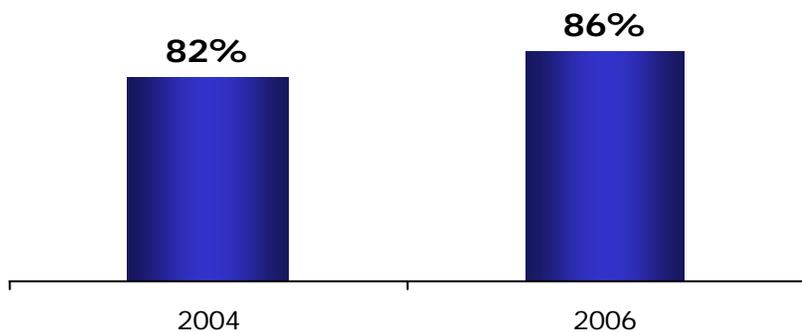
**Continuing to invest in distribution**  
(# branches and ATMs)



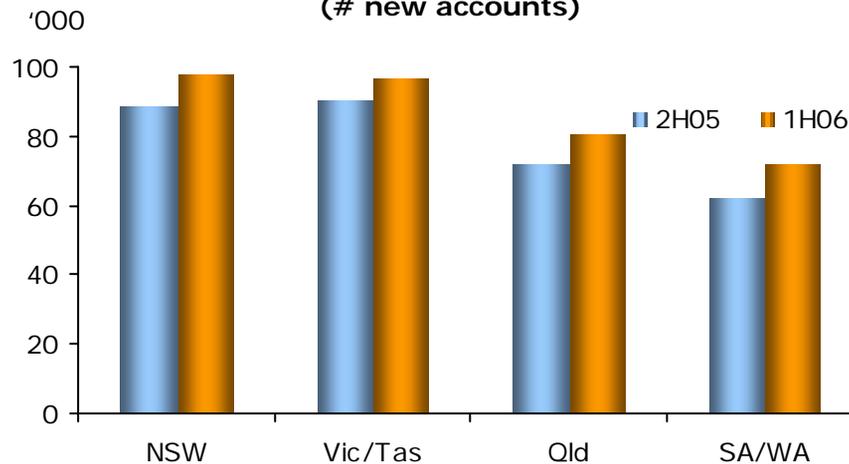
**Margins remain stable; some benefits from basis risk (bps)**



**Frontline staff engagement continues to improve**  
(branch manager engagement)

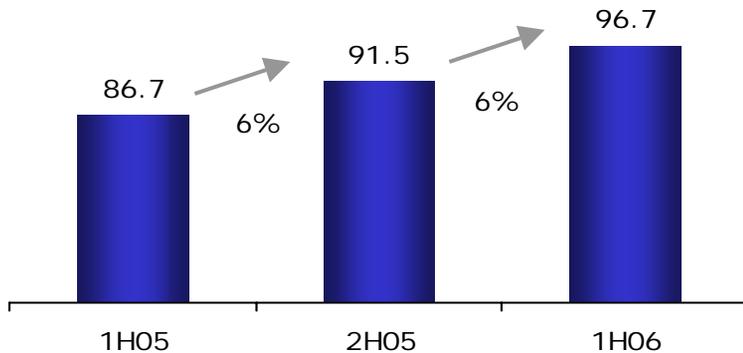


**Strong growth in "Everyday Banking"\* accounts in all states**  
(# new accounts)

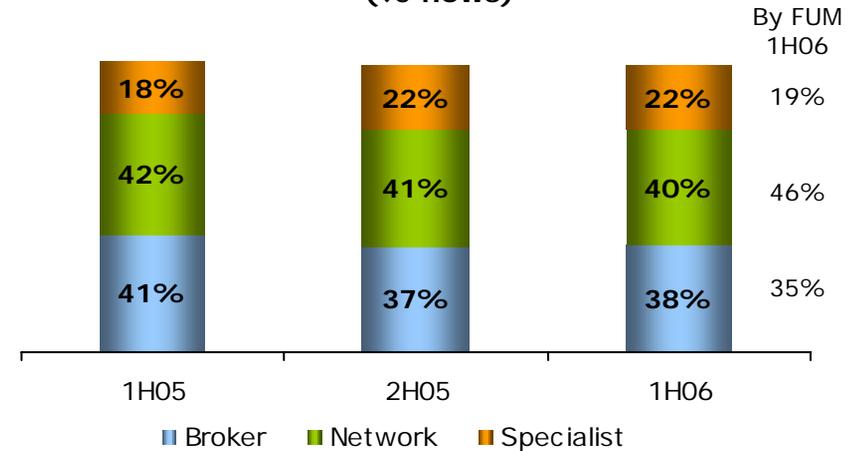


# Mortgages: Good performance driven by solid FUM growth and favourable margin environment

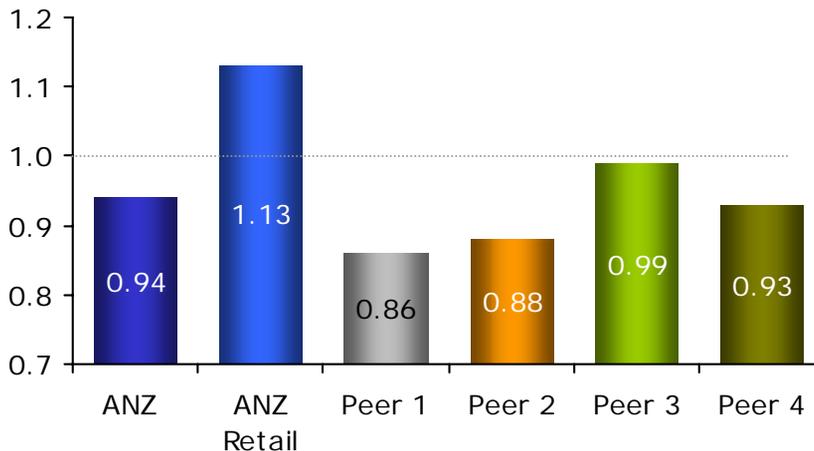
Mortgage growth continues at solid rate (FUM A\$b excl securitised assets)



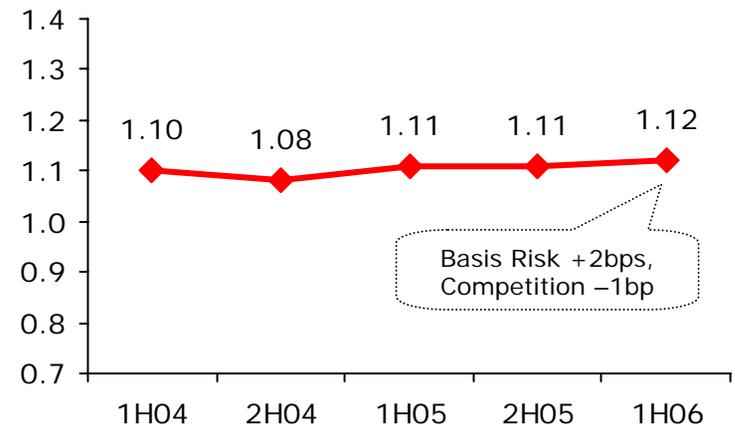
Balanced contribution from distribution network (% flows)



ANZ Retail\* growing well above system, Origin run-off impacting total growth (APRA Oct 05 – Feb-06)

