

AUSTRALIA & NEW ZEALAND BANKING GROUP LTD
Form 6-K
June 29, 2007

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

PURSUANT TO RULE 13A-16 OR 15D-16 OF

THE SECURITIES EXCHANGE ACT OF 1934

27 June 2007

Australia and New Zealand Banking Group Limited

ACN 005 357 522

(Translation of registrant's name into English)

Level 6, 100 Queen Street Melbourne Victoria 3000 Australia

(Address of principal executive offices)

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

Form 20-F: X

Form 40-F O

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

Yes O

No X

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

This Form 6-K may contain certain forward-looking statements, including statements regarding (i) economic and financial forecasts, (ii) anticipated implementation of certain control systems and programs, (iii) the expected outcomes of legal proceedings and (iv) strategic priorities. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond our control and which may cause actual results to differ materially from those expressed in the forward-looking statement contained in these forward-looking statements. For example, these forward-looking statements may be affected by movements in exchange rates and interest rates, general economic conditions, our ability to acquire or develop necessary technology, our ability to attract and retain qualified personnel, government regulation, the competitive environment and political and regulatory policies. There can be no assurance that actual outcomes will not differ materially from the forward-looking statements contained in the Form 6-K.

Signatures

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

Australia and New Zealand Banking Group Limited
(Registrant)

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

Date: 29 June 2007

* Print the name and title of the signing officer under his signature.

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**

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED

ABN 11 005 357 522

CONSOLIDATED FINANCIAL REPORT

Half year ended 31 March 2007

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DEFINITIONS

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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 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

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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.

HIGHLIGHTS**ANZ 2007 Interim Profit \$2,102 million**

All figures compared to March 2006 half year unless otherwise indicated

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(1)	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*

Revenue growth of 9.1%* and continued frontline investment with 2,120 new FTEs

Result in Personal - revenue up 14.4%, profit up 21.6%

Institutional profit up 10.6%. Profit before provisions up 4.2%

Profit before provisions 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:

Revenue growth 9.1% (10.4% FX adjusted)

Cost-Income ratio 44.3% (down 1.5% from 45.8%, medium-term target 40%)

Provisioning rose but ended below expectations as a result of large recoveries late in the half

Adjusted Common Equity ratio middle of target range at 4.4%(2)

* Adjusted for non-core items (including significant items, ANZ National Bank incremental integration costs and AIFRS mark to market of certain hedge gains/losses). Refer page 13 for a detailed reconciliation of GAAP figures to non-GAAP cash figures. Refer pages 11 to 12 for a discussion of why management believe measures of cash profit provide useful information to investors regarding ANZ's financial condition and results of operations

(1) Refer page 23

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

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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	%
Profit attributable to shareholders of the Company	2,102	1,877	1,811	12	% 16	%

Cash profit

Profit has been adjusted to exclude the following non-core items to arrive at cash 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 %	
Profit attributable to shareholders of the Company	2,102	1,877	1,811	12	% 16	%
Less: Non-core items						
Significant items(1)						
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(2)	28	21	13	33	% large	
NZD revenue hedge mark to market volatility(2)	(3)			n/a	n/a	
ANZ National Bank incremental integration costs(3)			(26)	n/a	-100	%
Total non-core items	166	21	80	large	large	
Cash profit(4),(5)	1,936	1,856	1,731	4	% 12	%

(1) 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 11)

(2) 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 12)

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(3) 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

(4) Refer page 13 for a reconciliation of cash profit to net profit

(5) Refer pages 11 to 12 for a discussion of why management believes measures of cash profit provide useful information to investors regarding ANZ's financial condition and results of operations

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Analysis of Cash(1) 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	%
Cash(1) profit	1,936	1,856	1,731	4	% 12	%

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 %	
Earnings per ordinary share (cents)						
Basic	113.2	101.6	98.4	11	% 15	%
Diluted	110.0	98.5	95.5	12	% 15	%
Cash(1)(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 %	
Assets						
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	%
Total assets	351,724	334,640	322,181	5	% 9	%
Liabilities						
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	%
Total liabilities	330,814	314,734	303,385	5	% 9	%
Total shareholders equity	20,910	19,906	18,796	5	% 11	%

(1) Refer footnotes 1 to 5 on page 2

Financial ratios

	Half year Mar 07 \$M	Half year Sep 06 \$M	Half year Mar 06 \$M	
Profit attributable to shareholders of the Company	2,102	1,877	1,811	
Cash(1) profit	1,936	1,856	1,731	
EVATM (2)	1,119	1,069	1,013	
Profitability ratios				
Return on:				
Average ordinary shareholders' equity(3)	21.3	% 20.4	% 20.9	%
Average ordinary shareholders' equity(3) (cash(1) profit basis)	19.7	% 20.2	% 20.0	%
Average assets	1.21	% 1.13	% 1.15	%
Average assets (cash(1) profit basis)	1.11	% 1.11	% 1.10	%
Average risk weighted assets	1.73	% 1.59	% 1.60	%
Average risk weighted assets (cash(1) 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(1))	44.3	% 45.5	% 45.8	%
Operating expenses to average assets (cash(1))	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(4)	54.9	% 68.0	% 56.9	%
Cash(1) ordinary share dividend payout ratio(4)	59.6	% 68.8	% 59.6	%
Preference share dividend (cents)				
Dividend paid(5)	17	15	12	

(1) Refer footnotes 1 to 5 on page 2

(2) EVATM refers to Economic Value Added, a measure of shareholder value. See page 25 for a reconciliation of EVATM to reported net profit, a discussion of EVATM and an explanation of its relevance as a performance measure

(3) Average ordinary shareholders' equity excludes minority interest and preference share dividend

(4) Dividend payout ratio is calculated using the proposed interim dividend as at 31 March 2007, the 30 September 2006 and 31 March 2006 dividends

(5) Represents dividends paid on Euro Hybrid issued on 13 December 2004

	As at Mar 07	As at Sep 06	As at Mar 06	Movt Mar 07 v. Sep 06 %	Movt Mar 07 v. Mar 06 %	
Net Assets						
Net tangible assets(1) per ordinary share (\$)	9.01	8.53	7.99	6	% 13	%
Net tangible assets(1) 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	%
Capital adequacy ratio (%)						
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(2)	4.4	% 4.7	% 5.0	%		
Risk weighted assets EOP (\$M)	250,485	240,219	230,653			
Impaired assets						
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(3) (\$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(4)	1.7	% 1.9	% 2.2	% -11	% -23	%
Other information						
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	%

(1) Equals shareholders equity less preference share capital, minority interest and unamortised goodwill and other intangibles

(2) 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

(3) Excludes individual provision on unproductive facilities

(4) Includes minority interest

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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 %	
Profit after income tax(1)						
Personal	783	654	583	20	% 34	%
Institutional	778	722	691	8	% 13	%
New Zealand Businesses	418	339	325	23	% 29	%
Partnerships & Private Bank	103	91	79	13	% 30	%
Non-continuing businesses		22	31	-100	% -100	%
Group Centre	20	49	102	-59	% large	
Net profit	2,102	1,877	1,811	12	% 16	%

(1) Prior period numbers have been adjusted for organisational structure changes. Refer page 32 for an explanation of the changes

	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 %	
Profit after income tax(1)						
Personal	709	654	583	8	% 22	%
Institutional	750	701	678	7	% 11	%
New Zealand Businesses(2)	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	%
Cash profit(3)	1,936	1,856	1,731	4	% 12	%
Non-core items(3)	166	21	80	large	large	
Profit	2,102	1,877	1,811	12	% 16	%

(1) Prior period numbers have been adjusted for organisational structure changes. Refer page 32 for an explanation of the changes

(2) 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

(3) Refer footnotes 1 to 5 on page 2

	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 %	
Net loans and advances including acceptances by business unit(1)						
Personal	140,226	133,652	126,776	5	% 11	%
Institutional	73,308	71,436	69,474	3	% 6	%
New Zealand Businesses(2)	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	%
Net loans and advances including acceptances	281,822	269,384	255,745	5	% 10	%

(1) Prior period numbers have been adjusted for organisational structure changes. Refer page 32 for an explanation of the changes

(2) 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

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	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 %
Deposits and other borrowings by business unit(1)					
Personal	67,748	64,977	61,818	4	% 10
Institutional	76,094	69,239	65,381	10	% 16
New Zealand Businesses(2)	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
Deposits and other borrowings	210,585	204,794	196,850	3	% 7

(1) Prior period numbers have been adjusted for organisational structure changes. Refer page 32 for an explanation of the changes

(2) 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 %
Deposits and other borrowings by funding type					
Customer funding	170,450	158,905	145,602	7	% 17
Wholesale funding	40,135	45,889	51,248	-13	% -22
Deposits and other borrowings	210,585	204,794	196,850	3	% 7

CHIEF FINANCIAL OFFICER'S REVIEW**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(1) referred to on pages 11 to 12, Cash(1) 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 %
Profit attributable to shareholders of the Company	2,102	1,877	1,811	12	% 16
Less: Non-core items(1) (refer to page 13)	(166)	(21)	(80)	large	large
Cash profit(1),(2),(3)	1,936	1,856	1,731	4	% 12

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
Profit attributable to shareholders of the Company	2,102	1,877	1,811	12	% 16

Profit growth

Profit increased 16% to \$2,102 million. Revenue increased 13% 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 9% reflected ongoing investment in the business. Provision for credit impairment increased 7% with growth in Personal and New Zealand offset by high recoveries in Institutional.

In Australia, profit increased 18% 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 large recoveries during the March 2007 half.

Profit in New Zealand increased 19% (an increase of 24% 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, profit in Asia and Pacific increased 35% 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. 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.

(1) 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

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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 11)

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 12)

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

(2) Refer page 13 for a reconciliation of cash profit to net profit

(3) Refer pages 11 to 12 for a discussion of why management believes measures of cash profit provide useful information to investors regarding ANZ's financial condition and results of operations

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Cash(1) 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	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	%
Cash profit(1),(2),(3)	1,936	1,856	1,731	4	% 12	%

Cash profit growth

Cash profit increased 12% to \$1,936 million. Core(1) 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 increased 7% 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 large recoveries 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.

(1) Refer to footnotes 1 to 3 on page 2

(2) Refer page 13 for a reconciliation of cash profit to net profit

(3) Refer pages 11 to 12 for a discussion of why management believes measures of cash profit provide useful information to investors regarding ANZ's financial condition and results of operations

Profit drivers

Profit after tax increased 16% over the March 2006 half year and Cash(1) profit increased 12% over the March 2006 half year. For a discussion of the impact of non-core items refer pages 11 to 12. Key influences on profit are shown below.

Net interest \uparrow 7% - Adjusted for non-core items(1), (2) \uparrow 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 and other borrowings 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 \uparrow 26% - Adjusted for non-core items(1), (2) \uparrow 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 \uparrow 9% - Adjusted for non-core items(1), (2) \uparrow 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 \uparrow 7% - Adjusted for non-core items(1), (2) \uparrow 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's 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 \uparrow 19% - Adjusted for non-core items(1) \uparrow 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.

(1) Refer footnotes 1 to 3 on page 9

(2) Refer footnote 1 on page 9

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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(1) 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 6%, 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.

(1) Refer footnotes 1 to 3 on page 9

Non-core items

In order to calculate cash profit, 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. Cash profit is a key performance measure used by the investment community and ANZ's Australian peers.

Non-core items in the income statement

	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 %
Significant items					
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	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 %
Non-core items	166	21	80	large	large

• 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)

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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.

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- **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 non core items (tax on hedges \$12 million (Sep half 2006: \$10 million; Mar 2006 half: \$5 million)).

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

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.

	\$m
Net unrealised loss (balance sheet)	
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
Net unrealised loss 31 March 2007	(58)

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.

Reconciliation of net profit to cash profit

The following table reconciles AIFRS values with fully comparable AIFRS values adjusted to exclude non core items.

	Half year Mar 07 \$M	Half year Sep 06 \$M	Half year Mar 06 \$M
Net interest income (statutory basis)	3,611	3,575	3,368
Net interest income (cash basis)	3,611	3,575	3,368
Other operating income (statutory basis)	2,002	1,614	1,595
Settlement of NBNZ warranty claims(1)			(14)
Fair value hedge gains/losses(2)	(37)	(31)	(18)
Gain on sale of Esanda Fleetpartners(3)	(195)		
Other operating income (cash basis)	1,770	1,583	1,563
Operating income (statutory basis)	5,613	5,189	4,963
Total significant items income adjustments (net total identified above)	(232)	(31)	(32)
Operating income (cash basis)	5,381	5,158	4,931
Operating expenses (statutory basis)	(2,386)	(2,346)	(2,185)
NBNZ incremental integration costs(4)			39
Settlement of NHB insurance claim(5)			(113)
Operating expenses (cash basis)	(2,386)	(2,346)	(2,259)
Profit before credit impairment and income tax (statutory basis)	3,227	2,843	2,778
Total significant items adjustments (net total identified above)	(232)	(31)	(106)
Profit before credit impairment and income tax (cash basis)	2,995	2,812	2,672
Provision for credit impairment (statutory basis)	(240)	(183)	(224)
Provision for credit impairment (cash basis)	(240)	(183)	(224)
Profit before income tax (statutory basis)	2,987	2,660	2,554
Total significant items before income tax adjustments (net total identified above)	(232)	(31)	(106)
Profit before income tax (cash basis)	2,755	2,629	2,448
Income tax expense and minority interest (statutory basis)	(883)	(780)	(742)
Tax on significant items adjustments	66	10	26
Income tax expense and minority interest (cash basis)	(817)	(770)	(716)
Net profit (statutory basis)	2,102	1,877	1,811
Total non core items	(166)	(21)	(80)
Net profit (cash basis)	1,936	1,856	1,731

(1) Refer to page 11 Significant items (Settlement of ANZ National Bank claims)

(2) Refer to page 12 Ineffective hedge fair value gains

(3) Refer to page 11 Significant items (Sale of Esanda Fleetpartners)

(4) Refer to page 12 ANZ National Bank incremental integration costs

(5) Refer to page 11 Significant items (Settlement of NHB insurance claim)

(6) Refer to page 11 for a breakdown of total non core items

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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 \$24.4 billion (10%). Growth in net advances in Australia was attributable to: Personal (\$13.7 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 \$5.0 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 \$4.7 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 Deposit 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 (-2 basis points)

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).

Net Interest Income

- Competition (-7 basis points)

Competitive pressures reduced margins, mainly in Australian and New Zealand Mortgages (-2 basis points), Institutional lending (-2 basis points) and leasing businesses (-1 basis point). 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 (+1 basis point) 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).
- Benefits from customer prepayment behaviour in New Zealand (+1 basis point).

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- **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 (-2 basis points)

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).

- 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 (-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 (-6 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).
- Benefits from customer prepayment behaviour in New Zealand (+1 basis point).
- Other impacts include reduced effective yield fee income, increases in the proportion of retail broker payments, a decrease in the proportion of credit card balances earning interest and impacts from non-continuing businesses.

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	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 %	
Other operating income						
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	%
Core other operating income	1,770	1,583	1,563	12	% 13	%
Ineffective hedge fair value gains/losses(1)	41	31	18	32	% large	
NZD revenue hedge mark to market volatility	(4)		n/a	n/a	
Significant items(1)	195		14	n/a	large	
Total other income	2,002	1,614	1,595	24	% 26	%
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	
Total Markets income	397	344	352	15	% 13	%

(1) Refer footnote 1 on page 8. Refer pages 11 to 12 for a discussion of why management believes measures of cash profit provide useful information to investors regarding ANZ's financial condition and results of operations

• **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 11 to 12). 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 growth in account numbers as well as pricing initiatives 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 \$10 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.

- 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).
 - 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 11 to 12), 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).

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 %
Operating expenses					
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
Core operating expenses	2,386	2,346	2,259	2	% 6
Significant items - settlement of NHB insurance claim			(113)	n/a	-100
ANZ National Bank incremental integration costs(1)			39	n/a	-100
Total operating expenses	2,386	2,346	2,185	2	% 9
Total employees	33,183	32,256	31,063	3	% 7

(1) For March 2006 these costs are personnel costs of \$27 million, computer costs of \$7 million, and other costs of \$5 million. Refer pages 11 to 12 for a description of non-core items, including a discussion of why management believes measures of cash profit provide useful information to investors regarding ANZ's financial condition and results of operations

• **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 11 to 12). 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.

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- **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 (7%):
 - 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 September 2006 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

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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 \$M	Half year Sep 06 \$M	Half year Mar 06 \$M	Movt Mar 07 v. Sep 06 %	Movt Mar 07 v. Mar 06 %
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
Provision for credit impairment charge	240	183	224	31	% 7

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 net release due to provisions being lower than recoveries and particularly influenced by large recoveries 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 \$M	Half year Sep 06 \$M	Half year Mar 06 \$M	Movt Mar 07 v. Sep 06 %	Movt Mar 07 v. Mar 06 %
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
Individual provision charge	188	150	188	25	% 0

	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 %
New and increased provisions					
Personal	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
New and increased provisions	345	311	307	11	% 12

	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 %
Recoveries and writebacks					
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
Recoveries and writebacks	(157)	(161)	(119)	-2	% 32

Collective provision charge

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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(1)	(36)	(45)	(32)	-20	% 13	%
Non-continuing business		(3)	(5)	-100	% -100	%
Collective provision charge	52	33	36	58	% 44	%

(1) 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 %	
Collective provision charge						
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	
Collective provision charge	52	33	36	58	% 44	%

Expected loss

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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.

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	% of Group Net Advances	Half year Mar 07	Half year Sep 06	Half year Mar 06	
Expected loss by segment(1)					
Personal	49	% 0.29	% 0.28	% 0.26	%
Institutional	26	% 0.32	% 0.31	% 0.30	%
New Zealand Businesses	24	% 0.17	% 0.16	% 0.18	%
Partnerships & Private Bank	1	% 2.33	% 2.68	% 1.65	%
Non-continuing businesses	<1	% 0.36	% 0.34	% 0.43	%
Total	100	% 0.28	% 0.27	% 0.26	%
Expected loss (\$million)		388	357	334	

(1) *Expected loss = Annualised expected loss divided by average net lending assets*

Gross non-performing loans

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Gross non-performing loans decreased to \$640 million, down \$86 million from 31 March 2006 and down \$21 million from 30 September 2006. Institutional has primarily driven the decrease in both halves due to low levels of downgrades and strong asset realisation and repayments since September 2006. Partially offsetting this was Personal driven by slightly higher Mortgage defaults.

	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 %	
Gross non-performing loans						
Personal	180	138	126	30	% 43	%
Institutional	357	408	441	-13	% -19	%
New Zealand Businesses	96	99	138	-3	% -30	%
Partnerships & Private Bank	7	7	5	0	% 40	%
Non-continuing businesses		9	16	-100	% -100	%
Total gross non-performing loans	640	661	726	-3	% -12	%

Net non-performing loans

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Net non-performing loans are \$365 million (Sep 2006: \$382 million; Mar 2006: \$421 million) representing 1.7% of shareholders' equity as at 31 March 2007 (Sep 2006: 1.9%; Mar 2006: 2.2%). The Group has an individual provision coverage ratio of 43%.

