Australia and New Zealand Banking Group Limited

ABN 11 005 357 522

Half Year

31 March 2008

Consolidated Financial Report

Dividend Announcement and

Appendix 4D

This document contains the information required by Appendix 4D of the Australian Securities Exchange Listing Rules. It should be read in conjunction with ANZ's 2007 Annual Report, and is lodged with the Australian Securities Exchange under listing rule 4.2A.

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

Report for the half year ended 31 March 2008			
			A$ million
Operating income	⇧15%*	to	**6,437**
Profit after tax attributable to shareholders	⇩ 7%*	to	**1,963**
Proposed interim dividend per ordinary share, fully franked at 30% tax rate			**62 cents**
Interim 2007 dividend per ordinary share, fully franked at 30% tax rate			62 cents
Record date for the proposed interim dividend			14 May 2008
The proposed interim dividend will be payable to shareholders registered in the books of the Company at 5:00 pm (Melbourne time) on 14 May 2008			
Payment date for the proposed interim dividend			1 July 2008

* Compared to March 2007

Highlights

All figures compared to March 2007 half year unless otherwise indicated

Profit		
Profit after tax $**1,963** million	down	**7**%
Cash^ profit before provisions $**3,335** million	up	**11**%
Cash^ profit after tax $**1,674** million	down	**14**%
Earnings per share and dividend		
EPS **102.4** cents	down	**10**%
Cash^ EPS **87.1** cents	down	**16**%
Interim Dividend **62 cents**	unchanged	
Other key measures^		
Revenue **$6,002** million	up	**12**%
Cost to income ratio **44.4**%	up	**10 bps**
Provisions **$980** million	up	**$740m**
Gross non-performing loans **$1,048** million	up	**$408m**

Business highlights^

- Record revenue growth of 12% (13% FX adjusted) despite difficult environment.
- Provision charge significantly higher. Credit losses are isolated and the broader business and consumer book remain strong.
  - Individual Provision charge of $604 million (up $416 million), driven by $226 million US monoline insurer provision which is expected to significantly reverse over time, $51 million in lower recoveries, and a mining company provision of $53 million.
  - Collective Provision charge of $376 million (up $324 million), with $131 million due to lending growth, $125 million for an "economic cycle adjustment" and $103 million relating to the downgrading of a large property company exposure.
- Very strong growth in Asia Pacific where we have an above average presence and which is less affected by the market turmoil. Profit up 47%.
- Renewed momentum in Institutional and across all businesses in that division.
- Personal impacted most by higher funding costs, particularly in Mortgages business. Revenue growth of 11%, with profit up 11%.
- New Zealand Businesses solid. Some early signs of New Zealand economy slowing.
- Ahead of target on term funding plans; continue to maintain a liquidity portfolio around 80% above normal requirements (excluding internal mortgage securitisation).

^ Adjusted for non-core items (i.e. significant items and non-core income arising from the use of derivatives in economic hedges and fair value through profit and loss)

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CONSOLIDATED FINANCIAL REPORT, DIVIDEND ANNOUNCEMENT and APPENDIX 4D
Half year ended 31 March 2008

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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. The report was approved by resolution of a Committee of the Board of Directors on 22 April 2008.

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

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Media Release

For Release: 23 April 2008

ANZ 2008 Interim Profit $1,963 million

Profit		
Profit after tax $1,963 million	**down**	**7%**
Cash* profit before provisions $3,335 million	**up**	**11%**
Cash* profit after tax $1,674 million	**down**	**14%**

Earnings per share and dividend		
EPS 102.4 cents	**down**	**10%**
Cash* EPS 87.1 cents	**down**	**16%**
Interim Dividend 62 cents	**unchanged**	

Other key measures*		
Revenue $6,002 million	**up**	**12%**
Cost to income ratio 44.4%	**up**	**10 bps**
Provisions $980 million	**up**	**$740m**
Gross non-performing loans $1,048 million	**up**	**$408m**

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- Record revenue growth of 12% (13% FX adjusted) despite difficult environment.
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  - Collective Provision charge of $376 million (up $324 million), with $131 million due to lending growth, $125 million for an "economic cycle adjustment" and $103 million relating to the downgrading of a large property company exposure.
- Very strong growth in Asia Pacific where we have an above average presence and which is less affected by the market turmoil. Profit up 47%.
- Personal impacted most by higher funding costs, particularly in Mortgages business. Revenue growth of 11%, with profit up 11%.
- New Zealand Businesses solid. Some early signs of New Zealand economy slowing.
- Renewed momentum in Institutional and across all businesses in that division.
- Ahead of target on term funding plans; continue to maintain a liquidity portfolio around 80% above normal requirements (excluding internal mortgage securitisation).

* Adjusted for non-core items (i.e. significant items and non-core income arising from the use of derivatives in economic hedges and fair value through profit and loss)

All figures compared to March 2007 unless otherwise indicated

Media Release

For Release: 23 April 2008

ANZ 2008 Interim Profit $1,963 million

Australia and New Zealand Banking Group Limited (ANZ) today announced a profit after tax of $1,963 million for the half year ended 31 March 2008, down 7%.

Adjusting for non-core items*, including the gain on Visa shares and, in the prior period, Fleetpartners sale, profit before provisions growth was a solid 11%.

This was offset by a significant increase in credit impairment charges to $980 million, with the Individual Provisions charge up $416 million and the Collective Provision charge up $324 million. As a result, cash* profit of $1,674 million was down 14% and cash* EPS was down 16%.

The interim dividend of 62 cents per share is unchanged on the March 2007 half.

Growth in profit before provisions reflected high revenue growth, which was up 12% despite the impact of materially higher funding costs. Adjusted for FX impacts, revenue growth was a record 13%, and was driven by very strong lending growth (18%) and customer deposit growth (17%). Net interest margin declined 25 basis points, and was impacted by mix impacts, principally from higher growth in lower risk Institutional lending and liquidity assets (-9 basis points), higher funding costs and basis risk with short term wholesale rates being well above the cash rate (-3 basis points) and higher funding costs for derivative cash flows which have an offset in trading income (-6 basis points). Competitive impacts were in line with previous periods at -6 basis points.

The significant investment in the September 2007 half, including 31 new branches in Australia, contributed to expense growth of 12% over the March 2007 half. Excluding the impact of ETrade and Stadium Australia, expense growth was 10%. This expense growth reflected the run rate impact of higher investment last year in Australia (up 14%) particularly in the Personal division, along with substantial investment in Asia Pacific in this half (up 34%), which helped deliver revenue growth of 44% from Asia Pacific. Expense growth slowed to an annualised 8% growth half on half.

Credit impairment costs were up significantly in the half, due to a higher Individual Provision charge of $604 million (up $416 million), which was driven by a $226 million provision relating to a US monoline insurer, a $53 million mining company provision, and $51 million in lower recoveries in Institutional. The Collective Provision was also strengthened with a charge of $376 million. ANZ's Collective Provision balance of $2,404 million is the highest of any bank in Australia. Despite the sharp increase in credit costs, overall credit quality remains sound.

ANZ Chief Executive Officer Mr Mike Smith said: "Strong revenue growth was a feature of ANZ's performance in the first half, helping deliver good growth in profit before provisions despite significantly higher funding costs. We are getting good traction on our strategy, particularly in Asia Pacific where revenue growth was exceptional.

"Following a prolonged period of economic growth and benign credit conditions, global markets have experienced substantial volatility over recent months, commencing with the sub-prime crisis in the United States and associated contagion into the wider global markets. The market is currently characterised by wider credit spreads, tightened liquidity conditions and a general weakening in the economic environment. As a consequence, many financial institutions have reported higher credit impairment costs and reduced profitability.

"While ANZ has been less affected than most of our global peers, we have seen a sharp increase in credit costs. We have been warning for some time that they must increase from unsustainably low levels. However some issues are specific to ANZ, and we are looking closely at our portfolio to ensure our exposures are carefully managed.

"We have also chosen to underwrite our Dividend Reinvestment Plan (DRP). The decision to underwrite our final dividend last year ensured we went into this period with a strong capital position and it makes sense to again underwrite our DRP. Together with our high collective provision balance, and increased liquidity position, we have significantly enhanced our balance sheet, which ensures we are operating from a position of strength," Mr Smith said.

* Adjusted for non-core items (including significant items and non-core income arising from the use of derivatives in economic hedges and fair value through profit and loss)

All figures compared to March 2007 half year unless otherwise indicated

Outlook

Commenting on the 2008 outlook for ANZ, Mr Smith said: "The global environment is challenging, and in areas like retail sales, we are seeing early signs of a downturn in our domestic markets. However, with the steps we have taken to strengthen our balance sheet, we are particularly well placed to weather global volatility.

"Over the course of the first half, we have seen revenue momentum improve each month, and this gives us confidence for the year as a whole. At the same time, we reduced the rate of growth in expenses in the first half. We have provided for all known exposures, although in the current environment it is more likely that higher levels of new problem loans will emerge than has been experienced in recent years." Mr Smith said.

Divisional Performance

Personal delivered a good result, with profit growth of 11% and revenue growth of 11%. Mortgages, which represented 25% of Personal's profit, was the most impacted by higher funding costs with profit falling 3%, and this had a significant impact on Personal's profit growth for the half. However the market turmoil is resulting in rationalisation in a number of segments and is likely to strengthen our franchise. Investment and Insurance Products performed well with profit growth of 26%, although investment flows have softened in recent months due to the market turmoil. Banking Products delivered exceptional performance for a traditional deposits business, with profit up 32%. Small Business Banking Products (up 23%) and Rural Commercial & Agribusiness Products (up 13%) both performed well.

Expense growth of 13% reflects both the substantial investment in the branch network last year, the investment in ETrade, and lower advertising costs in the prior period. Staff numbers were up 8%. Credit costs continue to be very well managed in Personal, and were down 2% due to collections initiatives and tighter underwriting standards.

Institutional net profit fell 47% due to a sharp increase in credit costs on a small number of accounts, and a higher collective provision charge. However, profit before provisions was up 18% on March 2007, and up 16% half on half, which is its best performance for some time. Revenue growth was also the strongest in recent years at 16%, or 18% FX adjusted. While costs were up 12%, they were up just 2% half on half reflecting an improved cost performance.

Each of the major businesses had double-digit revenue growth, driven primarily by strong lending growth. Business Banking has improved significantly, with revenue up 12%. Working Capital also performed well, with revenue up 16%. While Markets profit before provisions was up 28%, the impact of three large single name losses resulted in a net loss of $6 million.

Asia Pacific result was a standout, with net profit up 47%, or 58% FX adjusted. Investment in the region continued, with expense growth of 34%, and this was rewarded with revenue growth 44%, leading to growth in profit before provisions of 52%. Institutional Asia Pacific was up 38%, while the Partnerships business was up 205%, supported by the full half impact from AMMB Holdings Berhad and Shanghai Rural Commercial Bank.

New Zealand Businesses (in NZ dollars) profit was up 6%, with solid profit before provisions growth of 12% partly offset by higher provisions, which started to normalise in the second half of last year. Expense growth was well contained at 2%. ANZ Retail and Rural Banking, delivered very good performance with double-digit earnings growth. UDC has turned around, with revenue growth of 17%, however a higher collective provision impacted net profit growth. The National Bank and Corporate and Commercial Banking were impacted by higher credit charges.

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		Group		Personal	Institutional[5]	New Zealand Businesses (NZD)	Asia Pacific[5]
Key Business Drivers[1]		**Half year ended Mar 08**	**Change**[2]	**Change**[2]	**Change**[2]	**Change**[2]	**Change**[2]
Total assets	$m	438,355	25%	13%	40%	14%	89%
Deposits & other borrowings	$m	263,866	26%	13%	33%	21%	42%
Risk weighted assets[3]	$m	267,486	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	$m	379,440	17%	12%	25%	14%	52%
Net interest margin	bps	1.99	(25bps)	(9bps)	(33bps)	(14bps)	10bps
Net interest income	$m	3,780	5%	8%	2%	8%	38%
Other operating income	$m	2,222	26%	17%	35%	4%	50%
Total operating income	$m	6,002	12%	11%	16%	7%	44%
FTE	No.	35,482	7%	8%	7%	1%	32%
Operating expenses	$m	2,667	12%	13%	12%	2%	34%
Profit before provisions[4]	$m	3,335	11%	9%	18%	12%	52%
Individual provision charge	$m	604	416	10	379	21	-
Collective provision charge	$m	376	324	(13)	326	19	16
Total provision for credit impairment	$m	980	740	(3)	705	40	16
Cash profit	$m	1,674	(14%)	11%	(47%)	6%	47%
Cash EPS	cents	87.1	(16%)				
EVA	$m	1,214	8%	4%	7%	7%	(62%)
Other Measures[1]				**Actual**	**Actual**	**Actual**	**Actual**
Individual provision charge as a % of average net advances	%	0.38	24bps	0.22	0.80	0.11	0.36
Return on average assets	%	0.78	(33bps)	0.93	0.46	0.98	1.62
Cost to income ratio	%	44.4	10bps	48.9	35.9	46.0	43.4
Cost to average assets	%	1.25	(12bps)	1.50	0.80	1.39	1.85

1. All numbers adjusted for non-core items
2. Compared to half year ended 31 March 2007
3. 2008 risk weighted assets are calculated using Basel II methodology
4. Profit before credit impairment and income tax
5. Institutional Asia Pacific is included in both Institutional and Asia Pacific

Profit

	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Net interest income	3,780	3,691	3,611	2%	5%
Other operating income	2,657	2,081	2,002	28%	33%
Operating income	6,437	5,772	5,613	12%	15%
Operating expenses	(2,701)	(2,567)	(2,386)	5%	13%
Profit before credit impairment and income tax	3,736	3,205	3,227	17%	16%
Provision for credit impairment	(980)	(327)	(240)	large	large
Profit before income tax	2,756	2,878	2,987	-4%	-8%
Income tax expense	(790)	(795)	(883)	-1%	-11%
Minority interest	(3)	(5)	(2)	-40%	50%
Profit attributable to shareholders of the Company	1,963	2,078	2,102	-6%	-7%

Cash profit

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

	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Profit attributable to shareholders of the Company	1,963	2,078	2,102	-6%	-7%
Less: Non-core items					
Significant items[1]					
Gain on Visa shares	248	-	-	n/a	n/a
Impairment of intangible - Origin Australia	(24)	-	-	n/a	n/a
Restatement of deferred tax balances for announced New Zealand tax rate change	8	(24)	-	large	n/a
Gain on sale of Esanda Fleetpartners	-	54	141	-100%	-100%
Total significant items	232	30	141	large	65%
Economic hedging - fair value gains/losses[2]	67	41	28	63%	large
NZD and USD revenue hedge - mark-to-market[2]	(10)	19	(3)	large	large
Total non-core items	289	90	166	large	74%
Cash profit	1,674	1,988	1,936	-16%	-14%

1. *In the March 2008 half ANZ has classified the gain from the allocation of shares in Visa in March 2008 of $248 million after tax (tax impact: $105 million), costs associated with a write-down of an intangible asset relating to Origin Australia of $24 million after tax (tax impact: $10 million) and a further positive adjustment of $8 million following the restatement of deferred tax assets consequent to the reduction in New Zealand tax rate as significant items. In the September 2007 half the after tax impact of the gain on sale of Esanda Fleetpartners was increased by $54 million following the availability of capital losses being applied against the gain and a negative impact of $24 million following the restatement of deferred tax assets to reflect the recently announced change in the New Zealand company tax rate which takes effect from 1 October 2008 as significant items. In the March 2007 half ANZ has classified the gain on sale of Esanda Fleetpartners of $141 million after tax (tax impact: $54 million) 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 page 23)*

2. *The Group enters into economic hedges to manage its interest rate and foreign exchange risk. In the March 2008 half ANZ has classified a gain of $67 million after tax (Sep 2007 half: $41 million; Mar 2007 half: $28 million) relating to economic hedging as a non-core item (tax impact $29 million (Sep 2007 half: $17 million; Mar 2007 half: $14 million)). Included in this non-core amount is market volatility relating to approved classes of derivatives not designated in accounting hedge relationships but that are considered to be economic hedges, volatility arising from use of the fair value option, and ineffectiveness from designated accounting hedges. In addition, ANZ has classified a mark-to-market loss after tax of $10 million (Sep 2007 half: $19 million gain; Mar 2007 half: $3 million loss) relating to revenue hedges (NZD and USD) that under the transitional provision of AASB 139 (AASB 2005-1) no longer qualify for hedge accounting from 1 October 2006 (tax impact $4 million credit (Sep 2007 half: $9 million; Mar 2007 half: $2 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 24)*

Cash profit, cont'd

Analysis of cash[1] profit by key line item:

	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Net interest income	3,780	3,691	3,611	2%	5%
Other operating income	2,222	1,995	1,770	11%	26%
Operating income	6,002	5,686	5,381	6%	12%
Operating expenses	(2,667)	(2,567)	(2,386)	4%	12%
Profit before credit impairment and income tax	3,335	3,119	2,995	7%	11%
Provision for credit impairment	(980)	(327)	(240)	large	large
Profit before income tax	2,355	2,792	2,755	-16%	-15%
Income tax expense	(678)	(799)	(817)	-15%	-17%
Minority interest	(3)	(5)	(2)	-40%	50%
Cash[1] profit	1,674	1,988	1,936	-16%	-14%

Earnings per share

Earnings per ordinary share (cents)	Half year Mar 08	Half year Sep 07	Half year Mar 07	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Basic	102.4	110.9	113.2	-8%	-10%
Diluted	98.6	108.3	110.0	-9%	-10%
Cash[1] (basic adjusted for non-core items)	87.1	106.1	104.2	-18%	-16%

Condensed balance sheet

	As at Mar 08 $M	As at Sep 07 $M	As at Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Assets					
Liquid assets	17,803	16,987	15,433	5%	15%
Due from other financial institutions	11,850	8,040	6,439	47%	84%
Trading and available-for-sale assets	31,203	29,173	24,100	7%	29%
Derivative financial instruments	29,510	22,272	12,303	32%	large
Net loans and advances including acceptances	333,474	303,347	281,787	10%	18%
Other	14,515	12,954	11,787	12%	23%
Total assets	438,355	392,773	351,849	12%	25%
Liabilities					
Due to other financial institutions	20,264	19,436	16,106	4%	26%
Deposits and other borrowings	263,866	233,423	209,351	13%	26%
Derivative financial instruments	27,831	24,180	13,607	15%	large
Liability for acceptances	15,756	14,536	14,013	8%	12%
Bonds and notes	63,549	54,075	54,188	18%	17%
Other	23,125	25,075	23,674	-8%	-2%
Total liabilities	414,391	370,725	330,939	12%	25%
Total equity	23,964	22,048	20,910	9%	15%

1. *Refer footnotes 1 and 2 on page 5*

Financial ratios

	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M
Profit attributable to shareholders of the Company	1,963	2,078	2,102
Cash[1] profit	1,674	1,988	1,936
EVA™ [2]	1,214	1,161	1,119
Profitability ratios			
Return on:			
Average ordinary shareholders' equity[3]	17.7%	20.5%	21.3%
Average ordinary shareholders' equity[3] (cash[1] profit basis)	15.1%	19.6%	19.6%
Average assets	0.92%	1.10%	1.21%
Average assets (cash[1] profit basis)	0.78%	1.05%	1.11%
Total income	10.6%	13.0%	14.4%
Net interest margin	1.99%	2.15%	2.24%
Profit per average FTE ($)	56,356	61,385	64,203
Efficiency ratios			
Operating expenses to operating income	42.0%	44.5%	42.5%
Operating expenses to average assets	1.27%	1.36%	1.37%
Operating expenses to operating income (cash[1])	44.4%	45.1%	44.3%
Operating expenses to average assets (cash[1])	1.25%	1.36%	1.37%
Credit impairment provisioning			
Collective provision charge	376	31	52
Individual provision charge	604	296	188
Total provision charge	980	327	240
Individual provision charge as a % of average net advances	0.38%	0.20%	0.14%
Total provision charge as a % of average net advances	0.61%	0.22%	0.17%
Ordinary share dividends (cents)			
Interim - 100% franked (Mar 07: 100% franked)	62	n/a	62
Final - 100% franked (Sep 07: 100% franked)	n/a	74	n/a
Ordinary share dividend payout ratio[4]	61.4%	67.1%	54.9%
Cash[1] ordinary share dividend payout ratio[4]	72.2%	70.2%	59.6%
Preference share dividend ($M)			
Dividend paid[5]	23	20	17

1. *Refer footnotes 1 and 2 on page 5*
2. *EVA™ refers to Economic Value Added, a measure of shareholder value. See page 25 for a reconciliation of EVA™ to reported profit, a discussion of EVA™ 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 30 September 2007 final and 31 March 2007 interim dividends and the proposed 31 March 2008 interim dividend*
5. *Represents dividends paid on Euro Hybrid issued on 13 December 2004*

Financial ratios, cont'd

	As at Mar 08	As at Sep 07	As at Mar 07	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Net Assets					
Net tangible assets[1] per ordinary share ($)	10.06	9.37	9.01	7%	12%
Net tangible assets[1] attributable to ordinary shareholders ($M)	19,326	17,462	16,613	11%	16%
Total number of ordinary shares (M)	1,921.4	1,864.7	1,844.7	3%	4%
Capital adequacy ratio (%)	**Basel II**	**Basel I**	**Basel I**		
Tier 1	6.9%	6.7%	6.7%		
Tier 2	3.2%	4.1%	4.3%		
Total capital ratio	10.1%	10.1%	10.3%		
Adjusted Common Equity ratio[2]	4.8%	4.3%	4.4%		
Risk weighted assets ($M)	267,486	275,018	250,485	-3%	7%
Impaired assets					
Collective provision ($M)	2,404	2,028	2,016	19%	19%
Collective provision as a % of risk weighted assets[3]	0.90%	0.74%	0.80%	22%	13%
Gross non-performing loans[4] ($M)	1,048	666	640	57%	64%
Individual provisions on non-performing loans[4] ($M)	(295)	(260)	(275)	13%	7%
Net non-performing loans ($M)	753	406	365	85%	large
Net non-performing commitments, contingencies and derivatives ($M)	104	84	82	24%	27%
Individual provision as a % of gross non-performing loans[4]	28.1%	39.0%	43.0%	-28%	-35%
Gross non-performing loans as % of net advances[4]	0.31%	0.22%	0.23%	41%	35%
Net non-performing loans as a % of net advances[4]	0.23%	0.13%	0.13%	77%	77%
Net non-performing loans and commitments, contingencies and derivatives as a % of shareholders' equity[5]	3.58%	2.22%	2.14%	61%	67%
Other information					
Full time equivalent staff (FTE)	35,482	34,353	33,183	3%	7%
Assets per FTE ($M)	12.4	11.4	10.6	9%	17%
Market capitalisation of ordinary shares ($M)	43,328	55,382	54,788	-22%	-21%

1. *Equals shareholders' equity less preference share capital, minority interest, unamortised goodwill and other intangibles*
2. *Adjusted common equity is calculated as Tier 1 capital, less Innovative and Non-innovative Tier 1 capital instruments (converted at balance date spot rates), less transitional Tier 1 capital relief (applicable in 2007) and deductions. This measure is commonly used to assess the adequacy of common equity held. See page 97 for a reconciliation to Tier 1 capital*
3. *2008 risk weighted assets are calculated using Basel II methodology, prior period numbers reflect Basel I methodology*
4. *Excludes non-performing commitments, contingencies and derivatives*
5. *Includes minority interest*

Business unit analysis

Profit before credit impairment and income tax[1]	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Personal	1,218	1,166	1,115	4%	9%
Institutional	1,271	1,098	1,081	16%	18%
New Zealand Businesses	600	584	544	3%	10%
Asia Pacific	271	212	178	28%	52%
INGA	76	80	75	-5%	1%
Group Centre	32	68	79	-53%	-59%
less: Institutional Asia Pacific[2]	(133)	(89)	(77)	49%	73%
Cash profit	3,335	3,119	2,995	7%	11%
Non-core items[3]	401	86	232	large	73%
Profit	3,736	3,205	3,227	17%	16%

Profit after income tax[1]	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Personal	719	679	646	6%	11%
Institutional	405	724	762	-44%	-47%
New Zealand Businesses	361	370	348	-2%	4%
Asia Pacific	182	147	124	24%	47%
INGA	76	80	75	-5%	1%
Group Centre	14	52	41	-73%	-66%
less: Institutional Asia Pacific[2]	(83)	(64)	(60)	30%	38%
Cash profit	1,674	1,988	1,936	-16%	-14%
Non-core items[3]	289	90	166	large	74%
Profit	1,963	2,078	2,102	-6%	-7%

Net loans and advances including acceptances by business unit[1]	As at Mar 08 $M	As at Sep 07 $M	As at Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Personal	155,539	147,310	138,548	6%	12%
Institutional	98,899	82,448	73,162	20%	35%
New Zealand Businesses	74,053	69,077	66,141	7%	12%
Asia Pacific	10,070	7,300	5,590	38%	80%
Group Centre	1,734	1,741	1,381	0%	26%
less: Institutional Asia Pacific[2]	(6,821)	(4,529)	(3,035)	51%	large
Net loans and advances including acceptances	333,474	303,347	281,787	10%	18%

Customer deposits by business unit[1]	As at Mar 08 $M	As at Sep 07 $M	As at Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Personal	69,807	65,410	61,295	7%	14%
Institutional	75,460	68,649	60,127	10%	26%
New Zealand Businesses	40,679	38,334	37,511	6%	8%
Asia Pacific	13,443	11,101	10,643	21%	26%
Group Centre	1,684	1,806	1,339	-7%	26%
less: Institutional Asia Pacific[2]	(6,001)	(4,071)	(3,844)	47%	56%
Customer deposits	195,072	181,229	167,071	8%	17%

1. *Prior period numbers have been adjusted for organisational structure changes. Refer page 35 for an explanation of the changes*
2. *Institutional Asia Pacific is included in both Institutional and Asia Pacific business units consistent with how this business is internally managed*
3. *Refer footnotes 1 and 2 on page 5*

Review of Group Results

	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Profit attributable to shareholders of the Company	1,963	2,078	2,102	-6%	-7%
Less: Non-core items[1]	(289)	(90)	(166)	large	74%
Cash[1] profit	1,674	1,988	1,936	-16%	-14%

Cash[1] profit

	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Net interest income	3,780	3,691	3,611	2%	5%
Other operating income	2,222	1,995	1,770	11%	26%
Operating income	6,002	5,686	5,381	6%	12%
Operating expenses	(2,667)	(2,567)	(2,386)	4%	12%
Profit before credit impairment and income tax	3,335	3,119	2,995	7%	11%
Provision for credit impairment	(980)	(327)	(240)	large	large
Profit before income tax	2,355	2,792	2,755	-16%	-15%
Income tax expense	(678)	(799)	(817)	-15%	-17%
Minority interest	(3)	(5)	(2)	-40%	50%
Cash[1] profit	1,674	1,988	1,936	-16%	-14%

1. *In the March 2008 half ANZ has classified the gain from the allocation of shares in Visa in March 2008 of $248 million after tax (tax impact: $105 million), costs associated with a write-down of an intangible asset relating to Origin Australia of $24 million after tax (tax impact: $10 million) and a further positive adjustment of $8 million following the restatement of deferred tax assets consequent to the reduction in New Zealand tax rate as significant items. In the September 2007 half the after tax impact of the gain on sale of Esanda Fleetpartners was increased by $54 million following the availability of capital losses being applied against the gain and a negative impact of $24 million following the restatement of deferred tax assets to reflect the recently announced change in the New Zealand company tax rate which takes effect from 1 October 2008 as significant items. In the March 2007 half ANZ has classified the gain on sale of Esanda Fleetpartners of $141 million after tax (tax impact: $54 million) 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 page 23)*

   The Group enters into economic hedges to manage its interest rate and foreign exchange risk. In the March 2008 half ANZ has classified a gain of $67 million after tax (Sep 2007 half: $41 million; Mar 2007 half: $28 million) relating to economic hedging as a non-core item (tax impact $29 million (Sep 2007 half: $17 million; Mar 2007 half: $14 million)). Included in this non-core amount is market volatility relating to approved classes of derivatives not designated in accounting hedge relationships but that are considered to be economic hedges, volatility arising from use of the fair value option, and ineffectiveness from designated accounting hedges. In addition, ANZ has classified a mark-to-market loss after tax of $10 million (Sep 2007 half: $19 million gain; Mar 2007 half: $3 million loss) relating to revenue hedges (NZD and USD) that under the transitional provision of AASB 139 (AASB 2005-1) no longer qualify for hedge accounting from 1 October 2006 (tax impact $4 million credit (Sep 2007 half: $9 million; Mar 2007 half: $2 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 24)

March 2008 half year compared to March 2007 half year

The Group recorded a profit after tax of $1,963 million for the half year ended 31 March 2008, a decrease of $139 million (7%). After adjusting for non-core items[1] referred to on pages 23 and 24, cash[1] profit decreased by $262 million (14%) to $1,674 million. This result includes an increase in provision for credit impairment of $740 million reflecting the changing global credit environment.

Profit before credit impairment and income tax increased $340 million (11%) to $3,335 million at 31 March 2008. Institutional contributed a major portion of this increase with growth of 18%, delivering double-digit revenue growth across most business units. Personal continues to perform well, delivering growth of 9%, with Banking Products being the main contributor driven by solid deposit growth of 16%. Asia Pacific is delivering strong growth (52%) through a combination of organic growth and recent investments. New Zealand increased 10% with strong lending growth in Corporate & Commercial Banking and Rural Banking.

March 2008 half year compared to September 2007 half year

Profit after tax decreased by $115 million (6%) to $1,963 million for the half year ended 31 March 2008. After adjusting for non-core items[1] referred to on pages 23 and 24, cash[1] profit decreased by $314 million (16%) to $1,674 million. Impacting this result is an increase of $653 million in provisions for credit impairment.

Profit before credit impairment and income tax increased $216 million (7%) to $3,335 million at 31 March 2008. Institutional experienced strong growth of 16%, driven by lending asset growth of 20% and deposit growth 19%. Asia Pacific experienced solid growth of 28% with an increase of $44 million in Institutional Asia Pacific and an increase of $24 million from Asian Partnerships. Personal contributed growth of 4% and New Zealand Businesses increased 3% (5% excluding the impact of exchange rates).

Income and expenses

Net Interest Income

	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Net interest income	3,780	3,691	3,611	2%	5%
Average interest earning assets	379,440	343,005	323,667	11%	17%
Net interest margin (%)	1.99	2.15	2.24	-7%	-11%

▪ **March 2008 half year compared to March 2007 half year**

Net interest income at $3,780 million was 5% ($169 million) higher than the March 2007 half.

Volume

Average interest earning assets increased $55.8 billion (17%):

- Average net advances grew by $44.6 billion (16%). Personal grew by $16.2 billion (12%), primarily in Mortgages ($13 billion) and Rural Commercial and Agribusiness Products ($1.3 billion) as a result of continuing customer demand for retail housing and investment loans. Institutional grew by $19.5 billion (27%), due to corporate re-intermediation following the tightening of global credit markets with growth primarily in Relationship Lending ($16 billion), Business Banking ($2 billion) and Working Capital ($1.2 billion). New Zealand Businesses grew by $7.8 billion or 12% (14% in NZD) with growth primarily across the Retail & Rural Businesses. Asia Pacific grew by $0.5 billion or 21% with growth in Retail Asia ($0.3 billion) and Pacific ($0.2 billion). Private Bank grew by $0.6 billion.
- Other interest earning assets increased by $11.2 billion (24%) driven mainly by higher levels of trading and investment securities ($8.1 billion), primarily in Markets, following our decision to hold a higher liquidity portfolio during the current market turmoil.

Average deposits and other borrowings increased $43.0 billion (21%):

- Customer deposits grew by $22.7 billion (14%). Personal grew by $7.9 billion (13%), mainly in Banking Products ($5.6 billion), as a result of ongoing marketing campaigns, branch expansion and higher deposit rates. Institutional grew by $10.8 billion (18%), mainly in Working Capital ($7.0 billion) due primarily to customer acquisitions. New Zealand Businesses grew by $2.9 billion or 8%. Asia Pacific increased $0.6 billion or 9%. Private Bank increased $0.5 billion or 55%.
- Wholesale funding grew by $20.3 billion or 47% to fund growth in the asset book, with growth in Group Treasury ($10.3 billion), Institutional ($6.8 billion) and New Zealand Businesses ($3.8 billion), partly offset by a decrease in Personal ($0.6 billion).

Other wholesale funding, comprising Loan capital and Bonds and notes, increased $10.5 billion (16%).