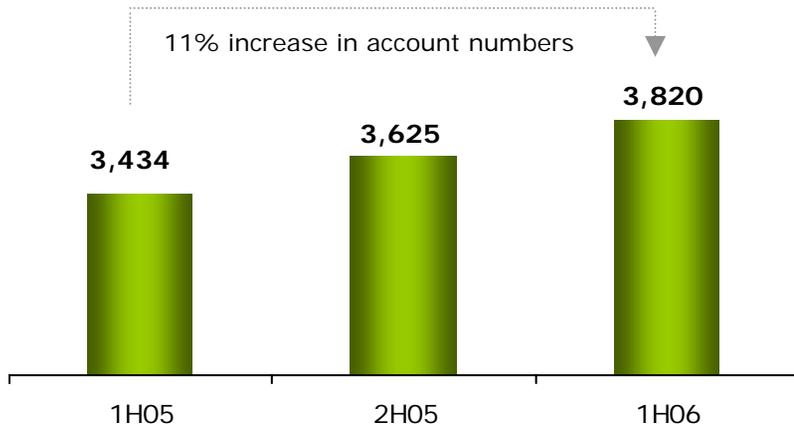


1H06 margins# benefited from basis risk, partially offset by competition

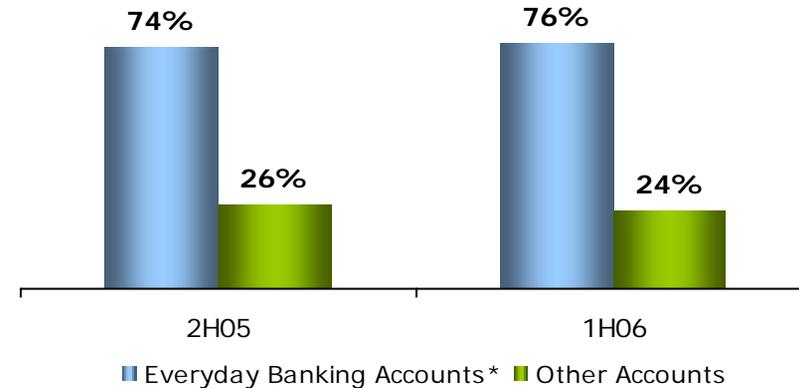


# Banking Products: good growth in all products driving market share gains

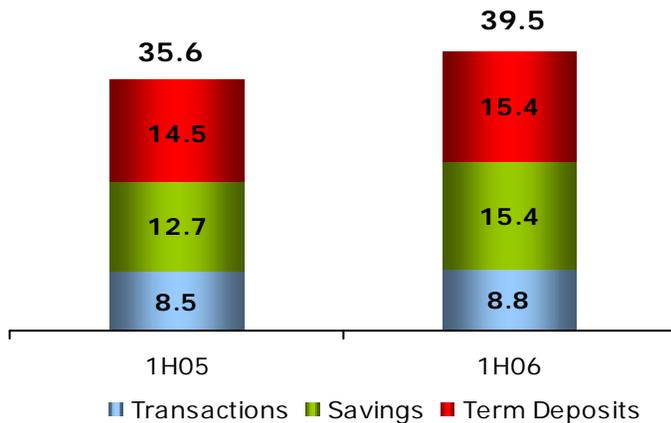
Account numbers continue to grow solidly



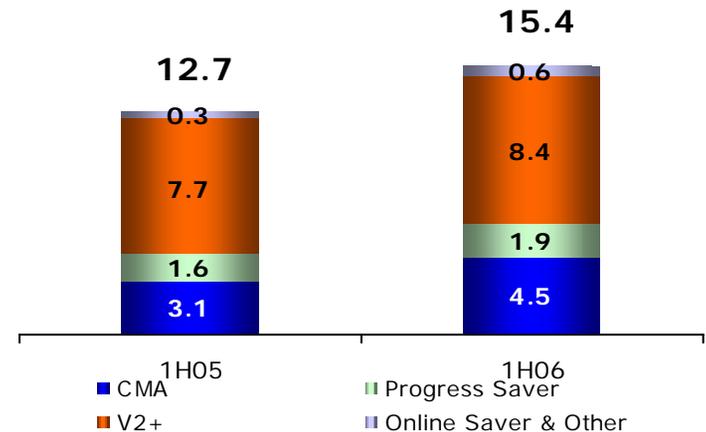
Majority of new accounts part of "Everyday Banking" package (% of new accounts)



Good FUM growth in all products (A\$b)

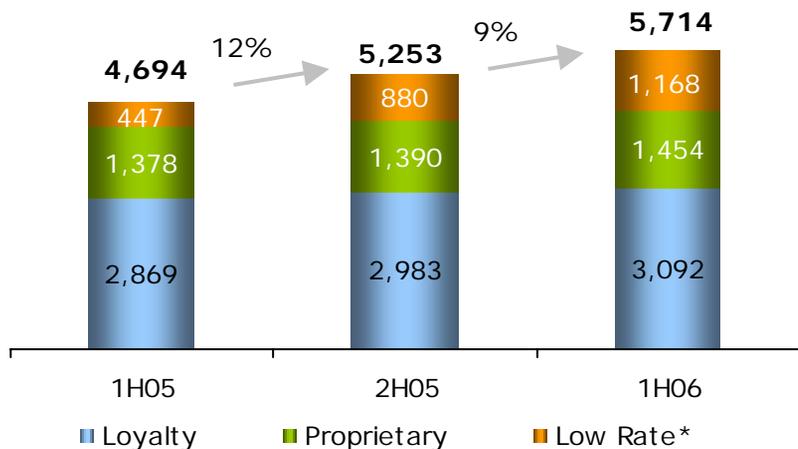


Solid growth in all Savings products (Savings a/c FUM A\$b)

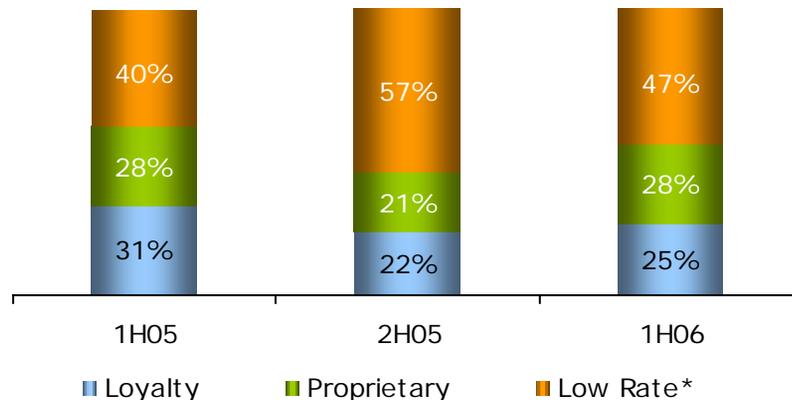


# Consumer Finance: Solid FUM growth, losses in line with long term trends

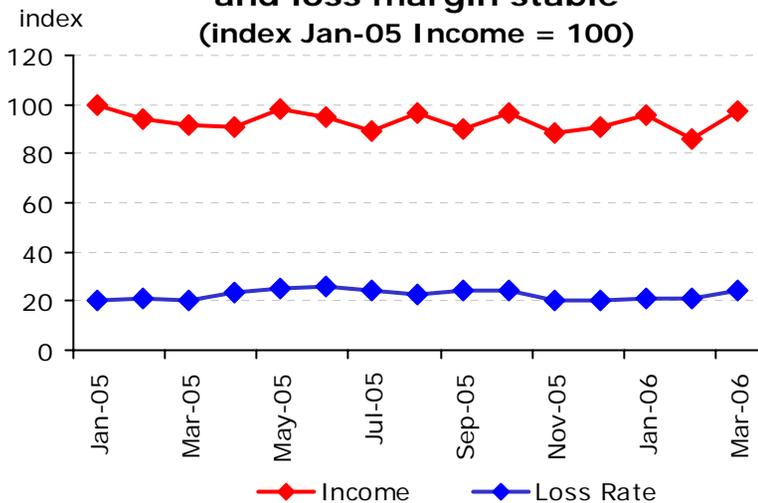
Increased low rate flows assisting FUM growth (\$m)