	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 %
Net non-performing loans					
Personal	81	61	55	33	% 47
Institutional	229	266	279	-14	% -18
New Zealand Businesses	55	53	78	4	% -29
Non-continuing businesses		2	9	-100	% -100
Total net non-performing loans	365	382	421	-4	% -13
Individual provision coverage	43	% 42	% 42	%	

	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 %
Net unproductive facilities					
Personal	3	3	4	0	% -25
Institutional	75	20	55	large	36
New Zealand Businesses	4	7	6	-43	% -33
Total net unproductive facilities	82	30	65	large	26

Income Tax Expense

	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 %
Income tax expense charged in the income statement	883	780	742	13	% 19
Effective tax rate	29.6	% 29.3	% 29.1	%	
Income tax expense on cash profit(1)	817	770	716	6	% 14
Effective tax rate (cash profit(1))	29.7	% 29.3	% 29.2	%	

(1) Refer footnote 1 on page 8. Refer pages 11 to 12 for a discussion of why management believes measures of cash profit provide useful information to investors regarding ANZ's financial condition and results of operations

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

The Group's income tax expense increased by \$141 million to \$883 million resulting in an effective tax rate of 29.6%, up 0.5% from the March 2006 half year. This movement results mainly from the continued run-off of certain structured finance transactions, the non-taxable settlement of the ANZ National Bank warranty claim which was included in the March 2006 half year and withholding tax payable on future remittances of present profits from offshore operations. These were offset by the non-assessable gain on the sale of MasterCard shares and Fleetpartners in New Zealand.

Adjusted for non-core items, the Group's income tax expense increased by \$101 million to \$817 million resulting in an effective tax rate of 29.7%, an increase of 0.5%, as described above.

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

The Group's income tax expense increased by \$103 million to \$883 million, a rise of 0.3% in the effective tax rate. This is due mainly to the continued run-off of certain structured finance transactions, higher earnings in higher tax rate jurisdictions in the March 2007 half and favourable prior period adjustments included in the September 2006 half. These were offset by the non-assessable gain on the sale of Fleetpartners in New Zealand.

Adjusted for non-core items, the group's income tax expense increased by \$47 million to \$817 million resulting in an effective tax rate of 29.7%, up 0.4%, as described above.

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 %
Earnings per share(1) (cents)					
Basic	113.2	101.6	98.4	11	% 15
Diluted	110.0	98.5	95.5	12	% 15
Cash earnings per share					
Profit attributable to shareholders of the Company (\$M)	2,102	1,877	1,811	12	% 16
Less: non-core items included in profit after tax(2) (\$M)	(166)	(21)	(80)	large	large
Cash Profit (\$M)(4)	1,936	1,856	1,731	4	% 12
Preference share dividend(3) (\$M)	(17)	(15)	(12)	13	% 42
Earnings adjusted for non-core items (\$M)	1,919	1,841	1,719	4	% 12
Weighted average number of ordinary shares (M)	1,841.6	1,832.2	1,828.4	1	% 1
Cash earnings per share (cents)	104.2	100.5	94.0	4	% 11

(1) Refer page 79 for full calculation

(2) Refer pages 11 to 12

(3) The EPS calculation excludes the Euro Hybrid preference shares

(4) Refer page 13 for a reconciliation of cash profit to net profit. Refer pages 11 to 12 for a discussion of why management believes measures of cash profit provides useful information to investors regarding ANZ's financial condition and results of operations

Earnings per share increased 15.0% (14.8 cents) to 113.2 cents on the March 2006 half. Cash EPS for the Group increased 10.9% or 10.2 cents on the March 2006 half. The main drivers of the increase in Cash EPS on the March 2006 half are:

- Growth in continuing business profit before credit impairment (after tax), which contributed 13.9%.
- Partly offset by an after tax increase in the continuing businesses credit impairment charge (0.4%), run-off of non-continuing businesses (1.8%) and dilution from an increase in the weighted average number of shares (0.8%).

Earnings per share increased 11.4% (11.6 cents) on the September 2006 half. Cash EPS for the Group increased 3.7% or 3.7 cents on the September 2006 half. The main drivers of the increase in Cash EPS on the September 2006 half are:

- Growth in continuing business profit before credit impairment (after tax) and preference shares, which contributed 7.0%.
- Partly offset by an after tax increase in the continuing businesses credit impairment charge (1.6%), run-off of non-continuing businesses (1.2%) and dilution from an increase in the weighted average number of shares (0.5%).

Dividends

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	Half year Mar 07	Half year Sep 06	Half year Mar 06	Movt Mar 07 v. Sep 06 %	Movt Mar 07 v. Mar 06 %	
Dividend per ordinary share (cents)						
Interim (fully franked)	62	n/a	56	n/a	11	%
Final (fully franked)	n/a	69	n/a	n/a	n/a	
Ordinary share dividend payout ratio (%)						
Profit after tax (\$M)	2,102	1,877	1,811	12	16	%
Non-core items(1)(\$M)	(166)	(21)	(80)	large	large	
Cash(1) profit (\$M)(2)	1,936	1,856	1,731	4	12	%
Dividend payout ratio of cash(1) profit (%)	59.6	% 68.8	% 59.6	%		

(1) Refer footnotes 1 to 3 on page 2

(2) Refer page 13 for a reconciliation of cash profit to net profit. Refer pages 11 to 12 for a discussion of why management believes measures of cash profit provides useful information to investors regarding ANZ's financial condition and results of operations

The Directors propose that an interim dividend of 62 cents be paid on each eligible ordinary share, up 6 cents (11%) on the 2006 interim dividend and broadly in line with the growth in Cash EPS (adjusted for non-core items). The proposed interim dividend will be fully franked for Australian tax purposes.

The Group has a dividend reinvestment plan (DRP) and a bonus option plan (BOP). Recent changes to the terms and conditions of the DRP and BOP, notified to shareholders, removed the participating cap in respect of both plans and allowed ANZ the discretion to either issue new shares or purchase existing shares in order to satisfy its obligation to provide shares under the DRP; shares provided under the BOP will continue to be satisfied through the issue of new shares. In respect of the 2007 interim dividend, ANZ intends to provide shares under the DRP through the issue of new shares. Election notices from shareholders wanting to commence participation in the DRP or BOP for the 2007 interim dividend or to vary their current participation election, must be completed and returned to ANZ's Share Registrar by 5.00 pm (Melbourne time) on the record date, namely 18 May 2007. It is proposed that the interim dividend will be paid on 2 July 2007. Subject to receiving effective contrary instructions from the shareholder, dividends payable to shareholders with a registered address in Great Britain (including the Channel Islands and the Isle of Man) or New Zealand will be converted to their local currency at ANZ's daily forward exchange rate at the close of business on 30 May 2007 for value on the payment date.

The Group expects current timing differences will generate future Australian franking credits and therefore the Group expects it will be able to maintain full franking for the foreseeable future.

EVATM Reconciliation

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One measure of shareholder value is EVATM (Economic Value Added) growth relative to prior periods. EVATM for the half year ended 31 March 2007 at \$1,119 million, an increase of \$106 million on the March 2006 half and \$50 million on the September 2006 half.

	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 %
EVATM					
Profit after tax	2,102	1,877	1,811	12	% 16
Non-core items(1)	(166)	(21)	(80)	large	large
Cash Profit(2)	1,936	1,856	1,731	4	% 12
Credit cost adjustment	(103)	(120)	(74)	-14	% 39
Economic profit	1,833	1,736	1,657	6	% 11
Imputation credits	378	351	313	8	% 21
Adjusted economic profit	2,211	2,087	1,970	6	% 12
Cost of ordinary capital	(1,075)	(1,003)	(945)	7	% 14
Cost of preference share capital	(17)	(15)	(12)	13	% 42
EVATM	1,119	1,069	1,013	5	% 10

(1) Refer footnotes 1 to 3 on page 2

(2) Refer page 13 for a reconciliation of cash profit to net profit. Refer pages 11 to 12 for a discussion of why management believes measures of cash profit provides useful information to investors regarding ANZ's financial condition and results of operations

EVATM is a measure of risk adjusted accounting profit used for evaluating business unit performance and is a factor in determining the variable component of remuneration packages. It is based on net profit after tax, adjusted for non-core items, credit costs, the cost of capital, and imputation credits (measured at 70% of Australian tax). Of these, the major component is the cost of capital, which is calculated on the risk adjusted or economic capital at a rate of 11%. At the Group level, total capital is used so the cost of capital reflects the full resources provided by shareholders. The credit cost adjustment replaces the credit impairment charge with expected losses after tax at the rate applicable in the relevant geography. At ANZ, economic capital is equity allocated according to a business unit's inherent risk profile. It is allocated for several categories including: credit risk, operating risk, interest rate risk, basis risk, mismatch risk, investment risk, trading risk deferred acquisition costs risk and other risk. The methodology used to allocate capital to business units for risk is designed to help drive appropriate risk management and business strategies.

Market Risk

Below are aggregate Value at Risk (VaR) exposures at 97.5% and 99% confidence levels covering both physical and derivatives trading positions for the Bank's principal trading centres. Figures are converted from USD at closing exchange rates.

97.5% confidence level 1 day holding period

	As at Mar 07 \$M	High for period Mar 07 \$M	Low for period Mar 07 \$M	Ave for period Mar 07 \$M	As at Sep 06 \$M	High for period Sep 06 \$M	Low for period Sep 06 \$M	Ave for period Sep 06 \$M
Value at risk at 97.5% confidence								
Foreign exchange	0.5	1.3	0.2	0.6	0.5	1.6	0.3	0.7
Interest rate	3.2	4.9	1.3	2.3	1.7	3.2	0.8	1.8
Credit Spread	1.6	1.7	0.7	1.1	1.1	1.7	0.7	1.1
Diversification benefit	(1.9)	n/a	n/a	(1.5)	(1.4)	n/a	n/a	(1.5)
Total VaR	3.4	4.4	1.4	2.5	1.9	3.6	0.9	2.1

99% confidence level 1 day holding period

	As at Mar 07 \$M	High for period Mar 07 \$M	Low for period Mar 07 \$M	Ave for period Mar 07 \$M	As at Sep 06 \$M	High for period Sep 06 \$M	Low for period Sep 06 \$M	Ave for period Sep 06 \$M
Value at risk at 99% confidence								
Foreign exchange	0.7	1.7	0.3	0.7	0.7	2.0	0.3	0.8
Interest rate	3.6	6.2	1.7	3.1	2.0	4.4	1.3	2.4
Credit Spread	2.8	2.9	1.1	2.1	2.8	3.6	1.1	2.3
Diversification benefit	(2.3)	n/a	n/a	(2.5)	(2.9)	n/a	n/a	(2.6)
Total VaR	4.8	6.7	1.7	3.4	2.6	4.9	1.2	2.9

Revenue related hedges

The Group has used derivative instruments to hedge against the adverse impact on future offshore revenue streams from exchange rate movements. Movements in average exchange rates, net of associated revenue hedges, resulted in a decrease of \$21 million in the Group's profit after tax for March 2007 half when comparing to the March 2006 half (Sep 2006 half: decrease \$15 million). This included the impact on earnings (cash basis) from associated revenue hedges, which increased by \$2 million (before tax) from March 2006 half (Sep 2006 half: decrease \$50 million). Hedge revenue is booked in the Group Centre.

From 1 October 2006, new AIFRS rules do not permit economic hedging of offshore revenue streams to be accounted for in the same manner as that permitted under first year AIFRS transitional rules or AGAAP. As a consequence, from 1 October 2006 revenue hedges of the Group's offshore revenue streams are marked to market through the income statement. In addition, AIFRS requires that realised and unrealised positions on revenue hedges at 1 October 2006 be taken directly to retained earnings. This resulted in a realised gain of \$141 million being transferred to retained earnings at 1 October 2006.

The most significant offshore revenue stream is derived from the New Zealand geography (refer page 56) and the debt component of New Zealand Dollar intra-group funding of this business, which amounted to NZD1.77 billion at 31 March 2007. Details of revenue hedges are set out below.

	Half year Mar 07 \$M	Half year Sep 06 \$M	Half year Mar 06 \$M
NZD Economic hedges			
Net open NZD position (notional principal)	869		2,486
Amount taken to income (pre tax)	(6)	49	(3)
Amount taken to income (pre tax cash basis)	(1)	49	(3)

Revenue related hedges

At 30 September 2006 the Group had NZD1.55 billion of capital hedges with the accumulated unrealised losses of approximately \$23 million (net of tax) which had been taken to the Foreign Currency Translation Reserve. During the March 2007 half, these capital hedges were no longer designated as capital hedges and were marked to market through the income statement as a partial economic hedge of the expected 2007 NZD earnings. In the March 2007 half:

- NZD780 million of economic hedges were matured and a realised loss of \$1.4 million (pre-tax) was booked to the income statement.
- NZD220 million of economic hedges for 2008 were taken out at a spot rate of approximately NZD1.12/AUD.
- An unrealised loss of \$4.6 million (pre-tax) on the outstanding NZD1.0 billion of economic hedges was booked to the income statement as a non-core item as these are viewed by management as hedges of NZ revenue in the second half of 2007 and 2008.

Approximately 90% of the anticipated September 2007 half NZD revenue streams (including inter-group funding) have been hedged at an effective all-in rate of NZD1.145/AUD.

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Balance Sheet

Total assets increased by \$29.5 billion (9%) since 31 March 2006 to \$351.7 billion. Exchange rate movements accounted for a net increase of \$1.1 billion, consisting of an increase of \$2.8 billion in New Zealand partly offset by a reduction of \$1.7 billion in Overseas Markets. Excluding the impact of exchange rate movements, total assets increased \$21.7 billion (10%) in Australia, \$5.1 billion (6%) in New Zealand and \$1.6 billion (8%) in Overseas Markets.

The explanations in the table below describe movements in the major asset classes.

Liquid assets $\uparrow 11\%$ (Excl Exchange Rates $\uparrow 13\%$)

Liquid assets increased by \$1.6 billion to \$15.4 billion at 31 March 2007. Australia increased \$2.2 billion from customer-related repurchase agreement activity in Institutional offset by lower holdings of liquid assets in Group Treasury. New Zealand increased \$0.8 billion primarily from higher liquidity. Overseas Markets decreased by \$1.4 billion due to a switch from bank certificates of deposits to available for sale assets in the United Kingdom and the United States.

Due from other financial institutions $\downarrow 23\%$ (Excl Exchange Rates $\downarrow 21\%$)

Due from other financial institutions decreased by \$1.9 billion to \$6.4 billion at 31 March 2007 due mainly to a reduction in interbank lending volumes in New Zealand and America.

Trading securities $\uparrow 64\%$ (Excl Exchange Rates $\uparrow 63\%$)

Trading securities volumes increased \$5.5 billion to \$14.3 billion at 31 March 2007 primarily in Institutional in Australia reflecting a strategic decision to increase participation in the Debt Capital Markets to support customer issuance and investment needs.

Derivatives $\uparrow 7\%$ (Excl Exchange Rates $\uparrow 7\%$)

Derivative assets increased \$0.8 billion to \$12.3 billion at 31 March 2007 driven principally by the significant appreciation of the AUD against all major currencies throughout the half together with increased trading activities.

Available-for-sale assets $\downarrow 26\%$ (Excl Exchange Rates $\downarrow 25\%$)

Available-for-sale asset volumes decreased \$3.5 billion to \$9.8 billion at 31 March 2007 due to the de-consolidation of two Special Purpose Vehicles at September 2006 and the sale/closure of customer facilities within Debt Products Group, Institutional.

Net loans and advances $\uparrow 11\%$ (Excl Exchange Rates $\uparrow 10\%$)

Net loans and advances increased \$25.8 billion to \$267.8 billion at 31 March 2007. Excluding the impact of exchange rate movement, the increase was \$24.2 billion (10%).

Growth in Australia was \$16.8 billion or 10%:

- Personal (\$12.6 billion or 10%) with \$10.1 billion as a result of growth in housing loans from Mortgages. Consumer Finance increased \$0.9 billion, reflecting the success of the Low Rate MasterCard product.
- Institutional Australia (\$4.2 billion or 10%) largely in Debt Products Group, with growth of \$2.8 billion driven by increased demand for funding of mergers and acquisition activity. Business Banking increased \$1.3 billion (10%).

New Zealand grew by \$9.1 billion (14%). After excluding the impact of exchange rates, growth was \$6.9 billion, or 11%, with increases in ANZ Retail Banking (\$2.2 billion or 15%), The National Bank Retail (\$2.5 billion or 11%), Corporate & Commercial Banking NZ (\$1.7 billion or 17%), and Rural Banking (\$1.4 billion or 13%) offset by a decrease in NZ Institutional (0.7 billion or 10%).

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Overseas Markets decreased by \$0.1 billion (-2%). After excluding the impact of exchange rates, growth was \$0.5 billion (6%) primarily from an increase in Asia of \$0.3 billion and an increase in Pacific of \$0.3 billion.

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Total liabilities increased by \$27.4 billion (9%) from 31 March 2006. Exchange rate movements accounted for a net decrease of \$0.4 billion consisting of a \$2.3 billion increase in New Zealand offset by a reduction of \$2.7 billion in Overseas Markets.

The explanations in the table below describe movements in the major liability classes.

Due to other financial institutions $\tilde{n}11\%$ (Excl Exchange Rates $\tilde{n}14\%$)

Due to other financial institutions increased by \$1.5 billion to \$14.9 billion at 31 March 2007. Volumes in Australia increased \$2.6 billion principally in the Markets business in Institutional with increased interbank repurchase agreement activity partly offset by decreases in New Zealand and International Markets.

Deposits and other borrowings $\tilde{n}7\%$ (Excl Exchange Rates $\tilde{n}7\%$)

Deposits and other borrowings increased \$13.7 billion to \$210.6 billion at March 2007. Excluding the impact of exchange rate movement, the increase was \$14.2 billion (7%).

Australia increased \$16.9 billion (14%) largely as a result of increases in the following businesses:

- Institutional increased \$8.3 billion (21%) with increased deposits in Working Capital (\$8.0 billion) following the Collateralised Loan Obligation issuance in September 2006 and growth in current accounts, Business Banking (\$1.5 billion) and Markets (\$1.2 billion) partly offset by a reduction in Corporate & Structured Financing (\$2.3 billion).
- Personal increased \$5.6 billion (10%) due mainly to the growth in cash management account products and term deposit balances in Banking Products (\$4.6 billion), Regional, Rural and Small Business Banking (\$0.9 billion) and Mortgages (\$0.5 billion), partly offset by a reduction in deposits in Esanda (\$0.5 billion).
- Treasury increased \$3.0 billion largely due to an increased requirement for short term domestic funding.