Margin

Net interest margin was down 25 basis points to 1.99% from March 2007

- Funding mix (-5 basis points)
  Margins were impacted by a decrease in the proportion of free funds (-5 basis points), reflecting principally the rapid balance sheet growth.
- Asset mix (-4 basis points)
  Reduced margin was due mainly to strong growth in both lower yielding lending assets in Institutional (-3 basis points) and an increase in low yielding liquid assets (-1 basis point).
- Competition (-6 basis points)
  Competitive pressures reduced margins, mainly in Esanda/UDC (-1 basis point) and Australian Mortgages (-1 basis point). In addition, net interest margin declined due to lower growth in lending related fees (-2 basis points) and increases in the proportion of higher yielding customer deposits (-2 basis points).
- Wholesale rates (-3 basis points)
  Lower earnings from non-traded interest rate risk (-2 basis points), the impact of basis risk and funding on mortgages and credit cards (-4 basis points) and an increase in wholesale funding costs (-1 basis point) were partially offset by the basis risk on call liabilities (+4 basis points).
- Other items (-7 basis points) principally due to:
  - Higher interest rates on the investment of capital (+2 basis points).
  - Higher funding costs associated with unrealised trading gains (-6 basis points), although this is directly offset by an equivalent increase in trading income.
  - Discontinuing businesses, principally Esanda Fleetpartners and Corporate Finance (-1 basis point).
  - One off items (-1 basis point) covered non-repetition of interest on tax refunds, brokerage expenses, NZ mortgage prepayments, securitisation charges and variations in the non-interest bearing portion of the credit cards portfolio.

Income and expenses, cont'd

Net Interest Income, cont'd

- **March 2008 half year compared to September 2007 half year**

Net interest income at $3,780 million was 2% ($89 million) higher than the September 2007 half.

Volume

Average interest earning assets increased $36.4 billion (11%):

- Average net advances grew by $29.0 billion (10%). Personal division grew by $8.5 billion (6%) mainly in Mortgages ($7.1 billion) due to continuing demand for mortgage retail products. Institutional grew by $17.5 billion (23%), mainly in Relationship Lending ($14.5 billion), Business Banking ($1.1 billion) and Corporate Finance (excl Relationship Lending) ($1.0 billion), where we have seen corporate re-intermediation following the tightening of global credit markets. New Zealand Businesses increased by $2.8 billion or 4% (6% in NZD) with growth mainly in the Retail and Private Banking ($1.6 billion) and Rural Banking ($0.8 billion).
- Other interest earning assets increased by $7.4 billion (15%), driven mainly by higher levels of investment securities ($3.4 billion) and other liquid assets ($2.4 billion), primarily in Markets, following our decision to hold a higher liquidity portfolio during the current market turmoil.

Average deposits and other borrowings grew by $30.2 billion (14%):

- Customer deposits grew by $12.4 billion or 7%. Personal division grew by $4.8 billion (8%) as a result of ongoing marketing campaigns and higher deposit rates. Institutional grew by $6.1 billion (10%), mainly in Working Capital ($3.5 billion) due to customer acquisitions and a flight to cash investments in light of share market volatility. New Zealand Businesses grew by $1.2 billion (3%). Private Bank increased $0.3 billion or 27%.
- Wholesale funding increased by $17.8 billion (39%) driven by Group Treasury ($10.8 billion), Institutional ($4.6 billion) and New Zealand Businesses ($2.4 billion) to fund asset growth.

Other wholesale funding, comprising Loan capital and Bonds and notes, increased $4.6 billion (7%).

Margin

Net interest margin decreased 16 basis points to 1.99% from the September 2007 half:

- Funding mix (-5 basis points)

  Margins were impacted by higher proportions of wholesale funding (-1 basis point) within the portfolio, reflecting principally the rapid balance sheet growth plus a decrease in the proportion of free funds (-4 basis points).
- Asset mix (-4 basis points)

  Strong growth in lending to lower yielding Institutional clients increased the weighting of the portfolio towards Institutional assets (-2 basis points) and away from higher yielding Corporate and Business banking assets (-1 basis point). Higher holdings for lower yielding liquidity assets further decreased the margin (-1 basis point).
- Competition (-2 basis points)

  Competitive pressures were felt through small reductions in margins across all asset portfolio (1 basis point) and increases in the proportions of higher yielding customer deposits (-1 basis point).
- Wholesale rates (-3 basis points)

  Lower earnings from non-traded interest rate risk (-3 basis points), the impact of basis risk on variable rate mortgages and credit cards (-2 basis points) and an increase in wholesale funding costs (-1 basis point), was partially offset by basis risk on call liabilities (+3 basis points).
- Other items (-2 basis points) principally due to:
  - Higher interest rates on the investment of capital (+1 basis point).
  - Higher funding costs associated with unrealised trading gains (-1 basis point), although this is directly offset by an equivalent increase in trading income.
  - Sundry items (-2 basis points) covering brokerage expenses, NZ mortgage prepayments, securitisation charges and variations in the non-interest bearing portion of the credit cards portfolio.

Income and expenses, cont'd

Other Operating Income

	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Total fee income	1,309	1,237	1,143	6%	15%
Foreign exchange earnings	339	250	237	36%	43%
Profit on trading instruments	249	196	173	27%	44%
Other	325	312	217	4%	50%
Core other operating income	2,222	1,995	1,770	11%	26%
Ineffective hedge fair value gains/losses[1]	96	58	42	66%	large
NZD and USD revenue hedges - mark-to-market[1]	(14)	28	(5)	large	large
Significant items[1]	353	-	195	n/a	81%
Other operating income	2,657	2,081	2,002	28%	33%
Composition of Markets' income					
Net interest income	(66)	2	53	large	large
Foreign exchange earnings	265	192	177	38%	50%
Profit on trading instruments	265	193	157	37%	69%
Fee and other income	29	11	19	large	53%
Total Markets' income	493	398	406	24%	21%

1. *Refer footnote 1 on page 11*

- **March 2008 half year compared to March 2007 half year**

Other operating income increased $655 million (33%). Core other operating income increased $452 million (26%) after excluding non-core items (refer pages 23 and 24) or $413 million (23%) excluding the impact of ETrade and Stadium Australia.

The following explanations are based on core other operating income:

- Fee income increased $166 million (15%):
  - Lending fee income increased $53 million (23%)
    - Personal increased $26 million. Mortgages increased $12 million due to increased sales volumes and pricing initiatives. Banking Products increased $12 million reflecting strong new transaction account acquisitions.
    - Institutional increased $15 million. Relationship Lending and Business Banking increased $6 million and $3 million respectively as a result of higher lending volumes. Institutional Asia grew $6 million from increased deal activity in the Corporate Finance business.
    - New Zealand increased $8 million, largely in the Retail banks due to increasing volumes as well as pricing initiatives.
  - Non-lending fee income increased $113 million (12%)
    - Personal increased $69 million. Consumer Finance increased $29 million due to increasing account numbers and lending growth. Investment and Insurance Products grew $19 million as more planners generated higher sales, and from the impact of the ETrade acquisition. Esanda increased $9 million through revenue initiatives. Banking Products increased $9 million, driven mainly by pricing initiatives.
    - Institutional increased $33 million. Corporate Finance increased $32 million driven by strong deal activity in Structured Debt and Capital Solutions.
    - New Zealand increased $7 million due to increasing volumes in the Retail banks.
- Foreign exchange earnings increased $102 million. Institutional increased $95 million with an $88 million increase in Markets ($24 million increase in Institutional Asia) due to volatility in global currency markets and higher sales volumes, and a $6 million increase in Working Capital driven mainly by new product initiatives. Group Centre increased $4 million as a result of a realised gain on NZD revenue hedges due to the weaker NZD.
- Profit on trading instruments increased $76 million. This revenue is mainly derived from Institutional:
  - Markets increased $108 million, which includes a $100 million increase in unrealised trading gains which is directly offset by an equivalent decrease in net interest income.
  - ANZ Capital decreased $20 million due to mark-to-market movements in private equity investments.

Income and expenses, cont'd

Other Operating Income, cont'd

- Other income increased $108 million (50%):
  - Asia Pacific increased $36 million due mainly to increased equity accounted income from our investments in AMMB Holdings Berhad (AMMB) and Shanghai Rural Commercial Bank (SRCB).
  - Personal increased $31 million, excluding the disposal of the remaining MasterCard shares in the March 2007 half. Investment and Insurance Products increased $32 million with higher brokerage fees following consolidation of our acquisition of ETrade.
  - Institutional grew $31 million with a $14 million increase in Markets, due mainly to a gain on conversion of bonds from our investment in Saigon Securities Incorporation (SSI). ANZ Capital increased $8 million due to higher income from private equity and infrastructure earnings.
  - Group Centre increased $35 million, due mainly to higher profit on property sales.
  - The disposal of the remaining MasterCard shares in the first half of 2007 not repeated this half, reduced other operating income by $27 million.
- Movements in average exchange rates decreased total other income by $23 million.

▪ March 2008 half year compared to September 2007 half year

Other operating income increased $576 million (28%). After adjusting for non-core items (refer pages 23 and 24), core other operating income increased $227 million (11%).

The following explanations are based on core other operating income:

- Fee income increased $72 million (6%).
  - Lending fee income increased $26 million (10%):
    - Personal increased $11 million. Banking Products increased $6 million through strong account acquisition and improved retention. Mortgages increased $2 million due to higher loan refinancing in the current uncertain interest rate environment.
    - Institutional increased $11 million. Business Banking and Relationship Lending both increased $3 million due to strong lending growth and Corporate Finance grew $3 million due to increased deal activity.
  - Non-lending fee income increased $46 million (5%):
    - Personal increased $21 million. Consumer Finance increased $11 million through growth in account numbers. Banking Products increased $8 million due mainly to pricing initiatives. Esanda increased $3 million due to revenue initiatives.
    - Institutional increased $21 million (9%). Corporate Finance increased $20 million with strong growth in Capital Solutions.
- Foreign exchange earnings increased $89 million. Institutional increased $76 million due to Markets increasing $74 million ($24 million increase in Institutional Asia) as a result of improved performance by the currency trading business and higher sales flow, reflecting foreign exchange volatility which drives customer hedging activity. Group Centre increased $13 million as a result of realised gains on NZD revenue hedges due to the weaker NZD.
- Profit on trading instruments increased $53 million. Institutional increased $53 million with Markets increasing $72 million which includes a $17 million increase from derivative positions, the funding of which is included in net interest income. The business has benefited from increased volatility in the interest rate market and higher sales volumes. Relationship Lending increased $11 million due to mark-to-market impacts of credit derivatives used to hedge existing customers. ANZ Capital decreased $22 million due to mark-to-market movements in private equity investments.
- Other income increased $13 million:
  - Asia Pacific increased $21 million. Retail Asia increased $21 million due to a $10 million increase in equity accounted income from our investment in SRCB as well as a $7 million increase from our investment in AMMB which were both entered into during the second half of 2007. There was a $4 million higher return from our investment in Sacombank.
  - Institutional decreased $7 million. ANZ Capital decreased $39 million due to private equity sell-downs in the prior half as well as seasonality of Stadium Australia income which was also lower due to deconsolidation in March 2008. Markets increased $18 million due primarily to a gain on conversion of bonds from our investment in SSI.
  - INGA equity accounted income decreased $3 million due to lower capital investment earnings.
- Movements in average exchange rates decreased total other income by $9 million.

Income and expenses, cont'd

Expenses

	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Personnel expenses	1,625	1,540	1,451	6%	12%
Premises expenses	252	239	223	5%	13%
Computer expenses	299	310	282	-4%	6%
Other expenses	491	478	430	3%	14%
Core operating expenses	2,667	2,567	2,386	4%	12%
Impairment of intangible - Origin Australia	34	-	-	n/a	n/a
Total operating expenses	2,701	2,567	2,386	5%	13%
Total employees	35,482	34,353	33,183	3%	7%

- **March 2008 half year compared to March 2007 half year**

Operating expenses increased $315 million (13%). After adjusting for non-core items (refer pages 23 and 24), core operating expenses increased $281 million (12%) or $239 million (10%) excluding the impact of ETrade and Stadium Australia. The growth in operating expenses was also impacted by lower than normal spend in the March 2007 half.

The following explanations are based on core operating expenses:

- Personnel costs were up $174 million (12%) as a result of annual salary increases and a 7% increase in staff numbers. Increases in staff numbers were mainly in the following business units:
  - Personal staff numbers increased 8%. Investment and Insurance Products increased 44% due to the acquisition of ETrade (252 staff) as well as ongoing recruitment of financial planners. Consumer Finance increased 9% to resource increased volumes and card growth initiatives. Retail Banking staff numbers increased 3% due to the opening of further new branches under the distribution footprint expansion.
  - Asia Pacific staff numbers increased 32%. Asia Retail increased 79% due to continued growth in the business both organically and through acquisition, particularly in Cambodia, Laos and Vietnam. Pacific increased 17% due to expansion of operations in Fiji, Guam, Solomon Islands, Vanuatu and Papua New Guinea.
- Premises costs increased $29 million (13%), driven mainly by a $21 million higher rental expense reflecting additional space requirements, opening of new branches, additional ATMs and market rental growth. Depreciation and amortisation expense increased $7 million due to a $4 million increase in ANZ Capital as a result of the consolidation of Stadium Australia and a $3 million increase in Operations, Technology and Shared Services due to new branches and additional space requirements.
- Computer costs increased $17 million (6%) due to increased software purchase costs of $19 million as a result of a lower level of capitalisation of purchases in the March 2008 half.
- Other expenses increased $61 million (14%). Advertising spend increased $18 million due to Personal increasing $11 million. Non-lending losses increased $8 million. Depreciation of furniture and equipment increased $6 million due to refurbishments. Professional fees increased $6 million with Group Centre up $8 million. Travel costs increased $6 million with a $4 million increase in Personal with small increases spread across the division. ANZ Capital had a $5 million increase in other costs due to Stadium Australia (mainly event costs).
- Movements in exchange rates decreased cost growth by $34 million.

Income and expenses, cont'd

Expenses, cont'd

- **March 2008 half year compared to September 2007 half year**

Operating expenses increased $134 million (5%). After adjusting for non-core items (refer pages 23 and 24), core operating expenses increased $100 million (4%).

- Personnel expenses increased $85 million (6%) as a result of annual salary increases and a 3% increase in staff numbers mainly in the following business units:
  - Asia Pacific increased 14%. Asia Retail increased 24% due to the continued growth of the business particularly in Cambodia. Pacific increased 7% due to expansion of operations, particularly in Fiji and Papua New Guinea.
  - Personal staff numbers increased 3%. Consumer Finance increased 5% reflecting strong frontline focus. Investment and Insurance Products increased 6% due to ongoing recruitment of financial planners. Retail Banking staff numbers increased 2% due to additional branches and customer-facing roles as part of the "More Convenient Banking" proposition.
  - Institutional staff numbers grew 5% due to a 14% increase in Markets and a 22% increase in Institutional Banking reflecting business growth.
- Premises costs increased $13 million (5%) with rental expenses growing $15 million reflecting additional space requirements, opening of new branches, commissioning of new ATMs and market rental growth.
- Computer costs decreased $11 million (4%). Software written-off decreased $10 million on the second half of 2007 which included reassessment of software projects in Mortgages and Working Capital.
- Other expenses increased $13 million including a $5 million loss on sale of furniture and fittings as a result of relocation costs and several minor increases across other expense categories.
- Movements in exchange rates decreased costs by $22 million.

Credit risk

Provision for credit impairment charge

The credit impairment charge increased $653 million from the 30 September 2007 half to $980 million. This was driven by Institutional which experienced large rises in both collective and individual provision charges, with turmoil in global financial markets impacting a small number of larger Institutional customers.

	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Personal	188	195	191	-4%	-2%
Institutional	698	76	(7)	large	large
New Zealand Businesses	67	36	33	86%	large
Asia Pacific	34	24	18	42%	89%
Group Centre	6	-	2	n/a	large
less: Institutional Asia Pacific	(13)	(4)	3	large	large
Provision for credit impairment charge	980	327	240	large	large

Individual provision charge

The individual provision charge increased $308 million from the 30 September 2007 half to $604 million. The increase includes a $226 million charge on a derivative position with a US monoline insurer, which has been downgraded to non-investment grade. We expect a significant portion of this provision, which represents a mark-to-market exposure, will be written back in future periods. The failure of a resources client has resulted in an additional charge of $53 million. Personal decreased due to greater focus on collection strategies, lower rates of bankruptcy losses and an improving NSW property market. The New Zealand charge remains low, with the increase relating mainly to unsecured products in both Retail brands. The increase is also partly attributable to the high level of recoveries in the March 2007 half.

	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Personal	168	182	158	-8%	6%
Institutional	371	67	(8)	large	large
New Zealand Businesses	41	29	23	41%	78%
Asia Pacific	15	15	15	0%	0%
Group Centre	6	2	-	large	n/a
less: Institutional Asia Pacific	3	1	-	large	n/a
Individual provision charge	604	296	188	large	large
Individual provision charge as a % of average net advances	0.38%	0.20%	0.14%		
New and increased provisions					
Personal	223	239	210	-7%	6%
Institutional	396	108	80	large	large
New Zealand Businesses	54	43	37	26%	46%
Asia Pacific	19	18	19	6%	0%
Group Centre	7	3	-	large	n/a
less: Institutional Asia Pacific	-	-	(1)	n/a	-100%
New and increased provisions	699	411	345	70%	large
Recoveries and writebacks					
Personal	(55)	(57)	(52)	-4%	6%
Institutional	(25)	(41)	(88)	-39%	-72%
New Zealand Businesses	(13)	(14)	(14)	-7%	-7%
Asia Pacific	(4)	(3)	(4)	33%	0%
Group Centre	(1)	(1)	-	0%	n/a
less: Institutional Asia Pacific	3	1	1	large	large
Recoveries and writebacks	(95)	(115)	(157)	-17%	-39%

Credit risk, cont'd

Collective provision charge

The collective provision charge increased $345 million from the 30 September 2007 half to $376 million. Turmoil in global markets continues and the global economic outlook is weakening which is likely to impact credit quality in the Institutional portfolio.

Institutional's collective provision charge increased reflecting risks which are yet to emerge, including a small number of downgrades in selected commercial property and broking industry segments. The faster portfolio growth and an allowance for secondary impacts of the market turmoil by way of an economic cycle adjustment, have further added to the collective provision. Asset quality in the consumer, rural and small/medium size business portfolios remains very strong with little change in provisioning levels from prior periods. The $19 million increase in New Zealand reflects an increase in unsecured consumer delinquencies off a very low base.

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

Collective provision charge by business unit	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Personal	20	13	33	54%	-39%
Institutional	327	9	1	large	large
New Zealand Businesses	26	7	10	large	large
Asia Pacific	19	9	3	large	large
Group Centre	-	(2)	2	100%	-100%
less: Institutional Asia Pacific	(16)	(5)	3	large	large
Collective provision charge	376	31	52	large	large

Collective provision charge by source	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Lending growth	131	82	63	60%	large
Risk profile[1]	172	(6)	18	large	large
Portfolio mix	(21)	(13)	7	62%	large
Economic cycle adjustment	125	-	-	n/a	n/a
Other[2]	(31)	(32)	(36)	-3%	-14%
Collective provision charge	376	31	52	large	large

1. *Includes movement in the credit valuation adjustment which reflects the market value of counterparty risk arising from derivatives*
2. *Other comprises scenario impact including the modelled unwind of the oil price shock (raised in 2005) to offset the emergence of related Individual and Collective provisions from these scenario impacts and the refinement of estimates including emergence periods*

Expected loss[1]

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 IFRS credit loss provisioning. The expected loss methodology is used internally for Economic Value Added (EVA) reporting. Factors are currently under review to incorporate enhanced measurements from Basel II work, revised modelling on through-the-cycle losses on unsecured consumer lending and to incorporate higher assumptions regarding usage of undrawn lines and are likely to increase.

Expected loss was $465 million, an increase of $43 million over the September 2007 half year. Strong lending growth and a slight weakening in risk profile drove the increase in Institutional and New Zealand.

	% of Group Net Advances	Half year Mar 08	Half year Sep 07	Half year Mar 07
Personal	47%	0.29%	0.30%	0.28%
Institutional	30%	0.34%	0.33%	0.32%
New Zealand Businesses	22%	0.19%	0.17%	0.17%
Asia Pacific	3%	0.77%	0.83%	0.93%
Group Centre	<1%	0.07%	0.15%	0.17%
less: Institutional Asia Pacific	-2%	0.34%	0.25%	0.23%
Total	100%	0.29%	0.29%	0.28%
Expected loss ($million)		465	422	388

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

Credit risk, cont'd

Gross non-performing loans

Gross non-performing loans at $1,048 million represent a $382 million increase over the 30 September 2007 level. The increase in Institutional was due mainly to two downgrades in the broking industry segment. The increase in New Zealand was primarily driven by two customer downgrades.

Net non-performing loans

Net non-performing loans are $753 million (Sep 2007: $406 million). The Group has an individual provision coverage ratio of 28%.

Gross non-performing loans	As at Mar 08 $M	As at Sep 07 $M	As at Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Personal	189	170	165	11%	15%
Institutional	697	355	357	96%	95%
New Zealand Businesses	133	95	96	40%	39%
Asia Pacific	29	22	23	32%	26%
Group Centre	-	25	-	-100%	n/a
less: Institutional Asia Pacific	-	(1)	(1)	-100%	-100%
Total gross non-performing loans	1,048	666	640	57%	64%

Net non-performing loans	As at Mar 08 $M	As at Sep 07 $M	As at Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Personal	75	68	73	10%	3%
Institutional	575	248	229	large	large
New Zealand Businesses	89	58	55	53%	62%
Asia Pacific	14	9	8	56%	75%
Group Centre	-	23	-	-100%	n/a
less: Institutional Asia Pacific	-	-	-	n/a	n/a
Total net non-performing loans	753	406	365	85%	large
Individual provision coverage	28%	39%	43%		

New and increased non-performing loans	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Personal	301	322	285	-7%	6%
Institutional	620	169	156	large	large
New Zealand Businesses	104	75	67	39%	55%
Asia Pacific	18	17	24	6%	-25%
Group Centre	-	28	-	-100%	n/a
less: Institutional Asia Pacific	-	-	(1)	n/a	-100%
Total new and increased non-performing loans	1,043	611	531	71%	96%

Net non-performing commitments, contingencies and derivatives	As at Mar 08 $M	As at Sep 07 $M	As at Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Personal	3	3	3	0%	0%
Institutional	85	76	75	12%	13%
New Zealand Businesses	16	5	4	large	large
Net non-performing commitments, contingencies and derivatives	104	84	82	24%	27%

Income tax expense

	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Income tax expense charged in the income statement	790	795	883	-1%	-11%
Effective tax rate	28.7%	27.6%	29.6%		
Income tax expense on cash profit[1]	678	799	817	-15%	-17%
Effective tax rate (cash profit[1])	28.8%	28.6%	29.7%		

1. *Refer footnote 1 on page 11*

- **March 2008 half year compared to March 2007 half year**

The Group's effective tax rate was 28.7%, down 0.9%. The decrease primarily reflects higher equity accounted earnings, increased concessionally taxed Offshore Banking Unit (OBU) income and a further restatement of deferred tax balances for the announced New Zealand tax rate change.

Adjusted for non-core items, the effective tax rate decreased by 0.9%, due primarily to higher equity accounted earnings and increased concessionally taxed OBU income.

- **March 2008 half year compared to September 2007 half year**

The Group's effective tax rate increased by 1.1% primarily as a result of the usage of capital losses (which offset the gain from the sale of Esanda Fleetpartners and some other assets) and the ongoing appraisal of global tax provisioning requirements partially offset by the restatement of deferred tax balances for the announced New Zealand tax rate change, all of which occurred in the September 2007 half. The increase was offset by greater concessionally taxed OBU income and a further restatement of deferred tax balances in New Zealand in the March 2008 half.

Adjusted for non-core items, the effective tax rate increased by 0.2%, due primarily to impacts in the September 2007 half resulting from the usage of capital losses to offset capital gains on the sale of other assets and the ongoing appraisal of global tax provisioning requirements. The increase was offset by greater concessionally taxed OBU income in the March 2008 half.

Earnings per share[1] (cents)

	Half year Mar 08	Half year Sep 07	Half year Mar 07	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Basic	102.4	110.9	113.2	-8%	-10%
Diluted	98.6	108.3	110.0	-9%	-10%
Cash earnings per share					
Profit attributable to shareholders of the Company ($M)	1,963	2,078	2,102	-6%	-7%
Less: non-core items included in profit after tax ($M)	(289)	(90)	(166)	large	74%
Cash Profit ($M)	1,674	1,988	1,936	-16%	-14%
Preference share dividend[2] ($M)	(23)	(20)	(17)	15%	35%
Earnings adjusted for non-core items ($M)	1,651	1,968	1,919	-16%	-14%
Weighted average number of ordinary shares (M)	1,895.1	1,855.3	1,841.6	2%	3%
Cash earnings per share (cents)	87.1	106.1	104.2	-18%	-16%

1. *Refer page 82 for full calculation*
2. *The EPS calculation excludes the Euro Hybrid preference shares*

Earnings per share decreased 9.5% (10.8 cents) to 102.4 cents on the March 2007 half. Cash EPS for the Group decreased 16.4% or 17.1 cents on the March 2007 half. The main drivers of the decline in Cash EPS on the March 2007 half were:

- an after tax increase in the credit impairment charge (27.0%)
- dilution from an increase in the weighted average number of shares (2.5%)
- partly offset by growth in profit before credit impairment (after tax), which contributed 13.1%.

March 2008 half year earnings per share were down 7.7% (8.5 cents) on the September 2007 half. Cash EPS for the Group decreased 17.9% or 19.0 cents on the September 2007 half. The main drivers of the decline in Cash EPS on the September 2007 half were:

- an after tax increase in the credit impairment charge (23.2%)
- dilution from an increase in the weighted average number of shares (1.8%)
- partly offset by growth in profit before credit impairment (after tax), which contributed 7.1%.

Impact of exchange rate movements[1]

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

Movements in exchange rates have resulted in a $21 million decrease in cash[2] profit for the March 2008 half year compared to March 2007, principally due to the translation of NZD earnings net of associated revenue hedges which are booked in Australia as foreign exchange earnings and translation of USD earnings net of associated revenue hedges. NZD earnings were translated at effective exchange rates of 1.126 (2008) and 1.141 (2007). USD earnings were translated at effective exchange rates of 0.8976 (2008) and 0.7780 (2007).

	Half Year Mar 2008 v. Half Year Sep 2007			Half Year Mar 2008 v. Half Year Mar 2007		
	FX unadjusted % growth	FX adjusted % growth	FX Impact $M	FX unadjusted % growth	FX adjusted % growth	FX Impact $M
Net interest income	2%	3%	(30)	5%	6%	(43)
Other operating income	11%	12%	(9)	26%	27%	(23)
Operating income	6%	6%	(39)	12%	13%	(66)
Operating expenses	4%	5%	22	12%	13%	34
Profit before credit impairment and income tax	7%	8%	(17)	11%	13%	(32)
Provision for credit impairment	large	large	2	large	large	3
Profit before income tax	-16%	-15%	(15)	-15%	-14%	(29)
Income tax expense	-15%	-15%	7	-17%	-16%	8
Minority interest	-40%	large	-	50%	large	-
Cash[2] profit	-16%	-15%	(8)	-14%	-13%	(21)

1. *ANZ has removed the impact of exchange rate movements to provide a better indication of the Group's performance in local currency terms. Retranslation is net of revenue hedges taken to income in cash profit, refer page 26*
2. *Refer footnote 1 on page 11*

Impact of acquisitions and disposals

Stadium Australia became a consolidated entity in the March 2007 half as part of the Group's Alternative Assets strategy. This entity has been sold down in the March 2008 half, as expected, and has therefore been deconsolidated from the Group's result.

ETrade became a wholly owned subsidiary in May 2007.

The consolidation of ETrade and Stadium Australia in 2007 and the subsequent deconsolidation of Stadium Australia during the March 2008 half have given rise to the following movements within Operating income and Operating expenses:

Operating income has increased by $39 million over the March 2007 half (Sep 2007 half: $14 million decrease):

- ETrade increased $28 million (Sep 2007 half: $2 million)
- Stadium Australia increased $11 million (Sep 2007 half: $16 million decrease).

Operating expenses have increased by $42 million over the March 2007 half (Sep 2007 half: $nil):

- ETrade increased $26 million (Sep 2007 half: $5 million)
- Stadium Australia increased $16 million (Sep 2007 half: $5 million decrease).

Non-core items

ANZ has adjusted the income statement for non-core items, as outlined below, to assist in understanding the core business performance by removing the volatility in reported results created by one-off significant items and the non-core income arising from the use of derivatives in economic hedges and fair value through profit and loss.

Non-core items after tax in the income statement

	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Significant items					
Gain on Visa shares	248	-	-	n/a	n/a
Impairment of intangible - Origin Australia	(24)	-	-	n/a	n/a
Restatement of deferred tax balances for announced New Zealand tax rate change	8	(24)	-	large	n/a
Gain on sale of Esanda Fleetpartners	-	54	141	-100%	-100%
Total significant items	232	30	141	large	65%
Economic hedging - fair value gains/losses	67	41	28	63%	large
NZD and USD revenue hedge - mark-to-market	(10)	19	(3)	large	large
Non-core items	289	90	166	large	74%

- **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:

  - Gain on Visa shares

    ANZ acquired shares in Visa Inc. preceding the initial public offering in March 2008, resulting in a gain of $353 million ($248 million after tax) being the fair value of the shares issued to ANZ. Visa shares not sold into the initial public offering are held as an available-for-sale asset on the balance sheet.

  - Impairment of intangible - Origin Australia

    An expense of $34 million ($24 million after tax) has been recognised on an Origin Australia intangible asset reflecting the winding back of the mortgage manager business model.

  - Impact of NZ tax rate change (March 2008 half year and September 2007 half year)

    In May 2007, the New Zealand Government announced a reduction in company tax rates from 33% to 30%. For ANZ, this will take effect from 1 October 2008. This resulted in a negative impact on profit after tax of $24 million following the restatement of net deferred tax asset balances in the September 2007 half and a further adjustment of $8 million profit after tax in the March 2008 half following reassessment of timing differences.

  - Gain on sale of Esanda Fleetpartners (September 2007 half year and 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. Profit on disposal was $195 million ($141 million after tax) with $128 million ($74 million after tax) recognised in Australia and $67 million (tax impact: $nil) recognised in New Zealand. During the September 2007 half, Australian Taxation Office clearance enabled most of the capital losses realised on the buy-back of TrUEPrS to be applied against the sale transaction resulting in an increase in the gain on sale of Esanda Fleetpartners of $54 million after tax. The 2007 full year impact is profit after tax of $195 million (tax impact: $nil).

Significant items attributable by business unit

	Half Year Mar 2008			
	Visa $M	Origin $M	NZ Tax Rate $M	Total $M
Personal	195	(24)	-	171
Institutional	-	-	8	8
New Zealand Businesses	74	-	-	74
Group Centre[1]	(21)	-	-	(21)
Total significant items	248	(24)	8	232

1. *Comprises $21 million of Australian tax on the equity accounted profits of Cards NZ Limited relating to the gain on the allocation of shares in Visa Inc. which was not taxable in New Zealand*

Non-core items, cont'd

- **Non-core income arising from the use of derivatives in economic hedges and fair value through profit and loss**

The Group enters into economic hedges to manage its interest rate and foreign exchange risk. AASB accounting policies have introduced volatility within the Income Statement in relation to economic hedges as follows:

- approved classes of derivatives not designated in accounting hedge relationships but that are considered to be economic hedges, including hedges of NZD and USD revenue
- income/(loss) arising from the use of the fair value option (principally the credit spread on liabilities designated at fair value), and
- ineffectiveness of designated accounting cash flow and fair value hedges.

ANZ separately reports the impact of volatility due to economic hedging as a non-core item, as the profit or loss resulting from the transactions outlined above does not relate to the current accounting period and will reverse over time to be matched with the profit or loss from the economically hedged item as part of core operating performance. In the case of volatility arising from the use of the fair value option, the mark-to-market gain of $122 million in the half is a result of widening spreads on the fair value of ANZ's own-issued paper. During the March 2008 half, ANZ has classified income of $57 million after tax (Sep 2007 half: $60 million; Mar 2007 half: $25 million) relating to economic hedging, including the mark-to-market unrealised gain/(loss) on NZD and USD revenue hedges, as non-core items (tax impact: $25 million (Sep 2007 half: $26 million; Mar 2007 half: $12 million)).

Impact on income statement	Half year Mar 08 $m	Half year Sep 07 $m	Half year Mar 07 $m
Non-compliant hedges	(33)	14	38
NZD and USD revenue hedges – mark-to-market	(14)	28	(5)
Use of the fair value option	122	44	2
Ineffective portion of effective cash flow and fair value hedges	7	-	2
Profit/(loss) before tax	82	86	37
Profit/(loss) after tax	57	60	25

On transition to AIFRS at 1 October 2005, the 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 and is expected to unwind over time through the income statement.

Net unrealised (loss) / gain – balance sheet	$m
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
- half year ended 30 September 2007	86
- half year ended 31 March 2008	82
As at 31 March 2008	110

The net gain recorded in the income statement represents the progressive reversal of the $144 million loss on transition to AIFRS together with income/(loss) arising on existing and new economic hedge transactions, including the impact of changing spreads on ANZ's own-issued paper.