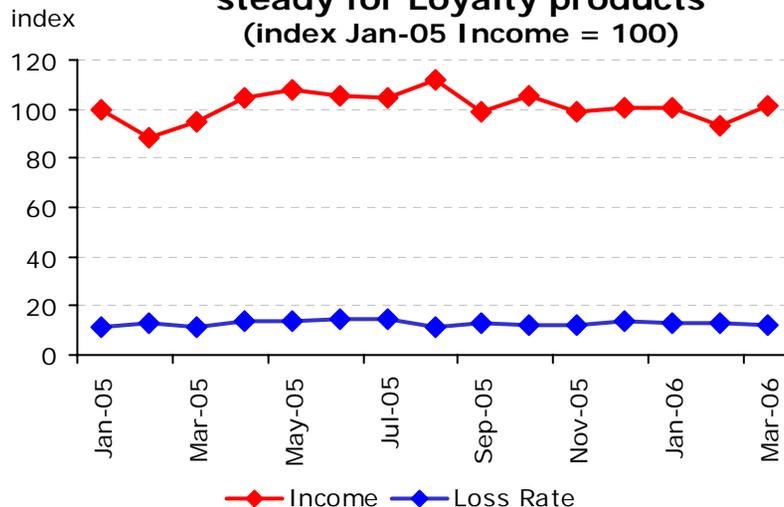
Growth in Low Rate cards moderating after strong launch (% growth of new accounts)



Proprietary and Low Rate income\*\* and loss margin stable (index Jan-05 Income = 100)



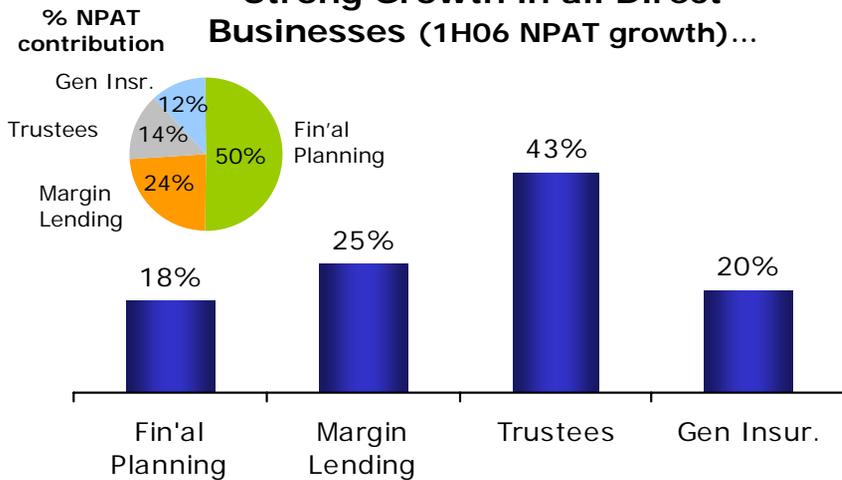
Income and loss margin steady for Loyalty products (index Jan-05 Income = 100)



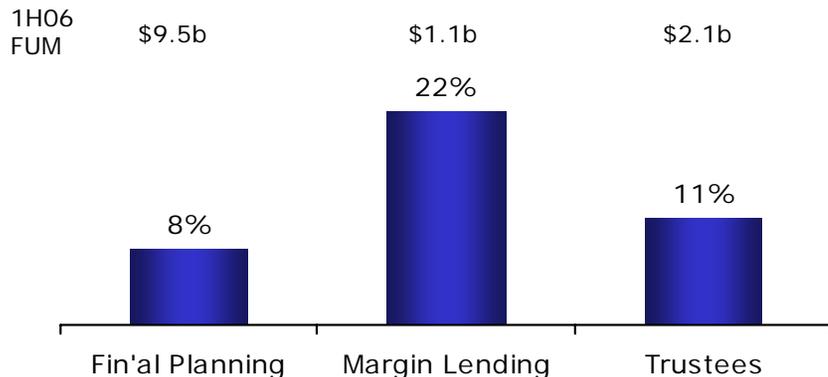
# Investment & Insurance: Direct Businesses building momentum