New Zealand increased \$4.5 billion (9%). After excluding the impact of exchange rates, growth was \$2.7 billion (5%) with increases largely in ANZ Retail Banking (\$1.1 billion), The National Bank Retail (\$1.2 billion), Institutional (\$1.7 billion) and Private Banking (\$0.5 billion), offset by a reduction in Treasury (\$2.1 billion).

Overseas Markets decreased by \$7.7 billion (-31%). After excluding the impact of exchange rates, the decline was \$5.5 billion (-24%), largely due to decreased certificates of deposits in Europe and North America (\$8.0 billion), partially offset by an increase in Asia (\$2.1 billion) and Pacific (\$0.5 billion).

Derivatives $\tilde{n}35\%$ (Excl Exchange Rates $\tilde{n}35\%$)

Derivative liabilities increased \$3.5 billion to \$13.6 billion at 31 March 2007. The increase is driven by the significant appreciation of the AUD against all major currencies throughout the half together with increased trading activities.

Payables and other liabilities $\tilde{n}5\%$ (Excl Exchange Rates $\tilde{n}6\%$)

Payables and other liabilities increased \$0.5 billion to \$10.2 billion at 31 March 2007 primarily due to an increase in trade dated liabilities in Treasury.

Bonds and Notes $\tilde{n}15\%$ (Excl Exchange Rates $\tilde{n}15\%$)

Bonds and notes increased \$7.3 billion to \$54.2 billion at 31 March 2007. Excluding exchange rate movements, bonds and notes increased by \$5.1 billion (14%) in Australia and \$1.8 billion (20%) in New Zealand in response to increased term funding requirements.

Total liabilities increased by \$27.4 billion (9%) from 31 March 2006. Exchange rate movements accounted for a net decrease of \$0.4 billion.

Loan Capital ñ6% (Excl Exchange Rates ñ6%)

Loan capital increased \$0.7 billion to \$11.8 billion at 31 March 2007 in response to term funding requirements.

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Total liabilities increased by \$27.4 billion (9%) from 31 March 2006. Exchange rate movements accounted 64 for a ne

Capital Management

	As at Mar 07	As at Sep 06	As at Mar 06	
Tier 1	6.7	% 6.8	% 6.8	%
Tier 2	4.3	% 4.2	% 4.0	%
Deductions	(0.7))(% (0.4))(% (0.4))(%)
Total	10.3	% 10.6	% 10.4	%
ACE	4.7	% 5.0	% 5.0	%
Transitional Tier 1 Capital Relief	(0.3))(% (0.3))(% 0)(%)
Adjusted ACE	4.4	% 4.7	% 5.0	%
Target ACE	4.0%-4.75	% 4.0%-4.75	% 4.5%-5.0	%
RWA \$m	250,485	240,219	230,653	

ACE Ratio

The ACE ratio at 4.4% remains within the Group's targeted capital range of 4.00% to 4.75%. During the half, the ACE ratio declined 26 basis points principally due to:

- net profit, excluding non-core items and after preference share dividends, of \$1.9 billion (+80 basis points);
- ordinary share dividend commitments, net of expected reinvestment through the BOP and DRP Plans, of \$1.0 billion (-43 basis points);
- increase in risk weighted assets, excluding the impact of exchange rate movements and sale of Esanda Fleetpartners (-24 basis points);
- increase in investment/profit retention in funds management businesses, associates and commercial operations (-8 basis points);
- business investments and disposal (-50 basis points) including deductions for contingent offers and commitments as required by APRA to purchase interests in AMMB Holdings Berhad (-35 basis points), Shanghai Rural Commercial Bank (-13 basis points), ETRADE Australia Limited (-9 basis points) and smaller Asian and Pacific banks (-2 basis points) offset by the disposal of Esanda Fleetpartners (+9 basis points);
- policy and regulatory changes (+19 basis points) including first time accrual of the BOP and DRP Plans (+5 basis points); AIFRS (AASB 2005-1) requirement to recognise in retained earnings at 1 October 2006 a \$141 million unbooked gain on New Zealand revenue hedges (+6 basis points), refer note 1(i) page 68; netting of New Zealand deferred tax assets against deferred tax liabilities following our obtaining the verification letters required under the prudential standards (+8 basis points); and
- other items net to zero and include the impact of exchange rate movements; movement in capitalised expenses, deferred fee income, capitalised software, other non-core items and share issuances to staff and option conversions.

Prudential issues - APRA changes to prudential standards covering AIFRS impacts and Tier 1 hybrid capital

APRA changes to prudential standards, APS 110: Capital Adequacy and APS 111: Capital Adequacy: Measurement of Capital became effective on 1 July 2006. Transitional rules mean that some changes are not fully effective until January 2008 and potentially January 2010.

AIFRS and capital deductions**Capital Management**

Changes to the prudential standards impacted the Group's capital base in the following ways:

- The Group's Tier 1 capital base was reduced by \$716 million at 1 July 2006 due to new or higher deductions for such items as capitalised software, net deferred tax assets, hedge accounting ineffectiveness and defined pension plan deficits, offset by a small release in the collective provision for loan losses. APRA now requires verification letters from the Group's auditors and tax advisors before netting of deferred tax assets and liabilities is permitted in individual offshore jurisdictions and as such ANZ has taken a Tier 1 deduction for net deferred tax assets from July 2006. ANZ has subsequently obtained the requisite verification letter for ANZ Holdings (New Zealand) Limited and now nets deferred tax assets and liabilities for New Zealand.
- The Group's upper Tier 2 capital base was reduced by \$17 million at 1 July 2006 due to the release of the collective provision for loan losses, offset by an allowance for the recognition of post acquisition earnings and movement in reserves for associates.
- APRA introduced transitional rules to January 2008, whereby the Group can add back to its capital base the adverse impact of adopting the new prudential standards on 1 July 2006. The Group has taken Tier 1 and Upper Tier 2 transitional relief of \$716 million and \$17 million respectively. These amounts are fixed for the period to January 2008.

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Hybrid Capital and Tier 1 Capital

The Group raises hybrid capital to further strengthen the Group's capital base and ensure compliance with APRA's prudential capital requirements.

There was no issuance of new hybrid capital during the half and, as at 31 March 2007, the Group had three Innovative hybrid Tier 1 capital instruments outstanding.

At 31 March 2007, ANZ has an Innovative hybrid usage rate of 19.2% (nil for Non-innovative), which is above the limit applicable from 1 January 2008 and as such expects to apply for the transitional relief contemplated in the prudential standard.

Innovative Hybrid Capital details

	ANZ StEPS	US Stapled Trust Security	Euro Hybrid
Amount (in issue currency)	\$1,000 million	USD1,100 million	500 million
Accounting classification	Debt (post AIFRS)	Debt	Equity
Regulatory (APRA) classification	Tier 1	Tier 1	Tier 1
March 2007 balance (A\$)	\$1,000 million	\$1,362 million	\$871 million
Interest rate	BBSW +1.00%	Tranche 1 (US\$350m) Coupon: 4.48% Tranche 2 (US\$750m) Coupon: 5.36%	Euribor +0.66%

Deferred acquisition costs and deferred income

The Group recognises assets that represent deferred acquisition costs relating to the acquisition of interest earning assets, and liabilities that represent deferred income relating to income received in advance of services performed.

Deferred acquisition costs

At 31 March 2007 the Group's assets included \$575 million (Sep 2006: \$569 million; Mar 2006: \$549 million) in relation to costs incurred in acquiring interest earning assets. During the half year, amortisation of \$155 million (Sep 2006 half: \$155 million; Mar 2006 half: \$138 million) was recognised as an adjustment to the yield earned on interest earning assets.

Deferred income

At 31 March 2007, the Group had deferred income of \$370 million (Sep 2006: \$406 million; Mar 2006: \$426 million) in relation to income received in advance. At 31 March 2007, this includes \$4 million (Sep 2006: \$3 million; Mar 2006: \$5 million) deferred service type fees. These fees are deferred and will be amortised over the period of service under AASB 118: Revenue.

At 31 March 2007, fee income of \$314 million (Sep 2006: \$343 million; Mar 2006: \$364 million) that is integral to the yield of an originated financial instrument, net of any direct incremental costs, has been capitalised. This income is deferred and recognised as net interest income over the expected life of the financial instrument under AASB 139: Financial Instruments: Recognition and Measurement. At 31 March 2007, the Group's liabilities included other deferred income of \$52 million (Sep 2006: \$60 million; Mar 2006: \$57 million).

The balances of deferred acquisition costs and deferred income at period end were:

	Deferred Acquisition Costs(1)			Deferred Income		
	Mar 07	Sep 06	Mar 06	Mar 07	Sep 06	Mar 06
	\$M	\$M	\$M	\$M	\$M	\$M
Personal(2)	444	440	447	138	149	143
Institutional	12	21	10	189	212	240
New Zealand Businesses	95	80	67	42	42	39
Other(3)	24	28	25	1	3	4
Total	575	569	549	370	406	426

(1) Deferred acquisition costs largely include the amounts of brokerage capitalised and amortised in the Business segments: Personal and New Zealand Businesses. Deferred acquisition costs also include capitalised debt raising expenses

(2) Includes deferred acquisition costs of \$292 million for Esanda (Sep 2006: \$289 million; Mar 2006: \$294 million) and deferred income of \$49 million for Esanda (Sep 2006: \$50 million; Mar 2006: \$52 million)

(3) Includes Group Centre and Partnerships & Private Bank

Deferred acquisition costs analysis:

	March 2007	Capitalised Costs(1)	September 2006	Capitalised Costs(1)
	Amortisation Costs		Amortisation Costs	
	\$M	\$M	\$M	\$M
Personal(2)	130	134	137	131
Institutional(3)	3	(6)		12
New Zealand Businesses	18	33	18	26
Other(4)	4			1
Total	155	161	155	170

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- (1) Costs capitalised during the year exclude brokerage trailer commissions paid
- (2) Comprises amortised costs of \$91 million for Esanda (Sep 2006: \$88 million) and capitalised costs of \$94 million for Esanda (Sep 2006: \$94 million)
- (3) Includes reversal of break costs on Stadium acquisition
- (4) Includes Group Centre and Partnerships & Private Bank

Software capitalisation

At 31 March 2007, the Group's intangibles included \$425 million in relation to costs incurred in acquiring and developing software. Details are set out in the table 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 %	
Balance at start of period	397	390	386	2	%	3
Software capitalised during the period	90	75	62	20	%	45
Amortisation during the period	(58)	(57)	(57)	2	%	2
Software written-off	(4)	(9)	(1)	-56	%	large
Other		(2)		-100	%	n/a
Total software capitalisation	425	397	390	7	%	9

BUSINESS PERFORMANCE REVIEW

Income Statement (including effect of movements in foreign currencies)

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	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 %
Profit after income tax					
Personal	709	654	583	8	% 22
Institutional	750	701	678	7	% 11
New Zealand Businesses	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
Cash profit	1,936	1,856	1,731	4	% 12
Non-core items(1)	166	21	80	large	large
Profit(3)	2,102	1,877	1,811	12	% 16

Income Statement (prior period figures adjusted to remove the impact of exchange rate movements(2))

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	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 %
Profit after income tax					
Personal	709	654	582	8	% 22
Institutional	750	705	670	6	% 12
New Zealand Businesses	351	355	324	-1	% 8
Partnerships & Private Bank	103	91	79	13	% 30
Non-continuing businesses		22	31	-100	% -100
Group Centre	23	14	23	64	% 0
Cash profit(3)	1,936	1,841	1,709	5	% 13
Non-core items(1)	166	21	81	large	large
Profit	2,102	1,862	1,790	13	% 17
FX impact on reported profit(2)		15	21	-100	% -100
Reported profit	2,102	1,877	1,811	12	% 16

The Group from time to time modifies the organisation of its businesses to facilitate delivery of the strategic agenda. Prior period numbers are adjusted for such changes to allow comparability. Changes since 30 September 2006 have been:

- **Institutional:** Within the Institutional division there have been a number of changes impacting all units including a review of customer segmentation between businesses. Business Banking now includes certain customers that were previously reported in Corporate Banking. Corporate Banking moved to a product neutral model with lending and deposit products booked in Working Capital, structured products reported in Corporate & Structured Financing and vanilla hire purchase and leasing products booked in Esanda. Costs for Corporate Banking are included in the Relationship & Infrastructure unit. Markets includes the New Zealand interest rate risk management activities previously reported in New Zealand Businesses. Debt & Transaction Services has been renamed Working Capital.
- **Personal:** Prior period results for Esanda Fleetpartners in Australia have been transferred to Non-continuing businesses. In addition, the asset finance activities from Institutional have been added to the division.
- **New Zealand:** Prior period results for Esanda Fleetpartners have been transferred to Non-continuing businesses. In addition, the interest rate risk management activities are now included in Institutional.
- There were also a number of minor restatements as a result of customer segmentation, changes to internal transfer pricing methodologies and the realignment of support functions.

(1) Refer to footnotes 1 to 3 on page 2

(2) ANZ has removed the impact of exchange rate movements to provide readers with a better indication of the business unit performance in local currency terms. Retranslation is net of revenue hedge earnings

(3) Refer page 13 for a reconciliation of cash profit to net profit. Refer pages 11 to 12 for a discussion of why management believes measures of cash profit provides useful information to investors regarding ANZ's financial condition and results of operations

Personal

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Brian Hartzler

	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	1,609	1,560	1,453	3	% 11	%
Other external operating income	664	630	534	5	% 24	%
Operating income	2,273	2,190	1,987	4	% 14	%
External operating expenses	(906)	(923)	(843)	-2	% 7	%
Net inter business unit expenses	(162)	(161)	(151)	1	% 7	%
Operating expenses	(1,068)	(1,084)	(994)	-1	% 7	%
Profit before credit impairment and income tax	1,205	1,106	993	9	% 21	%
Provision for credit impairment	(192)	(173)	(163)	11	% 18	%
Profit before income tax	1,013	933	830	9	% 22	%
Income tax expense and minority interest	(304)	(279)	(247)	9	% 23	%
Profit	709	654	583	8	% 22	%
Consisting of:						
Mortgages	191	190	178	1	% 7	%
Banking Products	182	168	149	8	% 22	%
Consumer Finance	146	132	105	11	% 39	%
Regional, Rural and Small Business Banking(1)	81	79	73	3	% 11	%
Esanda	61	51	45	20	% 36	%
Pacific	36	35	30	3	% 20	%
Investment and Insurance Products	22	18	15	22	% 47	%
Other(2)	(10)	(19)	(12)	-47	% -17	%
	709	654	583	8	% 22	%
Balance Sheet						
Net loans & advances including acceptances	140,226	133,652	126,776	5	% 11	%
Other external assets	3,631	3,289	3,030	10	% 20	%
External assets	143,857	136,941	129,806	5	% 11	%
Customer funding	63,823	60,003	56,529	6	% 13	%
Wholesale funding	3,925	4,974	5,289	-21	% -26	%
Deposits and other borrowings	67,748	64,977	61,818	4	% 10	%
Other external liabilities	2,632	2,431	2,154	8	% 22	%
External liabilities	70,380	67,408	63,972	4	% 10	%
Risk Weighted Assets	84,717	80,650	76,552	5	% 11	%
Average net loans & advances including acceptances	136,671	129,997	122,390	5	% 12	%
Average deposits and other borrowings	66,539	63,038	60,103	6	% 11	%
Ratios						
Net interest margin	2.33	% 2.35	% 2.35	%		
Return on assets	1.01	% 0.98	% 0.93	%		
Return on risk weighted assets	1.72	% 1.67	% 1.57	%		
Operating expenses to operating income	47.0	% 49.5	% 50.0	%		
Operating expenses to average assets	1.53	% 1.62	% 1.59	%		
Individual provision (charge)/credit	(159)	(146)	(110)	9	% 45	%
Individual provision (charge)/credit as a % of average net advances	(0.23)	%(0.22)	%(0.18)	%		
Collective provision (charge)/credit	(33)	(27)	(53)	22	% -38	%
Collective provision (charge)/credit as a % of average net advances	(0.05)	%(0.04)	%(0.09)	%		
Net non-performing loans	81	61	55	33	% 47	%
Net non-performing loans as a % of net advances	0.06	% 0.05	% 0.04	%		
Total employees	13,389	12,932	12,385	4	% 8	%

(1) Comprises Regional & Rural Banking and Small Business Banking

(2) Other includes the branch network, whose costs are fully recovered from product business units and marketing and support costs

March 2007 half year compared to March 2006 half year

Overall profit after tax increased 22% reflecting income performance from lending and customer deposit growth (11% and 13% respectively), and the benefits from ongoing investment in the business.

Operating income was up 14% driven by volumes, partly from our expanded footprint across all businesses. Operating expenses increased 7% due to additional frontline staff to service higher business volumes, more branches and ATMs demonstrating our continued investment in OUR More Convenient Banking customer proposition.

Key factors driving the result included:

- Net interest income increased 11% with balance sheet growth partly offset by margin decline of 2 basis points. Banking Products grew 16% with deposits up 13% and Consumer Finance grew by 11% with lending growth of 13% offset by a reduction in margins due to higher growth in lower margin products. Mortgages grew 6% with lending growth of 10% offset by declining margins reflecting increased competition, increased sales of fixed rate products and higher funding costs. Pacific grew 12% reflecting benefits from revenue initiatives. Small Business Banking grew 24% reflecting our expanded sales force driving strong balance sheet growth (lending up 40% and deposits up 24%). Regional & Rural Banking grew 10% and Esanda increased 6%.
- Other operating income increased 24%. There was a one-off benefit of \$18 million in Consumer Finance from the sale of the remaining MasterCard shares from the initial public offer in May 2006, offset in part by a \$9 million reduction compared with first half 2006 from debit interchange reform (mirrored by lower interchange expense). Consumer Finance grew by 19% (excluding the MasterCard profit) due to increasing volumes and related growth in issuing and lending fees. Mortgages grew other income 44%, benefiting from the full effect of fee alignments implemented last half, higher premium income from our mortgage insurance business and residual income from securitisation. Banking Products grew other income by 23% as account numbers increased. Esanda grew other operating income significantly as one-off charges in the first half 2006 were not repeated and the finance company was repositioned for profitable growth. Investment and Insurance Products income was up by 23% as more planners generated higher sales volumes. Pacific grew other income 19%. Small Business Banking grew other income 10% while Regional & Rural Banking other income was up 8%.
- Operating costs increased 7%. Debit interchange reform reduced costs by \$9 million. Investment in the footprint continued with 24 extra branches since 31 March 2006, a further 344 ATMs and 1004 additional staff, mainly in customer-facing and transformation roles.
- Credit costs increased 18% reflecting volume growth in unsecured lending and a slightly higher risk mix in the credit card portfolio with greater growth from low rate card products.