Dividends

Dividend per ordinary share (cents)	Half year Mar 08	Half year Sep 07	Half year Mar 07	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Interim (fully franked)	62	n/a	62	n/a	0%
Final (fully franked)	n/a	74	n/a	n/a	n/a
Ordinary share dividend payout ratio (%)	61.4%	67.1%	54.9%		
Profit after tax ($M)	1,963	2,078	2,102	-6%	-7%
Non-core items[1] ($M)	(289)	(90)	(166)	large	74%
Cash[1] profit ($M)	1,674	1,988	1,936	-16%	-14%
Dividend payout ratio of cash[1] profit (%)	72.2%	70.2%	59.6%		

1. *Refer footnote 1 on page 11*

The Directors propose that an interim dividend of 62 cents be paid on each eligible ordinary share. The proposed interim dividend will be fully franked for Australian tax purposes.

ANZ has a dividend reinvestment plan (DRP) and a bonus option plan (BOP). A number of changes have been made to the terms and conditions of the DRP and BOP, effective for the 2008 interim dividend only. For the 2008 interim dividend, ANZ intends to provide shares under the DRP and BOP through the issue of new shares. Election notices from shareholders wanting to commence participation in the DRP or BOP for the 2008 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 14 May 2008. It is proposed that the interim dividend will be paid on 1 July 2008. 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 16 May 2008 for value on the payment date.

For the 2008 interim dividend only, it is intended that the balance of the dividend not reinvested by shareholders in the DRP or foregone by shareholders under the BOP, will be fully underwritten by J.P. Morgan Australia Limited. Refer also page 81.

EVA™ reconciliation

One measure of shareholder value is Economic Value Added (EVA™) growth relative to prior periods. EVA™ for the half year ended 31 March 2008 was $1,214 million, an increase of $95 million on the March 2007 half and $53 million on the September 2007 half.

EVA™	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Profit after tax	1,963	2,078	2,102	-6%	-7%
Non-core items[1]	(289)	(90)	(166)	large	74%
Cash profit	1,674	1,988	1,936	-16%	-14%
Credit cost adjustment	360	(65)	(103)	large	large
Economic profit	2,034	1,923	1,833	6%	11%
Imputation credits	407	363	378	12%	8%
Adjusted economic profit	2,441	2,286	2,211	7%	10%
Cost of ordinary capital	(1,204)	(1,105)	(1,075)	9%	12%
Cost of preference share capital	(23)	(20)	(17)	15%	35%
EVA™	1,214	1,161	1,119	5%	8%

1. *Refer footnote 1 on page 11*

EVA™ 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 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. The VaR exposure for the half year ended 31 March 2008 excludes any VaR relating to the credit intermediation trades associated with a US monoline insurer against which a $226 million individual provision charge has been taken (refer page 18).

97.5% confidence level 1 day holding period

	As at Mar 08 $M	High for period Mar 08 $M	Low for period Mar 08 $M	Avg for period Mar 08 $M	As at Sep 07 $M	High for period Sep 07 $M	Low for period Sep 07 $M	Avg for period Sep 07 $M
Value at risk at 97.5% confidence								
Foreign exchange	1.2	1.6	0.6	1.1	1.2	1.5	0.2	0.6
Interest rate	1.7	3.0	1.2	1.8	1.6	7.6	1.2	2.6
Credit Spread	0.7	1.2	0.6	0.9	1.0	1.9	0.7	1.2
Diversification benefit	(0.9)	n/a	n/a	(1.6)	(2.1)	n/a	n/a	(1.6)
Total VaR	2.7	3.4	1.4	2.2	1.7	8.1	1.4	2.8

99% confidence level 1 day holding period

	As at Mar 08 $M	High for period Mar 08 $M	Low for period Mar 08 $M	Avg for period Mar 08 $M	As at Sep 07 $M	High for period Sep 07 $M	Low for period Sep 07 $M	Avg for period Sep 07 $M
Value at risk at 99% confidence								
Foreign exchange	1.9	2.5	0.9	1.6	1.8	2.2	0.3	0.8
Interest rate	2.3	4.3	1.3	2.4	2.3	9.8	1.7	3.4
Credit Spread	1.2	1.8	0.9	1.3	1.6	3.2	1.1	2.1
Diversification benefit	(1.3)	n/a	n/a	(2.3)	(3.0)	n/a	n/a	(2.4)
Total VaR	4.1	4.7	1.7	3.0	2.7	9.9	1.7	3.9

Revenue related hedges

The Group has used derivative instruments to economically 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 2008 when compared to March 2007 (Sep 2007 half: decrease $8 million). This included the impact on earnings (cash basis) from associated revenue hedges, which increased by $4 million (before tax) from March 2007 half (Sep 2007 half: $13 million). Hedge revenue is booked in the Group Centre.

The Group has taken out economic hedges against New Zealand Dollar and United States Dollar revenue streams. New Zealand Dollar exposure is the most significant, covering the New Zealand geography (refer page 58) and the debt component of New Zealand Dollar intra-group funding of this business, which amounted to NZD1.77 billion at 31 March 2008. Details of revenue hedges are set out below.

NZD Economic hedges	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M
Net open NZD position (notional principal)	1,241	643	869
Amount taken to income (pre tax)	(17)	18	(6)
Amount taken to income (pre tax cash basis)	3	(10)	(1)
USD Economic hedges			
Net open USD position (notional principal)	172	-	-
Amount taken to income (pre tax)	3	-	-
Amount taken to income (pre tax cash basis)	-	-	-

In the March 2008 half year:

- NZD0.7 billion of economic hedges matured and a realised gain of $3 million (pre-tax) was booked to the income statement.
- NZD1.4 billion of economic hedges for the current half and the next twelve months were taken out at a forward rate of approximately NZD1.16/AUD.
- USD0.2 billion of economic hedges for the next six months were taken out at a forward rate of approximately USD0.89/AUD.
- An unrealised gain of $8 million (pre-tax) on the outstanding NZD1.4 billion and USD0.2 billion of economic hedges was booked to the income statement as a non-core item as these are viewed by management as hedges of NZD and USD revenues for the next twelve months.

The Group has fully hedged anticipated September 2008 half NZD revenue streams (including inter-group funding) and USD revenue streams at an effective all-in rate of approximately NZD1.156/AUD and USD0.89/AUD respectively. Further, it has hedged approximately 30% of anticipated 2009 NZD revenue streams (including inter-group funding) which will be at an effective all-in rate of approximately NZD1.16/AUD after allowing for forward points.

Balance sheet

Total assets increased by $86.5 million (25%) from 31 March 2007 to $438.4 billion. Exchange rate movements accounted for a decrease of $4.0 billion, consisting of decreases of $1.8 billion in New Zealand, $1.1 billion in Asia Pacific and $1.1 billion in the United Kingdom and the United States. Excluding the impact of exchange rate movements, total assets increased $59.2 billion (24%) in Australia, $10.2 billion (12%) in New Zealand, $11.1 billion (100%) in Asia Pacific, $9.3 billion (134%) in the United Kingdom and the United States and $0.7 billion in India.

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

Liquid assets ⇧15% *(Excl Exchange Rates ⇧19%)*

Liquid assets increased by $2.4 billion to $17.8 billion at 31 March 2008 primarily from an increase in bank certificates of deposit of $3.2 billion in the United Kingdom and the United States partially offset by lower holdings of liquid assets within Australia. This should not be confused with our liquidity portfolio.

Due from other financial institutions ⇧84% *(Excl Exchange Rates ⇧94%)*

Due from other financial institutions increased by $5.4 billion to $11.9 billion at 31 March 2008, due mainly to an increase in interbank lending volumes in Group Treasury of $3.5 billion and $1.9 billion in the United Kingdom and the United States.

Trading securities ⇧4% *(Excl Exchange Rates ⇧5%)*

Trading securities volumes increased $0.6 billion to $14.9 billion at 31 March 2008, primarily in Asia and New Zealand partially offset by a reduction in Markets Australia.

Derivatives ⇧140% *(Excl Exchange Rates ⇧143%)*

Derivative assets increased $17.2 billion to $29.5 billion at 31 March 2008. The increase is driven principally by volatility in foreign exchange and interest rate markets together with increased trading activities due to customer flows.

Available-for-sale assets ⇧66% *(Excl Exchange Rates ⇧73%)*

Available-for-sale asset volumes increased $6.5 billion to $16.3 billion at 31 March 2008, due mainly to Treasury holding highly liquid assets as a result of the current instability in global financial markets.

Net loans and advances ⇧19% *(Excl Exchange Rates ⇧20%)*

Net loans and advances increased $49.9 billion to $317.7 billion at 31 March 2008. Excluding the impact of exchange rate movements, the increase was $52.3 billion or 20%.

Growth in Australia was $32.6 billion or 17.6%:

- Personal grew $16.6 billion (12%) with $14 billion as a result of growth in housing loans from Mortgages. Regional & Rural Banking increased $1.0 billion. Consumer Finance increased $0.8 billion, Esanda increased $0.6 billion and Investment and Insurance Products increased $0.2 billion.
- Institutional grew $16.0 billion (34%) including $2.3 billion of asset backed commercial paper liquidity facilities. This growth was largely in Relationship Lending, with growth of $14 billion (59%) driven by re-intermediation of corporate customers following the ongoing tightening of global credit markets, while Business Banking increased $0.7 billion (5.2%) and Corporate Finance increased $1 billion (15.8%).

New Zealand grew by $7.6 billion (10.5%). After excluding the impact of exchange rates, growth was $9.1 billion, or 13%, with increases in Retail and Private Banking ($5.1 billion or 12.5%), Corporate & Commercial Banking ($1.7 billion or 15%) and Rural Banking ($2.2 billion or 19.6%).

Overseas Markets increased by $9.7 billion (103.7%). After excluding the impact of exchange rates, growth was $10.5 billion (124%) primarily from increases in Asia ($4 billion), the United Kingdom ($4.6 billion) and the United States ($1.2 billion), reflecting growth in global corporate lending.

Customers' liability for acceptances ⇧12% *(Excl Exchange Rates ⇧13%)*

Customers' liability for acceptances increased $1.7 billion to $15.8 billion at 31 March 2008, due mainly to increased activity in Business Banking Australia.

Shares in associates and joint venture entities ⇧70% *(Excl Exchange Rates ⇧70%)*

Shares in associates and joint venture entities increased $1.6 billion to $3.9 billion at 31 March 2008, including investments in AMMB Holdings Berhad of $0.9 billion and Shanghai Rural Commercial Bank of $0.3 billion.

Balance sheet, cont'd

Total liabilities increased by $83.5 billion (25%) from 31 March 2007 to $414.4 billion. Exchange rate movements accounted for a decrease of $4.0 billion consisting of reductions of $1.5 billion in New Zealand, $1.3 billion in Asia Pacific and $1.1 billion in the United Kingdom and the United States.

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

Due to other financial institutions ⇧26% *(Excl Exchange Rates ⇧31%)*

Due to other financial institutions increased by $4.2 billion to $20.3 billion at 31 March 2008 due primarily to increased holdings of interbank borrowings in Asia ($4.1 billion) and the United Kingdom ($1.2 billion) partially offset by a reduction in Institutional Australia.

Deposits and other borrowings ⇧26% *(Excl Exchange Rates ⇧28%)*

Deposits and other borrowings increased $54.5 billion to $263.9 billion at 31 March 2008. Excluding the impact of exchange rate movements, the increase was $57.3 billion (28%).

Australia increased $33.1 billion (25%) largely as a result of increases in the following businesses:

- Institutional increased $10.3 billion (22%) in Working Capital ($6.0 billion), Markets ($2.8 billion) and Business Banking ($1.5 billion).
- Personal increased $8.3 billion (13%) following branch expansion, ongoing marketing campaigns and improved attractiveness of bank deposits given higher interest rates and share market volatility. Growth was primarily in Banking Products ($6.5 billion) with minor increases in Mortgages, Rural Commercial & Agribusiness Products, Small Business Banking Products and Esanda.
- Treasury increased $14.2 billion largely due to an increase in certificates of deposit to fund lending growth.

New Zealand increased $7.0 billion (12%). After excluding the impact of exchange rates, growth was $8.1 billion (15%) with increases largely in Treasury ($4.6 billion) and Retail Banking ($3.1 billion).

Overseas Markets increased by $14.4 billion (84%). After excluding the impact of exchange rates, the increase was $16.1 billion (103%), with increases in the United Kingdom ($5.6 billion), the United States ($5.0 billion) and Asia ($4.9 billion). Deposit growth was due to an increase in customer term deposit and higher certificates of deposits issued to fund lending growth.

Derivatives ⇧105% *(Excl Exchange Rates ⇧105%)*

Derivative liabilities increased $14.2 billion to $27.8 billion at 31 March 2008. The increase is driven principally by volatility in foreign exchange and interest rate markets together with increased trading activities due to customer flows.

Payables and other liabilities ⇩13% *(Excl Exchange Rates ⇩12%)*

Payables and other liabilities decreased $1.3 billion to $8.9 billion at 31 March 2008. This included a reduction in creditors of $0.9 billion to $3.6 billion, largely due to decreased securities lending activity.

Bonds and notes ⇧17% *(Excl Exchange Rates ⇧18%)*

Bonds and notes increased $9.4 billion to $63.5 billion at 31 March 2008 in Australia and New Zealand in response to increased term funding requirements.

Loan capital ⇧9% *(Excl Exchange Rates ⇧10%)*

Loan capital increased $1.1 billion to $12.9 billion at 31 March 2008 in response to capital management requirements including subordinated debt of $0.3 billion.

Liquidity risk

Liquidity risk is the risk that the Group has insufficient capacity to fund increases in assets, or is unable to meet its payment obligations as they fall due, including repaying depositors or maturing wholesale debt. The timing mismatch of cash flows and the related liquidity risk is inherent in all banking operations and is closely monitored by the Group.

While global credit and liquidity conditions have become significantly more difficult in recent times, ANZ has continued to manage this risk through maintaining a strong funding profile.

A feature of ANZ's management of liquidity risk is the Group's liquidity risk framework. Key components of the framework include: daily liquidity reporting and scenario analysis; monitoring wholesale and customer liability composition targeting a diversified funding base (including tenor and source); and holding a portfolio of high quality liquid assets.

- Funding metrics

  To determine appropriate balance sheet liquidity and funding risk strategies the Group employs cash flow based funding metrics. These metrics are used to measure how the Group's external assets are funded. Managing these metrics assists in ensuring that an appropriate proportion of the Group's assets are funded by either 'sticky' customer liabilities or long-term wholesale debt funding (with a remaining term exceeding 1 year). This recognises that long-term debt and other 'sticky' liabilities have favourable liquidity characteristics, and assist both in reducing adverse impacts or volatility caused by short-term funding and in monitoring the effects of deposit-gathering strategies. Deposit acquisition and term funding programs operate to ensure minimum ratios are maintained.

- Scenario modelling

  Scenario modelling includes a 'going-concern' scenario i.e. the normal behaviour of cash flows in the ordinary course of business, and 'name crisis' scenario whereby a potential name-specific liquidity crisis results in significant difficulty rolling over or replacing liabilities. The Group also models a number of other stress tests and liquidity scenarios over a variety of time horizons.

  It would take an extreme event to challenge the Group's continued solvency. A more likely outcome is a period of tight liquidity, resulting in increased funding costs. To assess these risks, the Group models and continually monitors the probability and earnings impact of changes in the Group's credit margin. These changes may be caused by general market factors and/or credit rating downgrades.

- Wholesale funding

  The Group's global funding strategy aims to deliver a portfolio of wholesale funds balancing cost and diversification by markets, investors, currencies, maturities and funding structures. The strategy also includes the monitoring of wholesale funding concentration limits. Overall the framework has been effective in managing the growth in short-term wholesale debt, against actual and modelled scenarios. ANZ has imposed balance sheet disciplines to appropriately manage funding requirements.

  To date, liquidity in shorter dated tenors remains readily accessible and ANZ continues to be able to access term wholesale markets, albeit at higher cost. Despite a tightening in term debt markets, during the March 2008 half the Group issued approximately $21.4 billion of new term wholesale debt with a final maturity of at least 12 months.

- Liquidity portfolio

  Global liquidity conditions deteriorated over the March 2008 half, with credit spreads widening further and medium/long term maturity liquidity declining.

  To assist in managing market disruptions, the Group holds a diversified portfolio of cash and high-quality, highly-liquid securities to support payment obligations and contingent funding. We do not include trading assets in our liquidity portfolio. In order to strengthen this portfolio further, since the start of the liquidity squeeze the Group has increased its global liquidity portfolio by approximately $8 billion.

  In addition, a $11 billion internal mortgage securitisation has also been established. Securities created within this vehicle are expected to qualify as Eligible Securities pledgeable for cash with the Reserve Bank of Australia.

  The Group monitors the ratio of cover provided by the liquidity portfolio to fund both domestic and offshore wholesale debt maturities. This analysis is undertaken for all major funding centres.

Global liquidity portfolio (market values)	As at Mar 08 AUD $M	As at Sep 07 AUD $M	As at Mar 07 AUD $M
AUD	9,866	9,282	4,957
EUR	149	181	268
GBP	477	423	358
NZD	5,603	5,474	5,311
USD	5,429	4,716	2,581
Total	21,524	20,076	13,475

Liquidity risk, cont'd

Customer and wholesale funding composition

The following table shows the Group's customer and wholesale funding composition.

	As at Mar 08 $M	As at Sep 07 $M	As at Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Customer deposits[1]					
Personal	69,807	65,410	61,295	7%	14%
Institutional	75,460	68,649	60,127	10%	26%
New Zealand Businesses	40,679	38,334	37,511	6%	8%
Asia Pacific	13,443	11,101	10,643	21%	26%
Group Centre	1,684	1,806	1,339	-7%	26%
less: Institutional Asia Pacific	(6,001)	(4,071)	(3,844)	47%	56%
Total customer deposits	195,072	181,229	167,071	8%	17%
Other[2]	10,194	12,513	11,858	-19%	-14%
Total customer liabilities (funding)	205,266	193,742	178,929	6%	15%
Wholesale funding					
Bonds and notes	63,549	54,075	54,188	18%	17%
Loan Capital	12,931	12,784	11,816	1%	9%
Certificates of deposits (wholesale)	46,923	31,903	23,004	47%	large
Commercial paper	19,230	16,914	15,497	14%	24%
Liability for acceptances	15,756	14,536	14,013	8%	12%
Due to other financial institutions	20,264	19,436	16,106	4%	26%
Other wholesale borrowings[3]	(2,057)	1,535	1,497	large	large
Total wholesale funding	176,596	151,183	136,121	17%	30%
Shareholders' equity excluding preference share capital	23,093	21,177	20,039	9%	15%

	As at Mar 08	As at Sep 07	As at Mar 07
Total funding maturity			
Short term wholesale funding	16.7%	14.5%	12.7%
Liability for acceptances	3.9%	4.0%	4.2%
Long term wholesale funding[4]			
- Less than 1 year residual maturity	8.7%	8.0%	4.7%
- Greater than 1 year residual maturity	13.3%	13.7%	18.1%
Total customer liabilities (funding)	50.7%	52.9%	53.4%
Shareholders' equity and hybrid debt	6.7%	6.9%	6.9%
Total wholesale funding and shareholders' equity excluding preference share capital	100.0%	100.0%	100.0%

1. *Represents term deposits, other deposits excluding Collateralised Loan Obligation and securitisation deposits*
2. *Includes payables and other liabilities, provisions and net tax provisions*
3. *Includes net derivative balances, special purpose vehicles, other borrowings and preference share capital Euro hybrids*
4. *Long term wholesale funding amounts are stated at original hedged exchange rates. Movements due to currency fluctuations in actual amounts borrowed are restated in short term funding volumes*

Capital management

	Basel II	Basel I	Basel I	Basel I
	As at Mar 08	As at Mar 08	As at Sep 07	As at Mar 07
Tier 1	6.9%	6.5%	6.7%	6.7%
Tier 2	3.2%	3.8%	4.1%	4.3%
Deductions	-	(0.6%)	(0.7%)	(0.7%)
Total	10.1%	9.7%	10.1%	10.3%
ACE	4.8%	4.4%	4.3%	4.4%
Target ACE	n/a	4.0%-4.75%	4.0%-4.75%	4.0%-4.75%
RWA $m	267,486	309,344	275,018	250,485

Further details of the components of capital and the capital adequacy calculation are set out on pages 97 to 99

The Basel II Accord principles took effect in Australia and New Zealand from 1 January 2008. For calculation of minimum capital requirements under Pillar 1 (Capital Requirements) of the Basel II Accord, ANZ has gained accreditation from APRA for use of Advanced Internal Ratings Based (AIRB) methodology for credit risk weighted assets and Advanced Management Approach (AMA) for operational risk weighted asset equivalent. Changes to the calculation of market risk weighed assets are minimal.

Whilst accreditation has been received a number of aspects of the measurement of risk weighted assets and regulatory capital are still under review in conjunction with APRA and changes are likely, including the implementation of the capital requirement for Interest Rate Risk in the Banking Book (IRRBB) from 1 July 2008.

Tier 1 Ratio

The Tier 1 ratio at 6.9% increased 14 basis points during the half year, principally due to:

- the adoption of the Basel II Accord principles (+53 basis points) due to Basel II risk weighted assets reduction of $41.9 billion (+92 basis points) partly offset by Basel II capital reductions of $1.2 billion (-39 basis points)
- the loss of AIFRS transition relief in January 2008 (-23 basis points)
- net profit, excluding non-core items and after preference share dividends, of $1.65 billion (+60 basis points)
- ordinary share dividend commitments, net of actual and expected reinvestment through the Dividend Reinvestment Plan (DRP) and Bonus Option Plan (BOP) of $0.7 billion (-26 basis points)
- underwriting and higher participation rate in the DRP and BOP following application of a discount to the issuance price on the final 2007 dividend raised $1.1 billion (+40 basis points)
- increase in Risk Weighted Assets (RWA) of 25.2% per annum, excluding the impact of exchange rate movements and the reduction due to the adoption of Basel II on 1 January 2008 (-82 basis points)
- increase in investment/profit retention in funds management businesses, associates and commercial operations (-7 basis points)
- other items (net -1 basis point) include: the impact of exchange rate movements (-2 basis points); movement in capitalised expenses, deferred fee income, capitalised software, other non-core profit items, share issuances to staff and option conversions (+4 basis points) and business investments and disposals (-3 basis points).

ACE Ratio

As the Group's proposed new capital targets under Basel II are yet to be confirmed with APRA and Rating Agencies, the Group also continues to monitor its ACE capital under Basel I principles against the Group's target capital range of 4.00% to 4.75%. ACE (Basel I) at 4.4% remains within that range, an 8 basis point increase on the September 2007 level (4.3%).

Prudential issues - APRA changes to prudential standards applicable from 1 January 2008

Amendments to the Prudential Standards effective 1 January 2008 include the following changes which have impacted the capital ratios:

- Basel II methodologies for calculating credit Risk Weighted Assets and Expected Loan Losses.
- Inclusion of a capital charge for operating risk.
- Loss of Collective Provision for loan losses from Upper Tier 2. This amount is replaced with either an amount in Upper Tier 2 of Eligible Provisions (net of tax) in excess of Expected Losses, or 50% Tier 1 and 50% Tier 2 deductions of Expected Losses in excess of Eligible Provisions (net of tax).
- Deductions from Total Capital under Basel I are now deducted 50% from Tier 1 and 50% from Tier 2.
- Loss of AIFRS transitional relief of $716 million from Tier 1 Capital and $17 million from Tier 2 Capital.
- Hybrid Limits become 25% of net Tier 1 capital, split between Innovative (15%) and Non-innovative (10%). ANZ has been provided $419 million of transitional relief until January 2010 with respect to the Innovative limit.
- A capital floor based on 90% of capital required under Basel I methodology. At 31 March 2008, the floor has no impact on ANZ's reported capital and ratios

The Group has lodged its Internal Capital Adequacy Assessment Process (ICAAP) document with APRA for its review.

Capital management, cont'd

The impact of the material changes on capital calculated at 31 March 2008 is shown below.

	Basel I[1]	Operating Risk RWA	Adjustments to Credit Risk RWA	Expected loss / provision[2] change	50% Tier 1 / Tier 2 deductions	Other	Loss of AIFRS Transitional relief	Basel II
	$M	$M	$M	$M	$M	$M	$M	$M
Fundamental Tier 1 capital	22,098	-	-	-	-	39	-	22,137
Innovative Tier 1	3,072	-	-	-	-	-	-	3,072
Non-Innovative Tier 1	981	-	-	-	-	-	-	981
AIFRS Transitional relief	716	-	-	-	-	-	(716)	-
Tier 1 capital deductions	(6,635)	-	-	(359)	(978)	90	-	(7,882)
Tier 1 capital	20,232	-	-	(359)	(978)	129	(716)	18,308
General reserve for impairment of financial assets net of attributable deferred tax asset	1,681	-	-	(1,675)		-	-	6
Upper Tier 2 capital	931	-	-	-	-	1	-	932
AIFRS Transitional relief	17	-	-	-	-	-	(17)	-
Lower Tier 2 capital	9,093	-	-	-	-	-	-	9,093
Tier 2 capital deductions	-	-	-	(358)	(978)	(18)	-	(1,354)
Tier 2 capital	11,722	-	-	(2,033)	(978)	(17)	(17)	8,677
Total capital deductions	(1,956)	-	-	-	1,956	-	-	-
Total Regulatory Capital	29,998	-	-	(2,392)	-	112	(733)	26,985
Tier 1 capital	20,232	-	-	(359)	(978)	129	(716)	18,308
Less Residual Tier 1 capital	(4,045)	-	-	-	-	-	-	(4,045)
AIFRS Transitional relief	(716)	-	-	-	-	-	716	-
50% Tier 1/Tier 2 deductions	(1,956)	-	-	(358)	978	(18)	-	(1,354)
Adjusted Common Equity	13,515	-	-	(717)	-	111	-	12,909
Risk Weighted Assets	309,344	16,388	(58,246)	n/a	n/a	n/a	n/a	267,486
Ratios								
Tier 1	6.5%							6.9%
Tier 2	3.8%							3.2%
Deductions	(0.6%)							-
Total capital	9.7%							10.1%
ACE	4.4%							4.8%

1. *Transitional capital relief of $733 million expired on 31 December 2007*
2. *Expected loss deduction in the context of the Capital Adequacy calculation is based on the General Reserve for Credit Loss (for ANZ, this is the Collective Provision balance), net of tax $1,681 million, plus Other Eligible provisions (i.e. Individual Provisions) of $529 million, less Basel Expected Loss of $2,927 million (comprising Individual Provisions of $529 million and Expected Loss of $2,398 million). Expected Loss in this context, is an APRA construct used solely for risk weighted asset calculation purposes. It is based on extreme stress loss rates and is significantly different to ANZ's measurement of Expected Loss, which is an average "through the cycle" methodology*

The impact of the RWA methodology for interest rate risk in the banking book has not been included in the above calculation as implementation of this methodology has been deferred to 1 July 2008. Under Pillar 3 (Market Discipline) of the Basel II Accord, financial institutions are required to make extensive qualitative and quantitative disclosures with respect to capital adequacy and credit risk management. ANZ will provide this information for the first time as at 30 September 2008.

With respect to the proposed 2008 interim dividend, ANZ will offer a discount of 1.5% on the DRP and underwrite any shortfall in participation to raise an additional estimated $830 million of Tier 1 capital of which $120 million has been recognised as a higher accrual for the DRP. On 18 April 2008 ANZ National Bank raised $NZD835 million perpetual subordinated debt which qualifies as Upper Tier 2 capital.

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. As at 31 March 2008, the Group had three Innovative Hybrid Tier 1 capital instruments (16.8% of net Tier 1 – APRA has provided transitional relief of the excess issuance above 15% till January 2010) and one Non-innovative Hybrid Tier 1 capital instrument (5.4% of net Tier 1).

Hybrid Tier 1 Capital details

	ANZ StEPS	US Stapled Trust Security	Euro Hybrid	UK Hybrid
Amount (in issue currency)	$1,000 million	USD1,100 million	€500 million	£450 million
Accounting classification	Debt	Debt	Equity	Debt
Regulatory (APRA) classification	Innovative - Tier 1	Innovative - Tier 1	Innovative - Tier 1	Non-innovative - Tier 1
March 2008 balance (A$)	$1,000 million	$1,201 million	$871 million	$981 million
Interest rate	BBSW +1.00%	Tranche 1 (USD350m) Coupon: 4.48% Tranche 2 (USD750m) Coupon: 5.36%	Euribor +0.66%	Coupon 6.54%

Deferred acquisition costs and deferred income

The Group recognises deferred acquisition costs relating to the acquisition of interest earning assets as assets. The Group also recognised deferred income that is integral to the yield of an originated financial instrument, net of any direct incremental costs. 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'.

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

	Deferred Acquisition Costs[1]			Deferred Income		
	Mar 08 $M	Sep 07 $M	Mar 07 $M	Mar 08 $M	Sep 07 $M	Mar 07 $M
Personal[2]	474	456	444	83	85	92
Institutional	16	14	12	188	159	163
New Zealand Businesses	103	103	95	47	43	42
Asia Pacific	2	-	-	20	18	17
Other[3]	24	29	24	2	1	-
Total	619	602	575	340	306	314

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 $308 million for Esanda (Sep 2007: $299 million; Mar 2007: $292 million) and deferred income of $49 million for Esanda (Sep 2007: $49 million; Mar 2007: $49 million)*
3. *Includes Group Centre and Private Bank*

Deferred acquisition costs analysis:

	Half Year Mar 2008		Half Year Sep 2007	
	Amortisation Costs $M	Capitalised Costs[1] $M	Amortisation Costs $M	Capitalised Costs[1] $M
Personal[2]	137	155	130	142
Institutional	-	2	-	2
New Zealand Businesses	24	24	21	29
Asia Pacific	-	2	1	1
Other[3]	5	-	8	13
Total	166	183	160	187

1. *Costs capitalised during the year exclude brokerage trailer commissions paid*
2. *Comprises amortised costs of $96 million for Esanda (Sep 2007: $93 million) and capitalised costs of $105 million for Esanda (Sep 2007: $100 million)*
3. *Includes Group Centre and Private Bank*

Software capitalisation

At 31 March 2008, the Group's intangibles included $509 million in relation to costs incurred in acquiring and developing software. Details are set out in the table below:

	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Balance at start of period	462	425	397	9%	16%
Software capitalised during the period	111	113	90	-2%	23%
Amortisation during the period	(62)	(64)	(58)	-3%	7%
Software written-off	(2)	(12)	(4)	-83%	-50%
Total software capitalisation	509	462	425	10%	20%

Organisational structure

From time to time the Group modifies the organisation of its business to facilitate the delivery of the strategic agenda. Prior period numbers are adjusted for such changes to allow comparability.

The creation of the new Asia Pacific division has been a major change to the divisional structure of the Group. This brings together the retail Pacific business previously reported within Personal division, the Asian partnerships business previously reported in the Partnerships and Private Bank division, and the Institutional business across Asia and Pacific. Internally, the Group manages Institutional Asia Pacific on a matrix structure with the Managing Director Institutional Asia reporting to the Group Managing Director Asia Pacific and the Group Managing Director Institutional. Accordingly, the divisional analysis on the following pages reflects this matrix reporting structure. For reconciliation purposes, the Institutional Asia Pacific results, which are included in both the Asia Pacific and Institutional divisional analysis, are presented on page 50.

Other structure changes include ING Australia reported as a separate unit and Private Bank results aggregated with the Group Centre.

In addition, there have been a number of minor restatements since 30 September 2007 as a result of changes to customer segmentation, changes to net interbusiness unit expense methodologies and the realignment of support functions.