## Direct Businesses

**Strong Growth in all Direct Businesses (1H06 NPAT growth)...**

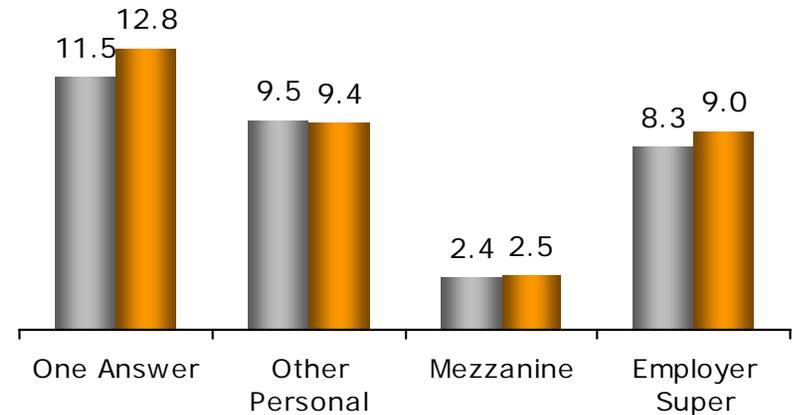


**...driven by solid FUM growth**

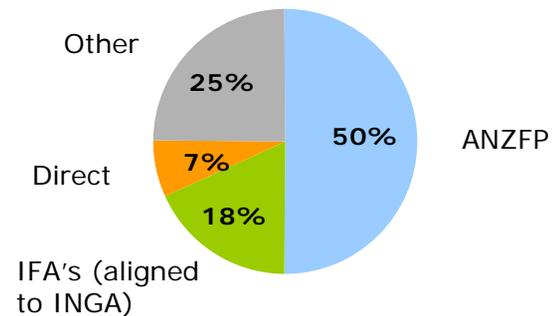


## Indirect Businesses

**One Answer & Employer Super driving INGA FUM growth (Mar-06 A\$b)**

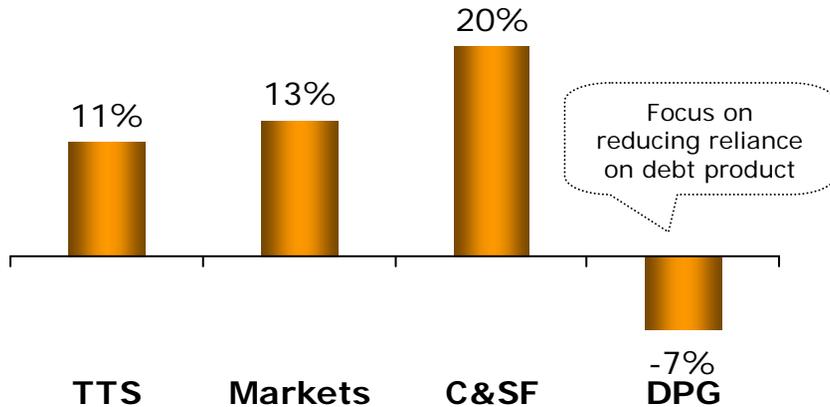


**ANZ Financial Planners continue to perform well (% flows)**

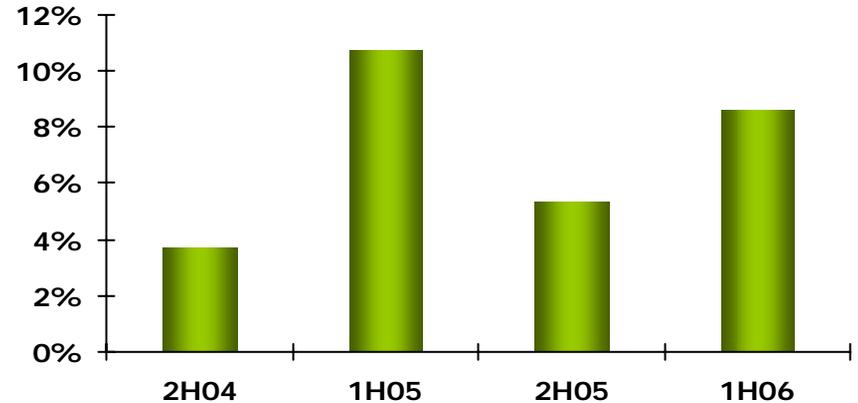


# Institutional\*: Solid lending growth, driven by buoyant market; High market liquidity still impacting margins

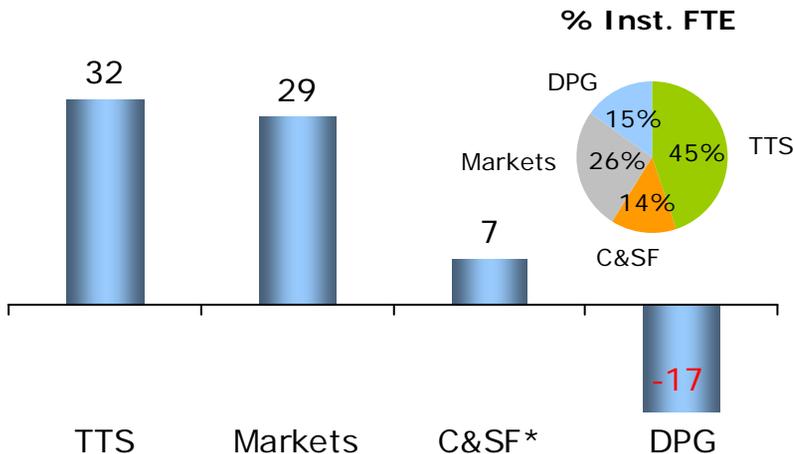
Specialist product businesses continuing to perform well (1H06 NPAT growth)



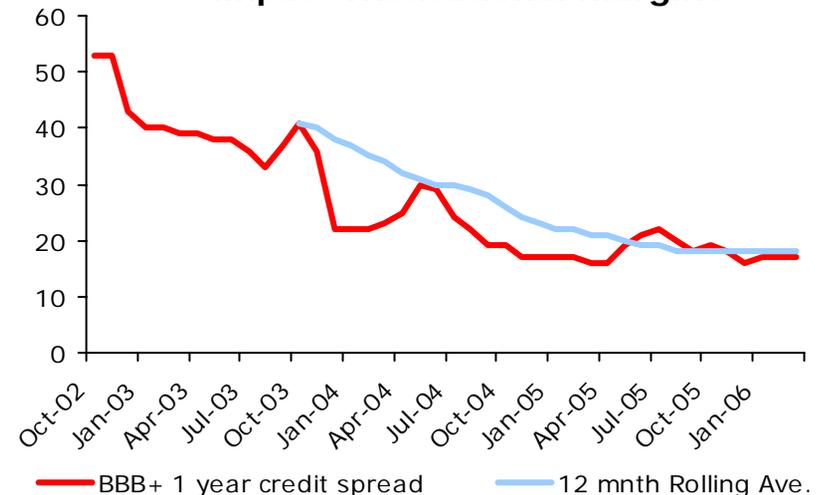
Strong market driven RWA growth (hoh RWA growth\*)



Investment centred on growth business (FTE growth 1H06)

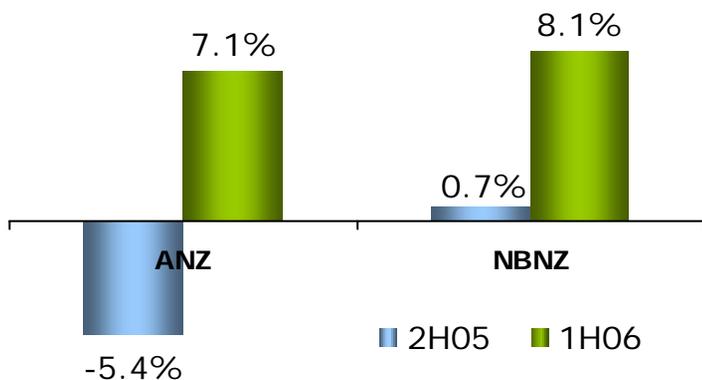


Reducing credit spreads continue to impact Institutional margins

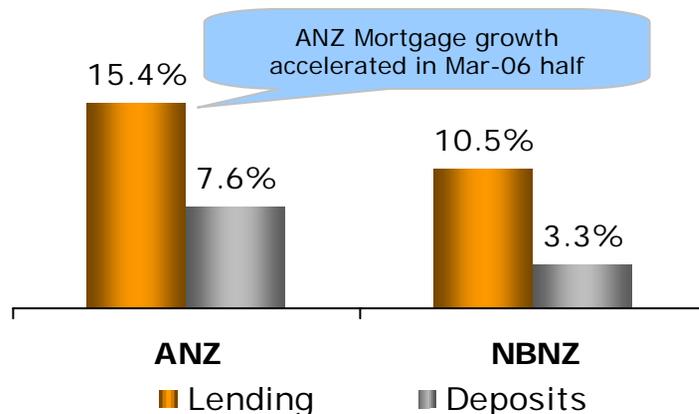


# New Zealand: Good underlying momentum in both retail businesses

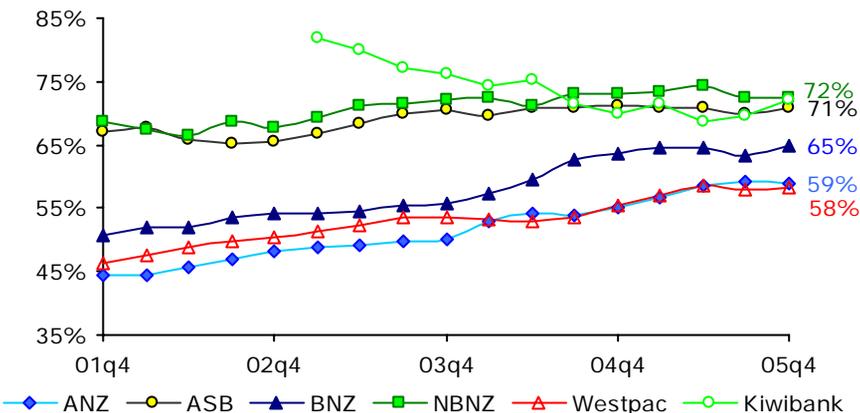
**Strong underlying business momentum in both retail brands**  
(NZ\$ profit before provisions\*)



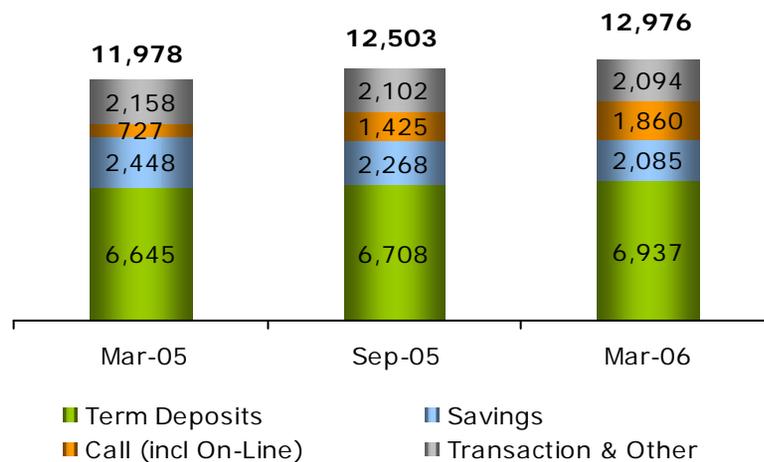
**Solid asset growth in both brands, good deposit growth in ANZ brand**  
(1H06 FUM growth annualised (NZ\$))