March 2007 half year compared to September 2006 half year

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Profit after tax increased 8% over the previous half. Income growth was driven by lending and customer deposit growth across the business (up 5% and 6% respectively) offset by margin compression of 2 basis points in the half. Debit interchange reform (broadly neutral impact on earnings) saw both income and costs \$9 million lower. Investment in the retail footprint expanded with 9 more branches and 148 extra ATMs, as well as increasing our sales force.

Above system balance sheet growth drove strong earnings in Banking Products, while Mortgages, Consumer Finance, Regional & Rural Banking and Small Business Banking experienced slower system growth and declining margins from higher funding costs and competition impacts. Investment and Insurance Products showed strong growth driven by our financial planning business while Esanda increased earnings 20% over the half.

Net interest income increased 3%. Small Business Banking net interest income grew 14% as business expansion continued. Banking Products net interest income grew 7% on deposit growth of 6%. Margin pressure saw Mortgages net interest income flat as margin decline of 4 basis points offset lending growth of 5%. Consumer Finance net interest income increased 2%, with lending growth of 7% mainly in lower margin products. Net interest income in Regional & Rural Banking was up 3%, Esanda increased 2% and Pacific grew 1%.

Other operating income increased 5%. The prior half included \$9 million higher debit interchange income. Mortgages other income was up 11% as mortgage insurance earnings and residual securitisation income rose, Banking Products other income grew 7%. Consumer Finance other income growth is seasonally lower in the March half as more annual fees are charged in the second half and the sale of MasterCard shares this half generated \$18 million in income compared to \$9 million last half. Investment & Insurance Products income was up 7%, while Esanda and Pacific grew by 14% and 13%. Small Business Banking other income was flat and Regional & Rural Banking other income fell 3%.

Operating costs decreased 1% following the high growth in the September 2006 half. Main drivers included: debit interchange reform (\$9 million), lower marketing and software amortisation and savings in consulting spend, travel, restructure costs and card expenses.

Credit costs increased 11% reflecting write-offs from growth in credit card and personal loan balances.

Personal division by business unit

	Comparison to March 2006					Growth Rate					
	March 2007										
	Revenue	Expenses	PBP(1)	Credit(2)	NPAT	Revenue	Expenses	PBP(1)	Credit(2)	NPAT	
Mortgages	530	246	284	11	191	9	% 8	% 10	% 83	% 7	%
Banking Products	527	260	267	7	182	17	% 10	% 25	% n/a	% 22	%
Consumer Finance	553	216	337	128	146	19	% 5	% 30	% 17	% 39	%
Regional & Rural Banking	148	70	78	4	51	10	% 11	% 8	% 100	% 4	%
Small Business Banking	98	51	47	5	30	20	% 19	% 21	% 25	% 25	%
Esanda	198	75	123	36	61	11	% 6	% 15	% -16	% 36	%
Pacific	117	65	52	2	36	15	% 7	% 27	% large	% 20	%
Investment and Insurance Products	100	71	29	(1)	22	23	% 20	% 32	% n/a	% 47	%
Other(3)	2	14	(12)		(10)	-80	% -52	% -37	% n/a	% -17	%
Personal Division	2,273	1,068	1,205	192	709	14	% 7	% 21	% 18	% 22	%

	Comparison to September 2006					Growth Rate					
	March 2007										
	Revenue	Expenses	PBP(1)	Credit(2)	NPAT	Revenue	Expenses	PBP(1)	Credit(2)	NPAT	
Mortgages	530	246	284	11	191	1	% 0	% 2	% 22	% 1	%
Banking Products	527	260	267	7	182	7	% 5	% 9	% 17	% 8	%
Consumer Finance	553	216	337	128	146	5	% -6	% 13	% 15	% 11	%
Regional & Rural Banking	148	70	78	4	51	2	% -1	% 5	% 100	% 0	%
Small Business Banking	98	51	47	5	30	10	% 13	% 7	% 67	% 7	%
Esanda	198	75	123	36	61	3	% -1	% 6	% -12	% 20	%
Pacific	117	65	52	2	36	5	% 5	% 6	% 100	% 3	%
Investment and Insurance Products	100	71	29	(1)	22	8	% 4	% 16	% n/a	% 22	%
Other(3)	2	14	(12)		(10)	-85	% -64	% -54	% n/a	% -47	%
Personal Division	2,273	1,068	1,205	192	709	4	% -1	% 9	% 11	% 8	%

(1) PBP (profit before provision) is profit before credit impairment and income tax

(2) Credit impairment expense

(3) Other includes the branch network, whose costs are fully recovered from product business units and marketing & support costs

Institutional (Continuing)

Steve Target

	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	1,016	1,059	993	-4	% 2	%
Other external operating income	725	601	662	21	% 10	%
Operating income	1,741	1,660	1,655	5	% 5	%
External operating expenses	(535)	(523)	(493)	2	% 9	%
Net inter business unit expenses	(142)	(136)	(141)	4	% 1	%
Operating expenses	(677)	(659)	(634)	3	% 7	%
Profit before credit impairment and income tax	1,064	1,001	1,021	6	% 4	%
Provision for credit impairment	6	(8)	(50)	large	large	
Profit before income tax	1,070	993	971	8	% 10	%
Income tax expense and minority interest	(320)	(292)	(293)	10	% 9	%
Profit	750	701	678	7	% 11	%

Consisting of:

Working Capital(1)	442	394	374	12	% 18	%
Markets(2)	156	137	149	14	% 5	%
Business Banking	121	131	128	-8	% -5	%
Corporate & Structured Financing	100	111	95	-10	% 5	%
Relationships and Infrastructure(3)	(69)	(72)	(68)	-4	% 1	%
	750	701	678	7	% 11	%

Balance Sheet

Net loans & advances including acceptances	73,308	71,436	69,474	3	% 6	%
Other external assets	59,156	48,328	54,830	22	% 8	%
External assets	132,464	119,764	124,304	11	% 7	%
Customer funding	67,469	61,342	54,408	10	% 24	%
Wholesale funding	8,625	7,897	10,973	9	% -21	%
Deposits and other borrowings	76,094	69,239	65,381	10	% 16	%
Other external liabilities	50,543	43,773	46,195	15	% 9	%
External liabilities	126,637	113,012	111,576	12	% 13	%
Risk Weighted Assets	108,438	105,279	104,395	3	% 4	%
Average net loans & advances including acceptances	73,710	71,445	67,894	3	% 9	%
Average deposits and other borrowings	73,769	69,156	64,867	7	% 14	%

Ratios

Net interest margin	1.76	% 1.88	% 1.87	%		
Return on assets	1.17	% 1.10	% 1.19	%		
Return on risk weighted assets	1.41	% 1.31	% 1.34	%		
Operating expenses to operating income	38.9	% 39.7	% 38.3	%		
Operating expenses to average assets	1.06	% 1.04	% 1.11	%		
Individual provision (charge)/credit	8	7	(56)	14	% large	
Individual provision (charge)/credit as a % of average net advances	0.02	% 0.02	% (0.17)	%		
Collective provision (charge)/credit	(2)	(15)	6	-87	% large	
Collective provision (charge)/credit as a % of average net advances	(0.01)	% (0.04)	% 0.02	%		
Net non-performing loans	229	266	279	-14	% -18	%
Net non-performing loans as a % of net advances	0.31	% 0.37	% 0.40	%		
Total employees	5,686	5,395	5,127	5	% 11	%

(1) Working Capital consists of the Debt Product Group and Trade & Transaction Services

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(2) Markets includes interest rate mismatch component of Treasury result. NPAT for March 2007 was \$9 million (Sep 2006 half: \$3 million; Mar 2006 half: \$8 million)

(3) Relationships and Infrastructure includes Personal & Private Banking Asia, Institutional Banking, Financial Institutions and Corporate Banking. The latter three relationship businesses hold management costs associated with Institutional customers, with associated revenue booked in the product businesses

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March 2007 half year compared to March 2006 half year

Profit after tax grew by 11% on the performance in the March 2006 half. Working Capital increased by 18% driven by a 31% increase in Debt Product Group, with the continued benign credit environment and large recoveries positively impacting the first half of 2007, offset by Trade & Transaction Services which fell 3%, although after allowing for the March 2006 release of revenue relating to prior years, profit growth was 11%. Corporate & Structured Financing increased by 5%, with higher fees partly offset by increased provisions in the first half of 2007. Markets profit after tax increased by 5%, from the first half of 2006 that was positively impacted by unusually strong trading income in New Zealand. Business Banking had 6% income growth, offset by 6% expense growth reflecting increasing costs of people and distribution points. The investment in Relationship increased as the Division further developed its Financial Institution business and Personal & Private Banking in Asia. The Division continues to maintain a low cost to income ratio, notwithstanding significant pressure on personnel costs in the investment banking market.

- Margin decline continues to impact growth in net interest income, with declines of 32 basis points in Business Banking and 7 basis points in Debt Product Group. Lending assets grew 6%, with growth of 4% in Debt Product Group reflecting a run-off of low margin assets and growth of 12% in Business Banking. Customer deposits grew a pleasing 24%, with growth in cash management and transaction services and the benefits of new sites in International Payments.
- The 10% growth in other operating income was mainly driven by non-lending fees and profit and loss on trading securities. The growth in non-lending fees reflects strong performances within our advisory, private equity and structured finance portfolios. Markets had strong growth in sales in Australia and Asia with the 2006 investment in frontline staff bringing increased deal volumes.
- Operating expense growth in Markets reflects investment required in both frontline revenue generating staff, and modernising technology platforms. Corporate & Structured Financing continues to invest in the alternative assets funds management business, Asia and debt capital markets. Other discretionary costs were reduced.
- Provisions for credit impairment decreased \$56 million. Individual provisions decreased with two large provisions in the March 2006 half and two large credits in the March 2007 half. Collective provisions reduced \$8 million with an improvement in credit quality offsetting volume growth.

March 2007 half year compared to September 2006 half year

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Profit after tax increased by \$49 million (7%) with revenue growth of 5% on the seasonally stronger September half, and reduced provision for credit impairment with two large credits during the half. The balance sheet is being actively managed, with risk weighted assets growing by only 3% in the half.

Markets profit increased by 14%, with growth in sales revenue and favourable trading conditions in the Australian market. Working Capital profit increased by 12% with a significant volume of debt recoveries during the half, deposit growth and increased activity in Asia partly offset by the impact of the drought in Australia and margin decline in the Debt Product Group. Business Banking profit decreased by 8% with lending and deposit growth offset by margin contraction, investment in front-line staff and an increase in provision for credit losses in the half. Profit in Corporate & Structured Financing, which traditionally has a weaker first half, reduced 10% with declining net interest income and increased individual provisions.

Net interest income reduced by 4% principally due to the funding of trading positions in Markets, competition and changes in business mix. Corporate & Structured Financing reduced 4% driven largely by the impact of non-accrual status of two project finance loans and margin contraction within our capital solutions portfolio. Markets net interest income reduced \$34 million, with an increase in the funding cost of trading positions due to an increase in net unrealised gains and collateral deposits. This reduction is more than offset in other operating income.

Other operating income increased 21%, with an \$87 million increase in Markets (partly offset in net interest) resulting from increased revenue in the trading business, notably in Australia following rate increases, the credit business benefiting from tightening credit spreads and a number of large structured credit transactions. Working Capital increased 15% with volume driven fee growth in Trade & Transaction Services, and increased foreign exchange revenue from new sites including Sydney Airport and CBD, and growth in Asia. Corporate & Structured Financing increased 7% from the strong September half. Business Banking grew 7% due to higher volumes.

Our expense growth was constrained to 3%, and our cost to income ratio continues at a low 38.9%.

Provision for credit impairment decreased by \$14 million. This was driven by both a lower collective provision charge and higher new individual provisions and top ups were offset by large writebacks and recoveries.

Institutional division by business unit

	Comparison to March 2006					Growth Rate						
	March 2007											
	Revenue	Expenses	PBP(1)	Credit(2)	NPAT	Revenue	Expenses	PBP(1)	Credit(2)	NPAT		
Working Capital												
- Debt Product Group	383	15	368	(68)	306	-1	% 67	% -3	% large		31	%
- Trade & Transaction Services	367	165	202	7	136	0	% 2	% -2	% 17	% -3	%	%
Markets	397	156	241	17	156	13	% 12	% 13	% large		5	%
Business Banking	332	131	201	28	121	6	% 6	% 6	% large		-5	%
Corporate & Structured Financing	229	82	147	10	100	13	% 15	% 12	% large		5	%
Relationships & Infrastructure(3)	33	128	(95)		(69)	0	% -2	% -2	% n/a		1	%
Institutional	1,741	677	1,064	(6)	750	5	% 7	% 4	% large		11	%

	Comparison to September 2006					Growth Rate						
	March 2007											
	Revenue	Expenses	PBP(1)	Credit(2)	NPAT	Revenue	Expenses	PBP(1)	Credit(2)	NPAT		
Working Capital												
- Debt Product Group	383	15	368	(68)	306	3	% 15	% 2	% large		24	%
- Trade & Transaction Services	367	165	202	7	136	3	% 6	% 2	% large		-8	%
Markets	397	156	241	17	156	15	% 4	% 24	% n/a		14	%
Business Banking	332	131	201	28	121	2	% 5	% 0	% large		-8	%
Corporate & Structured Financing	229	82	147	10	100	1	% 8	% -3	% large		-10	%
Relationships & Infrastructure(3)	33	128	(95)		(69)	-6	% -8	% -9	% n/a		-4	%
Institutional	1,741	677	1,064	(6)	750	5	% 3	% 6	% large		7	%

(1) PBP (profit before provision) is profit before credit impairment and income tax

(2) Credit impairment expense

(3) Relationships & Infrastructure includes Personal & Private Banking Asia, Institutional Banking, Financial Institutions and Corporate Banking

New Zealand Businesses(1)

Graham Hodges

Table reflects NZD results for New Zealand Businesses

AUD results shown on page 42

	Half year Mar 07 NZD M	Half year Sep 06 NZD M	Half year Mar 06 NZD M	Movt Mar 07 v. Sep 06 %	Movt Mar 07 v. Mar 06 %	
Net interest income	915	885	839	3	% 9	%
Other external operating income	286	281	268	2	% 7	%
Operating income	1,201	1,166	1,107	3	% 8	%
External operating expenses	(573)	(566)	(557)	1	% 3	%
Net inter business unit expenses	(5)	(4)	(1)	25	% large	
Operating expenses	(578)	(570)	(558)	1	% 4	%
Profit before credit impairment and income tax	623	596	549	5	% 13	%
Provision for credit impairment	(37)	(2)	(4)	large	large	
Profit before income tax	586	594	545	-1	% 8	%
Income tax expense and minority interest	(188)	(191)	(176)	-2	% 7	%
Profit (NZD)	398	403	369	-1	% 8	%

Consisting of:

The National Bank Retail	138	134	124	3	% 11	%
ANZ Retail	93	97	87	-4	% 7	%
Corporate & Commercial Banking	84	92	78	-9	% 8	%
Rural Banking	48	47	43	2	% 12	%
Private Banking & Retail Specialist Units(2)	21	20	22	5	% -5	%
UDC	13	12	12	8	% 8	%
Central Support(3)	1	1	3	0	% -67	%
New Zealand Businesses	398	403	369	-1	% 8	%

Balance Sheet

Net loans & advances including acceptances	75,419	70,949	66,614	6	% 13	%
Other external assets	1,867	2,331	1,712	-20	% 9	%
External assets	77,286	73,280	68,326	5	% 13	%
Customer funding	42,469	41,202	39,039	3	% 9	%
Wholesale funding	5,570	6,894	7,919	-19	% -30	%
Deposits and other borrowings	48,039	48,096	46,958	0	% 2	%
Other external liabilities	13,961	12,468	10,561	12	% 32	%
External liabilities	62,000	60,564	57,519	2	% 8	%
Risk Weighted Assets	61,737	57,215	53,029	8	% 16	%
Average net loans & advances including acceptances	73,046	68,723	64,333	6	% 14	%
Average deposits and other borrowings	48,442	47,149	46,123	3	% 5	%

Ratios

Net interest margin	2.48	% 2.55	% 2.58	%		
Return on assets	1.06	% 1.14	% 1.12	%		
Return on risk weighted assets	1.36	% 1.45	% 1.45	%		
Operating expenses to operating income	48.1	% 48.9	% 50.4	%		
Operating expenses to average assets	1.55	% 1.61	% 1.70	%		
Individual provision (charge)/credit	(26)	(10)	(11)	large	large	
Individual provision (charge)/credit as a % of average net advances	(0.07 %)	(0.03 %)	(0.03 %)			
Collective provision (charge)/credit	(11)	8	7	large	large	
Collective provision (charge)/credit as a % of average net advances	(0.03 %)	0.02 %	0.02 %			

New Zealand Businesses(1)

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Net non-performing loans	62	60	91	3	% -32	%
Net non-performing loans as a % of net advances	0.08	% 0.08	% 0.14	%		
Total employees	8,990	8,785	8,667	2	% 4	%

(1) For a reconciliation of New Zealand Businesses results to the New Zealand Geographic results refer page 55

(2) Private Banking & Retail Specialist Units include ING New Zealand joint venture

(3) Central support includes Treasury funding and shared services

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New Zealand commentary reflects NZD

March 2007 half year compared to March 2006 half year

Profit after tax increased 8% over the March 2006 half, with the result including a NZD22 million after tax increase in credit impairment expense. Profit before credit impairment and income tax increased 13% with good contributions across all businesses. Market share has been successfully defended in all sectors and we have further invested in the business. Each business unit has placed additional focus on strengthening its customer proposition to enhance customer retention and attract new customers. This is being recognised by our customers, with ANZ Retail Banking's customer satisfaction at the highest level for many years, and The National Bank maintaining its already strong customer satisfaction levels.

Growth in profit before credit impairment expense and income tax was led by Corporate & Commercial (15%) and Rural (14%) from continued buoyant lending growth. National Bank Retail growth was 16% and ANZ Retail growth was 13%, from strong lending and deposit growth with some reinvestment in the business. UDC increased 11%, showing a good turn-around from last year's disappointing result.

Key factors driving the result are as follows:

- Net interest income increased 9%, driven by robust balance sheet growth, with lending volumes increasing 13% and customer deposits increasing 9%. Lending growth was strongest in Corporate & Commercial (17%) and ANZ Retail (15%), with good growth also in Rural (13%) and National Bank Retail (11%), while UDC (1%) was impacted by repayments. The growth in net interest income was moderated by a 10 basis point contraction in net interest margin, with all businesses apart from UDC impacted. The main drivers of the lower margin were continued competitive pressure and unfavourable funding and product mix, partially offset by customer prepayment behaviour.
- Other external operating income grew 7% and included NZD10 million revenue on sale of MasterCard shares for the Retail businesses. National Bank Retail increased 8%, with growth across lending, cards and transactional fees. Fee growth in the remaining businesses was constrained by the competitive conditions.
- Operating expenses increased 4%, with the March 2006 half including costs of NZD10 million in relation to the Commerce Commission's action on disclosure of optional issuer fees. Operating costs were higher due to annual increases in salaries, increased front line staff and investment in business initiatives, partly offset by control of discretionary expenditure. The cost to income ratio reduced 230 basis points to 48.1%.
- Provision for credit impairment increased NZD33 million from negligible levels in 2006. The individual provision charge increased NZD15 million, mainly reflecting an exceptionally low charge on the business banking portfolio last year due to the timing of writebacks. The collective provision charge increased NZD18 million, largely due to a credit following the reassessment of the retail portfolio risk profile in the December 2005 period. The collective provision charge for March 2007 half was largely driven by lending growth, with minimal impact from changes to the risk profile across the portfolio. Credit conditions remain benign, with net non-performing loans reducing 32%.