Income Statement (including impact of movements in foreign currencies)

Profit after income tax	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Personal	719	679	646	6%	11%
Institutional	405	724	762	-44%	-47%
New Zealand Businesses	361	370	348	-2%	4%
Asia Pacific	182	147	124	24%	47%
INGA	76	80	75	-5%	1%
Group Centre	14	52	41	-73%	-66%
less: Institutional Asia Pacific	(83)	(64)	(60)	30%	38%
Cash profit	1,674	1,988	1,936	-16%	-14%
Non-core items[1]	289	90	166	large	74%
Profit	1,963	2,078	2,102	-6%	-7%

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

Profit after income tax	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Personal	719	679	646	6%	11%
Institutional	405	719	753	-44%	-46%
New Zealand Businesses	361	363	342	-1%	6%
Asia Pacific	182	142	115	28%	58%
INGA	76	80	75	-5%	1%
Group Centre	14	60	41	-77%	-66%
less: Institutional Asia Pacific	(83)	(62)	(56)	34%	48%
Cash profit[2]	1,674	1,981	1,916	-15%	-13%
Non-core items[1]	289	89	165	large	75%
Profit	1,963	2,070	2,081	-5%	-6%
FX impact on reported profit[2]	-	8	21	-100%	-100%
Reported profit	1,963	2,078	2,102	-6%	-7%

1. *In the March 2008 half ANZ has classified the gain from the allocation of shares in Visa in March 2008 of $248 million after tax (tax impact: $105 million), costs associated with a write-down of an intangible asset relating to Origin Australia of $24 million after tax (tax impact: $10 million) and a further positive adjustment of $8 million following the restatement of deferred tax assets consequent to the reduction in New Zealand tax rate as significant items. In the September 2007 half the after tax impact of the gain on sale of Esanda Fleetpartners was increased by $54 million following the availability of capital losses being applied against the gain and a negative impact of $24 million following the restatement of deferred tax assets to reflect the recently announced change in the New Zealand company tax rate which takes effect from 1 October 2008 as significant items. In the March 2007 half ANZ has classified the gain on sale of Esanda Fleetpartners of $141 million after tax (tax impact: $54 million) 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 page 23)*

   The Group enters into economic hedges to manage its interest rate and foreign exchange risk. In the March 2008 half ANZ has classified a gain of $67 million after tax (Sep 2007 half: $41 million; Mar 2007 half: $28 million) relating to economic hedging as a non-core item (tax impact $29 million (Sep 2007 half: $17 million; Mar 2007 half: $14 million)). Included in this non-core amount is market volatility relating to approved classes of derivatives not designated in accounting hedge relationships but that are considered to be economic hedges, volatility arising from use of the fair value option, and ineffectiveness from designated accounting hedges. In addition, ANZ has classified a mark-to-market loss after tax of $10 million (Sep 2007 half: $19 million gain; Mar 2007 half: $3 million loss) relating to revenue hedges (NZD and USD) that under the transitional provision of AASB 139 (AASB 2005-1) no longer qualify for hedge accounting from 1 October 2006 (tax impact $4 million credit (Sep 2007 half: $9 million; Mar 2007 half: $2 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 24)

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*

Personal
Brian Hartzer

	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Net interest income	1,654	1,589	1,527	4%	8%
Other external operating income	729	704	621	4%	17%
Operating income	2,383	2,293	2,148	4%	11%
External operating expenses	(975)	(930)	(851)	5%	15%
Net inter business unit expenses	(190)	(197)	(182)	-4%	4%
Operating expenses	(1,165)	(1,127)	(1,033)	3%	13%
Profit before credit impairment and income tax	1,218	1,166	1,115	4%	9%
Provision for credit impairment	(188)	(195)	(191)	-4%	-2%
Profit before income tax	1,030	971	924	6%	11%
Income tax expense and minority interest	(311)	(292)	(278)	7%	12%
Profit	719	679	646	6%	11%
Consisting of:					
Mortgages	180	185	186	-3%	-3%
Banking Products	217	184	164	18%	32%
Consumer Finance	153	144	132	6%	16%
Rural Commercial & Agribusiness Products	61	56	54	9%	13%
Small Business Banking Products	38	31	31	23%	23%
Esanda	60	57	56	5%	7%
Investment and Insurance Products	29	35	23	-17%	26%
Other[1]	(19)	(13)	-	46%	n/a
	719	679	646	6%	11%
Balance Sheet					
Net loans & advances including acceptances	155,539	147,310	138,548	6%	12%
Other external assets	3,569	3,376	2,650	6%	35%
External assets	159,108	150,686	141,198	6%	13%
Customer deposits	69,807	65,410	61,295	7%	14%
Other deposits and borrowings	3,650	3,774	3,857	-3%	-5%
Deposits and other borrowings	73,457	69,184	65,152	6%	13%
Other external liabilities	3,316	3,230	2,558	3%	30%
External liabilities	76,773	72,414	67,710	6%	13%
Average net loans & advances including acceptances	151,434	142,959	135,217	6%	12%
Average deposits and other borrowings	71,393	66,663	64,045	7%	11%
Ratios					
Net interest margin	2.16%	2.20%	2.25%		
Return on average assets	0.93%	0.93%	0.94%		
Operating expenses to operating income	48.9%	49.1%	48.1%		
Operating expenses to average assets	1.50%	1.54%	1.50%		
Individual provision charge	168	182	158	-8%	6%
Individual provision charge as a % of average net advances	0.22%	0.25%	0.23%		
Collective provision charge	20	13	33	54%	-39%
Collective provision charge as a % of average net advances	0.03%	0.02%	0.05%		
Net non-performing loans	75	68	73	10%	3%
Net non-performing loans as a % of net advances	0.05%	0.05%	0.05%		
Total employees	12,617	12,263	11,695	3%	8%

1. *Other includes the branch network, whose costs are fully recovered from product business units, marketing and support costs and a gain on disposal of MasterCard shares of $18 million in the March 2007 half*

Personal
Brian Hartzer

March 2008 half year compared to March 2007 half year

Profit after tax increased 11% reflecting strong income from average lending and customer deposit growth (12% and 11% respectively), and the continued benefits from ongoing investment in the business. A full half of ETrade results were consolidated as ANZ gained full ownership in May 2007. The net impact of increased funding costs, after the out of cycle pricing adjustments, was $20 million after tax.

Operating income was up 11% driven by strong volume and customer growth and ongoing benefits of the distribution footprint expansion. Operating expenses increased 13% due to a full half year of ETrade costs being included, a lower comparable half year when costs declined for the first half in 2007 and continued investment in revenue initiatives to ensure the revenue momentum continues and Personal is well placed when conditions improve. These initiatives include additional branches, ATMs and frontline staff, deposit initiatives, customer acquisition and marketing costs, all aligned to our "More Convenient Banking" proposition.

Above system balance sheet growth drove strong earnings in Banking Products, Small Business Banking Products and Rural Commercial & Agribusiness Products. Mortgages and Consumer Finance experienced margin decline, as out of cycle rate increases did not recoup the full impact of increased funding costs, however volume growth remains strong. Investment and Insurance Products grew by 26% due primarily to the impact of the acquisition of ETrade, offset by a decline in market conditions. Esanda grew earnings 7% in a difficult environment for finance companies.

Key factors affecting the result included:

- Net interest income increased 8% with strong balance sheet growth partly offset by margin decline of 9 basis points due mainly to increased funding costs, competition and shift to low margin products. Banking Products grew 19%, driven by deposit growth of 16% which was 1.3 times system following investment in marketing and other volume growth initiatives. Consumer Finance grew 5%, mainly through higher customer acquisition offset by margin decline from increased funding costs and funding transactor balances across three RBA interest rate rises. Despite strong lending growth of 13% (1.3 times system), Mortgages net interest declined 2% due mainly to increased funding costs. Small Business Banking Products grew by 31% with an expanding sales force driving strong balance sheet growth (lending up 58% and deposits up 13%) and Rural Commercial & Agribusiness Products grew 13%, driven by volume growth.
- Other external operating income increased by 17%. Excluding the disposal of the remaining MasterCard shares ($18 million in the March 2007 half) and the uplift of $50 million from the 100% ownership of ETrade (from 34%), the increase was 13%. All operating units experienced growth due to increased sales volumes, strong customer acquisition and investment in other growth initiatives.
- Operating expenses increased 13% following the negative growth in the March 2007 half. Excluding the impact from the consolidation of ETrade, growth was 11% and as market conditions tightened cost run rates were controlled with costs declining 5% over the last three months of the current half. The main drivers include increased personnel and premises cost to drive footprint expansion and revenue growth. Advertising and marketing expenses were up $12 million to support business growth and investment in brand awareness. Investment in the footprint continued with 31 extra branches, a further 312 ATMs and additional staff mainly in customer-facing roles.
- Credit costs decreased 2%, due mainly to targeted acquisition, a tightening of credit standards, initiatives to increase collection management and lower delinquency rates in Consumer Finance.

March 2008 half year compared to September 2007 half year

Profit after tax increased 6% over the previous half. Income growth was driven by average lending growth of 6% and deposit growth of 7%, offset by margin compression of 4 basis points due mainly to higher funding costs. The net impact of higher funding costs was $16 million.

Total operating income increased by 4% in line with the growth achieved in the first half of 2007.

Net interest income increased 4%. Small Business Banking Products grew 16%. Banking Products net interest income grew 12% driven by above system deposit growth and increased account numbers. Investment and Insurance Products grew 8%, Rural Commercial & Agribusiness Products was up 7% while Consumer Finance and Esanda were flat. Mortgages declined marginally, with above system volume growth offset by higher funding costs.

Other external operating income increased 4%. Esanda was up 11% due to the investment in revenue initiatives. Banking Products grew 11% through strong account acquisition and improved retention. Small Business Banking Products and Rural Commercial & Agribusiness Products grew 7% and 4% respectively and Consumer Finance other income increased by 4% through account growth and investment in other revenue generating initiatives. Mortgages other income was up 3% due mainly to higher loan refinancing with interest rate uncertainty. Investment and Insurance Products declined 2%.

Operating expenses increased 3% or $38 million. This was largely due to a $36 million increase in staff and marketing/branding costs to support revenue growth, $7 million relating to new branch investment to drive footprint expansion, partially offset by lower technology costs of $8 million. ANZ added four branches, 60 extra ATMs and 354 additional staff, of which the majority were customer-facing and revenue generating roles.

Credit costs decreased 4% due mainly to initiatives to target acquisition, improved collections and lower delinquency rates in Consumer Finance.

Personal
Brian Hartzer

Personal division by business unit

Comparison to Half Year Mar 2007

	Half Year Mar 2008					Growth Rate				
	Revenue	Expenses	PBP[1]	Credit[2]	NPAT	Revenue	Expenses	PBP[1]	Credit[2]	NPAT
Mortgages	527	262	265	8	180	1%	7%	-5%	-27%	-3%
Banking Products	622	306	316	7	217	18%	8%	31%	0%	32%
Consumer Finance	575	238	337	117	153	8%	10%	6%	-9%	16%
Rural Commercial & Agribusiness Products	171	76	95	8	61	13%	7%	17%	100%	13%
Small Business Banking Products	126	62	64	10	38	26%	24%	28%	100%	23%
Esanda	202	78	124	38	60	5%	1%	7%	6%	7%
Investment and Insurance Products	158	117	41	-	29	55%	63%	37%	-100%	26%
Other[3]	2	26	(24)	-	(19)	-90%	44%	large	n/a	n/a
Personal Division	**2,383**	**1,165**	**1,218**	**188**	**719**	**11%**	**13%**	**9%**	**-2%**	**11%**

Comparison to Half Year Sep 2007

	Half Year Mar 2008					Growth Rate				
	Revenue	Expenses	PBP[1]	Credit[2]	NPAT	Revenue	Expenses	PBP[1]	Credit[2]	NPAT
Mortgages	527	262	265	8	180	-2%	-1%	-3%	-27%	-3%
Banking Products	622	306	316	7	217	12%	6%	19%	large	18%
Consumer Finance	575	238	337	117	153	2%	3%	1%	-10%	6%
Rural Commercial & Agribusiness Products	171	76	95	8	61	6%	0%	12%	60%	9%
Small Business Banking Products	126	62	64	10	38	15%	7%	23%	43%	23%
Esanda	202	78	124	38	60	1%	0%	2%	-7%	5%
Investment and Insurance Products	158	117	41	-	29	-3%	5%	-21%	n/a	-17%
Other[3]	2	26	(24)	-	(19)	0%	30%	33%	-100%	46%
Personal Division	**2,383**	**1,165**	**1,218**	**188**	**719**	**4%**	**3%**	**4%**	**-4%**	**6%**

Net loans & advances including acceptances	**Half year Mar 08 $M**	**Half year Sep 07 $M**	**Half year Mar 07 $M**	**Movt Mar 08 v. Sep 07 %**	**Movt Mar 08 v. Mar 07 %**
Mortgages	121,065	114,175	107,108	6%	13%
Banking Products	93	82	64	13%	45%
Consumer Finance	8,564	8,009	7,751	7%	10%
Rural Commercial & Agribusiness Products	8,256	7,841	7,048	5%	17%
Small Business Banking Products	600	471	380	27%	58%
Esanda	15,012	14,597	14,423	3%	4%
Investment and Insurance Products	1,949	2,134	1,776	-9%	10%
Other[3]	-	1	(2)	-100%	-100%
	155,539	147,310	138,548	6%	12%

1. *PBP (profit before provisions) 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*

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Institutional
Peter Hodgson

	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Net interest income	1,015	980	998	4%	2%
Other external operating income	967	812	716	19%	35%
Operating income	1,982	1,792	1,714	11%	16%
External operating expenses	(572)	(561)	(501)	2%	14%
Net inter business unit expenses	(139)	(133)	(132)	5%	5%
Operating expenses	(711)	(694)	(633)	2%	12%
Profit before credit impairment and income tax	1,271	1,098	1,081	16%	18%
Provision for credit impairment	(698)	(76)	7	large	large
Profit before income tax	573	1,022	1,088	-44%	-47%
Income tax expense and minority interest	(168)	(298)	(326)	-44%	-48%
Profit	405	724	762	-44%	-47%
Consisting of:					
Working Capital	131	167	147	-22%	-11%
Markets[1]	(6)	139	157	large	large
Business Banking	144	143	126	1%	14%
Corporate Finance					
- Relationship Lending	161	238	304	-32%	-47%
- Corporate Finance (excluding Relationship Lending)	61	69	82	-12%	-26%
ANZ Capital	(4)	38	16	large	large
Relationships & Infrastructure[2]	(82)	(70)	(70)	17%	17%
	405	724	762	-44%	-47%
Balance Sheet					
Net loans & advances including acceptances	98,899	82,448	73,162	20%	35%
Other external assets	86,716	74,648	59,279	16%	46%
External assets	185,615	157,096	132,441	18%	40%
Customer deposits	75,460	68,649	60,127	10%	26%
Other deposits and borrowings	18,841	10,878	10,770	73%	75%
Deposits and other borrowings	94,301	79,527	70,897	19%	33%
Other external liabilities	68,925	64,979	51,566	6%	34%
External liabilities	163,226	144,506	122,463	13%	33%
Average net loans & advances including acceptances	93,297	75,760	73,718	23%	27%
Average deposits and other borrowings	86,432	75,660	68,665	14%	26%
Ratios					
Net interest margin	1.40%	1.60%	1.73%		
Return on average assets	0.46%	1.01%	1.19%		
Operating expenses to operating income	35.9%	38.7%	36.9%		
Operating expenses to average assets	0.80%	0.96%	0.99%		
Individual provision charge/(credit)	371	67	(8)	large	large
Individual provision charge/(credit) as a % of average net advances	0.80%	0.18%	(0.02%)		
Collective provision charge	327	9	1	large	large
Collective provision charge as a % of average net advances	0.70%	0.02%	0.00%		
Net non-performing loans	575	248	229	large	large
Net non-performing loans as a % of net advances	0.58%	0.30%	0.31%		
Total employees	5,321	5,061	4,986	5%	7%

1. *The Markets results for the March 2008 half are impacted by individual provision charges, including an exposure to a US monoline insurer and the failure of a resource client. The Markets results also include the global interest rate mismatch results and the offshore funding results: NPAT for March 2008 was -$17 million (Sep 2007 half: $5 million; Mar 2007 half: $10 million)*

2. *Relationships & Infrastructure includes Institutional Banking, Financial Institutions, Corporate Banking and Non-continuing businesses. The three relationship businesses hold management costs associated with our customers, with associated revenue booked in the product businesses*

Institutional
Peter Hodgson

March 2008 half year compared to March 2007 half year

Profit has declined from prior periods as a result of significantly increased credit charges. The individual provision charge of $371 million (up $379 million) included two large specific items: $226 million individual provision on exposure to US monoline insurer (based on the mark-to-market exposure at balance date); and the failure of a resource client resulting in an additional individual provision charge of $53 million. The collective provision charge of $327 million (up $326 million) reflects risks which are yet to emerge, including a number of downgrades in selected commercial property and broking industry segments. In addition, the faster portfolio growth and a $125 million allowance for secondary impacts of the market turmoil generally have added to the collective provision. The credit charge in the March 2007 half was particularly low, as a result of a high level of recoveries, continued stable credit conditions and lower lending volume growth.

Profit before provisions delivered a pleasing turnaround in performance increasing 18%, with strong revenue growth of 15%[1] the highlight. This came as most business units delivered double-digit income growth for the half - Markets 21%, Working Capital 16%, Relationship Lending 17%, Business Banking 12%, and Corporate Finance (excluding Relationship Lending) 22%. Institutional lending assets have grown 35% over the corresponding period last year, while customer deposits have increased 26%. Investment in the business, and in particular Asia, continued resulting in a 10%[1] operating expense increase. Institutional is commencing a period of greater investment in technology and straight-through processing. This will build a sound platform for future business growth, however costs are expected to increase.

Our Relationship teams (Institutional Banking, Financial Institutions, Corporate Banking) continue to work with all product partners, and the strength of their cross-sell is shown by the 33%[1] increase in other external operating income. The Markets business benefited from increased volatility in global currency markets and strong customer flow. Working Capital was aided by a change in funding rates, and higher overdraft and deposit volumes. The Relationship Lending result was driven by very strong lending growth from opportunities arising in the current economic environment. Business Banking had solid lending and deposit volume growth, offsetting margin compression. The Corporate Finance (excluding Relationship Lending) result was driven by strong deal activity in Structured Debt and Capital Solutions. The ANZ Capital (which includes Stadium Australia) result declined following strong results from private equity investment exits in the March 2007 half.

Significant factors affecting the result were:

- Net interest income increased by 2%, but increased 12% excluding a $100 million reduction in Markets (offset in other income) associated with the recording of income on trading securities. Average net lending assets increased 27% and average deposit volumes increased 26%. Net interest margin declined 17 basis points in Relationship Lending due to the very high growth in low-risk lending to well rated counterparties which has a lower margin than the book's average. Net interest margin in Business Banking declined 14 basis points primarily as a result of a change in product mix.
- Other external operating income increased by 33%[1] and now represents 49% of income (42% Mar 2007). Corporate Finance (excluding Relationship Lending) increased by 70% as deals continued to show good penetration of our customer base. Markets increased by 59% due to the change in the composition of the trading securities result referred to above, and strong sales volumes coupled with good trading income. Business Banking increased by 9% driven by higher lending fees on solid volume growth. Working Capital increased by 6% driven by an increase in foreign exchange earnings in International Payments and Clearing.
- Operating expenses increased 10%[1], reflecting an increase of 7% in personnel numbers, weighted toward customer-facing roles, continued investment in technology in Working Capital and investment in Asia Pacific, where cost growth was 31%.
- Provision for credit impairment increased materially as detailed above. Notwithstanding the specific issues impacting the March 2008 result, overall credit quality remains sound with the ELP rate increased only 2 basis points to 34 basis points.

March 2008 half year compared to September 2007 half year

Profit decreased by 44% to $405 million driven by a $622 million increase in credit impairment costs, which increased largely due to the factors mentioned above. Profit before credit impairment and income tax, increased a very strong 17%[1]. This was driven by 12%[1] revenue growth, with well-constrained operating expense growth of 3%[1]. Lending assets have grown 20%, while deposits have increased 19%.

Net interest income increase of 4% included a $17 million reduction in Markets (offset in other income) relating to derivatives. Revenue in Markets increased 24% with strong sales revenue. Relationship Lending revenue increased 22% with 33% growth in average net lending assets offsetting a 13 basis point margin decline. Corporate Finance (excluding Relationship Lending) revenue increased 21% with strong income growth in Structured Debt. Working Capital increased 7% with solid average deposit growth of 10% driving the Cash Management business. Business Banking revenue increased 7% with 7% average lending and 8% average deposit growth offsetting a 9 basis point margin decline. ANZ Capital declined following very strong results from private equity exits in the prior half.

Operating expenses increased by 3%[1], with a 5% increase in personnel numbers offset by well managed other expenditure and lower computer amortisation costs. Revenue growth exceeded cost growth by 9%[1], leading to the Cost to income ratio favourably decreasing 2.9%[1] to 35.1%[1].

1. *Institutional's result includes the consolidation for part of the half year of Stadium Australia, which became a wholly owned subsidiary during 2007 as part of our Alternative Assets business and was deconsolidated during the March 2008 half. The resulting income of $15 million (Sep 2007 half: $31 million, Mar 2007 half: $4 million) and expenses of $20 million (Sep 2007 half: $25 million, Mar 2007 half: $4 million) have been removed from the analysis where appropriate to show underlying business performance*

Institutional
Peter Hodgson

Institutional division by business unit

Comparison to Half Year Mar 2007

	Half Year Mar 2008					Growth Rate				
	Revenue	Expenses	PBP[1]	Credit[2]	NPAT	Revenue	Expenses	PBP[1]	Credit[2]	NPAT
Working Capital	429	166	263	72	131	16%	8%	21%	large	-11%
Markets	493	182	311	315	(6)	21%	12%	28%	large	large
Business Banking	367	126	241	34	144	12%	6%	15%	21%	14%
Corporate Finance										
- Relationship Lending	453	22	431	201	161	17%	5%	18%	large	-47%
- Corp. Finance (excl. Relationship Lending)	202	60	142	77	61	22%	20%	22%	large	-26%
ANZ Capital	37	40	(3)	-	(4)	-29%	67%	large	-100%	large
Relationships & Infrastructure[3]	1	115	(114)	(1)	(82)	-75%	12%	15%	n/a	17%
Institutional Division	**1,982**	**711**	**1,271**	**698**	**405**	**16%**	**12%**	**18%**	**large**	**-47%**

Comparison to Half Year Sep 2007

	Half Year Mar 2008					Growth Rate				
	Revenue	Expenses	PBP[1]	Credit[2]	NPAT	Revenue	Expenses	PBP[1]	Credit[2]	NPAT
Working Capital	429	166	263	72	131	7%	1%	11%	n/a	-22%
Markets	493	182	311	315	(6)	24%	5%	39%	large	large
Business Banking	367	126	241	34	144	7%	4%	8%	89%	1%
Corporate Finance										
- Relationship Lending	453	22	431	201	161	22%	0%	23%	large	-32%
- Corp. Finance (excl. Relationship Lending)	202	60	142	77	61	21%	11%	26%	large	-12%
ANZ Capital	37	40	(3)	-	(4)	-62%	-15%	large	-100%	large
Relationships & Infrastructure[3]	1	115	(114)	(1)	(82)	-91%	3%	13%	n/a	17%
Institutional Division	**1,982**	**711**	**1,271**	**698**	**405**	**11%**	**2%**	**16%**	**large**	**-44%**

Net loans & advances including acceptances	**Half year Mar 08 $M**	**Half year Sep 07 $M**	**Half year Mar 07 $M**	**Movt Mar 08 v. Sep 07 %**	**Movt Mar 08 v. Mar 07 %**
Working Capital	8,556	6,907	5,797	24%	48%
Business Banking	17,797	16,800	15,425	6%	15%
Corporate Finance					
- Relationship Lending	61,716	49,995	42,295	23%	46%
- Corporate Finance (excl. Relationship Lending)	13,306	11,339	11,463	17%	16%
ANZ Capital	88	99	107	-11%	-18%
Other[4]	(2,564)	(2,692)	(1,925)	-5%	33%
	98,899	82,448	73,162	20%	35%

1. *PBP (profit before provisions) is profit before credit impairment and income tax*
2. *Credit impairment expense*
3. *Relationships & Infrastructure includes Institutional Banking, Financial Institutions, Corporate Banking and Non-continuing businesses. The three relationship businesses hold management costs associated with our customers, with associated revenue booked in the product businesses*
4. *Other includes Markets, Relationship Businesses, Non-continuing businesses and bills held in portfolio*

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New Zealand Businesses[1]

Graham Hodges

Table reflects NZD results for New Zealand Businesses AUD results shown on page 47	Half year Mar 08 NZD M	Half year Sep 07 NZD M	Half year Mar 07 NZD M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Net interest income	984	969	912	2%	8%
Other external operating income	298	289	286	3%	4%
Operating income	1,282	1,258	1,198	2%	7%
External operating expenses	(593)	(593)	(580)	0%	2%
Net inter business unit expenses	3	(5)	-	large	n/a
Operating expenses	(590)	(598)	(580)	-1%	2%
Profit before credit impairment and income tax	692	660	618	5%	12%
Provision for credit impairment	(77)	(41)	(37)	88%	large
Profit before income tax	615	619	581	-1%	6%
Income tax expense and minority interest	(198)	(200)	(186)	-1%	6%
Profit (NZD)	417	419	395	0%	6%
Consisting of:					
The National Bank Retail	129	130	132	-1%	-2%
ANZ Retail	95	98	85	-3%	12%
Corporate & Commercial Banking	90	89	84	1%	7%
Rural Banking	56	53	48	6%	17%
Private Banking & Retail Specialist Units[2]	25	25	21	0%	19%
UDC	17	16	13	6%	31%
Central Support[3]	5	8	12	-38%	-58%
New Zealand Businesses	417	419	395	0%	6%
Balance Sheet					
Net loans & advances including acceptances	85,531	80,426	74,819	6%	14%
Other external assets	2,221	2,203	1,869	1%	19%
External assets	87,752	82,629	76,688	6%	14%
Customer deposits	46,984	44,632	42,432	5%	11%
Other deposits and borrowings	10,932	9,319	5,570	17%	96%
Deposits and other borrowings	57,916	53,951	48,002	7%	21%
Other external liabilities	17,544	14,206	13,471	23%	30%
External liabilities	75,460	68,157	61,473	11%	23%
Average net loans & advances including acceptances	82,581	77,708	72,466	6%	14%
Average deposits and other borrowings	56,954	51,581	48,406	10%	18%
Ratios					
Net interest margin	2.36%	2.46%	2.50%		
Return on average assets	0.98%	1.05%	1.06%		
Operating expenses to operating income	46.0%	47.5%	48.4%		
Operating expenses to average assets	1.39%	1.50%	1.56%		
Individual provision charge	47	33	26	42%	81%
Individual provision charge as a % of average net advances	0.11%	0.08%	0.07%		
Collective provision charge	30	8	11	large	large
Collective provision charge as a % of average net advances	0.07%	0.02%	0.03%		
Net non-performing loans	103	67	62	54%	66%
Net non-performing loans as a % of net advances	0.12%	0.08%	0.08%		
Total employees	9,214	9,087	9,156	1%	1%

1. *For a reconciliation of New Zealand Businesses results to the New Zealand Geographic results refer page 59*
2. *Private Banking & Retail Specialist Units include ING New Zealand joint venture*
3. *Central Support includes Treasury funding, shared services and a gain on disposal of MasterCard shares of NZD10 million in the March 2007 half*

New Zealand Businesses
Graham Hodges

New Zealand commentary reflects NZD

March 2008 half year compared to March 2007 half year

Profit increased 6% over the March 2007 half, with the result moderated by a NZD27 million after tax increase in credit impairment expense. Profit before credit impairment and income tax increased 12%, reflecting strong underlying growth in the businesses. This is a good result in the context of a slowing New Zealand economy, an intensely competitive banking sector and turmoil in the global credit markets. New Zealand Businesses have continued to improve their market position, with gains in market share in most of our business segments while also maintaining customer satisfaction levels.

Rural Banking and Corporate & Commercial Banking maintained strong earnings momentum, increasing profit before provisions by 16% and 11% respectively. UDC also experienced strong growth as it continues to turn around its performance. Growth in the Retail Banks was solid, with strong balance sheet growth and market share gains in mortgages. Credit impairment expenses have increased from a very low base and overall credit quality remains solid.

Key factors driving the result were:

- Net interest income increased 8%, driven by robust balance sheet growth (lending 14%, customer deposits 11%). All businesses delivered double-digit lending growth. The growth in net interest income was partially offset by a 14 basis point contraction in margins, with all businesses impacted. The main drivers of lower margin were continued competitive pressures, and unfavourable funding and deposit product mix, as well as higher wholesale funding spreads.
- Other external operating income increased 4% (8% after allowing for NZD10 million of revenue from the sale of MasterCard shares included in the March 2007 half). The main contribution was from the Retail Banks, achieving growth across lending, cards and commission income. Fee growth in other businesses was constrained by competitive conditions.
- Operating expenses increased 2%. Cost growth was due to annual increases in salaries, an increase in the number of customer-facing staff and investment in businesses initiatives which have been partly offset by strong control of discretionary expenditure and a run-off of Fleetpartner warranty provisions. The cost to income ratio reduced 240 basis points to 46.0%.
- Provision for credit impairment increased NZD40 million. The individual provision charge increased NZD21 million, largely reflecting the trend in consumer arrears, and a small increase in the business segment, in response to tighter economic conditions. Net non-performing loans as a percentage of net advances remains very low at 12 basis points and the increase has been largely from a number of business customers. The collective provision charge increased NZD19 million, mainly reflecting the lift in arrears in personal loans and cards. Overall credit quality remains solid across all segments.

March 2008 half year compared to September 2007 half year

Profit was flat, with the result impacted by a NZD24 million after tax increase in credit impairment expense. Profit before provisions increased 5% which is a solid result given increasing funding costs, the highly competitive market, and slowing economic conditions.

Key influences on the result included the following:

- Net interest income increased 2%, with solid lending growth of 6% across the businesses. Customer deposit volumes increased 5%, largely in term deposits which was market-driven. The high interest rate environment and increased risk in other investment sectors have made bank deposits more attractive. Net interest margin reduced 10 basis points, with reductions for all businesses. This reduction reflected competition, unfavourable funding and deposit product mix, and the impact of higher wholesale funding spreads.
- Other external operating income increased 3%, with the main contribution from fee initiatives in ANZ Retail.
- Operating expense reduced 1% with investment in customer-facing roles and the annual rate rise being more than offset by strong control of discretionary expenditure.
- Provision for credit impairment increased NZD36 million. The individual provision charge increased NZD14 million, largely reflecting the trend in consumer arrears, and a small increase in the business segments, in response to tighter economic conditions. The collective provision charge increased NZD22 million, mainly reflecting the lift in arrears in personal loans and cards. Overall credit quality remains solid across all segments.