**NBNZ maintains customer satisfaction lead, ANZ improving#**



**Migration largely from Savings Accounts into ANZ Online Saver**  
(Deposit FUM NZ\$m)

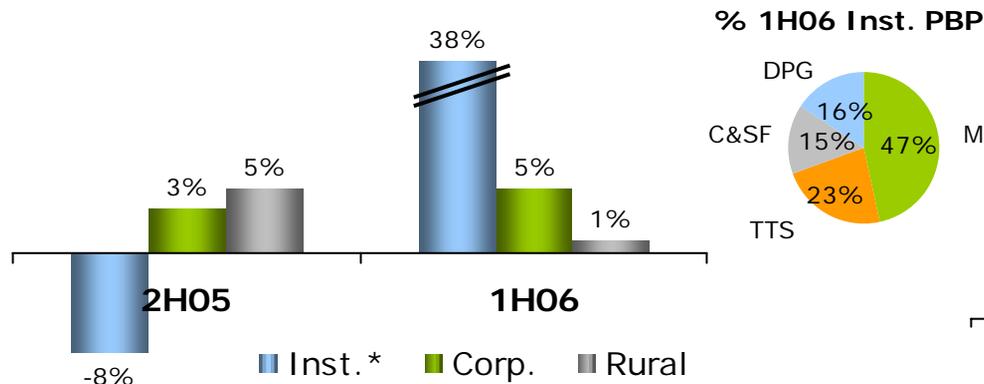


\*1H06 results adjusted for net Commerce Commission costs (NZ\$5m for each Bank) and costs of domestic systems relocation in ANZ (NZ\$5m)

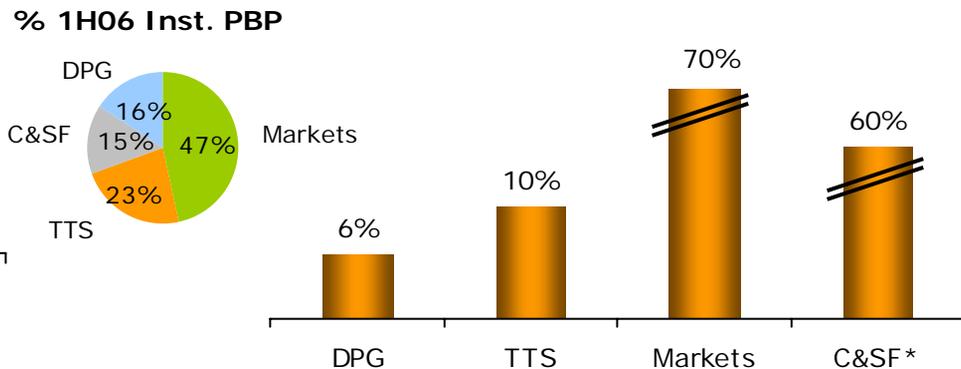
# Source: ACNielsen© Consumer Finance Monitor; rolling 4 quarter average percentage of customers rating their main bank as 'Excellent' or 'Very good' in response to the question 'How would you rate your (main) provider of financial services on its overall service?'

# New Zealand: Institutional and Corporate performing well, Rural impacted by competition and seasonality

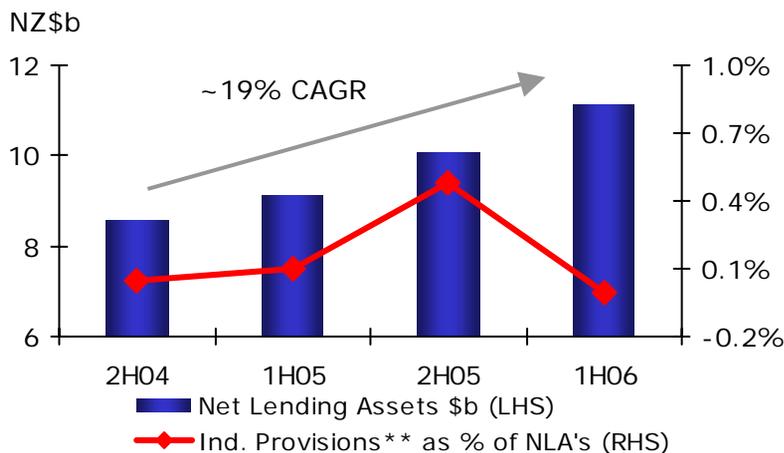
**Strong growth in Institutional\* and Corporate;  
Rural impacted by competition and seasonality**  
(NZ\$ profit before provisions)



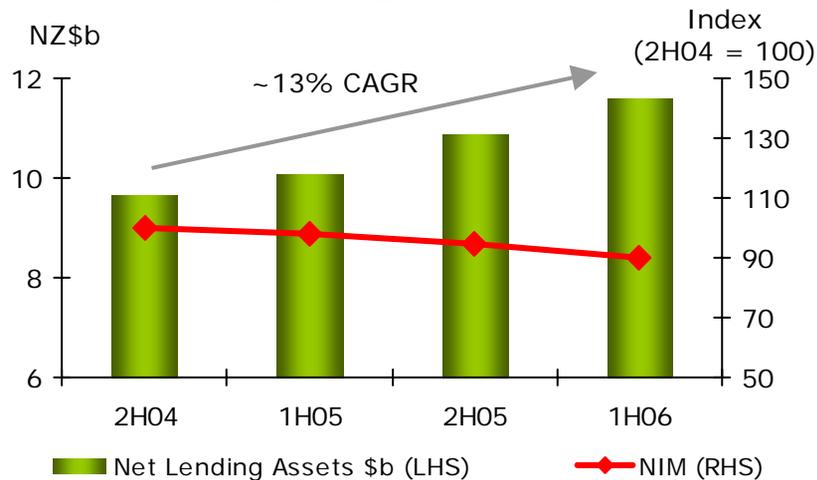
**Institutional\*: Result driven by Markets performance given increased NZ\$ volatility and strong sales volumes**  
(1H06 profit before provisions growth (NZ\$))