March 2007 half year compared to September 2006 half year

Profit after tax decreased 1% (NZD5 million) relative to the September 2006 half, impacted by a NZD23 million after tax increase in credit impairment expense. Profit before credit impairment expense and income tax increased 5%, with sound contributions from most businesses. The ANZ Retail result was somewhat lower due to the impact of the realignment of product and fee structures and the timing of initiatives to reposition the business in the first half. The Rural result for the first half reflects the impact of seasonality on the balance sheet. The current half includes revenue from the MasterCard shares sale (NZD10 million) while the September 2006 half included NZD5 million from the redemption of MasterCard shares.

Key influences on the result include the following:

- Net interest income increased 3%, driven by robust balance sheet growth, with lending volumes increasing 6%. Customer deposit volumes increased 3%, with growth particularly strong in ANZ Retail, reflecting the continued success of the Online Call account. Net interest margin reduced 7 basis points driven by intense competition, the impact of increases in wholesale rates on lending spreads and unfavorable product mix. This was partially offset by a favorable impact on deposit spreads from increases to wholesale rates and the impact of customer prepayment behaviour.
- Other external operating income was flat after adjusting for the MasterCard income in the respective halves, with fee growth across the businesses constrained due to competitive conditions.
- Operating expenses increased 1% with growth from annual salary rate rises and increased front line staff being partly offset by reduced discretionary spend.
- Provision for credit impairment increased NZD35 million. The individual provision charge remains at low levels despite increasing NZD16 million, reflecting the exceptionally low result in the September 2006 half, which benefited from a number of Corporate & Commercial and Business Banking recoveries. The collective provision charge increased NZD19 million partially from a reduced benefit from scenario modeling in the March 2007 half.

New Zealand Businesses by business unit

	Comparison to March 2006					Growth Rate					
	March 2007 (NZD M)										
	Revenue	Expenses	PBP(1)	Credit(2)	NPAT	Revenue	Expenses	PBP(1)	Credit(2)	NPAT	
The National Bank Retail	439	226	213	9	138	8	% 2	% 16	% large	11	%
ANZ Retail	368	215	153	16	93	7	% 3	% 13	% large	7	%
Corporate & Commercial Banking	199	64	135	9	84	12	% 7	% 15	% n/a	8	%
Rural Banking	113	40	73	2	48	10	% 3	% 14	% n/a	12	%
Private Banking & Retail Specialist Units	45	18	27		21	10	% 20	% 4	% n/a	-5	%
UDC	36	16	20	1	13	0	% -11	% 11	% 0	8	%
Central Support	1	(1)	2		1	-50	% -67	% -60	% n/a	-67	%
New Zealand Businesses	1,201	578	623	37	398	8	% 4	% 13	% large	8	%

	Comparison to September 2006					Growth Rate					
	March 2007 (NZD M)										
	Revenue	Expenses	PBP(1)	Credit(2)	NPAT	Revenue	Expenses	PBP(1)	Credit(2)	NPAT	
The National Bank Retail	439	226	213	9	138	3	% 1	% 5	% large	3	%
ANZ Retail	368	215	153	16	93	3	% 4	% 2	% large	-4	%
Corporate & Commercial Banking	199	64	135	9	84	5	% 5	% 5	% large	-9	%
Rural Banking	113	40	73	2	48	1	% -2	% 3	% n/a	2	%
Private Banking & Retail Specialist Units	45	18	27		21	2	% 0	% 4	% -100	5	%
UDC	36	16	20	1	13	3	% -6	% 11	% n/a	8	%
Central Support	1	(1)	2		1	-75	% large	n/a	n/a	0	%
New Zealand Businesses	1,201	578	623	37	398	3	% 1	% 5	% large	-1	%

(1) PBP (profit before provision) is profit before credit impairment and income tax

(2) Credit impairment expense

ING New Zealand joint venture

In September 2005 ANZ National Bank Limited entered into a joint venture with ING Insurance International Limited (INGII). The joint venture, ING (NZ) Holdings Ltd (INGNZ), is 49% owned by ANZ National Bank Limited and 51% owned by INGII.

For the March 2007 half, INGNZ contributed NZD10 million in equity accounted earnings, which was flat against the September 2006 half (NZD10 million).

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Table reflects AUD results for New Zealand Businesses

NZD results shown on page 39

	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	805	740	768	9	% 5	%
Other external operating income	252	235	245	7	% 3	%
Operating income	1,057	975	1,013	8	% 4	%
External operating expenses	(504)	(471)	(510)	7	% -1	%
Net inter business unit expenses	(5)	(4)	(1)	25	% large	
Operating expenses	(509)	(475)	(511)	7	% -0	%
Profit before credit impairment and income tax	548	500	502	10	% 9	%
Provision for credit impairment	(33)	(1)	(3)	large	large	
Profit before income tax	515	499	499	3	% 3	%
Income tax expense and minority interest	(164)	(160)	(162)	3	% 1	%
Profit	351	339	337	4	% 4	%
Consisting of:						
The National Bank Retail	122	112	114	9	% 7	%
ANZ Retail	82	81	80	1	% 3	%
Corporate & Commercial Banking	74	78	72	-5	% 3	%
Rural Banking	42	40	39	5	% 8	%
Private Banking & Retail Specialist Units(2)	19	17	18	12	% 6	%
UDC	11	10	11	10	% 0	%
Central Support(3)	1	1	3	0	% -67	%
New Zealand Businesses	351	339	337	4	% 4	%
Balance Sheet						
Net loans & advances including acceptances	66,672	61,937	56,935	8	% 17	%
Other external assets	1,650	2,035	1,463	-19	% 13	%
External assets	68,322	63,972	58,398	7	% 17	%
Customer funding	37,543	35,969	33,367	4	% 13	%
Wholesale funding	4,924	6,018	6,768	-18	% -27	%
Deposits and other borrowings	42,467	41,987	40,135	1	% 6	%
Other external liabilities	12,342	10,884	9,027	13	% 37	%
External liabilities	54,809	52,871	49,162	4	% 11	%
Risk Weighted Assets	54,577	49,947	45,324	9	% 20	%
Average net loans & advances including acceptances	64,307	57,486	58,907	12	% 9	%
Average deposits and other borrowings	42,646	39,359	42,233	8	% 1	%
Ratios						
Net interest margin	2.48	% 2.55	% 2.58	%		
Return on assets	1.06	% 1.14	% 1.12	%		
Return on risk weighted assets	1.36	% 1.45	% 1.45	%		
Operating expenses to operating income	48.1	% 48.9	% 50.4	%		
Operating expenses to average assets	1.55	% 1.61	% 1.70	%		
Individual provision (charge)/credit	(23)	(8)	(10)	large	large	
Individual provision (charge)/credit as a % of average net advances	(0.07 %)	(0.03 %)	(0.03 %)			
Collective provision (charge)/credit	(10)	7	7	large	large	
Collective provision (charge)/credit as a % of average net advances	(0.03 %)	0.02 %	0.02 %			
Net non-performing loans	55	53	78	4	% -29	%
Net non-performing loans as a % of net advances	0.08 %	0.08 %	0.14 %			
Total employees	8,990	8,785	8,667	2	% 4	%

(1) For a reconciliation of New Zealand Businesses results to the New Zealand Geographic results refer page 55

(2) Private Banking & Retail Specialist Units include ING New Zealand joint venture

(3) Central support includes Treasury funding and shared services

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Partnerships & Private Bank

Bob Edgar

	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	46	39	34	18	% 35	%
Other external operating income	121	103	87	17	% 39	%
Operating income	167	142	121	18	% 38	%
External operating expenses	(52)	(44)	(42)	18	% 24	%
Net inter business unit expenses	10	13	11	-23	% -9	%
Operating expenses	(42)	(31)	(31)	35	% 35	%
Profit before credit impairment and income tax	125	111	90	13	% 39	%
Provision for credit impairment	(19)	(15)	(9)	27	% large	
Profit before income tax	106	96	81	10	% 31	%
Income tax expense and minority interest	(3)	(5)	(2)	-40	% 50	%
Profit	103	91	79	13	% 30	%

Consisting of:

INGA	75	64	58	17	% 29	%
International Partnerships(1)	22	18	14	22	% 57	%
Other(2)	6	9	7	-33	% -14	%
	103	91	79	13	% 30	%
Total employees	764	635	533	20	% 43	%

(1) PT Panin, Metrobank Card Corporation and Bank of Tianjin are equity accounted. Indonesia Cards and ANZ Royal are controlled entities

(2) Other comprises ANZ Private Bank and Support Units

March 2007 half year compared to March 2006 half year

Profit after tax increased 30%. INGA earnings were up 29% (\$17 million) supported by double-digit funds management and risk income growth from higher funds under management, strong investment markets and growth in premium income. Earnings from the new partnership investments of Bank of Tianjin (formerly Tianjin City Commercial Bank) and Sacombank together with higher revenue from ANZ Royal and continued solid results from Metrobank Card Corporation (MCC) and Panin were the other key drivers of the strong result. These uplifts were partly offset by the impact of increased provisioning in the Indonesia Cards business. Significant influences on the result were:

- Net interest income increased 35% primarily due to volume growth and lower funding costs in Indonesia Cards and both asset and deposit growth in Cambodia. ANZ Private Bank net interest income increased 22% driven by an increase of 19% in funds under management.
- Other operating income increased 39% due to increased INGA equity accounted income reflecting both higher core operating profit (25%) and capital investment earnings (50%) benefiting from underlying market strength, earnings from existing (MCC and Panin) and new partnerships (Bank of Tianjin and Sacombank), increased fee income in Indonesia Cards due to volume growth and strong fee revenue growth in Cambodia. ANZ Private Bank other income increased 53% due to improved alternative investment and advisory products distribution.
- Operating expenses increased \$11 million largely as a result of ongoing investment across the International Partnerships and ANZ Private Bank businesses.
- Provision for credit impairment increased \$10 million due to the impact of regulatory changes and business volume growth in Indonesia Cards.

March 2007 half year compared to September 2006 half year

Profit after tax increased 13%. Stronger performances in INGA and Panin, a full half year result from the Bank of Tianjin investment and the annual dividend received from the Sacombank investment were partly offset by the impact of increased provisioning in Indonesia Cards and continued investment in the partnerships business.

Net interest income increased 18%, driven by volume growth and lower funding costs in Indonesia Cards and both asset and deposit growth in ANZ Royal. Other operating income increased 17% reflecting stronger Panin earnings and increased INGA equity accounted income of \$12 million with a 12% increase in core operating profit and a 45% increase in capital investment earnings. ANZ Private Bank other income increased 18% from an increase in the distribution of alternative investment and advisory products. Equity accounted income from Bank of Tianjin increased due to the first full half result and Sacombank income increased due to the annual dividend received from the investment.

Operating expenses increased 35% from increased investment across the businesses. Provision for credit impairment increased by 27% primarily due to Indonesia Cards business volume growth and regulatory changes in Indonesia.

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ING Australia performance

	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 %	
Funds management income	243	237	208	3	% 17	%
Life Risk Income						
- planned margin	117	96	89	22	% 31	%
- experience variation(1)	13	16	18	-19	% -28	%
- assumption changes(1)	8		15	n/a	-47	%
	138	112	122	23	% 13	%
Total Income	381	349	330	9	% 15	%
Funds management expenses	(148)	(139)	(133)	6	% 11	%
Life risk expenses	(67)	(63)	(63)	6	% 6	%
Remediation expenses(2)	(12)	(15)	(24)	-20	% -50	%
Capitalised software write-offs	(29)		(4)	n/a	large	
Gross tax on operating profit	(15)	(34)	(18)	-56	% -17	%
Operating profit after tax, before capital investment earnings	110	98	88	12	% 25	%
Capital investment earnings after tax	42	29	28	45	% 50	%
Profit after tax before minorities	152	127	116	20	% 31	%
Minority interest	(1)			n/a	n/a	
Profit after tax	151	127	116	19	% 30	%

ANZ share of INGA earnings @ 49%

JV operating profit	54	48	43	13	% 26	%
JV capital investment earnings	20	14	14	43	% 43	%
	74	62	57	19	% 30	%
Net funding	1	2	1	-50	% 0	%
Net return to ANZ	75	64	58	17	% 29	%
Carrying value of investment(3)	1,507	1,461	1,407	3	% 7	%
Annualised return on ANZ investment	9.8	% 8.5	% 8.1	%		

Performance measures @ 100%

Value of new business(4)	63	47	34	34	% 85	%
Cost to income(5)	56	% 58	% 60	%		

Funds Management

Retail & mezzanine funds under management	43,797	38,849	33,731	13	% 30	%
Net retail & mezzanine flows	1,202	842	415	43	% large	

Life Risk

Total in-force	624	596	536	5	% 16	%
New premiums(6)	95	103	65	-8	% 46	%

	Mar 07 \$M	In flows	Out flows	Other flows	Sep 06 \$M
Funds management growth (Retail & mezzanine)(7)					
OneAnswer	17,082	2,072	(1,237)	2,170	14,076
Other Personal Investment	8,453	245	(666)	(84)	8,959
Mezzanine	2,888	481	(459)	236	2,630
Employer Super	10,529	777	(555)	955	9,352
Oasis	4,845	789	(245)	469	3,832
Total	43,797	4,364	(3,162)	3,746	38,849

(1) Experience variations are gains or losses arising from actual experience differing from plan, primarily death and sickness. Assumption changes are gains or losses arising from a change in valuation methods and best estimate assumptions

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(2) Remediation expenses represent costs incurred in rectifying historical unit pricing errors and fully compensating customers

(3) ANZ adopts the equity method of accounting for its 49% interest in INGA. The carrying value of the investment in INGA has been tested for impairment by comparing the carrying value with the recoverable amount of INGA. The Group engaged Ernst & Young ABC Pty Limited to provide an independent valuation of INGA for 31 March 2007 assessment purposes (the recoverable amount), and there has been no evidence of subsequent impairment. The independent economic valuation was based on a discounted cash flow approach, with allowance for the cost of capital. Based on the results of this valuation, no change is required to the carrying value of the investment in INGA

(4) Value of new business represents the present value of future profits arising from the new business written over the periods less the present value of the cost of capital applying to that new business

(5) Cost to Income ratio is management expenses (excluding Remediation Expenses & Capitalised Software Write-offs) / Total Income

(6) The spike in new premiums in the September 2006 half year is in respect of a significant mastertrust new business win

(7) Other Flows includes investment income net of taxes, fees and charges

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March 2007 half year compared to March 2006 half year

Highlights of the half included improved performance in both core funds management and risk businesses, the completion of remediation work, and improved customer service.

Life Risk sales reflected the ongoing success of INGA's retail risk product OneCare, which is now the market leading individual risk product for retail new business. The funds management business enjoyed increased inflows and improved retention, while strength in underlying investment markets ensured steady growth in funds under management (FUM), generating higher gross fee income. Margins came under continued pressure however, reflecting increasing levels of market competition as well as the effect of higher FUM balances on tiered fee bases, and a shift towards externally-managed investment options on INGA's platforms which attract lower net fee rates.

INGA continues to hold strong market shares in its chosen segments. Funds management market share (retail and mezzanine) for INGA grew from 7.6% at 30 September 2005 to 8.2% at 30 September 2006. The Personal Investments business further upgraded its flagship OneAnswer platform during the March 2007 half. The Employer Super business maintained its market share (13%), and the ING Corporate Super product is currently ranked #1 amongst employer super providers by Heron Partnership. The success of OneCare has translated into increased market share in individual life risk new annual premiums, up from 9.6% in the year to 30 September 2005 to 14.4% in the year to 30 September 2006. INGA enjoyed the highest growth in new annual premium among the major institutions in the industry, and is now ranked #3 for total in-force premiums. (*Source of market statistics: Plan For Life - September 2006*)

Oasis Asset Management, INGA's badged platform subsidiary acquired in May 2006, is performing ahead of expectations.

A core component of INGA's strategy continues to be growing the number of aligned advisers. The total number of INGA aligned advisers grew to 1,182 by March 2007, a year-on-year increase of 69 planners, of which 29 were ANZ financial planners. INGA ranks 4th in the industry for adviser numbers.

Profit after tax was 30% higher than the March 2006 half, with both operating profit (+25%) and capital investment earnings (+50%) making strong contributions towards the result. Significant contributors to profit growth were:

- Funds management income increased 17% due to higher average funds under management underpinned by strong investment markets, improved net flows in both personal investments and employer super businesses and the acquisition of Oasis. The increase was achieved in an environment of increasing pressure on margins.
- Risk income was 13% higher than the equivalent period to March 2006, driven by strong growth in premium income in both term life and consumer credit, together with continued favourable mortality and morbidity experience. The uplift was achieved despite assumption changes having a lesser favourable impact in the March 2007 half compared to the previous year.
- Underlying funds management expenses increased by 11% due largely to the acquisition of Oasis Asset Management. Risk expenses increased 6% due to the increased cost base associated with supporting the strong growth in retail risk business. Remediation expenses were lower following completion of the unit pricing remediation project. Two capitalised software assets were written-off as part of INGA's normal impairment testing of carrying values.
- Tax on operating profit was lower despite the 18% increase in pre-tax operating profit over the March 2006 half, due to the booking of \$25 million of prior period tax adjustments.
- Capital investment earnings after tax were significantly higher than the March 2006 half due to:
 - improved average yields across various asset classes in which shareholder capital is invested; and
 - the one-off realisation of previously unrealised capital gains (\$12 million) following a capital restructure in February 2007.

Sales by Channel

(12 mths)	Retail Funds Management(1)		Life Insurance(2)		Sep 06(3)		
	Mar 07	Sep 06	Mar 07				
ANZ Bank	40	%	45	% 12	%	12	%
IFAs aligned to ING	19	%	18	% 10	%	9	%
Direct	7	%	6	% 32	%	19	%
Open Market	34	%	31	% 46	%	60	%
Total	100	%	100	% 100	%	100	%

(1) Includes mezzanine funds management business

(2) Includes directly marketed life insurance and consumer credit life insurance

(3) Open Market channel in September 2006 includes a substantial mastertrust client win

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March 2007 half year compared to September 2006 half year

Profit after tax was 19% higher than the half year to 30 September 2006, with both operating profit (+12%) and capital investment earnings (+45%) making strong contributions towards the result. Significant contributors to profit growth were:

- Growth in funds management income based on higher average funds under management during the half-year, as a result of improved net flows and buoyant investment markets. There was further pressure on margins during the period.
- Higher risk income from in-force premium growth, further assisted by a pre-tax profit release of \$8 million from the annual review of risk assumptions conducted in the fourth quarter of 2006.
- Funds management expenses rose 6% due to the acquisition of Oasis Asset Management, while the 6% increase in life risk expenses arose from organic business growth. Spending on remediation was reduced in the March half as the project was completed. Two capitalised software assets related to systems conversion were written-off, as part of INGA's normal impairment testing of carrying values.
- Tax on operating profit was lower due to the booking of \$25 million of prior period tax adjustments in the March half.