New Zealand Businesses
Graham Hodges

New Zealand Businesses by business unit

Comparison to Half Year Mar 2007

	Half Year Mar 2008 (NZD M)					Growth Rate				
	Revenue	Expenses	PBP[1]	Credit[2]	NPAT	Revenue	Expenses	PBP[1]	Credit[2]	NPAT
The National Bank Retail	453	229	224	32	129	5%	0%	9%	large	-2%
ANZ Retail	385	222	163	21	95	8%	3%	14%	31%	12%
Corporate & Commercial Banking	220	70	150	16	90	10%	8%	11%	78%	7%
Rural Banking	128	43	85	2	56	13%	8%	16%	0%	17%
Private Banking & Retail Specialist Units	51	20	31	-	25	11%	5%	15%	n/a	19%
UDC	42	12	30	7	17	17%	-25%	50%	large	31%
Central Support[3]	3	(6)	9	(1)	5	-77%	100%	-40%	n/a	-58%
New Zealand Businesses	**1,282**	**590**	**692**	**77**	**417**	**7%**	**2%**	**12%**	**large**	**6%**

Comparison to Half Year Sep 2007

	Half Year Mar 2008 (NZD M)					Growth Rate				
	Revenue	Expenses	PBP[1]	Credit[2]	NPAT	Revenue	Expenses	PBP[1]	Credit[2]	NPAT
The National Bank Retail	453	229	224	32	129	0%	-3%	3%	39%	-1%
ANZ Retail	385	222	163	21	95	2%	1%	4%	large	-3%
Corporate & Commercial Banking	220	70	150	16	90	4%	1%	5%	78%	1%
Rural Banking	128	43	85	2	56	3%	-2%	6%	100%	6%
Private Banking & Retail Specialist Units	51	20	31	-	25	2%	5%	0%	n/a	0%
UDC	42	12	30	7	17	5%	-29%	30%	large	6%
Central Support[3]	3	(6)	9	(1)	5	large	-25%	0%	n/a	-38%
New Zealand Businesses	**1,282**	**590**	**692**	**77**	**417**	**2%**	**-1%**	**5%**	**88%**	**0%**

Net loans & advances including acceptances	Half year Mar 08 NZD M	Half year Sep 07 NZD M	Half year Mar 07 NZD M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
The National Bank Retail	31,648	29,936	28,139	6%	12%
ANZ Retail	20,436	19,340	18,220	6%	12%
Corporate & Commercial Banking	14,906	13,993	12,964	7%	15%
Rural Banking	15,785	14,648	13,202	8%	20%
Private Banking & Retail Specialist Units	790	677	627	17%	26%
UDC	1,966	1,832	1,667	7%	18%
	85,531	80,426	74,819	6%	14%

1. *PBP (profit before provisions) is profit before credit impairment and income tax*
2. *Credit impairment expense*
3. *Central Support includes Treasury funding and shared services*

New Zealand Businesses[1]
Graham Hodges

Table reflects AUD results for New Zealand Businesses NZD results shown on page 44	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Net interest income	853	857	803	0%	6%
Other external operating income	258	256	252	1%	2%
Operating income	1,111	1,113	1,055	0%	5%
External operating expenses	(514)	(524)	(511)	-2%	1%
Net inter business unit expenses	3	(5)	-	large	n/a
Operating expenses	(511)	(529)	(511)	-3%	0%
Profit before credit impairment and income tax	600	584	544	3%	10%
Provision for credit impairment	(67)	(36)	(33)	86%	large
Profit before income tax	533	548	511	-3%	4%
Income tax expense and minority interest	(172)	(178)	(163)	-3%	6%
Profit	361	370	348	-2%	4%
Consisting of:					
The National Bank Retail	112	115	116	-3%	-3%
ANZ Retail	82	87	75	-6%	9%
Corporate & Commercial Banking	78	79	74	-1%	5%
Rural Banking	48	47	42	2%	14%
Private Banking & Retail Specialist Units[2]	21	22	19	-5%	11%
UDC	15	14	11	7%	36%
Central Support[3]	5	6	11	-17%	-55%
New Zealand Businesses	361	370	348	-2%	4%
Balance Sheet					
Net loans & advances including acceptances	74,053	69,077	66,141	7%	12%
Other external assets	1,923	1,892	1,652	2%	16%
External assets	75,976	70,969	67,793	7%	12%
Customer deposits	40,679	38,334	37,511	6%	8%
Other deposits and borrowings	9,465	8,004	4,924	18%	92%
Deposits and other borrowings	50,144	46,338	42,435	8%	18%
Other external liabilities	15,189	12,201	11,908	24%	28%
External liabilities	65,333	58,539	54,343	12%	20%
Average net loans & advances including acceptances	71,548	68,749	63,796	4%	12%
Average deposits and other borrowings	49,345	45,635	42,615	8%	16%
Ratios					
Net interest margin	2.36%	2.46%	2.50%		
Return on average assets	0.98%	1.05%	1.06%		
Operating expenses to operating income	46.0%	47.5%	48.4%		
Operating expenses to average assets	1.39%	1.50%	1.56%		
Individual provision charge	41	29	23	41%	78%
Individual provision charge as a % of average net advances	0.11%	0.08%	0.07%		
Collective provision charge	26	7	10	large	large
Collective provision charge as a % of average net advances	0.07%	0.02%	0.03%		
Net non-performing loans	89	58	55	53%	62%
Net non-performing loans as a % of net advances	0.12%	0.08%	0.08%		
Total employees	9,214	9,087	9,156	1%	1%

1. *For a reconciliation of New Zealand Businesses results to the New Zealand Geographic results refer page 59*
2. *Private Banking & Retail Specialist Units include ING New Zealand joint venture*
3. *Central Support includes Treasury funding and shared services*

Asia Pacific
Alex Thursby

	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Net interest income	227	182	165	25%	38%
Other external operating income	252	197	168	28%	50%
Operating income	479	379	333	26%	44%
External operating expenses	(188)	(148)	(137)	27%	37%
Net inter business unit expenses	(20)	(19)	(18)	5%	11%
Operating expenses	(208)	(167)	(155)	25%	34%
Profit before credit impairment and income tax	271	212	178	28%	52%
Provision for credit impairment	(34)	(24)	(18)	42%	89%
Profit before income tax	237	188	160	26%	48%
Income tax expense and minority interest	(55)	(41)	(36)	34%	53%
Profit	182	147	124	24%	47%
Consisting of:					
Retail Asia	16	17	11	-6%	45%
Asia Partnerships	61	36	20	69%	large
Institutional Asia Pacific	83	64	60	30%	38%
Retail Pacific	36	34	36	6%	0%
Exec & Support	(14)	(4)	(3)	large	large
	182	147	124	24%	47%
Balance Sheet					
Net loans & advances including acceptances	10,070	7,300	5,590	38%	80%
Other external assets	12,861	9,751	6,573	32%	96%
External assets	22,931	17,051	12,163	34%	89%
Customer deposits	13,443	11,101	10,643	21%	26%
Other deposits and borrowings	1,986	407	259	large	large
Deposits and other borrowings	15,429	11,508	10,902	34%	42%
Other external liabilities	8,199	5,254	3,821	56%	large
External liabilities	23,628	16,762	14,723	41%	60%
Average net loans & advances including acceptances	8,448	6,639	5,790	27%	46%
Average deposits and other borrowings	12,966	11,228	10,745	15%	21%
Ratios					
Net interest margin	2.48%	2.39%	2.38%		
Return on average assets	1.62%	1.63%	1.61%		
Operating expenses to operating income	43.4%	44.1%	46.5%		
Operating expenses to average assets	1.85%	1.85%	2.01%		
Individual provision charge	15	15	15	0%	0%
Individual provision charge as a % of average net advances	0.36%	0.45%	0.52%		
Collective provision charge	19	9	3	large	large
Collective provision charge as a % of average net advances	0.45%	0.27%	0.10%		
Net non-performing loans	14	9	8	56%	75%
Net non-performing loans as a % of net advances	0.14%	0.12%	0.14%		
Total employees	3,776	3,308	2,856	14%	32%

Asia Pacific
Alex Thursby

March 2008 half year compared to March 2007 half year

Profit increased by 47%, (59% excluding exchange rate impact). Income from partnerships in Asia led this growth with the full half contributions from the investments in AMMB Holdings Berhad (AMMB) and Shanghai Rural Commercial Bank (SRCB) which were acquired in the September 2007 half and the booking of gains on the conversion of bond options to shares in Saigon Securities Incorporation (SSI). All business areas registered double-digit organic growth on an exchange-adjusted basis, leveraging on the strong economies of the region.

Profit before provisions grew strongly at 52% (64% excluding exchange rate impact). It was pleasing to note that 54% of this growth was from core businesses through organic growth. Notwithstanding a 46% increase in the average loan book, the proportion of interest income to total revenue was maintained as we boosted our product capabilities in order to generate higher fee and other revenue. This growth in the loan book was funded through increased customer deposits as we leveraged the corporate and retail network throughout the region. In addition, the increased markets capability resulted in a significant increase in the trading books and is reflected in the increase in other external assets and liabilities.

Significant influences on the result were:

- Net interest income increased by 38%, driven by a 46% growth in average lending, 26% growth in customer deposits and higher income from fixed income securities. Lending growth resulted from intra-Asia and Asia-Australasia trade and investment flows while customer deposit growth was driven by increased focus on both corporate and retail deposits and flight-to-safety by customers due to turmoil in the global equity markets.
- Other external operating income grew by 50%, of which half was contributed by equity accounted earnings from partnerships in Asia. A further 36% of the increase came from Markets Asia Pacific on the back of volatility in the global markets, increased product offering and sales strength in Asia, increased trade flows in Papua New Guinea and the booking of gains from converting bond options in SSI into shares.
- Operating expenses increased 34% due to the full half impact of Citizens Security Bank (CSB) in Guam (acquired in June 2007) together with the extension of the branch networks in Cambodia, Vietnam, Papua New Guinea, Solomon Islands and American Samoa. In the Pacific, a new branch telling platform was installed while the transformation program was accelerated to provide the base for future growth. Client relationship and specialist resources were boosted in Asia in order to build the business notwithstanding underlying inflationary pressures brought about by strong economic growth in the Asian countries. Leadership and support resources were also increased in order to drive the growth agenda.
- Provision for credit impairment increased by $16 million due primarily to asset growth and a $5 million increase in collective provisions to reflect global credit market turmoil. The impact of writebacks in Fiji in the March 2007 half were largely offset by improved quality in the portfolio of the credit card business in Indonesia. Overall, notwithstanding the increase in collective provisions, Asian credit quality improved with investment grade loans constituting a higher proportion of the portfolio.

March 2008 half year compared to September 2007 half year

Profit increased by 24% (29% excluding exchange rate impact). Profits from partnerships in Asia grew by 69% with full half contributions from investments in AMMB and SRCB, while the Institutional Asia Pacific businesses grew by 30%.

Total revenue grew by 26% with net interest income up 25% on the previous half driven by average loan and deposit growth of 27% and 15% respectively and higher volumes in fixed income instruments. Other operating income increased by 28% boosted by contributions from AMMB, SRCB and SSI. Strong trading and sales results in Markets were driven by volatility in global currency markets, an increased product offering and the boosting of sales resources while higher trade volumes due to increased commodity prices and trade flows grew fee revenue in Working Capital.

Operating expenses increased by 25% as we invested in additional distribution including new branches, ATMs and EFTPOS terminals across the region and implementation of a new telling system and accelerated transformation programs in the Pacific. Staff in the Asia Pacific region grew by 468, mainly in the Retail network and customer-facing Institutional roles. As a result of growth in scale and complexity of the business, support areas have also been boosted to enable this business growth.

Growth was tempered by higher collective provision charges of $10 million due mainly to asset growth and additional provisioning to reflect global credit market turmoil.

Institutional Asia Pacific

The contribution from Institutional Asia Pacific is included in both the Institutional results (page 40 to 42) and Asia Pacific's results (pages 48 to 49). This is consistent with how this business is internally managed. The following information is presented purely for reconciliation purposes.

	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Net interest income	77	48	45	60%	71%
Other external operating income	115	87	77	32%	49%
Operating income	192	135	122	42%	57%
External operating expenses	(36)	(27)	(27)	33%	33%
Net inter business unit expenses	(23)	(19)	(18)	21%	28%
Operating expenses	(59)	(46)	(45)	28%	31%
Profit before credit impairment and income tax	133	89	77	49%	73%
Provision for credit impairment	(13)	(4)	3	large	large
Profit before income tax	120	85	80	41%	50%
Income tax expense and minority interest	(37)	(21)	(20)	76%	85%
Profit	83	64	60	30%	38%
Balance Sheet					
Net loans & advances including acceptances	6,821	4,529	3,035	51%	large
Other external assets	9,523	6,688	4,950	42%	92%
External assets	16,344	11,217	7,985	46%	large
Customer deposits	6,001	4,071	3,844	47%	56%
Other deposits and borrowings	1,874	268	192	large	large
Deposits and other borrowings	7,875	4,339	4,036	81%	95%
Other external liabilities	7,845	4,828	3,470	62%	large
External liabilities	15,720	9,167	7,506	71%	large
Total employees	379	292	265	30%	43%

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	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Funds management income	255	258	243	-1%	5%
Risk income					
- planned margin	149	130	117	15%	27%
- experience variation[1]	11	16	13	-31%	-15%
- assumption changes[1]	8	-	8	n/a	0%
Operating income	423	404	381	5%	11%
Funds management expenses	(151)	(146)	(148)	3%	2%
Life risk expenses	(78)	(72)	(67)	8%	16%
Remediation expenses[2]	(7)	-	(12)	n/a	-42%
Capitalised software write-offs	-	-	(29)	n/a	-100%
Gross tax on operating profit	(46)	(53)	(15)	-13%	large
Profit after tax, before capital investment earnings	141	133	110	6%	28%
Capital investment earnings after tax	12	27	42	-56%	-71%
Profit after tax before minority interest	153	160	152	-4%	1%
Minority interest	-	-	(1)	n/a	-100%
Profit	153	160	151	-4%	1%
ANZ share					
ANZ share @ 49%	75	78	74	-4%	1%
Net funding	1	2	1	-50%	0%
Net return to ANZ	76	80	75	-5%	1%
Carrying value of investment[3]	1,540	1,519	1,507	1%	2%
Annualised return on ANZ investment	9.8%	10.4%	10.0%		
Performance measures at 100%					
Value of new business[4]	54	77	63	-30%	-14%
Cost to income[5]	54.1%	54.0%	56.4%	0%	-4%
Funds Management					
Retail & mezzanine funds under management	43,943	45,993	43,797	-4%	0%
Net retail & mezzanine flows	1,037	2,110	1,202	-51%	-14%
Life Risk					
Total in-force	800	751	624	7%	28%
New premiums	106	106	95	0%	12%

Funds management growth (Retail & mezzanine)	Mar 08 $M	In-flows	Out-flows	Other flows[6]	Sep 07 $M
OneAnswer	18,622	2,707	(1,766)	(1,300)	18,981
Other Personal Investment	7,253	206	(668)	(357)	8,072
Mezzanine	2,269	519	(493)	(401)	2,644
Employer Super	10,663	912	(664)	(591)	11,006
Oasis	5,136	640	(356)	(438)	5,290
Total	43,943	4,984	(3,947)	(3,087)	45,993

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*
2. *Remediation expenses in the March 2008 half represent costs incurred to improve an investment property for future sale. Remediation costs in the March 2007 half represent costs incurred in rectifying historical unit pricing errors and fully compensating customers*
3. *The carrying value of the investment in INGA has been tested for impairment by comparing the carrying value with the recoverable amount of INGA. INGA Management performed an actuarial assessment of the Economic Value (EV) of INGA for 31 March 2008. The economic valuation was based on a discounted cash flow approach. The Group engaged Ernst & Young ABC Pty Limited to provide an independent review of the reasonableness of INGA management's valuation (including reasonableness of methodologies, assumptions and the valuation results). The review revealed no impairment 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. It does not include the value of any associated imputation credits. Note prior period comparatives have been re-stated using a consistent discount rate to that applicable in the March 2008 half year*
5. *Cost to Income ratio is management expenses (excluding Remediation Expenses & Capitalised Software Write-offs) / Total Income*
6. *Other Flows includes investment income net of taxes, fees and charges, distributions and timing*

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March 2008 half year compared to March 2007 half year

Highlights of the half included continued in-force insurance business growth, further expansion of the aligned financial adviser force and a major organisational re-structure. The half was also characterised by investment market weakness and a high level of volatility in the wake of the global credit crisis, adversely impacting client fund balances and consequently fee income. Furthermore, rising domestic interest rates adversely impacted capital investment earnings.

As a consequence of the underlying investment market weakness funds under management (FUM) growth was flat, with positive net flows fully offset by market-related movements. Funds management income was nonetheless up 5% due to higher average FUM balances in force during the March 2008 half. These positive net flows were driven in part by the funds management businesses receiving favourable ratings and industry awards including INGA's Corporate Super product retaining its number 1 ranking amongst employer super providers (as rated by Heron Partnership in 2008). The Personal Investments business further upgraded its flagship OneAnswer platform during the March 2008 half, and the Nielsen Company rated INGA number 1 for customer service in their wealth management industry online consumer survey.

In-force premiums continued to grow steadily during the half, growing 28% over the March 2007 half. Reflecting the ongoing success of the product OneCare and online offering, OneCare Express was launched in the second quarter of 2007. INGA enjoyed the second highest growth in new annual premium among the major institutions in the industry, and retained its number 3 ranking for total in-force premiums. Market share in individual life risk new annual premiums[1] has increased from 12.3% in the year to 31 December 2006 to 12.6% in the year to 31 December 2007.

A core component of INGA's strategy continues to be growing the number of aligned advisers. In December the acquisition of the Financial Services Partners Group was completed, adding 139 advisers to the aligned force. Total aligned advisers now number 1,490, a year-on-year increase of 308, of which 42 were in ANZ Financial Planning. INGA ranks 2nd in the industry for aligned adviser number.

Profit after tax was 1% higher than the March 2007 half, with the uplift in operating profit of 28% being mostly offset by lower capital investment earnings. Significant contributors to profit growth were:

- Funds management income increased 5% due to slightly higher average funds under management underpinned by exceptional inflows into superannuation products during the middle period of 2007, offset by market value negative movements due to substantially weaker investment markets since November 2007.
- Risk income was 22% higher than the prior comparative period, driven by growth in the in-force books of term life, group life and consumer credit, together with continued favourable mortality and morbidity experience.
- Funds management expenses were well contained (up 2%), due to scale efficiencies and increased automation. Life risk expenses increased 16% due to the increased cost base associated with supporting the growth in retail risk and consumer credit business. Remediation in the March 2008 half relates to expenses incurred to improve an investment property for future sale.
- Tax on operating profit was significantly higher due to the booking of much-reduced prior period tax adjustments (March 2008: $8 million; March 2007: $25 million), as well as the non-recurrence of deductions based on capitalised software write-offs and remediation expense in the March 2008 half.
- Capital investment earnings after tax were significantly lower than the March 2007 half due to:
  - the non-recurrence in the March 2008 half of a one-off realisation of capital gains ($12 million) following a capital restructure in February 2007;
  - a more defensive investment asset mix and significantly lower realisable investment gains in the March 2008 half, and
  - the impact of rising interest rates on the cost of servicing parent company loans in the March 2008 half.

1. *Source of market statistics: Plan For Life – December 2007*

Advisor Numbers

(by Dealer Group)

	Mar 08	Mar 07	Mvmt
ANZ Financial Planning	419	377	11%
RetireInvest	216	209	3%
FSP Tandem	224	86	large
Millenium3	601	489	23%
ING Financial Planning	30	21	43%
Total	1,490	1,182	26%

Sales by Channel

	Retail Funds Management[1]		Life Insurance[2]	
	Mar 08	Mar 07	Mar 08	Mar 07
ANZ	28%	40%	12%	12%
IFAs aligned to ING	20%	19%	9%	10%
Direct	7%	7%	32%	32%
Open Market	45%	34%	47%	46%
Total	100%	100%	100%	100%

1. *Includes mezzanine funds management business*
2. *Includes directly marketed life insurance and consumer credit life insurance*

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March 2008 half year compared to September 2007 half year

Profit after tax was 4% lower than the half year to 30 September 2007, however growth in profit after tax, before capital investment earnings was 6%. Significant contributors to the profit result were:

- Marginally reduced funds management income based on lower average funds under management during the March half, as a result of significantly weaker underlying investment markets and rising interest rates.
- 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 2007.
- Funds management expenses grew by 3%, including a component share of organisational re-structure costs incurred in the March half, while the 8% increase in life risk expenses was also attributable to organic business growth. There was a one-off remediation item in the March half, relating to expenses incurred to improve an investment property for future sale.
- Tax on operating profit was lower due to the booking of $8 million of prior period tax adjustments in the March half.

Capital investment earnings were significantly reduced due to lower realised capital gains on investment assets, a more defensive investment asset mix, and the impact of rising interest rates on the cost of servicing parent company loans.

Group Centre[1]

	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Net interest income	106	128	162	-17%	-35%
Other external operating income	56	35	16	60%	large
Operating income	162	163	178	-1%	-9%
External operating expenses	(454)	(431)	(414)	5%	10%
Net inter business unit expenses	324	336	315	-4%	3%
Operating expenses	(130)	(95)	(99)	37%	31%
Profit before credit impairment and income tax	32	68	79	-53%	-59%
Provision for credit impairment	(6)	-	(2)	n/a	large
Profit before income tax	26	68	77	-62%	-66%
Income tax expense and minority interest	(12)	(16)	(36)	-25%	-67%
Profit	14	52	41	-73%	-66%
Total employees	4,933	4,926	4,755	0%	4%

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, Operations, Technology & Shared Services and Private Bank*

March 2008 half year compared to March 2007 half year

Profit of $14 million was $27 million lower than the March 2007 half.

- Operating income reduced by $16 million due primarily to reduced interest earned on surplus capital following investments in Asia, a reduction in interest received on tax refunds and higher funding costs relating to less favourable tax timing differences. These factors were partly offset by an increase of $31 million in profits on sale of properties.
- Operating expenses increased by $31 million, due mainly to costs associated with the development of ANZ's Anti-Money Laundering (AML) program together with incentive scheme costs, provisioning for operating risks and continued investment in the Private Bank business. The increase in employee numbers was driven largely by a change in the mix of IT staff from contractors towards employees, increased staff involved with the AML program and increased customer-facing roles within Private Bank.
- The provision for credit impairment charge of $6 million is due to the final residual loan relating to the exited Grindlays business which was settled this half year.

March 2008 half year compared to September 2007 half year

Profit reduced by $38 million. Operating income reduced by $1 million. Moderate profits were made from the hedging of foreign exchange risks on revenue streams compared with moderate losses in the September 2007 half was offset by lower earnings on surplus capital and higher funding costs relating to less favourable tax timing differences. Operating expenses increased by $35 million due mainly to costs associated with the development of ANZ's Anti-Money Laundering (AML) program together with higher software costs, higher remuneration and incentive scheme costs, provisioning for operating risks and continued investment in the Private Bank business. These were partially offset by costs incurred in the September 2007 half year to provide for earlier long service leave entitlements to employees. The increase in employee numbers was driven largely by ANZ's AML program and increased customer-facing roles in Private Bank. The credit impairment charge relates to the final residual loan of the exited Grindlays business which was settled this half year. The higher effective tax rate resulted primarily from settlements with tax authorities in the September 2007 half year and the ongoing appraisal of global tax provisioning requirements.

Geographic performance

Profit	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Australia	1,224	1,472	1,417	-17%	-14%
New Zealand	529	415	502	27%	5%
Asia	111	97	74	14%	50%
Pacific	64	62	59	3%	8%
Other	35	32	50	9%	-30%
	1,963	2,078	2,102	-6%	-7%

Cash[1] profit	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Australia	1,010	1,365	1,323	-26%	-24%
New Zealand	451	435	426	4%	6%
Asia	116	95	77	22%	51%
Pacific	64	62	59	3%	8%
Other	33	31	51	6%	-35%
	1,674	1,988	1,936	-16%	-14%

	Comparison to Half Year Mar 2007									
	Half Year Mar 2008					Growth Rate				
	Revenue	Expenses	PBP[2]	Credit[3]	NPAT	Revenue	Expenses	PBP[2]	Credit[3]	NPAT
Australia	4,085	1,831	2,254	843	1,010	12%	14%	10%	large	-24%
New Zealand	1,323	583	740	81	451	6%	1%	10%	large	6%
Asia	289	121	168	25	116	51%	48%	54%	47%	51%
Pacific	175	77	98	8	64	16%	15%	17%	large	8%
Other	130	55	75	23	33	-2%	-4%	0%	large	-35%
	6,002	**2,667**	**3,335**	**980**	**1,674**	**12%**	**12%**	**11%**	**large**	**-14%**
New Zealand (NZD)	1,527	673	854	93	520					

	Comparison to Half Year Sep 2007									
	Half Year Mar 2008					Growth Rate				
	Revenue	Expenses	PBP[2]	Credit[3]	NPAT	Revenue	Expenses	PBP[2]	Credit[3]	NPAT
Australia	4,085	1,831	2,254	843	1,010	5%	4%	6%	large	-26%
New Zealand	1,323	583	740	81	451	1%	-3%	4%	large	4%
Asia	289	121	168	25	116	33%	39%	28%	39%	22%
Pacific	175	77	98	8	64	6%	8%	4%	33%	3%
Other	130	55	75	23	33	33%	17%	47%	large	6%
	6,002	**2,667**	**3,335**	**980**	**1,674**	**6%**	**4%**	**7%**	**large**	**-16%**
New Zealand (NZD)	1,527	673	854	93	520					

1. *In the March 2008 half ANZ has classified the gain from the allocation of shares in Visa in March 2008 of $248 million after tax (tax impact: $105 million), costs associated with a write-down of an intangible asset relating to Origin Australia of $24 million after tax (tax impact: $10 million) and a further positive adjustment of $8 million following the restatement of deferred tax assets consequent to the reduction in New Zealand tax rate as significant items. In the September 2007 half the after tax impact of the gain on sale of Esanda Fleetpartners was increased by $54 million following the availability of capital losses being applied against the gain and a negative impact of $24 million following the restatement of deferred tax assets to reflect the recently announced change in the New Zealand company tax rate which takes effect from 1 October 2008 as significant items. In the March 2007 half ANZ has classified the gain on sale of Esanda Fleetpartners of $141 million after tax (tax impact: $54 million) 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 page 23)*

   The Group enters into economic hedges to manage its interest rate and foreign exchange risk. In the March 2008 half ANZ has classified a gain of $67 million after tax (Sep 2007 half: $41 million; Mar 2007 half: $28 million) relating to economic hedging as a non-core item (tax impact $29 million (Sep 2007 half: $17 million; Mar 2007 half: $14 million)). Included in this non-core amount is market volatility relating to approved classes of derivatives not designated in accounting hedge relationships but that are considered to be economic hedges, volatility arising from use of the fair value option, and ineffectiveness from designated accounting hedges. In addition, ANZ has classified a mark-to-market loss after tax of $10 million (Sep 2007 half: $19 million gain; Mar 2007 half: $3 million loss) relating to revenue hedges (NZD and USD) that under the transitional provision of AASB 139 (AASB 2005-1) no longer qualify for hedge accounting from 1 October 2006 (tax impact $4 million credit (Sep 2007 half: $9 million; Mar 2007 half: $2 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 24)
2. *PBP (profit before provisions) is profit before credit impairment and income tax*
3. *Credit impairment expense*

Australia

	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Net interest income	2,664	2,561	2,475	4%	8%
Other external operating income	1,421	1,333	1,184	7%	20%
Operating income	4,085	3,894	3,659	5%	12%
Operating expenses	(1,831)	(1,761)	(1,604)	4%	14%
Profit before credit impairment and income tax	2,254	2,133	2,055	6%	10%
Provision for credit impairment	(843)	(261)	(194)	large	large
Profit before income tax	1,411	1,872	1,861	-25%	-24%
Income tax expense	(401)	(505)	(537)	-21%	-25%
Minority interest	-	(2)	(1)	-100%	-100%
Cash[1] profit	1,010	1,365	1,323	-26%	-24%
Non-core items[1]	214	107	94	100%	large
Profit	1,224	1,472	1,417	-17%	-14%
Net interest average margin	2.03%	2.15%	2.24%		
Operating expenses[1] to operating income	41.9%	44.4%	42.0%		
Operating expenses[1] to average assets	1.27%	1.36%	1.34%		
Operating expenses to operating income (cash[1])	44.8%	45.2%	43.8%		
Operating expenses to average assets (cash[1])	1.25%	1.36%	1.34%		
Individual provision charge	542	249	153	large	large
Individual provision charge as a % of average net advances	0.48%	0.24%	0.16%		
Collective provision charge	301	12	41	large	large
Collective provision charge as a % of average net advances	0.27%	0.01%	0.04%		
Net non-performing loans	620	310	291	100%	large
Net non-performing loans as a % of net advances	0.27%	0.14%	0.15%		
Total employees	20,213	19,867	19,198	2%	5%
Lending growth	8.4%	8.1%	4.6%		
External assets	301,126	273,129	242,139	10%	24%

1. *In the March 2008 half ANZ has classified the gain from the allocation of shares in Visa in March 2008 of $174 million after tax (tax impact $107 million, which includes $21 million Australian tax on the tax free gain on sale of shares in New Zealand) and costs associated with a write-down of our investment in Origin Australia of $24 million after tax (tax impact: $10 million) as significant items. In the March 2007 half ANZ has classified the gain on sale of Esanda Fleetpartners of $128 million after tax (tax impact: $54 million) as a significant item. In the September 2007 half the after tax impact of the gain on sale of Esanda Fleetpartners was increased by $54 million following the provision of capital losses being applied against the gain. ANZ excludes significant items to eliminate the distorting effect of one-off transactions on the results of its core business (refer page 23)*

The Group enters into economic hedges to manage its interest rate and foreign exchange risk. In the 2008 half ANZ has classified a gain of $74 million after tax (Sep 2007 half: $34 million; Mar 2007 half: $23 million) relating to economic hedging as a non-core item (tax impact $33 million (Sep 2007 half: $14 million; Mar 2007 half: $10 million)). Included in this non-core amount is volatility relating to approved classes of derivatives not designated in accounting hedge relationships but that are considered to be economic hedges, volatility arising from use of the fair value option, and ineffectiveness from designated accounting hedges. In addition, ANZ has classified a mark-to-market loss of $10 million after tax (Sep 2007 half: $19 million gain; Mar 2007 half: $3 million loss) relating to NZD and USD 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 $4 million credit (Sep 2007 half: $8 million; Mar 2007 half: $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 24)

Australia, cont'd

March 2008 half year compared to March 2007 half year

Profit decreased 14%. After adjusting for the impact of non-core items, cash profit decreased 24%. Significant influences on cash profit were:

- Net interest income increased 8% as average net advances grew 16% and average deposits and other borrowings increased 24%, offset by a 21 basis points reduction in net interest margin. Growth in average net advances was driven by Institutional (23%) with increasing re-intermediation of commercial customers seeking funding from a bank rather than directly from external markets as a result of global credit conditions. Average net advances in Personal increased by 12% driven by growth in Mortgages. Net interest margin declined across both Institutional and Personal. Margin decline in Institutional was a function of declining Markets interest in the mismatch and liquidity portfolio and higher cost of funding derivative revaluations (-$10 million offset in other income), lags in passing on higher funding costs to corporate customers and high growth in low risk, low margin lending to well rated corporates. In Personal, declining margin in the Mortgages and Consumer Finance businesses due to higher funding costs was only partly offset by improved margins on deposits in Banking Products.
- Other external income increased 20%. Excluding impacts relating to the consolidation of Stadium Australia, other income increased 19%. Personal increased 17%, including the acquisition of ETrade and an $18 million gain from the sale of MasterCard shares in the March 2007 half. Excluding these gains, Personal other income increased 13% reflecting continued investment in growth initiatives delivering higher transaction volumes, and fee initiatives across most businesses. Institutional increased 19%, while after adjusting for Stadium Australia growth was 16%. Markets revenue increased 36% due to strong customer flow and the change in the composition of the derivatives result ($10 million offset in net interest income). Working Capital and Business Banking also benefited from continued volume growth, fee initiatives and product development. The ongoing sale of properties contributed an additional $31 million.
- Operating expenses increased 14%. Excluding impacts from the consolidation of Stadium Australia and the ETrade acquisition, operating expenses increased 11% reflecting costs associated with improving the customer service proposition and other revenue initiatives. Personal operating costs increased due to higher personnel and premises expenses associated with ongoing investment in the branch network with 31 new branches and 312 ATMs opened since March 2007. There was also higher staff to support growth in Consumer Finance and additional financial planners as part of the ongoing growth strategy. Increased expenses within Institutional were attributable to continuing investment in customer facing staff and technology as part of the strategic plan to increase revenue in selected businesses and take advantage of volatility in the market.
- Provision for credit impairment increased by $649 million impacted by the downgrade of a small number of customers and the flow on effects of global credit turmoil. Individual provisions were up $389 million of which $226 million relates to a provision on exposure to US monoline insurer (based on the mark-to-market exposure at balance date), $53 million relates to a mining company and $24 million to a broking industry customer. The March 2007 half also included a large debt recovery. Underlying growth is driven by volume growth and lower recoveries in Institutional. The collective provision increased by $260 million, $103 million of which relates to a credit rating change on a large commercial property client, with the remaining increase reflecting a small number of downgrades, lending volume growth and an allowance for secondary impacts of the market turmoil for losses yet to emerge.

March 2008 half year compared to September 2007 half year

Profit decreased by 17%. Cash profit decreased 26%. Significant influences on cash profit were:

- Net interest income increased 4% with average net advances up by 10%, average deposits and other borrowings up by 16%, partly offset by a 12 basis point decline in net interest margin. The lag in passing on higher funding costs, growth in low risk, low margin customer lending due to the global credit market conditions and declining Markets mismatch income were the main drivers of the decline in margin in Institutional. Personal also experienced margin decline in Mortgages and Consumer Finance partly offset by improved margin on deposit products.
- Other external operating income increased by 7%. Excluding the impact of the consolidation of Stadium Australia, other income increased by 8%. Institutional increased by 8% (excluding Stadium Australia, underlying growth was 12%), with Markets' experiencing significant upside as a result of current market volatility. This was partly offset by lower gains on private equity investments within ANZ Capital. Personal increased 4%, with Esanda increasing by 11% due to successful revenue initiatives, Banking Products increased 10% due to robust account activity and the benefits of revenue initiatives and Mortgages up by 3% from increased loan refinancing activity by customers seeking to fix their interest rate exposure.
- Operating expenses increased 4%. Excluding the impact of the consolidation of Stadium Australia and acquisition of ETrade, operating expenses increased 4% reflecting increased personnel and premises expenses associated with investment in footprint expansion in Personal, whilst Institutional expenses have remained flat with tight cost management across all expenditure items offsetting a 4% increase in personnel.
- Provision for credit impairment increased by $582 million. Individual Provision increased by $293 million of which three large provisions accounted for $303 million (as noted above). Excluding these provisions, individual provisions declined by 7% with improved collection management within Personal, partly offset by growth in the Institutional loan book. Collective Provision increased by $289 million, of which $103 million relates to the downgrade of a single commercial property customer. The remaining increase was due to downgrades in the Institutional book, higher lending volumes and an allowance for the secondary impacts of the market turmoil for losses yet to emerge.