**Corporate: Continued strong volume growth, credit quality remains sound**

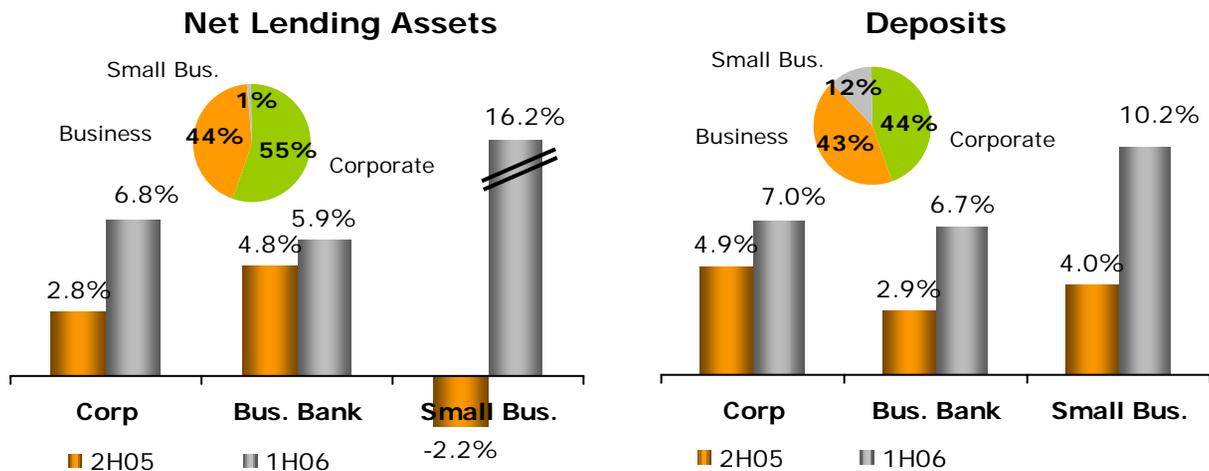


**Rural: Ongoing solid FUM growth offset by margin contraction**

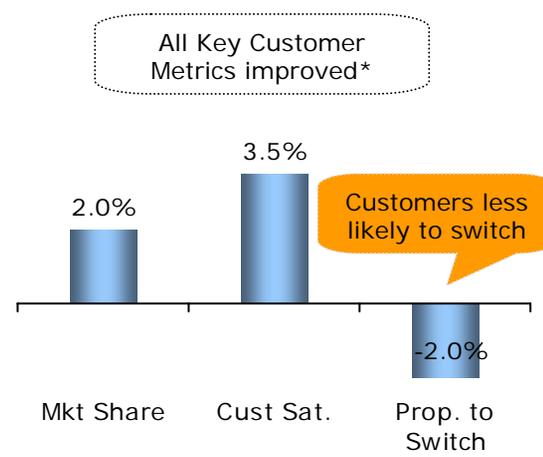


# Corporate: Solid FUM growth partially offset by increased competition

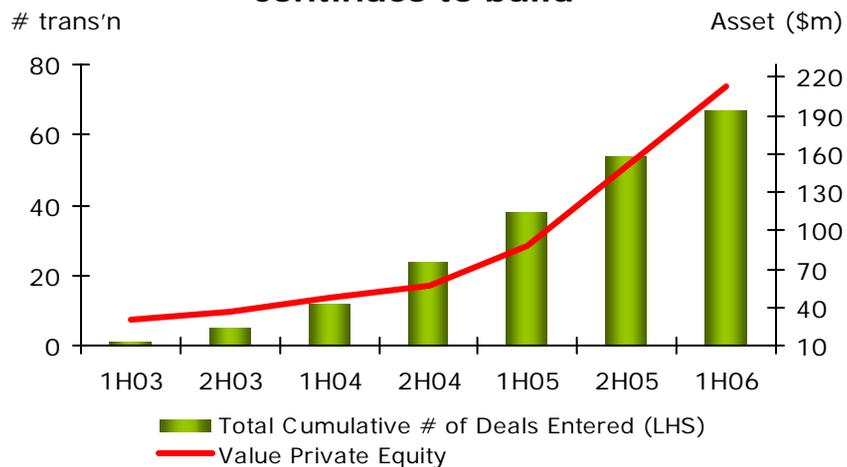
## Strong Lending and Deposit growth in all business (average FUM growth)



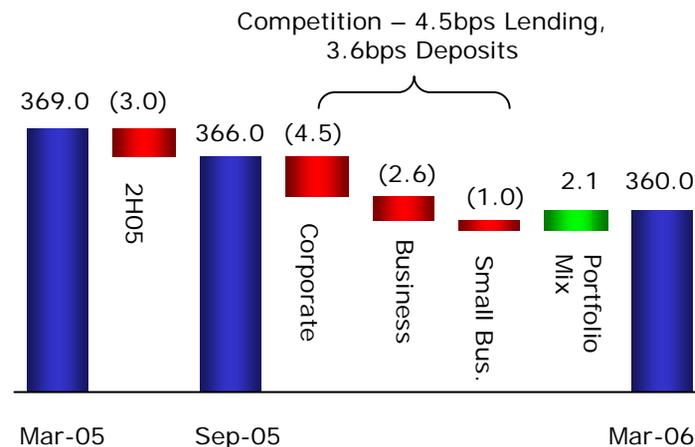
## Investment in Small Business paying dividends



## Private Equity pipeline continues to build



## Increasing competition impacting Net Interest Margin

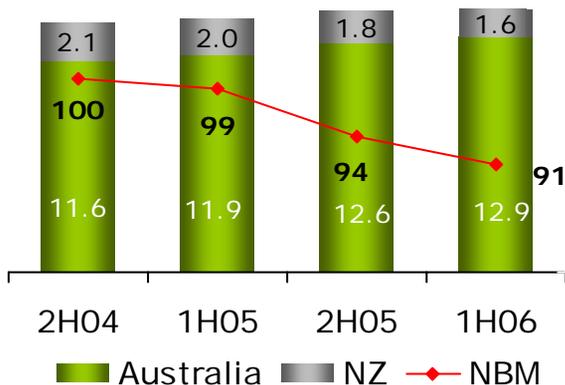


# Esanda and UDC: impacted by high oil prices and structural changes in NZ business

## Lending growth in Australia partly offset by decline in NZ

- Solid growth in Australia
- NZ book growth impacted by restructure
- Steps in place to stabilise NZ asset levels to return to growth in 2007
- New Business Margin continued to decline in 1H06
- Actions taken in 2<sup>nd</sup> quarter have seen improvement in margin

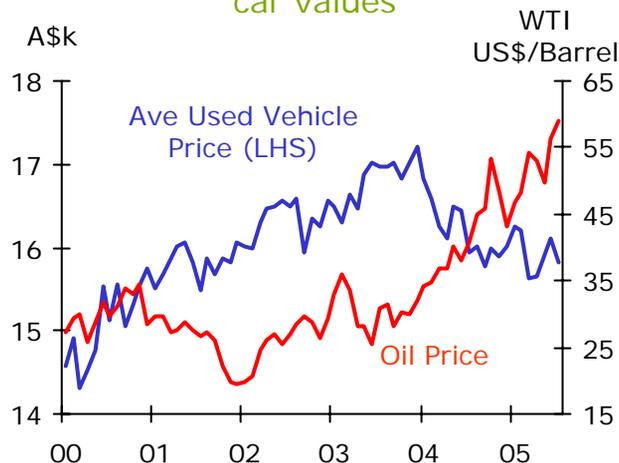
Net Lending Assets (\$bn) & New Business Margin (Indexed)



## 1H06 result impacted by lower used vehicle prices

- Since January 2004 used vehicle prices in Australia have been declining due in part to rising oil prices
- Lower used vehicle prices have impacted Esanda by:
  - Higher trading losses on End of Lease vehicles
  - Lower value on realised security when accounts default impacting Credit Loss Provision

Impact of oil price on used car values



## New strategy to revitalise the business and achieve growth

Sharpen and Simplify Finance Company focus

Improve sales channel coverage

Upgrade finance company products

Faster & more efficient processes

Improve execution capabilities

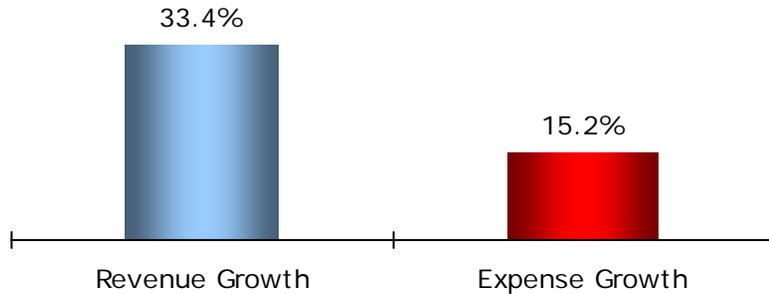
Dynamic energetic culture



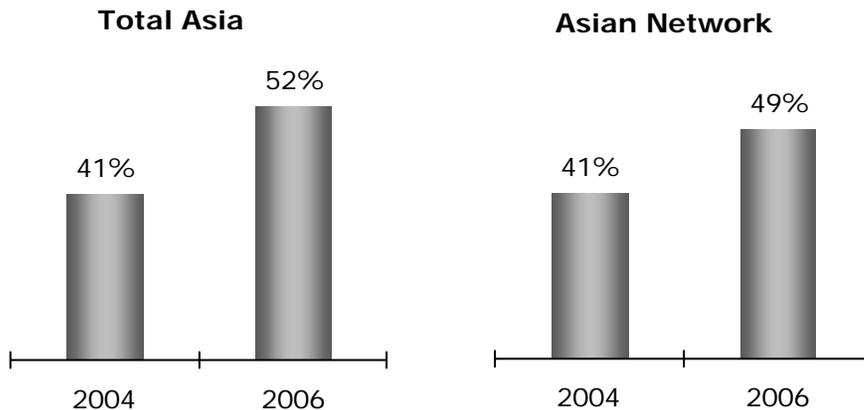
# Asia: Asian Network performing well, supported by Card JV's, Panin JV impacted by tough economic environment