Capital investment earnings were significantly higher due to both continued strong underlying investment markets throughout the March 2007 half, and a one-off capital gain (\$12 million) following a restructure of INGA's shareholder capital in February 2007.

Non-continuing businesses(1)

	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	2	19	27	-89	% -93	%
Other external operating income	2	10	25	-80	% -92	%
Operating income	4	29	52	-86	% -92	%
External operating expenses	(4)	(18)	(16)	-78	% -75	%
Net inter business unit expenses		2	1	-100	% -100	%
Operating expenses	(4)	(16)	(15)	-75	% -73	%
Profit before credit impairment and income tax		13	37	-100	% -100	%
Provision for credit impairment		14	1	-100	% -100	%
Profit before income tax		27	38	-100	% -100	%
Income tax expense and minority interest		(5)	(7)	-100	% -100	%
Profit		22	31	-100	% -100	%

(1) Non-continuing businesses comprises the London headquartered project finance business, the run-off of New Zealand conduit transactions and certain structured finance transactions that ANZ has exited as part of its de-risking strategy and Esanda Fleetpartners which was sold in October 2006

March 2007 half year compared to March 2006 half year

Profit after tax reduced from \$31 million at the March 2006 half to nil at the March 2007 half year. The sale of Esanda Fleetpartners contributed to \$2 million of this reduction with the remaining \$29 million from the continued run-off of legacy project finance assets in Institutional. Since March 2006, the volume of structured loans in the discontinued book has reduced to nil.

March 2007 half year compared to September 2006 half year

Profit after tax reduced from \$22 million at the September 2006 half year to nil at the March 2007 half year. The sale of Esanda Fleetpartners contributed to \$13 million of this reduction with the remaining \$9 million from the run-off of legacy project finance assets in Institutional.

Group Centre(1)

	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	133	158	93	-16	% 43	%
Other external operating income	6	4	10	50	% -40	%
Operating income	139	162	103	-14	% 35	%
External operating expenses	(385)	(367)	(355)	5	% 8	%
Net inter business unit expenses	299	286	281	5	% 6	%
Operating expenses	(86)	(81)	(74)	6	% 16	%
Profit before credit impairment and income tax	53	81	29	-35	% 83	%
Provision for credit impairment	(2)			n/a	n/a	
Profit before income tax	51	81	29	-37	% 76	%
Income tax expense and minority interest	(28)	(32)	(6)	-13	% large	
Profit	23	49	23	-53	% 0	%
Total employees	4,354	4,239	4,014	3	% 8	%

(1) Group Centre comprises Group People Capital, Group Risk Management, Treasury (includes the funding component of Treasury results with the mismatch component being included in the Markets business of Institutional), Group Strategic Development, Group Financial Management, Shareholder Functions and Operations, Technology & Shared Services

March 2007 half year compared to March 2006 half year

The half-year profit of \$23 million was in line with the March 2006 half.

- Revenue increased by \$36 million primarily from increased interest earned on surplus capital (\$22 million) together with the investment of funds raised via the Euro Hybrid at higher interest rates and improved interest income from the investment of central tax balances pertaining to tax timing differences. These favourable impacts were partly offset by reduced interest received on tax refunds.
- Operating expenses increased by \$12 million due largely to offshoring and IT project costs in Operations, Technology & Shared Services. The increase in employee numbers was also driven largely by the transitional impact of offshoring technology and back office work to India, together with an increase in IT project work.
- The higher effective tax rate resulted primarily from withholding tax payable on future remittances of present profits from offshore operations and the ongoing appraisal of global tax provisioning requirements.

March 2007 half year compared to September 2006 half year

Profit of \$23 million was \$26 million lower than for the previous half year. Operating income reduced by \$23 million, primarily due to a \$50 million reduction in income on contracts put in place to hedge NZD earnings and a reduction in interest received on tax refunds compared with the prior half. These factors were partially offset by additional interest on surplus capital, an improvement in interest income from the investment of central tax balances pertaining to tax timing differences, and lower term debt funding costs. Operating expenses increased by \$5 million due mainly to offshoring and IT project costs in Operations, Technology & Shared Services, partly offset by lower non-lending losses. The increase in employee numbers was driven largely by an increase in IT project work. The higher effective tax rate resulted from the ongoing appraisal of global tax provisioning requirements.

GEOGRAPHIC SEGMENT PERFORMANCE

Geographic performance

	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 %
Profit					
Australia	1,417	1,292	1,196	10	% 18
New Zealand	502	408	422	23	% 19
Asia	74	70	55	6	% 35
Pacific	59	58	55	2	% 7
Other	50	49	83	2	% -40
	2,102	1,877	1,811	12	% 16

	Half Year March 2007					Growth Rate (on September 2006 half)				
	Revenue	Expenses	PBP(1)	Credit(2)	NPAT	Revenue	Expenses	PBP(1)	Credit(2)	NPAT
Australia	3,815	1,604	2,211	193	1,417	17	% 18	% 17	% -11	% 18
New Zealand	1,330	576	754	27	502	6	% -8	% 19	% large	19
Asia	188	82	106	17	74	27	% 10	% 43	% large	36
Pacific	151	67	84	2	59	8	% 7	% 9	% large	6
Other	129	57	72	1	50	-20	% 5	% -33	% large	-40
	5,613	2,386	3,227	240	2,102	13	% 9	% 16	% 7	% 16
New Zealand (NZD)	1,510	654	856	30	570	10	% -5	% 24	% large	24

	Half Year March 2007					Growth Rate (on September 2006 half)				
	Revenue	Expenses	PBP(1)	Credit(2)	NPAT	Revenue	Expenses	PBP(1)	Credit(2)	NPAT
Australia	3,815	1,604	2,211	193	1,417	6	% 0	% 11	% -1	% 10
New Zealand	1,330	576	754	27	502	15	% 8	% 20	% large	23
Asia	188	82	106	17	74	8	% 5	% 10	% 41	% 7
Pacific	151	67	84	2	59	4	% 3	% 5	% large	3
Other	129	57	72	1	50	19	% -12	% 67	% large	0
	5,613	2,386	3,227	240	2,102	8	% 2	% 14	% 31	% 12
New Zealand (NZD)	1,510	654	856	30	570	8	% 2	% 14	% large	17

(1) PBP (profit before provision) is profit before credit impairment and income tax

(2) Credit impairment expense

	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 %
Cash(1) profit(4),(5)					
Australia	1,323	1,269	1,108	4	% 19
New Zealand	426	408	434	4	% -2
Asia	77	70	55	10	% 40
Pacific	59	58	55	2	% 7
Other	51	51	79	0	% -35
	1,936	1,856	1,731	4	% 12

	Half Year March 2007					Growth Rate (on March 2006 half)				
	Revenue	Expenses	PBP(2)	Credit(3)	NPAT	Revenue	Expenses	PBP(2)	Credit(3)	NPAT
Australia	3,659	1,604	2,055	194	1,323	13	% 8	% 16	% -11	% 19
New Zealand	1,248	576	672	26	426	0	% -2	% 2	% 86	% -2
Asia	191	82	109	17	77	29	% 11	% 47	large	40
Pacific	151	67	84	2	59	8	% 6	% 9	large	7
Other	132	57	75	1	51	-15	% 6	% -26	large	-35
	5,381	2,386	2,995	240	1,936	9	% 6	% 12	% 7	% 12
New Zealand (NZD)	1,418	654	764	30	484	4	% 2	% 7	large	2

	Half Year March 2007					Growth Rate (on September 2006 half)				
	Revenue	Expenses	PBP(2)	Credit(3)	NPAT	Revenue	Expenses	PBP(2)	Credit(3)	NPAT
Australia	3,659	1,604	2,055	194	1,323	3	% 0	% 5	% 0	% 4
New Zealand	1,248	576	672	26	426	7	% 7	% 8	large	4
Asia	191	82	109	17	77	9	% 6	% 11	% 31	% 10
Pacific	151	67	84	2	59	3	% 3	% 4	% 100	% 2
Other	132	57	75	1	51	17	% -14	% 60	large	0
	5,381	2,386	2,995	240	1,936	4	% 2	% 7	% 31	% 4
New Zealand (NZD)	1,418	654	764	30	484	2	% 2	% 2	large	-1

(1) Refer to footnotes 1 to 3 on page 2

(2) PBP (profit before provision) is profit before credit impairment and income tax

(3) Credit impairment expense

(4) Refer page 13 for a reconciliation of cash profit to net profit

(5) Refer pages 11 to 12 for a discussion of why management believes measures of cash profit provides useful information to investors regarding ANZ's financial condition and results of operations

Australia

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	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	2,475	2,469	2,292	0	% 8	%
Other external operating income	1,340	1,131	961	18	% 39	%
Operating income	3,815	3,600	3,253	6	% 17	%
Operating expenses	(1,604)	(1,603)	(1,365)	0	% 18	%
Profit before credit impairment and income tax	2,211	1,997	1,888	11	% 17	%
Provision for credit impairment	(194)	(195)	(218)	-1	% -11	%
Profit before income tax	2,017	1,802	1,670	12	% 21	%
Income tax expense	(599)	(509)	(474)	18	% 26	%
Minority interest	(1)	(1)		-8	% n/a	
Profit	1,417	1,292	1,196	10	% 18	%

	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	2,475	2,470	2,291	0	% 8	%
Other external operating income	1,184	1,093	952	8	% 24	%
Operating income	3,659	3,563	3,243	3	% 13	%
Operating expenses	(1,604)	(1,600)	(1,479)	0	% 8	%
Profit before credit impairment and income tax	2,055	1,963	1,764	5	% 16	%
Provision for credit impairment	(194)	(194)	(218)	0	% -11	%
Profit before income tax	1,861	1,769	1,546	5	% 20	%
Income tax expense	(537)	(499)	(438)	8	% 23	%
Minority interest	(1)	(1)		0	% n/a	
Cash(1) profit(2),(3)	1,323	1,269	1,108	4	% 19	%
Non-core items(1)	94	23	88	large	7	%
Profit	1,417	1,292	1,196	10	% 18	%
Net interest average margin	2.23	% 2.33	% 2.31	%		
Return on risk weighted assets	1.74	% 1.64	% 1.59	%		
Operating expenses(1) to operating income	42.0	% 44.5	% 42.0	%		
Operating expenses(1) to average assets	1.34	% 1.39	% 1.29	%		
Return on risk weighted assets (cash(1))	1.62	% 1.61	% 1.47	%		
Operating expenses to operating income (cash(1))	43.8	% 44.9	% 45.6	%		
Operating expenses to average assets (cash(1))	1.34	% 1.39	% 1.40	%		
Individual provision (charge)/credit	(153)	(141)	(169)	9	% -9	%
Individual provision (charge)/credit as a % of average net advances	(0.16)	%(0.15)	%(0.19)	%		
Collective provision (charge)/credit	(41)	(53)	(49)	-23	% -16	%
Collective provision (charge)/credit as a % of risk weighted assets	(0.04)	%(0.06)	%(0.06)	%		
Net non-performing loans	291	295	305	-1	% -5	%
Net non-performing loans as a % of net advances	0.15	% 0.15	% 0.18	%		
Total employees	19,198	18,723	18,221	3	% 5	%
Lending growth	4.6	% 4.5	% 5.1	%		
External assets	242,014	229,978	220,141	5	% 10	%
Risk weighted assets	167,705	160,719	154,115	4	% 9	%

(1) In the March 2007 half ANZ has classified the profit on sale of Esanda Fleetpartners of \$128 million (\$74 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 as a significant item. ANZ excludes significant items to eliminate the distorting effect of one-off transactions on the results of its core business (refer pages 11 to 12)

The Group enters into economic hedges to manage its interest rate and foreign exchange risk. In the March 2007 half ANZ has classified \$20 million after tax (Sep 2006 half: \$23 million; Mar 2006 half: \$9 million) relating to economic hedging as a non-core item (tax on hedge gains \$9 million (Sep 2006 half: \$11 million; Mar 2006 half: \$3 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 in the 2006 year not

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designated in accounting hedge relationships but that are considered to be economic hedges. ANZ excludes volatility associated with fair value movements on these transactions to provide a better indication of the core business performance

(2) Refer page 13 for a reconciliation of cash profit to net profit

(3) Refer pages 11 to 12 for a discussion of why management believes measures of cash profit provides useful information to investors regarding ANZ's financial condition and results of operations

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March 2007 half year compared to March 2006 half year

Profit after tax increased 18%. After adjusting for the impact of non-core items (refer page 11), cash profit increased 19%.

Key influences on profit were:

- Net interest income increased 8% as average net advances increased 10% and average deposits and other borrowings increased 12% while the net interest margin decreased 8 basis points. Market's net interest income increased \$29 million due to a reduction in the funding cost associated with unrealised gains with a higher proportion of revenue booked as interest, offset in other income. Net interest income also benefited from earnings on higher levels of capital.
- Other income increased 39%. Institutional increased 27%, including \$29 million lower Market's other income offset in net interest income. Excluding this impact, Institutional increased 35% due to solid deal flow in Corporate & Structured Financing and higher Markets revenue from increased deal volumes, while Personal increased 24% including an \$18 million gain from the sale of MasterCard shares. Excluding this gain other income increased 22% due to strong volume and fee growth across all businesses as the investment in growth initiatives delivered higher transaction volumes and fee initiatives benefited several businesses. INGA increased \$17 million following improved operating performance, the completion of remediation work on legacy issues and the strong equity markets during the half.
- Operating expenses increased 18% reflecting a 5% increase in staff numbers and annual salary increases effective 1 October 2006, higher premises and computer charges due to the ongoing investment in the branch network in Personal and continued investment in frontline staff, and staff and systems investment in Institutional.
- Provision for credit impairment decreased 11% as the individual provision charge decreased \$16 million, due to a significant debt recovery in the March 2007 half, partly offset by higher provisions in Personal due to increased volumes and slightly higher risk mix in the portfolio.

Key influences on cash profit were:

- Net interest income increased 8% as average net advances increased 10% and average deposits and other borrowings increased 12% while the net interest margin decreased 8 basis points. Market's net interest income increased \$29 million due to a reduction in the funding cost associated with unrealised gains with a higher proportion of revenue booked as interest, offset in other income. Net interest income also benefited from earnings on higher levels of capital.
- Other income increased 24%. Institutional increased 27%, including \$29 million lower Market's other income offset in net interest income. Excluding this impact, Institutional increased 35% due to solid deal flow in Corporate & Structured Financing and higher Markets revenue from increased deal volumes, while Personal increased 24% including an \$18 million gain from the sale of MasterCard shares. Excluding this gain other income increased 22% due to strong volume and fee growth across all businesses as the investment in growth initiatives delivered higher transaction volumes and fee initiatives benefited several businesses. INGA increased \$17 million following improved operating performance, the completion of remediation work on legacy issues and the strong equity markets during the half.
- Operating expenses increased 8% reflecting a 5% increase in staff numbers and annual salary increases effective 1 October 2006, higher premises and computer charges due to the ongoing investment in the branch network in Personal and continued investment in frontline staff, and staff and systems investment in Institutional.

- Provision for credit impairment decreased 11% as the individual provision charge decreased \$16 million, due to a significant debt recovery in the March 2007 half, partly offset by higher provisions in Personal due to increased volumes and slightly higher risk mix in the portfolio.

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March 2007 half year compared to September 2006 half year

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Profit after tax increased by 10%. After adjusting for the impact of non-core items (refer pages 13 to 14), cash profit increased 4% and cash profit before credit impairment and income tax increased 5%. Adjusting for the benefit in the September half from gains on the NZD revenue hedges of \$34 million after tax, cash profit increased by 5% and cash profit before provisions increased 7%.

Key influences on profit were:

- Net interest income was flat: excluding NZD revenue hedge income of \$49 million in September 2006 half, net interest income increased by 2%. Average net advances increased 4%. Average deposit and other borrowing volumes increased 3%. Net interest margin decreased 10 basis points. Excluding the NZD revenue hedge income in September 2006 half, the margin decreased 5 basis points with a change in the asset mix and competitive pressures in the lending books of Mortgages, Consumer Finance, Debt Product Group and Business Banking, partly offset by an increased margin on deposit products.
- Other operating income increased by 19%. Institutional increased 13% due to higher deal fees in Corporate & Structured Financing, higher Markets earnings with increased deal volumes and volume driven fee growth and increased foreign exchange revenue in Working Capital. Personal other income increased 3% with higher income in Mortgages due to volume growth and higher transaction volumes in Banking Products. INGA increased \$11 million following improved operating performance and the strong equity markets during the half.
- Operating expenses were flat reflecting an increased investment in frontline staff with a 3% increase in personnel numbers and annual salary increases, effective 1 October 2006, offset by lower computer expenses due to lower software amortisation and lower other expenses as discretionary expenditure was contained and lower restructuring costs were incurred. Debit interchange reform reduced other expenses by \$9 million and lower card processing expenses were incurred.
- Provision for credit impairment decreased 1%. This was driven by a combination of increased lending volumes and a slight risk mix change in Personal offset by a decrease in Institutional, due to large recoveries. The March 2007 half also included a lower collective provision charge with an improvement in credit quality offsetting volume growth.

Key influences on cash profit were:

- Net interest income was flat: excluding NZD revenue hedge income of \$49 million in September 2006 half, net interest income increased by 2%. Average net advances increased 4%. Average deposit and other borrowing volumes increased 3%. Net interest margin decreased 10 basis points. Excluding the NZD revenue hedge income in September 2006 half, the margin decreased 5 basis points with a change in the asset mix and competitive pressures in the lending books of Mortgages, Consumer Finance, Debt Product Group and Business Banking, partly offset by an increased margin on deposit products.
- Other operating income increased by 8%. Institutional increased 13% due to higher deal fees in Corporate & Structured Financing, higher Markets earnings with increased deal volumes and volume driven fee growth and increased foreign exchange revenue in Working Capital. Personal other income increased 3% with higher income in Mortgages due to volume growth and higher transaction volumes in Banking Products. INGA increased \$11 million following improved operating performance and the strong equity markets during the half.
- Operating expenses were flat reflecting an increased investment in frontline staff with a 3% increase in personnel numbers and annual salary increases, effective 1 October 2006, offset by lower computer expenses due to lower software amortisation and lower other expenses as discretionary expenditure was contained and lower restructuring costs were incurred. Debit interchange reform reduced other expenses by \$9 million and lower card processing expenses were incurred.
- Provision for credit impairment was unchanged. This was driven by a combination of increased lending volumes and a slight risk mix change in Personal offset by a decrease in Institutional, due to large recoveries. The

March 2007 half also included a lower collective provision charge with an improvement in credit quality offsetting volume growth.