New Zealand

	Half year Mar 08 NZD M	Half year Sep 07 NZD M	Half year Mar 07 NZD M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Net interest income	1,010	1,045	1,014	-3%	0%
Other external operating income	517	437	404	18%	28%
Operating income	1,527	1,482	1,418	3%	8%
Operating expenses	(673)	(680)	(654)	-1%	3%
Profit before credit impairment and income tax	854	802	764	6%	12%
Provision for credit impairment	(93)	(44)	(30)	large	large
Profit before income tax	761	758	734	0%	4%
Income tax expense	(241)	(267)	(250)	-10%	-4%
Minority interest	-	-	-	n/a	n/a
Cash[1] profit	520	491	484	6%	7%
Non-core items[1]	90	(22)	86	large	5%
Profit (NZD)	610	469	570	30%	7%
Profit (AUD)	529	415	502	27%	5%
Net interest average margin	2.00%	2.16%	2.23%		
Operating expenses[1] to operating income	42.0%	45.7%	43.3%		
Operating expenses[1] to average assets	1.21%	1.28%	1.34%		
Operating expenses to operating income (cash[1])	44.1%	45.9%	46.1%		
Operating expenses to average assets (cash[1])	1.21%	1.28%	1.34%		
Individual provision charge	47	33	22	42%	large
Individual provision charge as a % of average net advances	0.10%	0.08%	0.06%		
Collective provision charge	46	11	8	large	large
Collective provision charge as a % of average net advances	0.10%	0.03%	0.02%		
Net non-performing loans	108	71	72	52%	50%
Net non-performing loans as a % of net advances	0.12%	0.08%	0.09%		
Total employees	9,552	9,409	9,489	2%	1%
Lending growth	5.5%	7.0%	4.8%		
External assets	110,834	105,997	99,054	5%	12%

1. *In the March 2008 half ANZ has classified the gain from the allocation of shares in Visa in March 2008 of NZD85 million after tax (tax impact: $nil) and a further positive adjustment of NZD9 million following the restatement of deferred tax assets to reflect the reduction in New Zealand tax rate as significant items. In the September 2007 half ANZ has classified a negative impact of NZD27 million profit after tax following the restatement of deferred tax assets to reflect recently announced change in the New Zealand company tax rate which takes effect from 1 October 2008 as a significant item. In the March 2007 half ANZ has classified the gain on sale of Esanda Fleetpartners of NZD76 million (tax impact: $nil) 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 page 23)*

The Group enters into economic hedges to manage its interest rate and foreign exchange risk. In the March 2008 half ANZ has classified a loss of NZD5 million after tax (Sep 2007 half: NZD5 million gain; Mar 2007 half: NZD10 million gain) relating to economic hedging as a non-core item (tax impact NZD2 million credit (Sep 2007 half: NZD2 million; Mar 2007 half: NZD6 million)). Included in this non-core amount is volatility relating to approved classes of derivatives not designated in accounting hedge relationships but that are considered to be economic hedges, volatility arising from use of the fair value option, and ineffectiveness from designated accounting hedges. ANZ excludes volatility associated with fair value movements on these transactions to provide a better indication of the core business performance (refer page 24)

New Zealand, cont'd

Reconciliation of Geographic profit

	Half year Mar 08 NZD M	Half year Sep 07 NZD M	Half year Mar 07 NZD M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
New Zealand Businesses	417	419	395	0%	6%
NZ Institutional	128	101	115	27%	11%
New Zealand Banking	545	520	510	5%	7%
NZ shareholder functions	(25)	(29)	(26)	-14%	-4%
New Zealand geography adjusted for non-core items[1]	520	491	484	6%	7%
Non-core items	90	(22)	86	large	5%
Total New Zealand geography	610	469	570	30%	7%

1. *Refer footnote 1 on page 58*

March 2008 half year compared to March 2007 half year

Profit increased 7% after adjusting for non-core items with the result including a NZD42 million after tax increase in credit impairment expense. Profit before credit impairment and income tax increased 12% with solid growth of 12% in the New Zealand Businesses, and a very strong increase of 24% in Institutional (primarily from Markets).

- Net interest income was flat, with the result impacted by a number of factors within Institutional, including: reduction in net interest income from derivative positions (NZD41 million, offset by an increase in trading income); and the repayment of structured finance transactions. The underlying increase in net interest income was driven by robust lending growth across the NZ Businesses (14%), offset by margin decline in these businesses (14 basis points), from continued competitive pressures and unfavourable funding and product mix. Increased wholesale funding spreads and timing of dividend payments also impacted the New Zealand result.
- Other external operating income increased 28%, driven by a stronger Markets result and by the change in composition of the derivatives result referred to above. Fee income in the NZ Businesses increased 9%, with the main contribution being from the Retail Banks which achieved growth across lending, cards and commission income.
- Operating expenses increased 3%. Cost growth was due to annual increases in salaries, an increase in the number of customer-facing staff and investment in businesses initiatives which have been partly offset by strong control of discretionary expenditure and a run-off of Fleetpartners warranties. The cost to income ratio reduced 200 basis points to 44.1%.
- Provision for credit impairment increased NZD63 million. The individual provision charge increased NZD25 million, largely reflecting the trend in consumer arrears, and a small increase in the business segment, in response to tighter economic conditions. Net non-performing loans as a percentage of net advances remains very low at 12 basis points and the increase has been largely from a small number of business customers. The collective provision charge increased NZD38 million with NZD19 million in the NZ Businesses, mainly reflecting the lift in arrears in personal loans and cards. The charge in Institutional increased NZD19 million, with the main component a credit cycle adjustment given the current global financial environment. Overall credit quality remains solid across all segments.

March 2008 half year compared to September 2007 half year

Profit increased 30% over the September 2007 half. After adjusting for non-core items, cash profit increased 6%. Growth in profit before provisions was also 6%, driven by a strong contribution from Institutional (31% growth, led by Markets and Corporate Finance) and a solid result from the New Zealand Businesses (5%) in the context of increased funding costs, the highly competitive market, and slowing economic conditions.

- Net interest income reduced 3%, with the result adversely impacted by the repayment of structured finance transactions and a reduction in net interest income from derivative positions (NZD10 million, offset by an increase in trading income). Lending growth of 6% was largely delivered from the NZ Businesses. Net interest margin reduced 16 basis points, with reductions across all business. This reduction reflected competition, unfavourable deposit product mix and the impact of increases in wholesale funding spreads. The timing of dividend payments also impacted the New Zealand result.
- Other external operating income increased 18%, largely reflecting strong contributions from Corporate Finance, and from Markets, including the change in composition of the derivatives result referred to above.
- Operating expenses reduced 1%, with the cost of annual increases in salaries, an increase in the number of customer-facing staff and investment in businesses initiatives being more than offset by strong control of discretionary expenditure and a run-off of Fleetpartners warranties. The cost to income ratio reduced 180 basis points to 44.1%.
- Provision for credit impairment increased NZ49 million. The individual provision charge increased NZD14 million, largely reflecting the trend in consumer arrears, and a small increase in the business segment, in response to tighter economic conditions. The collective provision charge increased NZD35 million, with NZD22 million in the NZ Businesses, mainly reflecting the lift in arrears in personal loans and cards. The charge in Institutional increased NZD12 million, largely reflecting the credit cycle adjustment given the current global financial environment.

Asia

	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Net interest income	124	106	100	17%	24%
Other external operating income	165	112	91	47%	81%
Operating income	289	218	191	33%	51%
Operating expenses	(121)	(87)	(82)	39%	48%
Profit before credit impairment and income tax	168	131	109	28%	54%
Provision for credit impairment	(25)	(18)	(17)	39%	47%
Profit before income tax	143	113	92	27%	55%
Income tax expense	(25)	(16)	(14)	56%	79%
Minority interest	(2)	(2)	(1)	0%	100%
Cash[1] profit	116	95	77	22%	51%
Non-core items[1]	(5)	2	(3)	large	67%
Profit	111	97	74	14%	50%
Operating expenses to operating income	42.9%	39.4%	43.9%		
Operating expenses to operating income (cash[1])	41.9%	39.9%	42.9%		
Individual provision charge	9	13	14	-31%	-36%
Collective provision charge	16	5	3	large	large
Net non-performing loans	-	-	-	n/a	n/a
Total employees	1,684	1,313	1,098	28%	53%

1. *The Group enters into economic hedges to manage its interest rate and foreign exchange risk. In the March 2008 half ANZ has classified $5 million loss after tax (Sep 2007 half: $2 million gain; Mar 2007 half: $3 million loss) relating to economic hedging as a non-core item. Included in this non-core amount is volatility relating to approved classes of derivatives not designated in accounting hedge relationships but that are considered to be economic hedges, volatility arising from use of the fair value option, and ineffectiveness from designated accounting hedges. ANZ excludes volatility associated with fair value movements on these transactions to provide a better indication of the core business performance (refer page 23)*

March 2008 half year compared to March 2007 half year

Profit grew by 50% (62% excluding exchange rate impact). Strong underlying business growth in the ANZ network and in partnerships (including full half contributions from AMMB Holdings Berhad (AMMB) and Shanghai Rural Commercial Bank (SRCB) which were acquired in the September 2007 half year) contributed significantly to the result. Investment in the organic business has driven significant revenue growth and is being accelerated to drive even further growth.

Excluding exchange rate movements:

- Net interest income increased by 43%. The strong Asian economies led to a significant increase in customer loans which has been matched by similar volume growth in customer deposits. In addition, significant increases in our markets trading activities, together with more efficient management of the balance sheet has led to strong interest income growth in the Relationship Lending, Markets and Retail businesses.
- Other external operating income grew by 98%, of which more than half was contributed by income from partnerships (including full half contributions from AMMB and SRCB which were acquired in the September 2007 half year). Fees and other income were significantly higher in the Markets and Corporate Finance businesses following an increase in product offering and sales capability, participation in large projects and the leveraging of volatility in the currency markets. Markets other income was also boosted by the booking of gains from the conversion of bonds to shares in Saigon Securities Incorporation (SSI).
- Operating expenses increased 70% through a combination of new investment (including new branches in Cambodia and Vietnam) and inflationary pressures across the region. Staff numbers increased by 586, largely in the network businesses and in specialist institutional product areas including deal origination and structuring and client relationship management.
- Provision for credit impairment increased by $8 million due to asset growth and additional provisions for asset cycle impacts, with customer loans doubling as mentioned above. Overall credit quality improved, with investment grade loans constituting a higher proportion of the portfolio.

March 2008 half year compared to September 2007 half year

Profit increased 14%. After adjusting for non-core items, profit increased 22% (29% excluding exchange rate impact). The results was boosted by contributions from AMMB, SRCB and SSI and strong loan and deposit volumes in Vietnam, Singapore and Cambodia. The contribution from Institutional product lines grew by 42% over the last half, with revenue being the key driver of growth, albeit tempered by higher loan provision charges due to asset growth and additional provision for the economic cycle adjustment.

Pacific

	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Net interest income	88	81	73	9%	21%
Other external operating income	87	84	78	4%	12%
Operating income	175	165	151	6%	16%
Operating expenses	(77)	(71)	(67)	8%	15%
Profit before credit impairment and income tax	98	94	84	4%	17%
Provision for credit impairment	(8)	(6)	(2)	33%	large
Profit before income tax	90	88	82	2%	10%
Income tax expense	(26)	(25)	(23)	4%	13%
Minority interest	-	(1)	-	-100%	n/a
Cash profit	64	62	59	3%	8%
Profit	64	62	59	3%	8%

Operating expenses to operating income	44.0%	43.0%	44.4%		
Individual provision charge	6	3	1	100%	large
Collective provision charge	2	3	1	-33%	100%
Net non-performing loans	14	9	8	56%	75%
Total employees	1,991	1,867	1,693	7%	18%

March 2008 half year compared to March 2007 half year

Profit increased 8% (16% excluding exchange rate impact). Double-digit profit growth in Fiji, Papua New Guinea, Cook Islands, Solomon Islands and Timor Leste and the full half year impact from the acquisition of Citizens Security Bank (CSB) in Guam were partly offset by increased investment in infrastructure.

Excluding exchange rate movements:

- Net interest income increased 29% due primarily to growth in lending of 15% (Papua New Guinea and Timor Leste growth of 18%, Vanuatu up 24%, Solomon Islands up 54% and Cook Islands growth of 26%) and a full half impact from the acquisition of CSB in Guam.
- Other external operating income increased 19% predominantly due to strong foreign exchange earnings growth in Papua New Guinea.
- Operating expenses increased 22% due mainly to the inclusion of the first full half result from CSB and increased distribution channels including the rolling out of a new branch telling platform, and an additional 110 new ATMs, 1,000 Point of Sale (POS) terminals and 15 new branches. The transformation program was accelerated to increase efficiency and reduce operating risk. Staff numbers increased by 298 including 73 from the CSB acquisition.
- While credit quality remains sound, provision for credit impairment increased by $6 million as provisions returned to more normal levels following writebacks in Fiji in the March 2007 half.

March 2008 half year compared to September 2007 half year

Profit increased 3% (7% excluding exchange rate impact) with continued growth in Papua New Guinea and the Solomon Islands. Operating income increased 6% (10% excluding exchange rate impact) as a result of improved interest margins in Fiji, strong asset growth in Papua New Guinea (16%), foreign exchange growth in Solomon Islands and a full half of revenue from CSB. Operating expenses increased 8% as a result of annual pay increases, infrastructure investment, acceleration of the transformation program and a full half of expenses from the acquisition of CSB. The increase in provision for credit impairment is due to a combination of asset growth and normalisation from a low base in 2007.

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

	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Net interest income	29	18	71	61%	-59%
Other external operating income	101	80	61	26%	66%
Operating income	130	98	132	33%	-2%
Operating expenses	(55)	(47)	(57)	17%	-4%
Profit before credit impairment and income tax	75	51	75	47%	0%
Provision for credit impairment	(23)	(3)	(1)	large	large
Profit before income tax	52	48	74	8%	-30%
Income tax expense	(19)	(17)	(23)	12%	-17%
Cash[1] profit	33	31	51	6%	-35%
Non-core items[1]	2	1	(1)	100%	large
Profit	35	32	50	9%	-30%

Operating expenses to operating income	40.9%	46.0%	44.6%		
Operating expenses to operating income (cash[1])	42.3%	48.0%	43.2%		
Individual provision charge	6	2	1	large	large
Collective provision charge	17	1	-	large	n/a
Net non-performing loans	25	26	3	-4%	large
Total employees	2,042	1,897	1,706	8%	20%

1. *The Group enters into economic hedges to manage its interest rate and foreign exchange risk. In the March 2008 half ANZ has classified a gain of $2 million after tax (Sep 2007 half: $1 million; Mar 2007 half: $1 million loss) relating to economic hedging as a non-core item. Included in this non-core amount is volatility relating to approved classes of derivatives not designated in accounting hedge relationships but that are considered to be economic hedges, volatility arising from use of the fair value option, and ineffectiveness from designated accounting hedges. ANZ excludes volatility associated with fair value movements on these transactions to provide a better indication of the core business performance (refer page 23)*

March 2008 half year compared to March 2007 half year

Profit decreased 30%. After adjusting for non-core items, cash profit decreased 35%. The reduction in profit is significantly impacted by the appreciation of the AUD against other currencies resulting in a 7% overall decrease to the March 2008 result. Significant influences on cash profit excluding exchange rate movements were:

- Net interest income decreased 52%, due to reduced impact from movement in the derivatives position ($57 million, largely offset in other income). Further diversification of client and product mix in the Trade Finance business resulted in lower interest earnings fully offset by strong relationship lending balance sheet growth.
- Other operating income decreased 19% after removing the impact of the derivatives position. Higher fee income from structured financing was offset by lower Markets revenue with decreased investment flows in the current half compared to a particularly strong result in the March 2007 half.
- Operating expenses increased 14% with investment in revenue generating staff in Europe and the United States and an increase in personnel numbers within the operations and technology area in India. These costs were charged to the sponsoring business units.
- Provision for credit impairment increased with net lending assets reaching $10 billion at March 2008 resulting in a higher collective provision charge. In addition, an individual provision was recognised on a long-term workout offset by a significant recovery of previously provided for exposure.

March 2008 half year compared to September 2007 half year

Profit increased 9%. The movement in profit is impacted by the appreciation of the AUD against other currencies resulting in a 4% overall decrease to the March 2008 result. Excluding exchange rate movements:

- Net interest income increased 55% including a reduction from movement in the derivatives position ($10 million, offset in other income). Strong relationship lending and corporate finance balance sheet growth were contributing factors to this increase.
- Other operating income increased 23% after removing the impact of the derivatives position, with a sound performance by the markets foreign exchange and treasury desks partially offset by a slow down in corporate finance structured deals attributed to the current credit environment.
- Operating expenses increased 24% with further investment in revenue generating staff in Europe and the United States together with impact of relocating to new premises. Continued increases in personnel numbers in the operations and technology area in India whose costs are charged to the sponsoring business units.
- Provision for Impairment increased with net lending assets balance reaching $10 billion at March 2008. In addition an individual provision was recognised on a long-term workout offset by a significant recovery of previously provided for exposure.

	Mar 08 $M	Sep 07 $M	Mar 07 $M	Sep 06 $M	Mar 06 $M	Sep 05 $M	Mar 05 $M	Previous AGAAP Sep 04 $M
Income Statement								
Net interest income	3,780	3,691	3,611	3,575	3,368	3,231	3,140	2,745
Other operating income	2,222	1,995	1,770	1,583	1,563	1,528	1,407	1,694
Operating expense	(2,667)	(2,567)	(2,386)	(2,346)	(2,259)	(2,213)	(2,127)	(2,103)
Provision for credit impairment	(980)	(327)	(240)	(183)	(224)	(325)	(240)	(319)
Profit before income tax	2,355	2,792	2,755	2,629	2,448	2,221	2,180	2,017
Income tax expense	(678)	(799)	(817)	(770)	(716)	(636)	(611)	(597)
Minority interest	(3)	(5)	(2)	(3)	(1)	(2)	(1)	(1)
Cash profit[1]	1,674	1,988	1,936	1,856	1,731	1,583	1,568	1,419
Non-core items[1]	289	90	166	21	80	37	(13)	-
Profit attributable to shareholders of the Company	1,963	2,078	2,102	1,877	1,811	1,620	1,555	1,419
Balance Sheet								
Assets	438,355	392,773	351,849	334,640	322,181	300,885	282,775	259,345
Net assets	23,964	22,048	20,910	19,906	18,796	19,538	18,927	17,925
Ratios								
Return on average ordinary equity[2]	17.7%	20.5%	21.3%	20.4%	20.9%	18.3%	18.3%	17.3%
Return on average assets	0.92%	1.10%	1.21%	1.13%	1.15%	1.10%	1.14%	1.11%
Tier 1 capital ratio	6.9%	6.7%	6.7%	6.8%	6.8%	6.9%	7.0%	6.9%
Total capital ratio	10.1%	10.1%	10.3%	10.6%	10.4%	10.5%	10.3%	10.4%
Adjusted Common Equity	4.8%	4.3%	4.4%	4.7%	5.0%	5.1%	5.1%	5.1%
Operating expenses[3] to operating income	42.0%	44.5%	42.5%	45.2%	44.0%	47.1%	47.0%	45.8%
Operating expenses[3] to operating income (cash)	44.4%	45.1%	44.3%	45.5%	45.8%	46.5%	46.8%	45.5%
Shareholder value - ordinary shares								
Total return to shareholders								
(share price movement plus dividends)	(22.1%)	2.1%	13.2%	3.4%	13.2%	19.2%	11.3%	3.0%
Market capitalisation	43,328	55,382	54,788	49,331	48,461	43,834	37,584	34,586
Dividend	62 cents	74 cents	62 cents	69 cents	56 cents	59 cents	51 cents	54 cents
Franked portion	100%	100%	100%	100%	100%	100%	100%	100%
Share price[4]								
- high	$31.74	$31.50	$30.24	$28.66	$26.70	$24.45	$22.02	$19.44
- low	$19.38	$25.75	$26.75	$24.45	$22.70	$20.53	$19.02	$17.45
- closing	$22.55	$29.70	$29.70	$26.86	$26.50	$24.00	$20.62	$19.02
Share information (per fully paid)								
Earnings per share - basic	102.4c	110.9c	113.2c	101.6c	98.4c	86.3c	83.2c	76.4c
Dividend payout ratio	61.4%	67.1%	54.9%	68.0%	56.9%	68.4%	61.3%	71.0%
Net tangible assets	$10.06	$9.37	$9.01	$8.53	$7.99	$7.77	$7.38	$7.51
Number of fully paid ordinary shares (M)	1,921.4	1,864.7	1,844.7	1,836.6	1,828.7	1,826.4	1,822.7	1,818.4
Other information								
Permanent employees (FTE)	34,190	33,004	31,818	30,644	29,617	29,471	28,388	27,383
Temporary employees (FTE)	1,292	1,349	1,365	1,612	1,446	1,505	1,444	1,372
Total employees (FTE)	35,482	34,353	33,183	32,256	31,063	30,976	29,832	28,755
Number of shareholders[4]	355,809	327,703	300,987	291,262	273,503	263,467	255,655	252,072

1. *In the March 2008 half ANZ has classified the gain from the allocation of shares in Visa in March 2008 of $248 million after tax (tax impact: $105 million), costs associated with a write-down of an intangible asset relating to Origin Australia of $24 million after tax (tax impact: $10 million) and a further positive adjustment of $8 million following the restatement of deferred tax assets consequent to the reduction in New Zealand tax rate as significant items. In the September 2007 half the after tax impact of the gain on sale of Esanda Fleetpartners was increased by $54 million following the availability of capital losses being applied against the gain and a negative impact of $24 million following the restatement of deferred tax assets to reflect the recently announced change in the New Zealand company tax rate which takes effect from 1 October 2008 as significant items. In the March 2007 half ANZ has classified the gain on sale of Esanda Fleetpartners of $141 million after tax (tax impact: $54 million) 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 page 23)*

   The Group enters into economic hedges to manage its interest rate and foreign exchange risk. In the March 2008 half ANZ has classified a gain of $67 million after tax (Sep 2007 half: $41 million; Mar 2007 half: $28 million) relating to economic hedging as a non-core item (tax impact $29 million (Sep 2007 half: $17 million; Mar 2007 half: $14 million)). Included in this non-core amount is market volatility relating to approved classes of derivatives not designated in accounting hedge relationships but that are considered to be economic hedges, volatility arising from use of the fair value option, and ineffectiveness from designated accounting hedges. In addition, ANZ has classified a mark-to-market loss after tax of $10 million (Sep 2007 half: $19 million gain; Mar 2007 half: $3 million loss) relating to revenue hedges (NZD and USD) that under the transitional provision of AASB 139 (AASB 2005-1) no longer qualify for hedge accounting from 1 October 2006 (tax impact $4 million credit (Sep 2007 half: $9 million; Mar 2007 half: $2 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 24)
2. *Average ordinary shareholders' equity excludes minority interest and preference share dividend*
3. *Operating expenses excludes goodwill amortisation of $nil (Sep 2007: $nil; Mar 2007: $nil; Sep 2006: $nil; Mar 2006: $nil; Sep 2005: $nil; Mar 2005: $nil; Sep 2004: $83 million). Under AIFRS goodwill is not amortised and therefore was not recognised from 2005 onwards*
4. *Excludes employees whose only ANZ shares are held in trust under ANZ employee share schemes*

Australia and New Zealand Banking Group Limited

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND OTHER DISCLOSURES

Half year ended
31 March 2008

CONTENTS	***PAGE***

The directors present their report on the consolidated financial statements for the half year ended 31 March 2008.

Directors

The names of the directors of the Company who held office during and since the end of the half year are:

Mr CB Goode, AC - Chairman	Director since 24 July 1991, Chairman since 24 August 1995
Mr MRP Smith, OBE – Chief Executive Officer	CEO and director since 1 October 2007
Dr GJ Clark	Director since 1 February 2004
Mr JK Ellis	Director since 1 October 1995
Ms MA Jackson, AC	Director since 22 March 1994
Mr IJ Macfarlane, AC	Director since 16 February 2007
Mr DE Meiklejohn	Director since 1 October 2004
Mr JP Morschel	Director since 1 October 2004

Result

The consolidated profit attributable to shareholders of the Company was $1,963 million. Further details are contained in the Chief Financial Officer's Review and Business Performance Review on pages 11 to 54 and in the financial report.

Review of operations

A review of the operations of the consolidated entity during the half year and the results of those operations are contained in the Chief Financial Officer's Review and Business Performance Review on pages 11 to 54.

Lead auditor's independence declaration

The lead auditor's independence declaration given under section 307C of the Corporations Act 2001 (as amended) is set out on page 96 and forms part of the Directors' Report for the half year ended 31 March 2008.

Rounding of amounts

The Company is a company of the kind referred to in the Australian Securities and Investments Commission class order 98/100 (as amended) dated 10 July 1998 pursuant to section 341(1) of the Corporations Act 2001 (as amended). Consequently, amounts in this report and the accompanying financial report have been rounded to the nearest million dollars except where otherwise indicated.

Signed in accordance with a resolution of the directors.

Charles Goode
Chairman

Michael R P Smith
Director

22 April 2008

	Note	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Total income	2	18,269	15,773	14,520	16%	26%
Interest income		15,612	13,692	12,518	14%	25%
Interest expense		(11,832)	(10,001)	(8,907)	18%	33%
Net interest income	2	3,780	3,691	3,611	2%	5%
Other operating income	2	2,438	1,943	1,881	25%	30%
Share of joint venture profit from ING Australia and ING New Zealand		85	89	83	-4%	2%
Share of associates' profit		134	49	38	large	large
Operating income		6,437	5,772	5,613	12%	15%
Operating expenses	3	(2,701)	(2,567)	(2,386)	5%	13%
Profit before credit impairment and income tax		3,736	3,205	3,227	17%	16%
Provision for credit impairment	9	(980)	(327)	(240)	large	large
Profit before income tax		2,756	2,878	2,987	-4%	-8%
Income tax expense	4	(790)	(795)	(883)	-1%	-11%
Profit for the period		1,966	2,083	2,104	-6%	-7%
Comprising:						
Profit attributable to minority interest		3	5	2	-40%	50%
Profit attributable to shareholders of the Company		1,963	2,078	2,102	-6%	-7%
Earnings per ordinary share (cents)						
Basic	6	102.4	110.9	113.2	-8%	-10%
Diluted	6	98.6	108.3	110.0	-9%	-10%
Dividend per ordinary share (cents)	5	62	74	62	-16%	0%

The notes appearing on pages 72 to 94 form an integral part of these financial statements

Assets	Note	As at Mar 08 $M	As at Sep 07[6] $M	As at Mar 07[6] $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Liquid assets		17,803	16,987	15,433	5%	15%
Due from other financial institutions		11,850	8,040	6,439	47%	84%
Trading securities[1]		14,870	15,167	14,265	-2%	4%
Derivative financial instruments		29,510	22,272	12,303	32%	large
Available-for-sale assets		16,333	14,006	9,835	17%	66%
Net loans and advances	7	317,718	288,811	267,774	10%	19%
Customers' liability for acceptances		15,756	14,536	14,013	8%	12%
Regulatory deposits		320	235	219	36%	46%
Shares in associates and joint venture entities		3,869	3,430	2,281	13%	70%
Deferred tax assets		203	113	205	80%	-1%
Goodwill and other intangible assets[2]		3,716	3,677	3,394	1%	9%
Other assets[3,5]		4,980	4,006	4,279	24%	16%
Premises and equipment		1,427	1,493	1,409	-4%	1%
Total assets		438,355	392,773	351,849	12%	25%
Liabilities						
Due to other financial institutions		20,264	19,436	16,106	4%	26%
Deposits and other borrowings	10	263,866	233,423	209,351	13%	26%
Derivative financial instruments		27,831	24,180	13,607	15%	large
Liability for acceptances		15,756	14,536	14,013	8%	12%
Current tax liabilities		61	628	528	-90%	-88%
Deferred tax liabilities		259	135	190	92%	36%
Payables and other liabilities		8,917	10,507	10,221	-15%	-13%
Provisions		957	1,021	919	-6%	4%
Bonds and notes		63,549	54,075	54,188	18%	17%
Loan capital[4]	11	12,931	12,784	11,816	1%	9%
Total liabilities		414,391	370,725	330,939	12%	25%
Net assets		23,964	22,048	20,910	9%	15%
Shareholders' equity						
Ordinary share capital	12,13	10,381	8,946	8,414	16%	23%
Preference share capital	12,13	871	871	871	0%	0%
Reserves	13	(1,012)	(889)	(524)	14%	93%
Retained earnings	13	13,673	13,082	12,117	5%	13%
Share capital and reserves attributable to shareholders of the Company		23,913	22,010	20,878	9%	15%
Minority interest		51	38	32	34%	59%
Total equity		23,964	22,048	20,910	9%	15%

1. *Includes bills held in portfolio $2,621 million (Sep 2007: $2,305 million; Mar 2007:$1,540 million)*
2. *Excludes notional goodwill in equity accounted entities*
3. *Includes interest revenue receivable $1,700 million (Sep 2007: $1,571 million; Mar 2007: $1,632 million)*
4. *Includes $3,182 million (Sep 2007: $3,281 million Mar 2007: $2,362 million) hybrid loan capital that qualifies for Tier 1 capital as defined by APRA*
5. *Other assets include current tax assets of $290 million (Sep 2007: $160 million; Mar 2007: $125 million)*
6. *Prior period balances are reclassified in certain instances to aid comparability with current disclosures*

The notes appearing on pages 72 to 94 form an integral part of these financial statements

	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Items recognised directly in equity[1]					
Currency translation adjustments					
Exchange differences taken to equity	74	(474)	(89)	large	large
Available-for-sale assets					
Valuation gain (loss) taken to equity	(189)	93	16	large	large
Cumulative (gain) loss transferred to the income statement on sale	(5)	3	(17)	large	-71%
Cash flow hedges					
Valuation gain (loss) taken to equity	(14)	14	60	large	large
Transferred to income statement for the period	6	(1)	(6)	large	large
Actuarial gain (loss) on defined benefit plans	(5)	22	55	large	large
Income/(expense) recognised directly in equity	(133)	(343)	19	-61%	large
Profit for the period	1,966	2,083	2,104	-6%	-7%
Total recognised income and expense for the period	1,833	1,740	2,123	5%	-14%
Comprising:					
Total recognised income and expense attributable to minority interest	3	5	2	-40%	50%
Total recognised income and expense attributable to shareholders of the company	1,830	1,735	2,121	5%	-14%

1. *These items are disclosed net of tax*

The notes appearing on pages 72 to 94 form an integral part of these financial statements

	Note	Half year Mar 08 Inflows (Outflows) $M	Half year Sep 07[1] Inflows (Outflows) $M	Half year Mar 07[1] Inflows (Outflows) $M
Cash flows from operating activities				
Interest received		15,404	13,678	12,410
Dividends received		65	68	31
Fee income received		1,351	1,221	1,106
Other income received		195	37	99
Interest paid		(11,819)	(9,579)	(8,865)
Personnel expenses paid		(1,572)	(1,514)	(1,466)
Premises expenses paid		(226)	(214)	(204)
Other operating expenses paid		(709)	(476)	(698)
Net cash paid from settlement of derivatives		(3,005)	(1,395)	(759)
Income taxes paid				
Australia		(1,035)	(479)	(902)
Overseas		(315)	(310)	(190)
Goods and Services Tax paid		(3)	(7)	(4)
(Increase)/decrease in operating assets:				
Liquid assets - greater than three months		(1,919)	(2,545)	903
Due from other financial institutions - greater than three months		(813)	(52)	(358)
Trading Securities		273	(531)	(5,382)
Regulatory deposits		(88)	(29)	(25)
Loans and advances		(29,527)	(23,880)	(13,063)
Increase/(decrease) in operating liabilities				
Deposits and other borrowings		30,208	26,826	7,138
Due to other financial institutions		1,197	3,451	875
Payables and other liabilities		(1,624)	159	(136)
Net cash provided by/(used in) operating activities	15(a)	(3,962)	4,429	(9,490)
Cash flows from investing activities				
Net decrease/(increase)				
Available-for-sale assets				
Purchases		(16,958)	(4,943)	(8,272)
Proceeds from sale or maturity		14,444	725	8,976
Controlled entities and associates				
Purchased (net of cash acquired)		(173)	(1,397)	(53)
Proceeds from sale (net of cash disposed)		98	44	400
Premises and equipment				
Purchases		(260)	(210)	(199)
Proceeds from sale		78	63	16
Other		(249)	(131)	172
Net cash provided by/(used in) investing activities		(3,020)	(5,849)	1,040
Cash flows from financing activities				
Net (decrease)/increase				
Bonds and notes				
Issue proceeds		15,825	4,946	11,497
Redemptions		(6,553)	(3,250)	(4,372)
Loan capital				
Issue proceeds		965	1,872	1,141
Redemptions		(996)	(480)	(500)
Net dividends paid		(23)	(795)	(1,163)
Share capital issues		59	69	63
Net cash provided by financing activities		9,277	2,362	6,666
Net cash provided by/(used in) operating activities		(3,962)	4,429	(9,490)
Net cash provided by/(used in) investing activities		(3,020)	(5,849)	1,040
Net cash provided by financing activities		9,277	2,362	6,666
Net increase/(decrease) in cash and cash equivalents		2,295	942	(1,784)
Cash and cash equivalents at beginning of period		19,074	18,254	20,344
Foreign currency translation		(211)	(122)	(306)
Cash and cash equivalents at end of period	15(b)	21,158	19,074	18,254

1. *Comparative information has been restated to conform with current year's presentation*

The notes appearing on pages 72 to 94 form an integral part of these financial statements

1. Significant accounting policies

(i) Basis of preparation

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

- should be read in conjunction with the ANZ Annual Report for the year ended 30 September 2007 and any public announcements made by the Parent entity and its controlled entities (the Group) for the half year ended 31 March 2008 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 Australian Accounting Standards (AAS), other authoritative pronouncements of the Australian Accounting Standards Board, AASB and 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. Compliance with AASB 134 ensures compliance with International Reporting Standard IAS 34 'Interim Financial Reporting' 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, assets and liabilities designated at fair value through profit and loss and defined benefit plan assets and liabilities.