## ANZ Network

Growing revenues faster than expenses... (1H06 v 1H05)

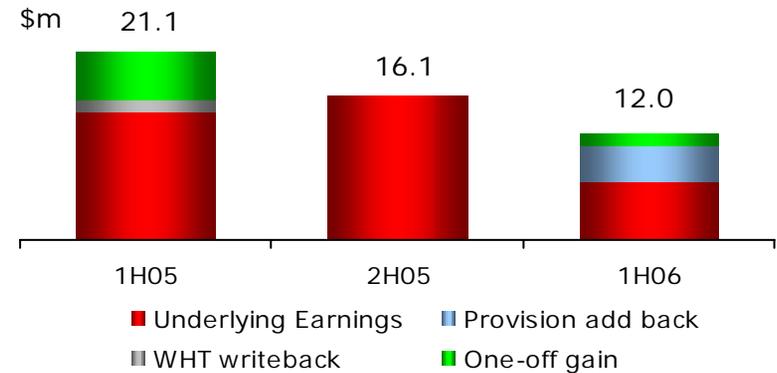


...assisted by significant improvements in staff engagement

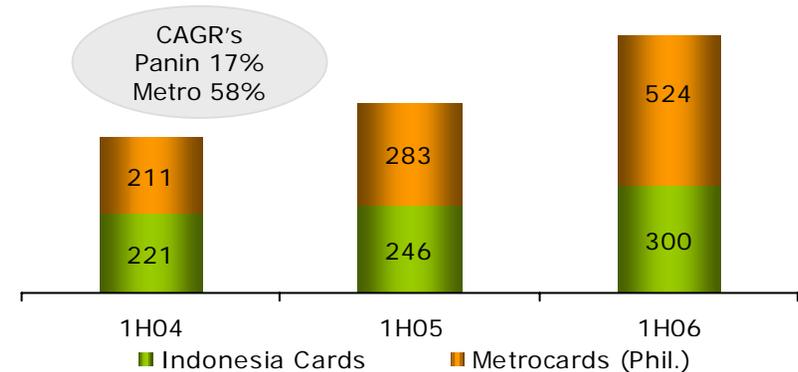


## Retail Partnerships

Panin earnings impacted by difficult economic environment partly offset by provisioning

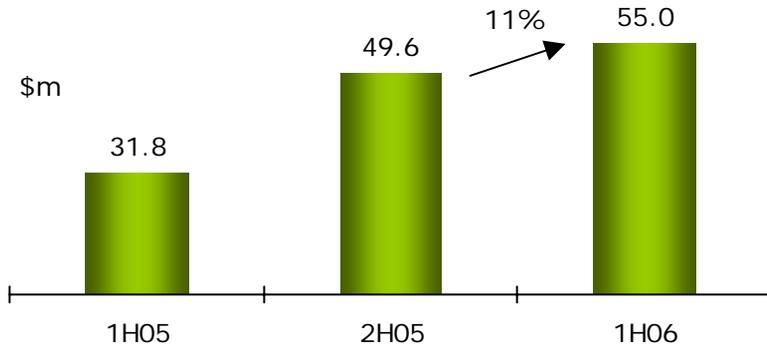


Solid growth in card numbers in both ANZ Panin and Metrobank partnerships

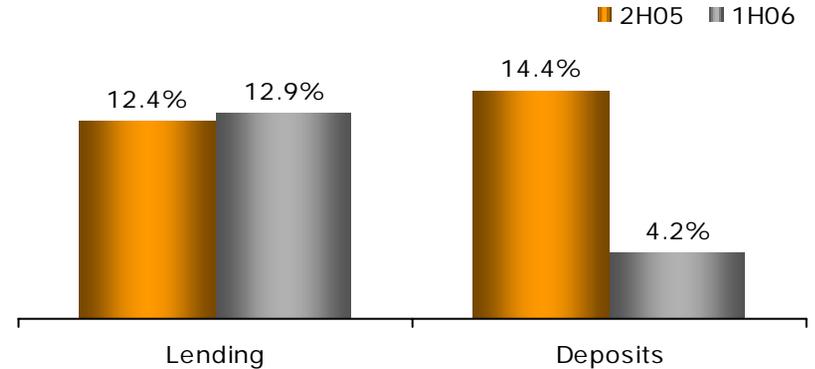


# Pacific: Solid FUM growth and customer acquisition continues to drive momentum

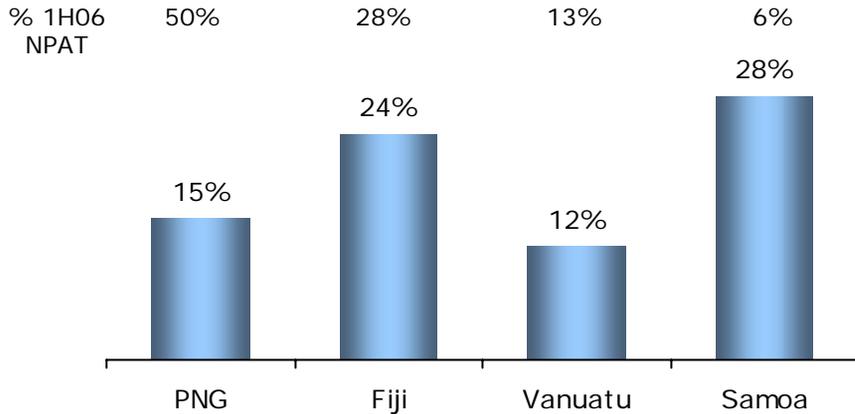
Strong NPAT growth...



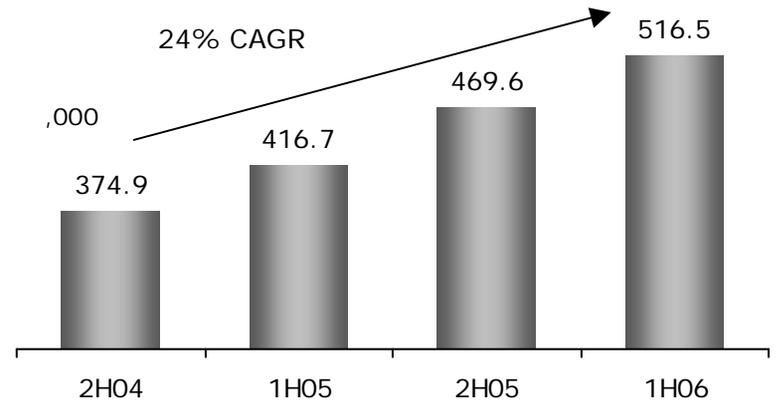
...driven by continued solid lending growth despite deposit growth moderating in 1H06, following strong 2H05