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New Zealand

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	Half year Mar 07 NZD\$M	Half year Sep 06 NZD\$M	Half year Mar 06 NZD\$M	Movt Mar 07 v. Sep 06 %	Movt Mar 07 v. Mar 06 %
Net interest income	1,014	1,028	943	-1	% 7
Other external operating income	496	364	433	36	% 15
Operating income	1,510	1,392	1,376	8	% 10
Operating expenses	(654)	(644)	(687)	2	% -5
Profit before credit impairment and income tax	856	748	689	14	% 24
Provision for credit impairment	(30)	(5)	(14)	large	large
Profit before income tax	826	743	675	11	% 22
Income tax expense	(256)	(253)	(213)	1	% 20
Minority interest			(1)	n/a	-100
Profit	570	490	461	16	% 24

	Half year Mar 07 NZD M	Half year Sep 06 NZD M	Half year Mar 06 NZD M	Movt Mar 07 v. Sep 06 %	Movt Mar 07 v. Mar 06 %
Net interest income	1,014	1,028	943	-1	% 8
Other external operating income	404	364	417	11	% -3
Operating income	1,418	1,392	1,360	2	% 4
Operating expenses	(654)	(644)	(644)	2	% 2
Profit before credit impairment and income tax	764	748	716	2	% 7
Provision for credit impairment	(30)	(5)	(14)	large	large
Profit before income tax	734	743	702	-1	% 5
Income tax expense	(250)	(253)	(227)	-1	% 10
Minority interest			(1)	n/a	-100
Cash(1) profit(2),(3)	484	490	474	-1	% 2
Non-core items(1)	86		(13)	n/a	large
Profit (NZD)	570	490	461	16	% 24
Profit (AUD)	502	408	422	23	% 19
Net interest average margin	2.23	% 2.33	% 2.32	%	
Return on risk weighted assets	1.66	% 1.41	% 1.49	%	
Operating expenses(1) to operating income	43.3	% 46.2	% 49.9	%	
Operating expenses(1) to average assets	1.34	% 1.34	% 1.54	%	
Return on risk weighted assets (cash(1))	1.41	% 1.41	% 1.54	%	
Operating expenses to operating income (cash(1))	46.1	% 46.3	% 47.4	%	
Operating expenses to average assets (cash(1))	1.34	% 1.34	% 1.45	%	
Individual provision (charge)/credit	(22)	(7)	(23)	large	-4
Individual provision (charge)/credit as a % of average net advances	(0.06)	% (0.02)	% (0.06)	%	
Collective provision (charge)/credit	(8)	2	9	large	large
Collective provision (charge)/credit as a % of average net advances	(0.02)	% 0.01	% 0.03	%	
Net non-performing loans	72	93	119	-23	% -39
Net non-performing loans as a % of net advances	0.09	% 0.12	% 0.16	%	
Total employees	9,489	9,392	9,304	1	% 2
Lending growth	4.8	% 5.5	% 6.1	%	
External assets	99,054	94,911	93,232	4	% 6
Risk weighted assets	71,975	68,496	65,216	5	% 10

(1) In March 2007 half ANZ has classified the profit on sale of Esanda Fleetpartners of NZD76 million (tax impact: \$nil) as a significant item

In the March 2006 half ANZ classified the NZD\$16 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 a significant item. ANZ also incurred NZD29 million after tax ANZ National Bank incremental integration costs (tax impact: NZD14 million). ANZ National Bank incremental integration costs are excluded to better reflect the core cost base following completion of the integration

The Group enters into economic hedges to manage its interest rate and foreign exchange risk. In the March 2007 half ANZ has classified NZD10 million after tax (Sep 2006 half: \$nil; Mar 2006 half: \$nil) relating to economic hedging as a non-core item. Included in this non-core

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amount is ineffectiveness arising from designated accounting hedges, any volatility arising from usage of the fair value option and approved classes of derivatives in the 2006 year not designated in accounting hedge relationships but that are considered to be economic hedges. ANZ excludes volatility associated with fair value movements on these transactions to provide a better indication of the core business performance

(2) Refer page 13 for a reconciliation of cash profit to net profit

(3) Refer pages 11 to 12 for a discussion of why management believes measures of cash profit provides useful information to investors regarding ANZ's financial condition and results of operations

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Reconciliation of Geographic profit

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	Half year Mar 07 NZD M	Half year Sep 06 NZD M	Half year Mar 06 NZD M	Movt Mar 07 v. Sep 06 %	Movt Mar 07 v. Mar 06 %	
New Zealand Businesses	398	403	369	-1	% 8	%
NZ Institutional (Continuing)	112	106	119	6	% -6	%
New Zealand Banking	510	509	488	0	% 5	%
Non-continuing businesses		4	5	-100	% -100	%
NZ shareholder functions	(26)	(23)	(19)	13	% 37	%
New Zealand geography adjusted for non-core items(1)	484	490	474	-1	% 2	%
Non-core items	86		(13)	n/a	large	
Total New Zealand geography	570	490	461	16	% 24	%

(1) Refer footnote 1 on page 54

March 2007 half year compared to March 2006 half year

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Profit after tax increased 24%. After adjusting for non-core items (refer pages 13 to 14), cash profit increased by 2%, with the result impacted by a NZD11 million after tax increase in credit impairment expense and lower markets income. Profit before provisions increased 7%, with strong contributions from NZ Businesses (13%) and the NZ Institutional Working Capital and Structured Finance businesses, being partially offset by the strong Markets result in the March 2006 half not matched in the current period.

Key influences on profit were:

- Net interest income increased 7%, with lending volumes growing 11% and customer deposits (excluding Treasury) growing 10%. Lending growth was strong in the NZ Businesses (13%), whilst reducing large lending exposures impacted the NZ Institutional Businesses (-8%). Net interest margin declined 9 basis points, impacted by continued competitive pressure and unfavourable product mix, partially offset by customer prepayment behaviour.
- Other external operating income increased 15%. This mainly reflects the exceptional Markets performance in the March 2006 half not matched in the current March 2007 half period. The Retail businesses benefited from the sale of MasterCard shares in the March 2007 half (NZD10 million). Other income in National Bank Retail increased 8%, with growth across lending, cards and transactional fees. Fee income in other businesses was constrained by competitive market conditions.
- Operating expenses decreased 5% with the March 2006 half impacted by NZD10 million in relation to the Commerce Commission's action on disclosure of optional issuer fees. In addition, operating costs were higher due to annual increases in salaries, increased front line staff and investment in business initiatives, partly offset by control of discretionary expenditure. The cost to income ratio reduced 130 basis points to 46.1%.
- Provision for credit impairment increased NZD16 million from negligible levels in 2006. The individual provision charge is in line with the March 2006 half, with similar levels of new provisions and writebacks/recoveries. The collective provision charge increased NZD17 million, largely due to a credit following the reassessment of the retail portfolio risk profile in the December 2005 period. The collective provision charge for March 2007 half was largely driven by lending growth, with minimal impact from changes to the risk profile across the portfolio. Credit conditions remain benign, with net non-performing loans reducing 39%.

Key influences on cash profit were:

- Net interest income increased 8%, with lending volumes growing 11% and customer deposits (excluding Treasury) growing 10%. Lending growth was strong in the NZ Businesses (13%), whilst reducing large lending exposures impacted the NZ Institutional Businesses (-8%). Net interest margin declined 9 basis points, impacted by continued competitive pressure and unfavourable product mix, partially offset by customer prepayment behaviour.
- Other external operating income reduced 3%. This mainly reflects the exceptional Markets performance in the March 2006 half not matched in the current March 2007 half period. The Retail businesses benefited from the sale of MasterCard shares in the March 2007 half (NZD10 million). Other income in National Bank Retail increased 8%, with growth across lending, cards and transactional fees. Fee income in other businesses was constrained by competitive market conditions.
- Operating expenses increased 2% with the March 2006 half impacted by NZD10 million in relation to the Commerce Commission's action on disclosure of optional issuer fees. In addition, operating costs were higher due to annual increases in salaries, increased front line staff and investment in business initiatives, partly offset by control of discretionary expenditure. The cost to income ratio reduced 130 basis points to 46.1%.
- Provision for credit impairment increased NZD16 million from negligible levels in 2006. The individual provision charge is in line with the March 2006 half, with similar levels of new provisions and writebacks/recoveries. The collective provision charge increased NZD17 million, largely due to a credit following the reassessment of the retail portfolio risk profile in the December 2005 period. The collective provision charge for March 2007 half was

largely driven by lending growth, with minimal impact from changes to the risk profile across the portfolio. Credit conditions remain benign, with net non-performing loans reducing 39%.

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March 2007 half year compared to September 2006 half year

Profit after tax increased 16%. After adjusting for non-core items (refer pages 13 to 14), cash profit decreased 1% (NZD6 million) with the result impacted by a NZD17 million after tax increase in credit impairment expense. Growth in profit before provisions was 2% (NZD16 million), with a good contribution from NZ Businesses (5%) offset by a reduced contribution from NZ Institutional (-4%).

Key influences on profit were:

- Net interest income reduced 1%, with the result adversely impacted by lower net interest income on Markets derivatives (offset by an increase in trading income). Adjusting for this item, net interest income growth was 2%. Lending volumes increased 5%, with robust growth across the NZ Businesses (6%) being moderated by repayments in NZ Institutional. Net interest margin reduced 10 basis points (3 basis points excluding the above derivatives switch) driven by intense competition and unfavourable product mix, partially offset by the favourable net impact on deposit spreads from increased wholesale rates and the impact of customer prepayment behaviour.
- Other external operating income was flat after allowing for the derivatives variance offset in net interest income, and the MasterCard income received in the respective halves. This reflects constrained fee growth across the businesses, and lower Markets revenues.
- Operating expense growth was held to 2%, with growth in personnel costs from increased front line staff and the annual salary rate rise being partly offset by reduced discretionary spend.
- Provision for credit impairment increased NZD25 million. The individual charge remains at low levels despite increasing NZD15 million, reflecting the exceptionally low result in the September 2006 half, which benefited from a number of Corporate & Commercial, Business Banking and Institutional recoveries. The collective charge increased NZD10 million partially from a reduced benefit from scenario modelling and repayments in NZ Institutional in the March 2007 half. Net non-performing loans reduced NZD21 million (23%) to NZD72 million.

Key influences on cash profit were:

- Net interest income reduced 1%, with the result adversely impacted by lower net interest income on Markets derivatives (offset by an increase in trading income). Adjusting for this item, net interest income growth was 2%. Lending volumes increased 5%, with robust growth across the NZ Businesses (6%) being moderated by repayments in NZ Institutional. Net interest margin reduced 10 basis points (3 basis points excluding the above derivatives switch) driven by intense competition and unfavourable product mix, partially offset by the favourable net impact on deposit spreads from increased wholesale rates and the impact of customer prepayment behaviour.
- Other external operating income was flat after allowing for the derivatives variance offset in net interest income, and the MasterCard income received in the respective halves. This reflects constrained fee growth across the businesses, and lower Markets revenues.
- Operating expense growth was held to 2%, with growth in personnel costs from increased front line staff and the annual salary rate rise being partly offset by reduced discretionary spend.
- Provision for credit impairment increased NZD25 million. The individual charge remains at low levels despite increasing NZD15 million, reflecting the exceptionally low result in the September 2006 half, which benefited from a number of Corporate & Commercial, Business Banking and Institutional recoveries. The collective charge increased NZD10 million partially from a reduced benefit from scenario modelling and repayments in NZ Institutional in the March 2007 half. Net non-performing loans reduced NZD21 million (23%) to NZD72 million.

Asia

	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	100	92	77	9	% 30
Other external operating income	87	83	71	5	% 23
Operating income	187	175	148	7	% 26
Operating expenses	(82)	(77)	(74)	6	% 11
Profit before credit impairment and income tax	105	98	74	8	% 42
Provision for credit impairment	(17)	(13)	(8)	36	% large
Profit before income tax	88	85	66	4	% 34
Income tax expense	(13)	(14)	(11)	-4	% 23
Minority interest	(1)	(1)		0	% n/a
Profit	74	70	55	6	% 35

	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	100	92	77	9	% 30
Other external operating income	91	83	71	10	% 28
Operating income	191	175	148	9	% 29
Operating expenses	(82)	(77)	(74)	6	% 11
Profit before credit impairment and income tax	109	98	74	11	% 47
Provision for credit impairment	(17)	(13)	(8)	31	% large
Profit before income tax	92	85	66	8	% 39
Income tax expense	(14)	(14)	(11)	0	% 27
Minority interest	(1)	(1)		0	% n/a
Cash profit(1),(2),(3)	77	70	55	10	% 40
Non-core items(1)	(3)			n/a	n/a
Profit	74	70	55	6	% 35
Operating expenses to operating income	43.9	% 44.0	% 50.0	%	
Operating expenses to operating income (cash(1))	42.9	% 44.0	% 50.0	%	
Individual provision (charge)/credit	(14)	(14)	(4)	0	% large
Collective provision (charge)/credit	(3)	1	(4)	large	-25 %
Net non-performing loans				n/a	n/a
Total employees	1,098	913	843	20	% 30

(1) The Group enters into economic hedges to manage its interest rate and foreign exchange risk. In the March 2007 half ANZ has classified \$3 million loss after tax (Sep 2006 half: \$nil; Mar 2006 half: \$nil) relating to economic hedging as a non-core item. 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. ANZ excludes volatility associated with fair value movements on these transactions to provide a better indication of the core business performance

(2) Refer page 13 for a reconciliation of cash profit to net profit

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March 2007 half year compared to March 2006 half year

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Profit after tax increased 35% (37% excluding exchange rate impacts). After adjusting for non-core items (refer pages 11 to 12), profit after tax increased by 40%.

- Net interest income increased 30% with net interest margin improving by 24 basis points. A program of exiting low-yielding Corporate & Institutional assets to ensure benchmark returns from client portfolios was introduced this year. Volume growth and lower funding costs in Indonesia Cards and asset and deposit growth in Cambodia were contributors to the strong result.
- Other external operating income increased 23% (28% after adjusting for non-core items) due largely to a full six month result from equity-accounted Bank of Tianjin, annual dividend from Sacombank, increased fee income in Indonesia Cards due to volume growth and strong fee revenue growth in Cambodia. The building of resources in the Markets business has led to the boosting of revenue in this area.
- Operating expenses increased 11% largely as a result of ongoing investment across the International Partnerships business and increased investment in personnel as we grew the franchise. Personnel numbers grew by 255, largely in frontline positions. A number of staff initiatives have been launched, including product training and talent management in view of the strong economic growth and increased demand for talent across the region.
- Provision for credit impairment increased by \$9 million primarily due to the impact of regulatory changes and business volume growth in Indonesia Cards, partially offset by a net writeback in Institutional due to the reduction in Corporate & Institutional lending assets as we exited low-yielding exposures.

March 2007 half year compared to September 2006 half year

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Profit after tax increased 6% (9% excluding exchange rate impacts), mainly driven by full half results from the Bank of Tianjin, the annual dividend from Sacombank and a strong Panin result. This was partly offset by the impact of increased provisioning in Indonesia Cards and continued investment in the partnerships business. In addition, merger and acquisition deals in the Asia-Pacific region and increased trade flows contributed to the improved performance in the Institutional business.

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Pacific

	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	73	72	66	1	% 11	%
Other external operating income	78	74	74	5	% 5	%
Operating income	151	146	140	3	% 8	%
Operating expenses	(67)	(65)	(63)	3	% 6	%
Profit before credit impairment and income tax	84	81	77	4	% 9	%
Provision for credit impairment	(2)	(1)	1	100	% large	
Profit before income tax	82	80	78	3	% 5	%
Income tax expense	(23)	(22)	(22)	5	% 5	%
Minority interest			(1)	n/a	-100	%
Cash profit	59	58	55	2	% 7	%
Profit	59	58	55	2	% 7	%
Operating expenses to operating income	44.4	% 44.5	% 45.0	%		
Individual provision (charge)/credit	(1)	4	3	large	large	
Collective provision (charge)/credit	(1)	(5)	(2)	-80	% -50	%
Net non-performing loans	8	5	8	60	% 0	%
Total employees	1,693	1,662	1,613	2	% 5	%

March 2007 half year compared to March 2006 half year

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Profit after tax increased 7%. The appreciation of the AUD decreased profit growth by 2% (\$1 million).

- Net interest income increased 11% reflecting growth in lending volumes in Fiji, PNG, Cook and Solomon Islands.
- Operating expenses increased 6% predominantly due to investment in our Operational Excellence agenda and expansion of footprint.
- Provision for credit impairment increased by \$3 million due to one significant writeback in Fiji in the March 2006 half.

March 2007 half year compared to September 2006 half year

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Profit after tax increased 2%. Operating income increased 3% reflecting growth in lending volumes. Operating expenses increased by 3%. Individual provision charge increased due to one significant recovery in Fiji in the September 2006 half. Collective provision charge is reflective of balance sheet growth. The impact of exchange rate movements was immaterial.

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**Other: United Kingdom, Europe, United States and South Asia
(including Bangalore)**

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	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	71	83	68	-14	% 4
Other external operating income	60	27	93	large	-35
Operating income	131	110	161	19	% -19
Operating expenses	(57)	(67)	(54)	-15	% 6
Profit before credit impairment and income tax	74	43	107	72	% -31
Provision for credit impairment	(1)	27	15	large	large
Profit before income tax	73	70	122	5	% -40
Income tax expense	(23)	(21)	(38)	9	% -41
Minority interest				0	% n/a
Profit	50	49	84	3	% -40

	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	71	82	69	-13	% 3
Other external operating income	61	31	86	97	% -29
Operating income	132	113	155	17	% -15
Operating expenses	(57)	(66)	(54)	-14	% 6
Profit before credit impairment and income tax	75	47	101	60	% -26
Provision for credit impairment	(1)	27	15	large	large
Profit before income tax	74	74	116	0	% -36
Income tax expense	(23)	(23)	(37)	0	% -38
Cash profit(1),(2),(3)	51	51	79	0	% -35
Non-core items	(1)	(2)	4	-50	% large
Profit	50	49	83	2	% -40
Operating expenses to operating income	44.6	% 60.0	% 34.0	%	
Operating expenses to operating income (cash(1))	43.2	% 58.0	% 35.0	%	
Individual provision (charge)/credit	(1)	5	4	large	large
Collective provision (charge)/credit		22	11	-100	% -100
Net non-performing loans	3	3	6	0	% -50
Total employees	1,705	1,567	1,082	9	% 58

(1) The Group enters into economic hedges to manage its interest rate and foreign exchange risk. In the March 2007 half ANZ has classified \$1 million loss after tax (Sep 2006 half: \$2 million loss; Mar 2006 half: \$4 million profit) relating to economic hedging as a non-core item. 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. ANZ excludes volatility associated with fair value movements on these transactions to provide a better indication of the core business performance

(2) Refer page 13 for a reconciliation of cash profit to net profit

(3) Refer pages 11 to 12 for a discussion of why management believes measures of cash profit provides useful information to investors regarding ANZ's financial condition and results of operations

March 2007 half year compared to March 2006 half year

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Profit after tax decreased 40%. After adjusting for non-core items (refer pages 11 to 12), cash profit decreased 35%. The overall impact of exchange rates was immaterial. The decline was principally due to the run down in non-continuing businesses following the refocus of our operations.