These condensed consolidated interim financial statements were approved by the Board of Directors on 22 April 2008.

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 2007 Annual Report.

Certain amounts in the comparative information have been reclassified to conform with current period financial statement presentations.

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

(ii) Consolidation

These 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.

Further details on special purpose entities is provided in Note 19.

The Group adopts the equity method of accounting for associates and the Group's investments in joint venture entities.

(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.

1. Significant accounting policies, cont'd

(iii) Interest income and interest expense, cont'd

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 arise from a group of similar transactions, 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
- 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

  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.

1. Significant accounting policies, cont'd

(vi) Derivative financial instruments, cont'd

- 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 hedged 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 are 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. Trading Securities are initially recognised and subsequently measured in the balance sheet at their fair value.

Derivatives that are not financial guarantee contracts or effective accounting hedging instruments are carried at fair value through profit or loss. In addition, certain financial assets and liabilities are designated and measured at fair value through profit or loss where 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;
- a group of financial assets, financial liabilities or both is managed and its performance evaluated on a fair value basis; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

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

Available-for-sale assets comprise non-derivative financial assets which the Group designates as available-for-sale but which are not deemed to be held principally for trading purposes, and include equity investments, certain loans and advances and fixed term securities. They are initially recognised at fair value plus transaction costs. Subsequent gains or losses arising from changes in fair value are included as a separate component of equity, the 'available-for-sale revaluation reserve'. When an available-for-sale asset is sold, the cumulative gain or loss relating to the asset is transferred to the income statement.

Where there is objective evidence of impairment of an available-for-sale asset, the cumulative loss related to that asset is removed from equity and recognised in the income statement. If, in a subsequent period, the amount of an impairment loss relating to an available-for-sale debt instrument decreases and the decrease can be linked objectively to an event occurring after the impairment event, the loss is reversed through the income statement.

Premiums and discounts are included within the calculation of the fair value of the security. Interest income is accrued on an effective yield basis and dividend income is recognised when the right to receive payment is established.

1. Significant accounting policies, cont'd

(ix) Impairment of loans and advances

Loans and advances are reviewed at least each reporting date for impairment.

Credit impairment provisions are raised for exposures that are known to be impaired. Exposures are impaired and impairment losses are recorded if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the loan and prior to the reporting date, and that loss event or events has had an impact on the estimated future cash flows of the individual loan or the collective portfolio of loans that can be reliably estimated.

Impairment is assessed for assets that are individually significant (or on a portfolio basis for small value loans), and then on a collective basis for those exposures not individually known to be impaired.

Exposures that are assessed collectively are placed in pools of similar assets with similar risk characteristics. The required provision is estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data.

The provision for impairment loss includes the market value of counterparty risk arising from derivatives where loss arises from a credit event.

The estimated impairment loss is measured as the difference between the asset's carrying amount and the estimated future cash flows discounted to their present value. As this discount unwinds during the period between recognition of impairment and recovery of the cash flow, it is recognised in interest income. The process of estimating the amount and timing of cash flows involves considerable management judgement. These judgements are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The provision for impairment loss (individual and collective) is deducted from loans and advances in the balance sheet and the movement for the reporting period is reflected in the income statement. When a loan is uncollectible, it is written-off against the related provision for loan impairment. Subsequent recoveries of amounts previously written-off are indirectly credited back to the income statement.

Where impairment losses recognised in previous periods have subsequently decreased or no longer exist, such impairments are indirectly reversed in the income statement.

A provision is also raised for off balance sheet items such as commitments and guarantees that are considered to be onerous.

(x) Goodwill and other intangible assets

- Goodwill

  Goodwill, representing the excess of the purchase consideration over the fair value of the identifiable net assets of a controlled entity at the date of gaining control, is recognised as an asset and not amortised, but assessed for impairment annually and whenever there is an indication that the goodwill may be impaired. This involves, where required, using the discounted cash flow (DCF) or the capitalisation of earnings methodology (CEM) to determine the expected future benefits of the cash-generating unit. Where the assessment results in the goodwill balance exceeding the value of expected future benefits the difference is charged to the income statement.

  Any impairment of goodwill is not subsequently reversed.

- Other intangible assets

  Other intangible assets include costs incurred in acquiring and building software and computer systems ("software").

  Software is amortised using the straight-line method over its expected useful life to the Group. The period of amortisation is between 3 and 5 years, except for branch front-end applications where 7 years is used.

  At each reporting date, software assets are reviewed for impairment. If any such indication exists, the recoverable amount of the assets are estimated and compared against the existing carrying value. Where the existing carrying value exceeds the recoverable amount, the difference is charged to the income statement.

  Costs incurred in planning or evaluating software proposals, or in maintaining systems after implementation, are not capitalised.

1. Significant accounting policies, cont'd

(xi) Premises and equipment impairment assessment

At each reporting date, the carrying amounts of premises and equipment are reviewed for impairment. If any such indication exists, the recoverable amount of the assets are estimated and compared against the existing carrying value. Where the existing carrying value exceeds the recoverable amount, the difference is charged to the income statement. If it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

(xii) Employee benefits

- Defined benefit superannuation schemes

  The Group operates a number of defined benefit schemes. The liability and expense related to providing benefits to employees under each defined benefit scheme are calculated by independent actuaries. A defined benefit liability is recognised to the extent that the present value of the defined benefit obligation of each scheme, calculated using the Projected Unit Credit Method, is greater than the fair value of each scheme's assets. Where this calculation results in a benefit to the Group, a defined benefit asset is recognised, which is capped at the recoverable amount. In each subsequent reporting period, ongoing movements in the defined benefit liability or asset carrying value is treated as follows:
  - the net movement relating to the current period's service cost, interest cost, expected return on scheme assets, past service costs and other costs (such as the effects of any curtailments and settlements) is recognised as an employee expense in the income statement
  - movements relating to actuarial gains and losses are recognised directly in retained earnings
  - contributions made are recognised directly against the net defined benefit position.

- Defined contribution superannuation schemes

  The Group operates a number of defined contribution schemes and also contributes, according to local law in the various countries in which it operates, to government and other plans that have the characteristics of defined contribution schemes. The Group's contribution to these schemes is recognised as an expense in the income statement when incurred.

- Share-based compensation

  The Group has various equity settled share-based compensation plans. These are described in Note 47 of the 2007 Annual Report and comprise largely the Employee Share Acquisition Plan and the ANZ Share Option Plan.

  ANZ ordinary shares

  The fair value of ANZ ordinary shares granted under the Employee Share Acquisition Plan are measured at grant date, using the one-day volume weighted average market price of ANZ shares. The fair value is expensed immediately when shares vest immediately or on a straight-line basis over the relevant vesting period. This is recognised as an employee compensation expense with a corresponding increase in equity.

  Share options

  The fair value of share options is measured at grant date, using an option pricing model. The fair value is expensed on a straight-line basis over the relevant vesting period. This is recognised as an employee compensation expense with a corresponding increase in the share options reserve. The option pricing model takes into account the exercise price of the option, the risk free interest rate, the expected volatility of ANZ's ordinary share price and other factors. Market vesting conditions are taken into account in estimating the fair value.

  Performance Rights

  A Performance Right is a right to acquire a share at nil cost to the employee, subject to satisfactorily meeting time and performance hurdles. Upon exercise, each Performance Right entitles the holder to one ordinary share in ANZ. The fair value of Performance Rights is determined at grant date using an option pricing model, taking into account market conditions. The fair value is expensed over the relevant vesting period. This is recognised as an employee expense with a corresponding increase in the share option reserve.

  Other adjustments

  Subsequent to the grant of an equity-based award, the amount recognised as an expense is adjusted for vesting conditions other than market conditions so that, ultimately, the amount recognised as an expense is based on the number of equity instruments that eventually vest.

  Treasury shares

  Shares in the Company which are issued or purchased on-market by the ANZ Employee Share Acquisition Plan are classified as treasury shares (to the extent that they relate to unvested employee share-based awards) and deducted from share capital.

1. Significant accounting policies, cont'd

(xiii) Offsetting of assets and liabilities

Assets and liabilities are offset and the net amount reported in the balance sheet only where:

- there is a current enforceable legal right to offset the asset and liability
- there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(xiv) Income tax

- Income tax expense

  Income tax on earnings for the period comprises current and deferred tax and is based on the applicable tax law in each jurisdiction. It is recognised in the income statement as tax expense, except when it relates to items credited directly to equity, in which case it is recorded in equity, or where it arises from the initial accounting for a business combination, in which case it is included in the determination of goodwill.
- Current tax

  Current tax is the expected tax payable on taxable income for the period, based on tax rates (and tax laws) which are enacted or substantively enacted by the reporting date, including any adjustment for tax payable in previous periods. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).
- Deferred tax

  Deferred tax is accounted for using the tax balance sheet method. It is generated by temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base.

  Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement reflects the tax consequences that would follow from the manner in which the Group, at the reporting date, recovers or settles the carrying amount of its assets and liabilities.

  Deferred tax liabilities are recognised for all taxable temporary differences, other than those in relation to taxable temporary differences arising from the initial recognition of goodwill. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in controlled entities, branches, associates and joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that temporary differences will not reverse in the foreseeable future. Deferred tax assets associated with these interests are recognised only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and there will be sufficient taxable profits against which to utilise the benefits of the temporary difference.

  Deferred tax assets, including those related to the tax effects of income tax losses and credits available to be carried forward, are recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses and credits can be utilised.
- Offsetting

  Current and deferred tax assets and liabilities are offset only to the extent that they relate to income taxes imposed by the same taxation authority, there is a legal right and intention to settle on a net basis and it is allowed under the tax law of the relevant jurisdiction.

(xv) Contingent Liabilities

A contingent liability is a liability of sufficient uncertainty that it does not qualify for recognition as a provision.

Further disclosure is made in Note 14 where the above requirements are not met, but there is a possible obligation that is higher than remote. Specific details of the nature of the contingent liability are provided where practicable.

2. Income

	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Interest income	15,612	13,692	12,518	14%	25%
Interest expense	(11,832)	(10,001)	(8,907)	18%	33%
Net interest income	3,780	3,691	3,611	2%	5%
i) Fee and commission income					
Lending fees	285	259	232	10%	23%
Non-lending fees and commissions	1,156	1,093	1,033	6%	12%
Total fee and commission income	1,441	1,352	1,265	7%	14%
Fee and commission expense[1]	(132)	(115)	(122)	15%	8%
Net fee and commission income	1,309	1,237	1,143	6%	15%
ii) Other income					
Foreign exchange earnings[2]	325	278	232	17%	40%
Net gains/(losses) from trading securities	(9)	(22)	(25)	-59%	-64%
Net gains from trading derivatives	258	218	198	18%	30%
Movement on financial instruments measured at fair value through profit & loss[3]	96	58	42	66%	large
Brokerage income	47	52	3	-10%	large
Gain on Visa shares[4]	281	-	-	n/a	n/a
Gain from the sale of Fleetpartners	-	-	195	n/a	-100%
Profit/(loss) on sale of premises	35	34	4	3%	large
Stadium Australia income	19	34	4	-44%	large
Other	77	54	85	43%	-9%
Total other income	1,129	706	738	60%	53%
Total other operating income	2,438	1,943	1,881	25%	30%
Share of joint venture and associates' profit[5] (refer page 93)	219	138	121	59%	81%
Total income	18,269	15,773	14,520	16%	26%
Profit before income tax as a % of total income	15.09%	18.25%	20.57%		

1. *Includes interchange fees paid*
2. *March 2008 half comprises core foreign exchange earnings $339 million and $14 million non-core NZD and USD revenue hedge volatility loss (Sep 2007 half: $250 million core and $28 million non-core profit; Mar 2007 half: $237 million core and $5 million non-core loss)*
3. *Includes any fair value movements on derivatives entered into to manage interest rate and foreign exchange risk on funding instruments not designated as accounting hedges, ineffective portions of cash flow hedges and fair value movement in bonds and notes designated at fair value*
4. *Comprises gain arising from the allocation of shares in Visa Inc. measured at fair value. In addition, the Group has recognised a $72 million gain through its associate, Cards NZ Limited, on that associate's allocation of Visa Inc. shares (see Note 5 below), bringing the total benefit to the Group on the Visa Inc. share allocation in the half year to $353 million*
5. *March 2008 half includes a $72 million equity accounted gain arising from the allocation of shares in Visa Inc. through the Group's associate, Cards NZ Limited, on Visa shares in New Zealand*

3. Operating expenses

	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Personnel					
Employee entitlements and taxes	122	127	109	-4%	12%
Salaries and wages	1,032	950	942	9%	10%
Superannuation costs - defined benefit plans	2	5	6	-60%	-67%
Superannuation costs - defined contribution plans	100	93	87	8%	15%
Equity-settled share-based payments	44	26	36	69%	22%
Temporary staff	64	67	64	-4%	0%
Other	261	272	207	-4%	26%
Total personnel expenses	1,625	1,540	1,451	6%	12%
Premises					
Depreciation and amortisation	26	25	19	4%	37%
Rent	145	130	124	12%	17%
Utilities and other outgoings	71	73	65	-3%	9%
Other	10	11	15	-9%	-33%
Total premises expenses	252	239	223	5%	13%
Computer					
Computer contractors	22	24	26	-8%	-15%
Data communications	34	36	35	-6%	-3%
Depreciation and amortisation	103	106	102	-3%	1%
Rentals and repairs	40	36	37	11%	8%
Software purchased	79	74	60	7%	32%
Software written-off	2	12	4	-83%	-50%
Other	19	22	18	-14%	6%
Total computer expenses	299	310	282	-4%	6%
Other					
Advertising and public relations	89	86	71	3%	25%
Audit fees	4	6	4	-33%	0%
Depreciation of furniture and equipment	32	31	26	3%	23%
Impairment of intangible - Origin Australia	34	-	-	n/a	n/a
Freight and cartage	28	26	27	8%	4%
Non-lending losses, frauds and forgeries	24	27	16	-11%	50%
Postage and stationery	60	58	57	3%	5%
Professional fees	67	69	61	-3%	10%
Telephone	28	27	28	4%	0%
Travel	80	78	74	3%	8%
Other	79	70	66	13%	20%
Total other expenses	525	478	430	10%	22%
Operating expenses	2,701	2,567	2,386	5%	13%

4. Income tax expense

Reconciliation of the prima facie income tax expense on pre-tax profit with the income tax expense charged in the Income Statement	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Profit before income tax	2,756	2,878	2,987	-4%	-8%
Prima facie income tax expense at 30%	827	864	896	-4%	-8%
Tax effect of permanent differences:					
Overseas tax rate differential	18	17	13	6%	38%
Rebateable and non-assessable dividends	(4)	(4)	(6)	0%	-33%
Other non-assessable income	-	-	(3)	n/a	-100%
Profit from associates and joint venture entities	(64)	(39)	(36)	64%	78%
Recognition of previously unrecognised tax losses on sale of Esanda Fleetpartners	-	(54)	-	-100%	n/a
Restatement of deferred tax balances for announced New Zealand tax rate change	(8)	24	-	large	n/a
Other[1]	21	(11)	19	large	11%
	790	797	883	-1%	-11%
Income tax (over) provided in previous years	-	(2)	-	-100%	n/a
Total income tax expense charged in the income statement	790	795	883	-1%	-11%
Australia	523	473	600	11%	-13%
Overseas	267	322	283	-17%	-6%
	790	795	883	-1%	-11%
Effective Tax Rate - Group	28.7%	27.6%	29.6%		

1. *The March 2008 half includes $21 million of Australian tax on the equity accounted profits of Cards NZ Limited relating to the gain on the allocation of shares in Visa Inc. which was not taxable in New Zealand*

5. Dividends

Ordinary Shares

Dividend per ordinary share (cents)	Half year Mar 08	Half year Sep 07	Half year Mar 07	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Interim (fully franked)	62	n/a	62	n/a	0%
Final (fully franked)	n/a	74	n/a	n/a	n/a

Ordinary share dividend	$M	$M	$M	%	%
Interim dividend	-	1,144	-	n/a	n/a
Final dividend	1,381	-	1,267	n/a	9%
Bonus option plan adjustment	(37)	(29)	(19)	28%	95%
Total[1]	1,344	1,115	1,248	21%	8%
Ordinary share dividend payout ratio[2] (%)	61.4%	67.1%	54.9%		

1. *Dividends recorded when paid*
2. *Dividend payout ratio calculated using proposed interim dividend of $1,192 million not included in the above table. The proposed interim dividend of $1,192 million is based on the forecast number of ordinary shares on issue at the dividend record date. Dividend payout ratios for the September 2007 half year and March 2007 half year calculated using $1,381 million and $1,144 million respectively*

There are a number of changes to the terms and conditions of ANZ's Dividend Reinvestment Plan (DRP) and Bonus Option Plan (BOP). For the 2008 interim dividend, the "Pricing Period" defined under the DRP and BOP terms and conditions which is used to calculate the "Acquisition Price" to be applied in determining the number of shares to be provided under the DRP and BOP will be the fifteen trading days (as defined in the DRP and BOP terms and conditions) commencing on, and including, 20 May 2008. In addition, a discount of 1.5% will be applied when calculating the "Acquisition Price" under the DRP and BOP terms and conditions for the purposes of the 2008 interim dividend only.

For the 2008 interim dividend only, the balance of the dividend not reinvested by shareholders in the DRP or foregone by shareholders under the BOP, will be fully underwritten by J.P. Morgan Australia Limited.

Preference Shares

	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Preference dividend					
Euro Trust Securities	23	20	17	15%	35%
Dividend per preference share					
Euro Trust Securities	€ 27.80	€ 24.18	€ 20.89	15%	33%

6. Earnings per share

	Half year Mar 08	Half year Sep 07	Half year Mar 07	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Number of fully paid ordinary shares on issue (M)	1,921.4	1,864.7	1,844.7	3%	4%
Basic					
Profit attributable to shareholders of the Company ($M)	1,963	2,078	2,102	-6%	-7%
Less Preference share dividends ($M)	(23)	(20)	(17)	15%	35%
Profit excluding preference share dividends ($M)	1,940	2,058	2,085	-6%	-7%
Weighted average number of ordinary shares (M)	1,895.1	1,855.3	1,841.6	2%	3%
Basic earnings per share (cents)	102.4	110.9	113.2	-8%	-10%
Diluted					
Profit excluding preference share dividends ($M)	1,940	2,058	2,085	-6%	-7%
Interest on US Trust securities[1] ($M)	20	22	22	-9%	-9%
Interest on ANZ StEPS[2] ($M)	28	26	24	8%	17%
Interest on UK Hybrid securities[3] ($M)	33	21	-	57%	n/a
Profit attributable to shareholders of the Company excluding interest on US Trust securities, ANZ StEPS and UK Hybrid ($M)	2,021	2,127	2,131	-5%	-5%
Weighted average number of shares on issue (M)	1,895.1	1,855.3	1,841.6	2%	3%
Weighted average number of convertible options (M)	10.8	11.5	14.4	-6%	-25%
Weighted average number of convertible US Trust securities at current market price[1] (M)	53.3	42.0	45.9	27%	16%
Weighted average number of convertible ANZ StEPS[2] securities (M)	45.5	34.5	34.5	32%	32%
Weighted average number of convertible UK Hybrid[3] securities (M)	45.8	21.5	-	large	n/a
Adjusted weighted average number of shares - diluted (M)	2,050.5	1,964.8	1,936.4	4%	6%
Diluted earnings per share (cents)	98.6	108.3	110.0	-9%	-10%

1. *The US Stapled Trust securities issued on 27 November 2003 mandatorily convert to ordinary shares in 2053 unless redeemed or bought back prior to that date. The US Stapled Trust Security issue can be de-stapled and the investor left with coupon paying preference shares at ANZ's discretion at any time, or at the investor's discretion under certain circumstances. AASB 133 requires that potential ordinary shares for which conversion to ordinary share capital is mandatory must be included in the calculation of diluted EPS. The inclusion of this issue in EPS increased the diluted number of shares by 53.3 million*
2. *ANZ StEPS (issued on 23 September 2003) convert to either $100 for each ANZ StEPS share or a number of ordinary shares calculated at the market price of ANZ ordinary shares less 2.5%. The inclusion of this issue in EPS increased the diluted number of shares by 45.5 million*
3. *UK Hybrid (issued on 15 June 2007) is a GBP denominated stapled security that mandatorily converts to ordinary shares on the fifth anniversary of the issue date at the market price of ANZ ordinary shares less 5% (subject to certain conversion conditions). AASB 133 requires that potential ordinary shares for which conversion to ordinary share capital is mandatory must be included in the calculation of diluted EPS. The inclusion of this issue in EPS increased the diluted number of shares by 45.8 million for the half year ended 31 March 2008*

7. Net loans and advances

	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Australia					
Overdrafts	7,026	7,464	6,457	-6%	9%
Credit card outstandings	7,061	6,641	6,506	6%	9%
Term loans - housing	120,807	113,994	106,953	6%	13%
Term loans - non-housing	74,465	64,260	57,217	16%	30%
Lease finance	1,756	1,813	1,884	-3%	-7%
Hire purchase	10,361	9,824	9,393	5%	10%
Other	1,059	852	699	24%	52%
	222,535	204,848	189,109	9%	18%
New Zealand					
Overdrafts	1,938	1,728	1,822	12%	6%
Credit card outstandings	1,222	1,149	1,152	6%	6%
Term loans - housing	45,401	42,350	40,841	7%	11%
Term loans - non-housing	31,224	29,672	28,145	5%	11%
Lease finance	215	215	239	0%	-10%
Hire purchase	466	431	426	8%	9%
Other	379	447	475	-15%	-20%
	80,845	75,992	73,100	6%	11%
Overseas Markets					
Overdrafts	593	532	513	11%	16%
Credit card outstandings	212	201	200	5%	6%
Term loans - housing	1,242	1,040	847	19%	47%
Term loans - non-housing	16,454	9,699	7,567	70%	large
Lease finance	193	186	183	4%	5%
Other	495	350	239	41%	large
	19,189	12,008	9,549	60%	large
Total gross loans and advances	322,569	292,848	271,758	10%	19%
Less provisions for credit impairment (refer note 9)	(2,948)	(2,330)	(2,318)	27%	27%
Less income yet to mature[1]	(2,494)	(2,277)	(2,214)	10%	13%
Add capitalised brokerage/mortgage origination fees	591	570	548	4%	8%
	(4,851)	(4,037)	(3,984)	20%	22%
Total net loans and advances	317,718	288,811	267,774	10%	19%

1. *Includes fees and expenses capitalised and amortised using the effective interest method of $340 million (Sep 2007: $306 million Mar 2007: $314 million)*

The following table shows gross loans and advances for New Zealand in NZD terms.

New Zealand	Half year Mar 08 NZD M	Half year Sep 07 NZD M	Half year Mar 07 NZD M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Overdrafts	2,238	2,012	2,061	11%	9%
Credit card outstandings	1,412	1,338	1,303	6%	8%
Term loans - housing	52,438	49,308	46,199	6%	14%
Term loans - non-housing	36,063	34,548	31,838	4%	13%
Lease finance	248	250	270	-1%	-8%
Hire purchase	538	502	482	7%	12%
Other	439	520	538	-16%	-18%
	93,376	88,478	82,691	6%	13%

8. Impaired financial assets

Summary of impaired financial assets	As at Mar 08 $M	As at Sep 07 $M	As at Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Non-performing loans	1,048	666	640	57%	64%
Restructured loans	-	-	-	n/a	n/a
Non-performing commitments, contingencies and derivatives	353	126	109	large	large
Gross impaired financial assets	1,401	792	749	77%	87%
Less individual provisions:					
Non-performing loans	(295)	(260)	(275)	13%	7%
Non-performing commitments, contingencies and derivatives	(249)	(42)	(27)	large	large
Net impaired financial assets	857	490	447	75%	92%
Non-performing loans					
Australia	852	514	507	66%	68%
New Zealand	138	99	105	39%	31%
Overseas Markets	58	53	28	9%	large
Gross non-performing loans	1,048	666	640	57%	64%
Less individual provisions:					
Australia	232	204	216	14%	7%
New Zealand	44	38	42	16%	5%
Overseas Markets	19	18	17	6%	12%
Individual provisions	295	260	275	13%	7%
Net non-performing loans	753	406	365	85%	large

Non-performing commitments, contingencies and derivatives	As at Mar 08 $M	As at Sep 07 $M	As at Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Australia	337	121	105	large	large
New Zealand	16	5	4	large	large
Overseas Markets	-	-	-	n/a	n/a
Gross non-performing commitments, contingencies and derivatives	353	126	109	large	large
Less individual provisions:					
Australia	249	42	27	large	large
New Zealand	-	-	-	n/a	n/a
Overseas Markets	-	-	-	n/a	n/a
Individual provisions	249	42	27	large	large
Net non-performing commitments, contingencies and derivatives	104	84	82	24%	27%

New and increased non-performing loans	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Australia	893	491	430	82%	large
New Zealand	104	75	74	39%	41%
Overseas Markets	46	45	27	2%	70%
Total new and increased non-performing loans[1]	1,043	611	531	71%	96%

1. *Includes $160 million relating to Consumer Finance (Sep 2007 half: $166 million; Mar 2007 half: $145 million)*

New and increased non-performing commitments, contingencies and derivatives	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Australia[1]	296	25	83	large	large
New Zealand	17	-	-	n/a	n/a
Overseas Markets	-	-	-	n/a	n/a
Total new and increased non-performing commitments, contingencies and derivatives	313	25	83	large	large

1. *Includes $226 million on a derivative position with a US monoline insurer*

8. Impaired financial assets, cont'd

The following amounts are not classified as individually impaired financial assets and therefore are not included within the summary on page 84.

Accruing loans past due 90 days or more[1]	As at Mar 08 $M	As at Sep 07 $M	As at Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Australia	489	446	459	10%	7%
New Zealand	196	88	106	large	85%
Overseas Markets	20	27	20	-26%	0%
	705	561	585	26%	21%

1. *Includes unsecured credit card and personal loans 90 days past due accounts which are allowed by APRA to be retained on an accrual basis for up to 180 days past due amounting to $85 million (Sep 2007: $87 million; Mar 2007: $101 million). The remainder of 90 day past due accounts are predominantly held on an accrual basis having been assessed as 'well secured'*

In the event of customer default, any loan security is held as mortgagee in possession and therefore the Group does not hold any other real estate owned assets.

9. Provision for credit impairment

Collective provision	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Balance at start of period	2,028	2,016	1,975	1%	3%
Charge to income statement	376	31	52	large	large
Provisions disposed	-	-	(4)	n/a	-100%
Adjustment for exchange rate fluctuations	-	(19)	(7)	-100%	-100%
Total collective provision[1]	2,404	2,028	2,016	19%	19%
Individual provision					
Balance at start of period	302	302	286	0%	6%
Charge to income statement	604	296	188	large	large
Adjustment for exchange rate fluctuations	-	(9)	(6)	-100%	-100%
Discount unwind	(10)	(10)	(10)	0%	0%
Bad debts written off	(398)	(331)	(253)	20%	57%
Recoveries of amounts previously written off	46	54	97	-15%	-53%
Total individual provision	544	302	302	80%	80%
Total provision for credit impairment	2,948	2,330	2,318	27%	27%

1. *The Collective Provision includes amounts for off balance sheet credit exposures: $343 million at 31 March 2008 (Sep 2007: $261 million; Mar 2007: $256 million). The impact on the income statement for the period ended 31 March 2008 was an $81 million charge (Sep 2007 half year: $11 million charge; Mar 2007 half year: $3 million release)*

Provision movement analysis	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
New and increased provisions					
Australia	616	347	285	78%	large
New Zealand	53	43	38	23%	39%
Overseas Markets	30	21	22	43%	36%
	699	411	345	70%	large
Provision releases	(49)	(61)	(60)	-20%	-18%
	650	350	285	86%	large
Recoveries of amounts previously written off	(46)	(54)	(97)	-15%	-53%
Individual provision charge	604	296	188	large	large
Increase to collective provision	376	31	52	large	large
Charge to Income Statement	980	327	240	large	large

9. Provision for credit impairment, cont'd

Individual provision balance	As at Mar 08 $M	As at Sep 07 $M	As at Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Australia	481	246	243	96%	98%
New Zealand	44	38	42	16%	5%
Domestic Markets	525	284	285	85%	84%
Overseas Markets	19	18	17	6%	12%
Total individual provision	544	302	302	80%	80%

10. Deposits and other borrowings

	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Certificates of deposit	46,923	31,903	23,004	47%	large
Term Deposits	81,780	69,600	63,363	18%	29%
Other deposits bearing interest	95,938	94,088	86,551	2%	11%
Deposits not bearing interest	9,656	10,143	9,415	-5%	3%
Commercial paper	19,230	16,914	15,497	14%	24%
Borrowing corporations' debt	10,245	10,109	10,660	1%	-4%
Other borrowings	94	666	861	-86%	-89%
Total deposits and other borrowings	263,866	233,423	209,351	13%	26%

11. Loan capital

	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Hybrid loan capital					
US stapled trust security issue[1]	1,201	1,248	1,362	-4%	-12%
ANZ Stapled Exchangeable Preferred Securities (ANZ StEPS)	1,000	1,000	1,000	0%	0%
UK Hybrid[2]	981	1,033	-	-5%	n/a
Perpetual subordinated notes	678	690	721	-2%	-6%
Subordinated notes	9,071	8,813	8,733	3%	4%
Total Loan Capital	12,931	12,784	11,816	1%	9%

1. *Loan capital of USD1.1 billion is subordinated in right of payment to the claims of depositors and all other creditors of the parent entity and its controlled entities which have issued the notes. Hybrid loan capital constitutes Tier 1 capital as defined by APRA for capital adequacy purposes*
2. *Loan capital of GBP450 million is subordinated in right of payment to the claims of depositors and all other creditors of the parent entity and its controlled entities which have issued the notes. Hybrid loan capital constitutes Tier 1 capital as defined by APRA for capital adequacy purposes*

12. Share capital

Issued and quoted securities

	Number quoted	Issue price per share	Amount paid up per share
Ordinary shares			
As at 31 March 2008	1,921,364,031		
Issued during the half year	56,685,211		
Preference shares			
As at 31 March 2008			
Euro Trust Securities[1]	500,000	€ 1,000	€ 1,000

1. *On 13 December 2004 the Group issued €500 million hybrid capital into the European market. The instruments consist of Floating Rate Non-cumulative Trust Securities issued by ANZ Capital Trust III each representing a unit consisting of €1,000 principal amount of subordinated rate notes due 2053 issued by ANZ Jackson Funding PLC stapled to a fully paid up €1,000 preference share issued by Australia and New Zealand Banking Group Limited*

	Half year Mar 08	Half year Sep 07	Half year Mar 07
Profit[1] as a % of shareholders' equity including preference shares at end of period (annualised)	16.4%	18.8%	20.2%

1. *Profit attributable to shareholders*

13. Shareholders' equity

	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Share capital					
Balance at start of period	9,817	9,285	9,142	6%	7%
Ordinary share capital					
Dividend reinvestment plan	1,344	340	102	large	large
Group employee share acquisition scheme	42	33	24	27%	75%
Treasury shares[1,2]	(10)	(9)	(46)	11%	-78%
Group share option scheme	59	69	63	-14%	-6%
Consideration for purchase of Etrade	-	99	-	-100%	n/a
Total share capital	11,252	9,817	9,285	15%	21%
Foreign currency translation reserve					
Balance at start of period	(1,209)	(735)	(646)	64%	87%
Currency translation adjustments net of hedges after tax	74	(474)	(89)	large	large
Total foreign currency translation reserve	(1,135)	(1,209)	(735)	-6%	54%
Share option reserve[3]					
Balance at start of period	70	70	63	0%	11%
Share-based payments	5	-	7	n/a	-29%
Total share option reserve	75	70	70	7%	7%

1. *On-market purchase of shares for settlement of amounts due under share-based compensation plans. In addition, 2,257,736 shares were issued during the March 2008 half to the Group's Employee Share Trust for settlement of amounts due under share-based compensation plans*
2. *As at 31 March 2008, there were 4,496,912 treasury shares outstanding*
3. *The share option reserve arises on the grant of share options to selected employees under the ANZ share option plan. Amounts are transferred out of the reserve and into share capital when the options are exercised*

13. Shareholders' equity, cont'd

	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Available-for-sale revaluation reserve[4]					
Balance at start of period	97	1	2	large	large
Valuation gain (loss) recognised after tax	(189)	93	16	large	large
Cumulative (gain) loss transferred to the income statement on sale of financial assets	(5)	3	(17)	large	-71%
Total available-for-sale revaluation reserve	(97)	97	1	large	large
Hedging reserve[5]					
Balance at start of period	153	140	227	9%	-33%
Adjustment on adoption of AASB 2005-1[6]	-	-	(141)	n/a	-100%
Restated balance at beginning of period	153	140	86	9%	78%
Gain (loss) recognised after tax	(14)	14	60	large	large
Transferred to income statement	6	(1)	(6)	large	large
Total hedging reserve	145	153	140	-5%	4%
Total reserves	(1,012)	(889)	(524)	14%	93%
Retained earnings					
Balance at start of period	13,082	12,117	11,084	8%	18%
Adjustment on adoption of AASB 2005-1[6]	-	-	141	n/a	-100%
Restated balance at beginning of period	13,082	12,117	11,225	8%	17%
Profit attributable to shareholders of the Company	1,963	2,078	2,102	-6%	-7%
Total available for appropriation	15,045	14,195	13,327	6%	13%
Actuarial gain (loss) on defined benefit plans after tax[7]	(5)	22	55	large	large
Ordinary share dividends paid	(1,344)	(1,115)	(1,248)	21%	8%
Preference share dividends paid	(23)	(20)	(17)	15%	35%
Retained earnings at end of period	13,673	13,082	12,117	5%	13%
Share capital and reserves attributable to shareholders of the Company	23,913	22,010	20,878	9%	15%
Minority interest	51	38	32	34%	59%
Total equity	23,964	22,048	20,910	9%	15%

4. *The available-for-sale revaluation reserve arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold, that portion of the reserve which relates to that financial asset is realised and recognised in the profit or loss. Where a revalued financial asset is impaired, that portion of the reserve which relates to that financial asset is recognised in the profit or loss*
5. *The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in the profit or loss when the hedged transaction impacts profit or loss, consistent with the applicable accounting policy*
6. *Under the provisions of AASB 2005-1, hedge accounting is not available for the NZD and USD revenue hedges*
7. *ANZ has taken the option available under AASB 119 to recognise actuarial gains/losses on defined benefit superannuation plans directly in retained earnings*

14. Contingent liabilities, contingent assets and commitments

Contingent liabilities

- **General**

  There are outstanding court proceedings, claims and possible claims against the Group, the aggregate amount of which cannot readily be quantified. Appropriate legal advice has been obtained and, in the light of such advice, provisions as deemed necessary have been made. In some instances we have not disclosed the estimated financial impact as this may prejudice the interests of the Group.