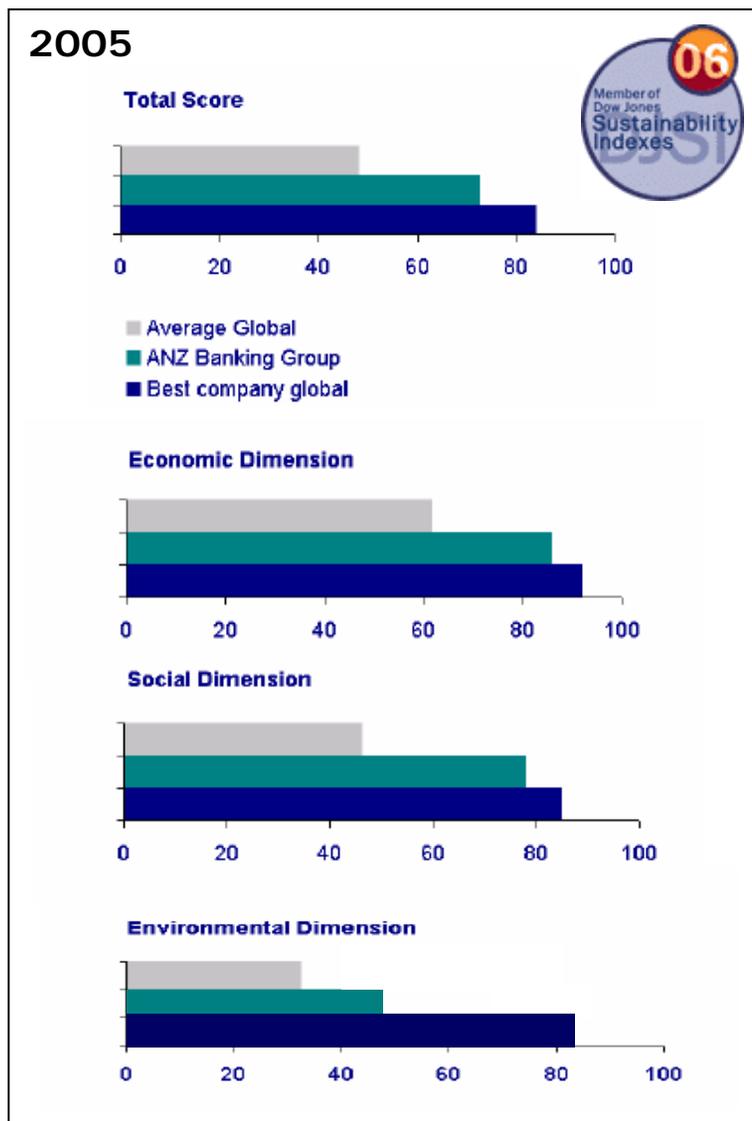
Profit growth driven by continued momentum in major markets (1H06 NPAT growth)



Continued customer account growth across the region



# Strong progress on our Corporate Responsibility agenda



- “Community Involvement” No.3 value evident in ANZ’s culture according to our staff (Profit and Customer Focus number 1 & 2 respectively)
- 22% improvement in performance on 2005 Dow Jones Sustainability Index
- Member of FTSE4Good Global Index
- AA on Reputex Social Responsibility ratings
- Significant improvement on 2005 Corporate Responsibility Index
- Environmental management presents greatest opportunity for improvement
- Interim Corporate Responsibility Report released today

# Strong progress on our Corporate Responsibility agenda

## *Putting our customers first*

- ANZ has the most satisfied retail customers of the four major banks and St George according to Roy Morgan research. Customer satisfaction continues to improve - from 76.6% in September 2005 to 78.2% in February 2006.
- We have been managing and measuring our performance on each of the promises in our Customer Charter for five years now. The Charter was updated in November 2005 to include new responsible lending commitments and, since then, we have met or exceeded all but one of the revised performance indicators. Our monthly tracking reported three customer complaints about privacy, which have since been investigated and addressed.
- We have opened 11 new branches and installed 160 new ATMs across Australia in the past six months. Our new branches are located in Thirroul and Scone, NSW; Clarkson, Livingston, Melville and Falcon Dawesville, WA; Diamond Creek and Wyndham Village, Victoria; Chancellor Park and Miami in Qld and Gungahlin, ACT.

## *Leading and inspiring our people*

- Employee engagement remains steady at 60%. Our engagement score remains the highest of all major corporations in Australia and ahead of the banking and financial services sector benchmark. Within these results, engagement in our Personal Division increased from 64 to 66%.
- Our Breakout program has been in place for six years now as part of our long-term commitment to creating a values-driven culture. This year, a major focus for the program is involving our people who serve our customers. Almost 3,000 employees from our Personal Division have completed the "Breakout to the Frontline" program since its commencement, including 2,025 participants in the past six months. A further 150 additional workshops are scheduled throughout the remainder of the year
- We achieved our goal to have 20% female representation in executive positions and completed our first organisation-wide Diversity survey.
- Our Lost Time Injury Frequency Rate (LTIFR) has declined from 4.2 in October 2005 to 4 and employee turnover remains steady at 11.6%.

# Strong progress on our Corporate Responsibility agenda

## *Earning community trust*

- We are expanding our Saver Plus financial literacy and matched savings program to include 18 sites nationally and 6,000 families over the next three years. The program will be implemented in partnership with The Smith Family, Brotherhood of St Laurence, Benevolent Society and Berry Street Victoria and six sites in Victoria, which will be delivered in partnership with the State Government.
- More than 4,150 people have participated in our MoneyMinded financial education program through group workshops and one-to-one meetings with financial counsellors and community educators across Australia. We have also launched MoneyMinded on-line, a non-branded, interactive financial education website for our employees, customers and the community.
- The MoneyBusiness financial literacy and inclusion program with Indigenous communities is in progress in six remote sites in the Northern Territory and Western Australia. This pilot program is being conducted in partnership with FaCSIA and community organisations such as Mission Australia (Katherine), Galiwinku Community Incorporated (Galiwinku), Geraldton Resource Centre (Geraldton), Kununurra Waringarri Aboriginal Corp (Kununnurra) and Centacare (Tennant Creek). Eighteen local staff have been appointed from within Indigenous communities to manage the program.

## *Integrating environmental and social considerations into our business practices*

- We have developed and implemented our Environmental Management System, which will be independently verified by September 2006. A range of initiatives has commenced to assist in reducing our overall footprint including specific work at key commercial sites and branches to improve energy and operational efficiencies.
- Our Sustainable Procurement Policy, Sustainable Clauses and the Sustainability Self-Assessment Tool have been integrated into the templates for all new tenders and new and existing contracts with key strategic suppliers.
- Following the pilot phase of ANZ's environmental and social issues screening process, full implementation has been agreed and initiated across our Institutional & Corporate lending activities. At 31 March 2006, 25% of Institutional divisions new transactions and annual reviews have been screened, along with a complete assessment of both Institutional and Corporate's lending portfolios.

## Summary of forecasts – Australia

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	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>GDP</b>	2.3	2.8	3.8
<b>Inflation</b>	2.6	3.0	2.9
<b>Unemployment</b>	5.0	5.4	5.2
<b>Cash rate</b>	5.5	5.5	5.75
<b>10 year bonds</b>	5.4	5.4	5.3
<b>\$A/\$US</b>	0.76	0.69	0.67
<b>Credit</b>	13.4	12.4	10.2
- <b>Housing</b>	13.3	12.6	11.3
- <b>Business</b>	13.8	13.1	9.1
- <b>Other</b>	12.8	8.2	7.6

*All Forecasts for Sept bank year*

## Summary of forecasts – New Zealand

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	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>GDP</b>	2.6	1.4	2.1
<b>Inflation</b>	3.4	2.9	2.6
<b>Unemployment</b>	3.7	3.9	4.3
<b>Cash rate</b>	6.75	7.00	5.50
<b>10 year bonds</b>	5.7	6.0	6.0
<b>\$NZ/\$US</b>	0.70	0.60	0.54
<b>Credit</b>	15.2	11.3	8.9
- <b>Housing</b>	16.1	12.3	9.0
- <b>Business (incl rural)</b>	18.3	9.7	9.0
- <b>Other (personal)</b>	7.5	7.0	7.2

*All Forecasts for Sept bank year*

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

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