- Net interest income increased 3% as the lower cost of funding derivatives was offset largely by other influences including the run-off of discontinued business, lower volumes in Institutional, reflecting a focus on core business, and a repatriation of capital in the September 2006 half.
- Other operating income was adversely impacted by the profit on the sale of a power asset in the United States and the settlement of sale warranties occurring in the March 2006 half year, mark to market losses on credit derivatives and trading losses on derivatives offset in net interest income.
- Operating expenses increased 6% due mainly to higher premises costs in London and adverse exchange movements. The rise in staff numbers is attributable to increases in operations and technology staff in India, however these costs were charged to other businesses.
- The increase in the collective provision charge reflects the more stable portfolio following the reduction in volumes of risk assets, which underpinned provision releases in the prior periods.

March 2007 half year compared to September 2006 half year

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Profit after tax increased 2%. Cash profit was flat. Net interest income decreased 13% due mainly to the increased cost of funding derivative positions in Markets, which is offset by gains in other income. Other operating income increased 97% due largely to increased trading income in Markets from the derivatives positions referred to above, as well as higher revenue particularly relating to structured credit and rates trading in Markets. Operating expenses decreased 14%, from reduced expenditure in respect of discontinued businesses and the closure of Paris branch and increased internal revenue in India. The provision for credit impairment charge increased reflecting a more stable portfolio following the reduction in volumes of risk assets throughout 2006 which underpinned provision releases.

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Australia and New Zealand Banking Group Limited

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND OTHER DISCLOSURES (UNAUDITED)

(prepared in Australian dollars (\$))

Half year ended

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Condensed Consolidated Income Statement (Unaudited)

	Note	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 %	
Total income	2	14,520	13,138	12,372	11	% 17	%
Interest income		12,518	11,524	10,777	9	% 16	%
Interest expense		(8,907)	(7,949)	(7,409)	12	% 20	%
Net interest income	2	3,611	3,575	3,368	1	% 7	%
Other operating income	2	2,002	1,614	1,595	24	% 26	%
Operating income		5,613	5,189	4,963	8	% 13	%
Operating expenses	3	(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	9	(240)	(183)	(224)	31	% 7	%
Profit before income tax		2,987	2,660	2,554	12	% 17	%
Income tax expense	4	(883)	(780)	(742)	13	% 19	%
Profit for the period		2,104	1,880	1,812	12	% 16	%
Comprising:							
Profit attributable to minority interest		2	3	1	-33	% 100	%
Profit attributable to shareholders of the Company		2,102	1,877	1,811	12	% 16	%
Earnings per ordinary share (cents)							
Basic	6	113.2	101.6	98.4	11	% 15	%
Diluted	6	110.0	98.5	95.5	12	% 15	%
Dividend per ordinary share (cents)	5	62	69	56	n/a	11	%

The notes appearing on pages 69 to 105 form an integral part of these financial statements

Condensed Consolidated Balance Sheet (Unaudited)

	Note	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 %
Assets						
Liquid assets		15,433	15,019	13,870	3	% 11
Due from other financial institutions		6,439	9,665	8,336	-33	% -23
Trading securities(1)		14,265	9,179	8,721	55	% 64
Derivative financial instruments		12,268	9,164	11,456	34	% 7
Available for sale assets		9,835	10,653	13,287	-8	% -26
Net loans and advances	7	267,809	255,949	242,053	5	% 11
Customers liability for acceptances		14,013	13,435	13,692	4	% 2
Regulatory deposits		219	205	214	7	% 2
Shares in associates and joint venture entities		2,281	2,200	1,912	4	% 19
Deferred tax assets		205	253	307	-19	% -33
Goodwill and other intangible assets(2)		3,394	3,337	3,272	2	% 4
Other assets(3)		4,154	4,472	4,000	-7	% 4
Premises and equipment		1,409	1,109	1,061	27	% 33
Total assets		351,724	334,640	322,181	5	% 9
Liabilities						
Due to other financial institutions		14,872	14,118	13,345	5	% 11
Deposits and other borrowings	10	210,585	204,794	196,850	3	% 7
Derivative financial instruments		13,607	8,753	10,105	55	% 35
Liability for acceptances		14,013	13,435	13,692	4	% 2
Current tax liabilities		403	569	399	-29	% 1
Deferred tax liabilities		190	253	345	-25	% -45
Payables and other liabilities		10,221	10,679	9,697	-4	% 5
Provisions		919	957	908	-4	% 1
Bonds and notes		54,188	50,050	46,923	8	% 15
Loan capital(4)	11	11,816	11,126	11,121	6	% 6
Total liabilities		330,814	314,734	303,385	5	% 9
Net assets		20,910	19,906	18,796	5	% 11
Shareholders equity						
Ordinary share capital	12,13	8,414	8,271	8,068	2	% 4
Preference share capital	12,13	871	871	871	0	% 0
Reserves	13	(524)	(354)	(156)	48	% large
Retained earnings	13	12,117	11,084	9,979	9	% 21
Share capital and reserves attributable to shareholders of the Company		20,878	19,872	18,762	5	% 11
Minority interest		32	34	34	-6	% -6
Total equity		20,910	19,906	18,796	5	% 11
Contingent liabilities, contingent assets and commitments	15					

(1) Includes bills held in portfolio \$1,540 million (Sep 2006: \$1,569 million; Mar 2006: \$1,167 million)

(2) Excludes notional goodwill in equity accounted entities

(3) Includes interest revenue receivable \$1,632 million (Sep 2006: \$1,569 million; Mar 2006: \$1,468 million)

(4) Includes \$2,362 million (Sep 2006: \$2,471 million Mar 2006: \$2,536 million) hybrid loan capital that qualifies for Tier 1 capital as defined by the Australian Prudential Regulation Authority

The notes appearing on pages 69 to 105 form an integral part of these financial statements

Condensed Consolidated Statement of Recognised Income and Expense (Unaudited)

	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 %
Items recognised directly in equity (1)					
Currency translation adjustments					
Exchange differences taken to equity	(89)	102	(305)	large	-71 %
Available-for-sale assets					
Valuation gain taken to equity	16	2	18	large	-11 %
Cumulative (gain) transferred to the income statement on sale	(17)	(8)		large	n/a
Cash flow hedges					
Valuation gain taken to equity	60	93	28	-35 %	large
Transferred to income statement for the period	(6)	(42)	(14)	-86 %	-57 %
Actuarial gain (loss) on defined benefit plans	55	(80)	25	large	large
Income/(expense) recognised directly in equity	19	67	(248)	-71 %	large
Profit for the period	2,104	1,880	1,812	12 %	16 %
Total recognised income and expense for the period	2,123	1,947	1,564	9 %	36 %
Comprising:					
Total recognised income and expense attributable to minority interest	2	3	1	-33 %	100 %
Total recognised income and expense attributable to shareholders of the company	2,121	1,944	1,563	9 %	36 %
Effect of adoption of AASB 139 (2)					
Available for sale reserve			(10)	n/a	-100 %
Hedging reserve			162	n/a	-100 %
Retained earnings			431	n/a	-100 %
			583	n/a	-100 %

(1) *These items are disclosed net of tax*

(2) *Adoption of AASB 2005-1 has no impact on total equity as it leads to a reclassification within equity*

The notes appearing on pages 69 to 105 form an integral part of these financial statements

Condensed Consolidated Cash flow statement (Unaudited)

	Note	Half year Mar 07 Inflows (Outflows) \$M	Half year Sep 06 Inflows (Outflows) \$M	Half year Mar 06 Inflows (Outflows) \$M
Cash flows from operating activities				
Interest received		12,863	11,835	11,179
Dividends received		31	4	49
Fee income received		1,106	1,066	1,016
Other income received		525	476	581
Interest paid		(8,876)	(7,377)	(7,299)
Personnel expenses paid		(1,466)	(1,354)	(1,383)
Premises expenses paid		(204)	(191)	(188)
Other operating expenses paid		(1,312)	(1,172)	(1,244)
Recovery from NHB litigation			27	87
Income taxes paid				
Australia		(902)	(249)	(539)
Overseas		(190)	(355)	(82)
Goods and Services Tax paid		(4)	(13)	(5)
(Increase)/decrease in operating assets:				
Liquid assets - greater than three months		905	498	(1,798)
Due from other financial institutions		(357)	512	806
Trading Securities		(4,624)	(1,666)	(15)
Regulatory deposits		(25)	5	(47)
Loans and advances		(13,067)	(12,879)	(13,969)
Increase/ (decrease) in operating liabilities				
Deposits and other borrowings		7,792	7,400	8,729
Due to other financial institutions		993	700	1,159
Payables and other liabilities		(665)	(474)	1,015
Net cash (used in) operating activities	16	(7,477)	(3,207)	(1,948)
Cash flows from investing activities				
Net decrease/(increase)				
Available for sale assets				
Purchases		(8,272)	(5,290)	(10,190)
Proceeds from sale or maturity		8,976	8,022	8,217
Controlled entities and associates				
Purchased (net of cash acquired)		(53)	(227)	(62)
Proceeds from sale (net of cash disposed)		400	14	
Premises and equipment				
Purchases		(199)	(97)	(153)
Proceeds from sale		16	17	2
Other		172	1,611	86
Net cash provided by/ (used in) investing activities		1,040	4,050	(2,100)
Cash flows from financing activities				
Net (decrease)increase				
Bonds and notes				
Issue proceeds		11,497	7,582	9,924
Redemptions		(4,351)	(4,810)	(4,139)
Loan capital				
Issue proceeds		1,141	639	609
Redemptions		(500)	(656)	
Change in minority interests		(2)	(2)	2
Dividends paid		(1,163)	(941)	(989)
Share capital issues		63	72	75
Share capital buyback				(146)
Net cash provided by financing activities		6,685	1,884	5,336
Net cash (used in) operating activities		(7,477)	(3,207)	(1,948)

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Net cash provided by/(used in) investing activities		1,040	4,050	(2,100)
Net cash provided by financing activities		6,685	1,884	5,336
Net increase/(decrease) in cash and cash equivalents		248	2,727	1,288
Cash and cash equivalents at beginning of period		20,344	16,845	13,702
Foreign currency translation		(2,338)	772	1,855
Cash and cash equivalents at end of period	16	18,254	20,344	16,845

The notes appearing on pages 69 to 105 form an integral part of these financial statements

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Notes to Condensed Financial statements (Unaudited)

1. Significant Accounting Policies

(i) Basis of preparation

These consolidated financial statements comprise a general purpose financial report and:

- should be read in conjunction with the ANZ Financial Report and the ANZ Concise Annual Report for the year ended 30 September 2006 and any public announcements made by the Parent entity and its controlled entities (the Group) for the half year ended 31 March 2007 in accordance with the continuous disclosure obligations under the Corporations Act 2001 (as amended) and the ASX Listing Rules;
- are presented in Australian dollars unless otherwise stated;
- comply with the accounts provisions of the Banking Act 1959;
- have been prepared in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001;
- are condensed financial statements as defined in AASB 134: *Interim Financial Reporting*. This report does not include all notes of the type normally included in the annual financial report; and
- have been prepared in accordance with the historical cost convention except that the following assets and liabilities are stated at their fair value: derivative financial instruments including the fair value of any applicable underlying exposure, assets treated as available-for-sale, financial instruments held for trading, term funding instruments including specific bonds and notes, and defined benefit plans assets and liabilities.

These condensed consolidated interim financial statements were approved by the Board of Directors on 26 April 2007.

The preparation of the financial report requires the use of management judgement, estimates and assumptions that affect reported amounts and the application of policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable. Actual results may differ from these estimates. Such estimates may require review in future periods.

All amounts in the financial report have been rounded to the nearest million dollars in accordance with class order 98/100, dated 10 July 1998 (as amended).

The accounting policies and methods of computation adopted in the preparation of these condensed consolidated interim financial statements are consistent with those adopted and disclosed in the Group's 2006 annual financial report for the year ended 30 September 2006 except for the following change in accounting policy:

- In May 2005, AASB 2005-1 (an amendment to AASB 139: *Financial Instruments: Recognition and Measurement*) was issued which stipulated circumstances in which a hedge of a forecast intragroup transaction qualified for hedge accounting. As a result of this amendment, cash flow hedge relationships covering New Zealand's revenue flows no longer qualified for hedge accounting. The realised gains on the hedges of future years' New Zealand dollar revenues of \$141 million (net of tax) that were included in the hedging reserve at 30 September 2006 were, in line with the transitional provisions of AASB 2005-1, transferred directly to retained earnings.

The Group's key accounting policies that have been applied in preparing these condensed consolidated interim financial statements follow.

(ii) Consolidation

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The financial statements comprise the financial statements of Australia and New Zealand Banking Group Limited (the Company) and all its controlled entities where it is determined that there is a capacity to control. Control means the power to govern directly or indirectly the financial and operating policies of an entity so as to obtain benefits from its activities.

In relation to special purpose entities, such control is deemed to exist where:

- in substance, the majority of the residual risks and rewards from their activities accrue to the Group; or
- in substance, the Group controls their decision making powers so as to obtain the majority of the risks and rewards from their activities.

(iii) Interest income and interest expense

Interest income and interest expense are recognised in the income statement as they accrue using the effective interest method.

The effective interest method calculates the amortised cost of a financial asset or financial liability and allocates the interest income or interest expense, including fees and directly related transaction costs that are an integral part of the effective interest rate, over the expected life of the financial instrument. Income and expense on the financial instruments are recognised on an effective yield basis in proportion to the amount outstanding over the period to maturity or repayment.

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Loan commitment fees, together with related direct costs, are deferred and recognised as an adjustment to the interest yield on the loan once drawn or immediately to the income statement for expired commitments.

Fees and commissions payable to brokers in respect of originating lending business, where these are direct and incremental costs related to the issue of a financial instrument, are deferred in net loans and advances and recognised in interest income as part of the effective interest rate.

(iv) Fee and commission income

Fees and commissions that are integral to the effective interest rate of a financial asset or liability are included in the determination of the effective interest rate.

Fees and commissions that relate to the execution of a significant act (for example, advisory or arrangement services, placement fees and underwriting fees) are recognised when the significant act has been completed.

Fees charged for providing ongoing services (for example, maintaining and administering existing facilities) are recognised as income over the period the service is provided.

(v) Offsetting of income and expenses

Income and expenses are not offset unless required or permitted by an accounting standard. At the Group level, this generally arises in the following circumstances:

- where transaction costs form an integral part of the effective interest rate of a financial instrument which is measured at amortised cost, these are offset against the interest income generated by the financial instrument;
- where gains and losses relating to fair value hedges are assessed as being effective;
- where gains and losses from a group of similar transactions are reported on a net basis, such as foreign exchange gains and losses;
- where amounts are collected on behalf of third parties, where the Group is acting as an agent only; or
- where costs are incurred on behalf of customers from whom the Group is reimbursed.

(vi) Derivative financial instruments

Derivative financial instruments are contracts whose value is derived from one or more underlying price, index or other variables. They include swaps, forward rate agreements, futures, options and combinations of these instruments.

Derivative financial instruments are entered into by the Group for trading purposes (including customer-related reasons), or for hedging purposes (where the derivative instruments are used to hedge the Group's exposures to interest rate risk, currency risk, price risk, credit risk and other exposures relating to non-trading positions).

Derivative financial instruments are recognised initially at fair value with gains or losses from subsequent measurement at fair value being recognised in the income statement. Where the derivative is designated effective as a hedging instrument, the timing of the recognition of any resultant gain or loss in the income statement is dependent on the hedging designation. These hedging designations and associated accounting are as follows:

- Fair value hedge

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Where the Group hedges the fair value of a recognised asset or liability or firm commitment, changes in the fair value of the derivative designated as a fair value hedge are recognised in the income statement. Changes in the fair value of the hedged item attributable to the hedged risk are reflected in adjustments to the carrying value of the hedged items, which are also recognised in the income statement.

Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. The resulting adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to the income statement over the period to maturity of the hedged item.

If the hedged item is sold or repaid, the unamortised fair value adjustment is recognised immediately in the income statement.

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- Cash flow hedge

The Group designates derivatives as cash flow hedges where the instrument hedges the variability in cash flows of a recognised asset or liability, a foreign exchange component of a firm commitment or a highly probable forecast transaction. The effective portion of changes in the fair value of derivatives qualifying and designated as cash flow hedges is deferred to the hedging reserve which forms part of shareholders' equity. Any ineffective portion is recognised immediately in the income statement. Amounts deferred in equity are recognised in the income statement in the period during which the hedged forecast transactions take place.

When the hedge expires, is sold, terminated, exercised, or no longer qualifies for hedge accounting, the cumulative amount deferred in equity remains in the hedging reserve, and is subsequently transferred to the income statement when the hedged item is recognised in the income statement.

When a forecast transaction is no longer expected to occur, the amount deferred in equity is recognised immediately in the income statement.

- Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. The gain or loss from remeasuring the fair value of the hedging instrument relating to the effective portion of the hedge is deferred in equity and the ineffective portion is recognised immediately in the income statement.

All gains and losses from changes in the fair value of derivatives, that are not designated in a hedging relationship but are entered into to manage the interest rate and foreign exchange risk of funding instruments, are recognised in the income statement. Under certain circumstances, the component of the fair value change in the derivative which relates to current period realised and unrealised interest, is included in net interest income. The remainder of the fair value movement is included in other income.

Derivatives embedded in financial instruments or other host contracts are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contracts, and the host contracts are not measured at fair value via the profit and loss. The embedded derivative is measured at fair value with changes in fair value immediately recognised in the income statement.

(vii) Trading Securities and other financial assets at fair value through profit or loss

Trading securities and other financial instruments acquired principally for the purpose of selling in the short-term or which are part of a portfolio which is managed for short-term profit-taking are initially recognised at fair value and subsequently measured in the balance sheet at their fair value.

In addition, certain financial assets and liabilities are measured at fair value through profit or loss where either of the following applies:

- doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities, or recognising the gains or losses on them, on different bases; or
- a group of financial assets, financial liabilities or both is managed and its performance evaluated on a fair value basis.

Changes in the fair value (gains or losses) of financial instruments are recognised in the income statement in the period in which they occur.

(viii) Available-for-sale assets