- **Sale of Grindlays businesses**

  On 31 July 2000, ANZ completed the sale to Standard Chartered Bank (SCB) of ANZ Grindlays Bank Limited and the private banking business of ANZ in the United Kingdom and Jersey, together with ANZ Grindlays (Jersey) Holdings Limited and its subsidiaries, for USD1.3 billion in cash. ANZ provided warranties and certain indemnities relating to those businesses and, where it was anticipated that payments would be likely under the warranties or indemnities, made provisions to cover the anticipated liability. The issues below have not impacted adversely the reported results. All settlements, penalties and costs have been covered within the provisions established at the time.

  - **FERA**

    In 1991 certain amounts were transferred from non-convertible Indian Rupee accounts maintained with Grindlays in India. These transactions may not have complied with the provisions of the Foreign Exchange Regulation Act, 1973. Grindlays, on its own initiative, brought these transactions to the attention of the Reserve Bank of India. The Indian authorities have served notices on Grindlays and certain of its officers in India and civil penalties have been imposed which are the subject of appeals. Criminal prosecutions are pending and will be defended. The amounts in issue are not material.

  - **Tax Indemnity**

    ANZ provided an indemnity relating to tax liabilities of Grindlays (and its subsidiaries) and the Jersey Sub-Group to the extent to which such liabilities were not provided for in the Grindlays accounts as at 31 July 2000. Claims have been made under this indemnity with no material impact on the Group expected.

- **Contingent tax liability**

  The Australian Taxation Office (ATO) is reviewing the taxation treatment of certain transactions, including legacy structured finance transactions, undertaken by the Group in the course of normal business activities. Some assessments have been received which are being challenged in the normal manner.

  The Inland Revenue Department (IRD) in New Zealand is reviewing a number of conduit-relieved structured finance transactions as part of normal revenue authority audit procedures. This is part of an industry-wide review by the IRD of these transactions undertaken in New Zealand. The IRD has issued Notices of Proposed Adjustment (the 'Notices') in respect of some of those structured finance transactions. The Notices are not tax assessments and do not establish a tax liability, but are the first step in a formal dispute process. In addition, the IRD has issued some tax assessments as a follow up to the Notices in some cases. Should the same position be adopted by the IRD on the remaining transactions of that kind as reflected in the Notices and in the tax assessments received, the maximum potential tax liability would be approximately NZD523 million (including interest tax effected) for the period to 31 March 2008. Of that maximum potential liability, approximately NZD147 million is subject to tax indemnities provided by Lloyds TSB Bank PLC under the agreement by which ANZ acquired the National Bank of New Zealand and which relate to transactions undertaken by the National Bank of New Zealand before December 2003. All of these conduit-relieved transactions have now either matured or terminated.

  Additional audits and other investigations are being undertaken by the IRD, and by revenue authorities in other jurisdictions, as part of normal revenue authority activity in those countries.

  The Company has assessed these and other taxation claims arising in Australia, New Zealand and elsewhere, including seeking independent advice where appropriate, and considers that it holds appropriate provisions.

- **Interbank Deposit Agreement**

  ANZ has entered into an Interbank Deposit Agreement with the major banks in the payments system. This agreement is a payment system support facility certified by the Australian Prudential Regulation Authority, where the terms are such that if any bank is experiencing liquidity problems, the other participants are required to deposit equal amounts of up to $2 billion for a period of 30 days. At the end of 30 days the deposit holder has the option to repay the deposit in cash or by way of assignment of mortgages to the value of the deposit.

- **Nominee activities**

  The Group will indemnify each customer of controlled entities engaged in nominee activities against loss suffered by reason of such entities failing to perform any obligation undertaken by them to a customer.

14. Contingent liabilities, contingent assets and commitments, cont'd

- **Clearing and Settlement Obligations**

  In accordance with the clearing and settlement arrangements set out:
  - in the Australian Payments Clearing Association Limited Regulations for the Australian Paper Clearing System, the Bulk Electronic Clearing System, the Consumer Electronic Clearing System and the High Value Clearing System (HVCS), the Company has a commitment to comply with rules which could result in a bilateral exposure and loss in the event of a failure to settle by a member institution; and
  - in the Austraclear System Regulations and the CLS Bank International Rules, the Company has a commitment to participate in loss-sharing arrangements in the event of a failure to settle by a member institution.

  For HVCS and Austraclear, the obligation arises only in limited circumstances.

- **New Zealand Commerce Commission**

  In November 2006, the New Zealand Commerce Commission brought proceedings under the Commerce Act 1986 against Visa, MasterCard and all New Zealand issuers of Visa and MasterCard credit cards, including ANZ National Bank Limited. The Commission alleges price fixing and substantially lessening competition in relation to the setting of credit card interchange fees and is seeking penalties and orders under the Commerce Act.

  Subsequently, several major New Zealand retailers have issued proceedings against ANZ National Bank and the other abovementioned defendants seeking unquantified damages, based on allegations similar to those contained in the Commerce Commission proceedings. ANZ National Bank is defending the proceedings. At this stage, the risks and any potential liabilities cannot be assessed. The court has now allocated a ten week fixture for the proceedings beginning in October 2009.

- **Trade Sanctions**

  On 1 February 2007, following a review of its compliance with United States (US) economic sanctions and discussions with US regulators, the Group announced that it had curtailed financial transactions with US sanctioned countries and had taken further action to ensure compliance with US sanction regulations. A small number of transactions, 42 in total, involved parties from US sanctioned countries. The Group has made voluntary disclosures to US financial regulators and remains in discussion with US regulators regarding the transactions. The Group has also briefed Australian and New Zealand regulators. The US sanctions regime includes the possibility of fines. Based on current knowledge, it is difficult to predict the level of fines. Nonetheless, the Group considers that it holds appropriate provisions for these issues.

- **Opes Prime Stockbroking Limited**

  There are outstanding court proceedings and claims against the Group in relation to the Opes Prime Stockbroking Limited receivership. No material loss is expected.

- **ING New Zealand Funds**

  ANZ markets and distributes a range of wealth management products in New Zealand, which are managed by ING (NZ) Limited (of which ANZ holds 49%). Trading in the New Zealand ING Diversified Yield Fund and the ING Regular Income Fund was suspended on 13 March 2008 by the fund manager, ING (NZ) Limited, due to the deterioration in liquidity in credit markets.

  The matter is being reviewed by both ANZ and ING(NZ) and it is too early to assess the nature or quantum of any potential liability.

Contingent assets

- **National Housing Bank**

  In 1992, Grindlays received a claim aggregating to approximately Indian Rupees 5.06 billion from the National Housing Bank (NHB) in India. The claim arose out of cheques drawn by NHB in favour of Grindlays, the proceeds of which were credited to the account of a Grindlays customer. Grindlays won an arbitration award in March 1997, under which NHB paid Grindlays an award of Indian Rupees 9.12 billion. NHB subsequently won an appeal to the Special Court of Mumbai, after which Grindlays filed an appeal with the Supreme Court of India. Grindlays paid the disputed money including interest into court. Ultimately, the parties settled the matter and agreed to share the monies paid into court which by then totalled Indian Rupees 16.45 billion (AUD 661 million at 19 January 2002 exchange rates), with Grindlays receiving Indian Rupees 6.20 billion (AUD 248 million at 19 January 2002 exchange rates) of the disputed monies. ANZ in turn received a payment of USD124 million (USD equivalent of the Indian Rupees received by Grindlays) from Standard Chartered Bank under the terms of an indemnity given in connection with the sale of Grindlays to Standard Chartered Bank.

  ANZ recovered $114 million in 2006 from its insurers in respect of the above.

  In addition, ANZ is entitled to share with NHB in the proceeds of any recovery from the estate of the customer whose account was credited with the cheques drawn from NHB. However, the Indian Taxation Department is claiming a statutory priority to all of the funds available for distribution to creditors of that customer. The Special Court passed an order in late 2007 scaling down the Income Tax Department's priority, an order that has now been appealed by the Income Tax Department to the Supreme Court of India. The appeal is expected to be heard in mid to late 2008.

15. Note to the Cash Flow Statement

(a) Reconciliation of profit after income tax to net cash provided by operating activities

	Half year Mar 08 Inflows (Outflows) $M	Half year Sep 07 Inflows (Outflows) $M	Half year Mar 07 Inflows (Outflows) $M
Reconciliation of profit after income tax to net cash provided by operating activities			
Profit after income tax	1,963	2,078	2,102
Adjustments to reconcile to net cash provided by operating activities			
Provision for credit impairment	980	327	240
Depreciation and amortisation	166	166	149
Profit on sale of businesses	(2)	(79)	(155)
Provision for employee entitlements, restructuring and other provisions	224	214	122
Payments from provisions	(257)	(109)	(198)
(Profit) loss on sale of premises and equipment	(30)	(30)	(3)
(Profit) loss on sale of available-for-sale securities[1]	(358)	3	(17)
Amortisation of discounts/premiums included in interest income	(88)	(49)	(31)
Share based payments reserve	5	34	(27)
Net foreign exchange earnings	(325)	(279)	(232)
Net gains/losses on trading derivatives	(258)	(218)	(198)
(Increase)/decrease in operating assets:			
Trading securities	273	(531)	(5,382)
Liquid assets - greater than three months	(1,919)	(2,545)	903
Due from other banks - greater than three months	(813)	(52)	(358)
Loans and advances	(29,527)	(23,880)	(13,063)
Net derivative financial instruments	(3,005)	(1,395)	(759)
Regulatory deposits	(88)	(29)	(25)
Interest receivable	(131)	25	(81)
Accrued income	8	(13)	(10)
Net tax assets	(560)	6	(209)
Increase/(decrease) in operating liabilities:			
Deposits and other borrowings	30,208	26,826	7,138
Due to other financial institutions	1,197	3,451	875
Payables and other liabilities	(1,624)	159	(136)
Interest payable	13	382	(15)
Accrued expenses	25	63	(40)
Other	(39)	(96)	(80)
Net cash provided by / (used in) operating activities	(3,962)	4,429	(9,490)

(b) Reconciliation of cash and cash equivalents

	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M
Reconciliation of cash and cash equivalents			
Cash at the end of the period as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows			
Liquid assets - less than three months	11,359	12,307	13,089
Due from other financial institutions - less than three months	9,799	6,767	5,165
	21,158	19,074	18,254
Non-cash financing activities			
Share capital issues			
Dividend reinvestment plan[2]	1,344	340	102

1. *Includes $353 million gain arising from the allocation of shares in Visa Inc.*
2. *The dividend reinvestment plan is fully underwritten*

16. Segment analysis

The following analysis shows revenue and the result for each business segment.

Segment Revenue[1]	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M	Movt Mar 08 v. Sep 07 %	Movt Mar 08 v. Mar 07 %
Personal	2,383	2,293	2,148	4%	11%
Institutional	1,982	1,792	1,714	11%	16%
New Zealand Businesses	1,111	1,113	1,055	0%	5%
Asia Pacific	479	379	333	26%	44%
INGA	77	81	75	-5%	3%
Other[2]	597	249	410	large	46%
less: Institutional Asia Pacific[3]	(192)	(135)	(122)	42%	57%
	6,437	5,772	5,613	12%	15%
Segment result[4]					
Personal	1,030	971	924	6%	11%
Institutional	573	1,022	1,088	-44%	-47%
New Zealand Businesses	533	548	511	-3%	4%
Asia Pacific	237	188	160	26%	48%
INGA	76	80	75	-5%	1%
Other[2]	427	154	309	large	38%
less: Institutional Asia Pacific[3]	(120)	(85)	(80)	41%	50%
	2,756	2,878	2,987	-4%	-8%

1. *Segment revenue includes equity standardised net interest income and other income*
2. *Other includes Private Bank, Treasury, Operations, Technology and Shared Services, Corporate Centre, Risk Management and Group Financial Management. Other also includes non-core items and Esanda Fleetpartners discontinued business*
3. *Institutional Asia Pacific is included in both Institutional and Asia Pacific business units consistent with how this business is internally managed (refer page 35)*
4. *Segment result represents equity standardised profit before income tax expense*

17. Changes in composition of the Group

Acquisition of material controlled entities

There were no material controlled entities acquired during the half year to 31 March 2008.

In the half year ended 30 September 2007, ANZ obtained a controlling interest in ETRADE Australia Limited at a cost of $319 million. In addition, the Group obtained a 100% interest in Diversified Infrastructure Trust (Stadium Australia) at a cost of $174 million.

Disposal of material controlled entities

In March 2008, the Group disposed of 46% of its investment in Diversified Infrastructure Trust (Stadium Australia). Due to the distribution of voting power to non-ANZ unit holders, ANZ no longer holds a controlling interest.

On 31 October 2006, the controlled entities Fleet Partners Pty Limited and Truck Leasing Limited were sold. The profit before tax on disposal was $195 million (tax impact: $nil).

18. Associates, joint venture entities and investments

	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M
Profit after income tax	219	138	121

Key contributions to profit[1]

	Contribution to Group pre-tax profit			Ownership interest held by Group		
	Half year Mar 08	Half year Sep 07	Half year Mar 07	As at Mar 08	As at Sep 07	As at Mar 07
Associates	$M	$M	$M	%	%	%
P.T. Bank Pan Indonesia	13	14	12	30	30	30
Metrobank Card Corporation Inc	4	4	3	40	40	40
Bank of Tianjin	8	9	10	20	20	20
AMMB Holdings Berhad[2]	21	14	-	19	19	-
Shanghai Rural Commercial Bank[3]	11	1	-	20	20	-
Cards NZ Limited[4]	72	-	-	15	15	15
Joint ventures						
ING Australia Limited	75	78	74	49	49	49
ING (NZ) Holdings Limited	10	11	9	49	49	49

1. *The results may differ from the published results of these entities due to the application of AIFRS, Group Policies and acquisition adjustments*
2. *An associate from 18 May 2007*
3. *An associate from 20 September 2007*
4. *Equity accounted gain arising from the allocation of shares in Visa Inc. through the Group's associate, Cards NZ Limited, on Visa shares in New Zealand*

19. Special purpose and off balance sheet entities

The Group may invest in or establish special purpose entities (SPEs) to enable it to undertake specific types of transactions. The main types of these SPEs are securitisation vehicles, structured finance entities, and entities used to sell credit protection.

Where the Group has established SPEs which are controlled by the Group to facilitate transactions undertaken for Group purposes, these are consolidated in the Group's financial statements. The Group does not consolidate SPEs that it does not control in accordance with the Group's policy outlined in Note 1(ii) on page 72. As it can sometimes be difficult to determine whether the Group has control of an SPE, it makes judgments about its exposure to the risks and rewards, as well as about its ability to make operational decisions for the SPE in question.

The table below summarises the main types of SPEs that are not consolidated into the Group, the reason for their establishment, and the key risks associated with them. ANZ does not bear the majority of residual risks and rewards of these SPEs.

			SPE Assets	
			As at Mar 08	As at Sep 07
Type of SPE	**Reason for establishment**	**Key risks**	**$M**	**$M**
Securitisation vehicles	Assets are transferred to an SPE which funds the purchase by issuing securities. This enables ANZ or customers to increase diversity of funding sources. The amount disclosed here is the total assets of SPEs managed or arranged by ANZ. It includes SPEs that purchase assets from sellers other than ANZ.	ANZ may manage securitisation vehicles, service assets in a vehicle or provide liquidity or other support and retains the risks associated with the provision of these services[1]. Credit and market risks associated with the underlying assets are not retained or assumed by ANZ except to the limited extent that ANZ provides arm's length services and facilities.	7,583	7,786
Structured finance entities[2]	These entities are set up to assist with the structuring of client financing.	ANZ may manage these vehicles and also provide derivatives.	n/a	n/a
Credit protection	These entities are set up to allow the Group to sell the credit risk on portfolios.	ANZ may manage these vehicles.	2,145	2,145

1. *Liquidity support facilities provided in relation to ANZ sponsored securitisation vehicles totalled $5.8 billion (Sep 2007: $5.9 billion), of which $2.1 billion (Sep 2007: $2.9 billion) had been drawn as at that date*
2. *ANZ's net investment in the structured finance entities is $172 million (Sep 2007: $229 million)*

20. Related party disclosure

There have been no significant changes to the arrangements with related parties, refer Notes 48 and 49 of the 2007 Annual Report.

21. Exchange rates

Major exchange rates used in translation of results of offshore controlled entities and branches into the Group's accounts for each reporting period were as follows:

	Balance sheet			Profit and loss average		
	As at Mar 08	As at Sep 07	As at Mar 07	Half year Mar 08	Half year Sep 07	Half year Mar 07
Euro	0.5795	0.6223	0.6054	0.6091	0.6161	0.5983
Great British pound	0.4589	0.4355	0.4113	0.4463	0.4186	0.4020
New Zealand dollar	1.1550	1.1643	1.1312	1.1542	1.1301	1.1359
United States dollar	0.9158	0.8816	0.8077	0.8976	0.8386	0.7780

22. Significant events since balance date

Since balance date, the Group has announced a review into ANZ's involvement in the Securities Lending industry and in particular events surrounding the Opes Prime Stockbroking Limited receivership. The Australian Securities and Investments Commission is also conducting an investigation into Opes Prime Stockbroking Limited. As outlined in Note 14, there are court proceedings and claims against the Group in relation to the Opes Prime Stockbroking receivership. No material loss is expected.

There have been no other significant events from 31 March 2008 to the date of this report.

The directors of Australia and New Zealand Banking Group Limited declare that:

1. in the directors' opinion the financial statements and notes of the consolidated entity set out on pages 65 to 94 are in accordance with the Corporations Act 2001 (as amended), including:
   (a) that they comply with the Australian Accounting Standard AASB 134: 'Interim Financial Reporting', and the Corporations Regulations 2001; and
   (b) that they give a true and fair view of the financial position of the consolidated entity as at 31 March 2008 and of its performance as represented by the results of its operations and cash flows for the half year ended on that date; and

2. in the directors' opinion at the date of this declaration there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

Charles Goode
Chairman

Michael R P Smith
Director

22 April 2008

Independent auditors' review report to the members of Australia and New Zealand Banking Group Limited

Report on the Financial Report

We have reviewed the accompanying interim financial report of Australia and New Zealand Banking Group Limited ("the Company"), which comprises the consolidated interim condensed balance sheet as at 31 March 2008, condensed income statement, statement of recognised income and expense and cash flow statement for the half year ended on that date, a description of significant accounting policies and other explanatory Notes 1 to 22 and the directors' declaration set out on pages 68 to 95 of the consolidated entity comprising the Company and the entities it controlled at the half year's end or from time to time during the half year.

Directors' responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the half year financial report in accordance with Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity,* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 March 2008 and its performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Australia and New Zealand Banking Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half year financial report of Australia and New Zealand Banking Group Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 March 2008 and of its performance for the half year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG
Melbourne

MV Hinchliffe

Michelle Hinchliffe
Partner

22 April 2008

Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001

To the directors of Australia and New Zealand Banking Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half year ended 31 March 2008 there have been:

(a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG
Melbourne

MV Hinchliffe

Michelle Hinchliffe
Partner

22 April 2008

Capital management

		Basel II As at Mar 08	Basel I As at Sep 07	Basel I As at Mar 07
Qualifying Capital		$M	$M	$M
Tier 1				
Shareholders' equity and outside equity interests		23,964	22,048	20,910
Prudential adjustments to shareholders' equity	Table 1	(1,827)	(2,318)	(2,120)
Fundamental Tier 1 capital		22,137	19,730	18,790
Non-innovative Tier 1 capital instrument		981	1,033	-
Innovative Tier 1 capital instruments		3,072	3,119	3,233
Gross Tier 1 capital		26,190	23,882	22,023
Deductions	Table 2	(7,882)	(6,170)	(5,943)
Transitional Tier 1 capital relief		-	716	716
Tier 1 capital		18,308	18,428	16,796
Tier 2				
Upper Tier 2 capital	Table 3	938	2,296	2,320
Subordinated notes	Table 4	9,093	8,826	8,398
Deductions	Table 2	(1,354)	-	-
Tier 2 capital		8,677	11,122	10,718
Deductions	Table 5	-	(1,837)	(1,810)
Total qualifying capital		26,985	27,713	25,704
Adjusted Common Equity				
Tier 1 capital		18,308	18,428	16,796
Less: Non-innovative Tier 1 capital instrument[1]		(981)	(1,033)	-
Innovative Tier 1 capital instruments[1]		(3,064)	(3,052)	(3,188)
Transitional Tier 1 capital relief		-	(716)	(716)
Deductions[2]		(1,354)	(1,837)	(1,810)
Adjusted Common Equity (ACE)		12,909	11,790	11,082
Capital adequacy ratios				
Tier 1		6.9%	6.7%	6.7%
Tier 2		3.2%	4.1%	4.3%
		10.1%	10.8%	11.0%
Deductions		0.0%	-0.7%	-0.7%
Total		10.1%	10.1%	10.3%
Adjusted Common Equity		4.8%	4.3%	4.4%
Risk Weighted Assets	Table 6	267,486	275,018	250,485

1. *Converted at balance date spot rates*
2. *Under Basel II, comprises Tier 2 component of deductions taken 50% from Tier 1 and 50% from Tier 2*

Capital management, cont'd

		Basel II	Basel I	Basel I
		As at Mar 08	As at Sep 07	As at Mar 07
		$M	$M	$M
Table 1: Prudential adjustments to shareholders' equity				
Reclassification of preference share capital		(871)	(871)	(871)
Accumulated retained profits and reserves of insurance, funds management and securitisation entities and associates		(533)	(398)	(386)
Deferred fee revenue including fees deferred as part of loan yields		340	306	314
Hedging reserve		(145)	(153)	(140)
Available-for-sale reserve		97	(97)	(2)
Dividend not provided for		(1,192)	(1,381)	(1,144)
Accrual for Dividend Reinvestment Plans		477	276	109
Total		(1,827)	(2,318)	(2,120)
Table 2: Deductions from Tier 1 capital				
Unamortised goodwill & other intangibles		(4,972)	(4,911)	(4,039)
Capitalised software		(509)	(462)	(425)
Capitalised expenses including loan and lease origination fees, capitalised securitisation establishment costs and costs associated with debt raisings		(619)	(602)	(575)
Applicable deferred tax assets (excluding the component relating to the general reserve for impairment of financial assets)		(103)	(57)	(85)
Investment in ANZ Lenders Mortgage Insurance		-	(101)	(31)
Current estimate of goodwill component of purchase commitments		-	-	(792)
Earnings not recognised for prudential purposes		(113)	-	-
Other deductions		(212)	(37)	4
Sub-total		(6,528)	(6,170)	(5,943)
Deductions taken 50% from Tier 1 and 50% from Tier 2	**Gross**	**50%**		
Investment in ANZ Lenders Mortgage Insurance	(106)		-	-
Investment in Funds Management and Securitisation entities	(68)		-	-
Investment in joint ventures with ING in Australia and New Zealand	(525)		-	-
Investment in other Authorised Deposit Taking Institutions and overseas equivalents	(1,136)		-	-
Expected losses in excess of eligible provisions	(717)		-	-
Investment in other commercial operations	(54)		-	-
Other deductions	(102)		-	-
Sub-total	(2,708)	(1,354)	-	-
Total		(7,882)	(6,170)	(5,943)
Table 3: Upper Tier 2 capital				
Eligible component of post acquisition earnings and reserves in associates and joint ventures		254	197	210
Perpetual subordinated notes		678	690	721
General reserve for impairment of financial assets net of attributable deferred tax asset[1]		6	1,392	1,372
Transitional Upper Tier 2 capital relief		-	17	17
Total		938	2,296	2,320

1. *Under Basel II, this consists of the surplus of the general reserve for impairment of financial assets net of tax and/or the provisions attributable to the standardised portfolio*

Capital management, cont'd

	Basel II As at Mar 08 $M	Basel I As at Sep 07 $M	Basel I As at Mar 07 $M
Table 4: Subordinated notes			
For capital adequacy calculation purposes, subordinated note issues are reduced by 20% of the original amount over the last four years to maturity and are limited to 50% of Tier 1 capital.			
Table 5: Deductions from Total capital[1]			
Investment in Funds Management and Securitisation entities	-	(85)	(88)
Investment in joint ventures with ING in Australia and New Zealand	-	(525)	(526)
Investment in other Authorised Deposit Taking Institutions (ADIs) and overseas equivalents	-	(1,025)	(386)
Investment in other commercial operations	-	(124)	(88)
Current estimate of purchase commitments	-	-	(627)
Other	-	(78)	(95)
Total	-	(1,837)	(1,810)
Table 6: Risk weighted assets[2]			
On balance sheet	174,117	236,883	215,421
Commitments	50,013	15,791	15,054
Contingents	14,958	12,018	11,629
Derivatives	10,098	8,379	6,191
Total credit risk	249,186	273,071	248,295
Market risk	1,912	1,947	2,190
Operational risk	16,388	-	-
Total risk weighted assets	267,486	275,018	250,485

1. *Not applicable under Basel II*
2. *Risk weighted asset data is based on risk weighted asset calculations as at 29 February 2008 adjusted for estimated movements during March 2008*

Average balance sheet and related interest

Averages used in the following tables are predominantly daily averages. Interest income figures are presented on a tax-equivalent basis. Impaired loans are included under the interest earning asset category, 'loans and advances'. Intra-group interest earning assets and interest bearing liabilities are treated as external assets and liabilities for the geographic segments.

	Half year Mar 08			Half year Sep 07			Half year Mar 07		
	Ave bal $M	Int $M	Rate %	Ave bal $M	Int $M	Rate %	Ave bal $M	Int $M	Rate %
Interest earning assets									
Due from other financial institutions									
Australia	2,880	90	6.3%	1,825	51	5.6%	2,199	63	5.7%
New Zealand	1,304	48	7.4%	1,427	51	7.2%	1,770	59	6.7%
Overseas Markets	5,738	128	4.5%	5,236	139	5.3%	4,735	125	5.3%
Trading and available-for-sale assets									
Australia	22,345	760	6.8%	19,951	645	6.5%	16,367	512	6.3%
New Zealand	2,246	91	8.1%	2,763	111	8.0%	2,639	101	7.7%
Overseas Markets	5,913	153	5.2%	4,401	121	5.5%	3,406	94	5.5%
Loans and advances									
Australia	213,079	8,814	8.3%	193,474	7,649	7.9%	183,663	7,104	7.8%
New Zealand	78,468	3,754	9.6%	75,958	3,463	9.1%	70,881	3,073	8.7%
Overseas Markets	16,489	530	6.4%	10,635	384	7.2%	10,138	377	7.5%
Customers' liability for acceptances									
Australia	15,027	642	8.5%	13,926	542	7.8%	13,777	512	7.5%
Overseas Markets	387	11	5.7%	335	11	6.8%	251	7	5.6%
Other assets									
Australia	3,973	161	8.1%	4,398	181	8.2%	5,192	174	6.7%
New Zealand	5,417	225	8.3%	5,160	215	8.3%	4,948	189	7.7%
Overseas Markets	6,174	205	6.6%	3,516	129	7.3%	3,701	128	6.9%
Intragroup assets									
Australia	4,984	186	7.5%	4,048	158	7.8%	1,766	75	8.5%
Overseas Markets	1,527	48	6.3%	3,208	87	5.4%	4,883	141	5.8%
	385,951	15,846		350,261	13,937		330,316	12,734	
Intragroup elimination	(6,511)	(234)		(7,256)	(245)		(6,649)	(216)	
	379,440	15,612	8.2%	343,005	13,692	8.0%	323,667	12,518	7.8%
Non-interest earning assets									
Derivatives									
Australia	24,709			14,879			10,526		
New Zealand	6,037			4,437			2,010		
Overseas Markets	1,605			1,544			(216)		
Premises and equipment	1,559			1,460			1,176		
Other assets	15,617			14,412			14,225		
Provisions for credit impairment									
Australia	(1,785)			(1,726)			(1,650)		
New Zealand	(427)			(409)			(414)		
Overseas Markets	(184)			(166)			(169)		
	47,131			34,431			25,488		
Total average assets	426,571			377,436			349,155		

Average balance sheet and related interest, cont'd

	Half year Mar 08			Half year Sep 07			Half year Mar 07		
	Ave bal $M	Int $M	Rate %	Ave bal $M	Int $M	Rate %	Ave bal $M	Int $M	Rate %
Interest bearing liabilities									
Time deposits									
Australia	66,833	2,310	6.9%	51,439	1,640	6.4%	46,548	1,430	6.2%
New Zealand	29,791	1,214	8.2%	29,270	1,110	7.6%	27,283	985	7.2%
Overseas Markets	22,336	524	4.7%	15,763	402	5.1%	14,477	379	5.3%
Savings deposits									
Australia	17,975	366	4.1%	16,900	312	3.7%	16,171	285	3.5%
New Zealand	1,958	31	3.2%	2,414	38	3.1%	2,628	43	3.3%
Overseas Markets	590	4	1.4%	516	2	0.8%	492	2	0.8%
Other demand deposits									
Australia	54,452	1,532	5.6%	49,031	1,279	5.2%	44,898	1,132	5.1%
New Zealand	15,995	546	6.8%	16,461	536	6.5%	15,412	462	6.0%
Overseas Markets	1,315	11	1.7%	1,115	13	2.3%	1,217	16	2.6%
Due to other financial institutions									
Australia	7,199	226	6.3%	8,568	263	6.1%	6,735	202	6.0%
New Zealand	1,875	58	6.2%	2,037	61	6.0%	1,638	43	5.3%
Overseas Markets	11,100	260	4.7%	7,921	207	5.2%	5,521	150	5.4%
Commercial paper									
Australia	9,572	338	7.1%	9,473	306	6.4%	10,492	330	6.3%
New Zealand	9,726	427	8.8%	7,195	297	8.2%	5,933	228	7.7%
Overseas Markets	-	-	-	-	-	-	1,858	49	5.3%
Borrowing corporations' debt									
Australia	8,636	293	6.8%	8,595	273	6.3%	8,910	271	6.1%
New Zealand	1,532	63	8.2%	1,667	63	7.5%	1,777	64	7.2%
Liability for acceptances									
Australia	15,027	555	7.4%	13,926	462	6.6%	13,777	436	6.3%
Overseas Markets	387	11	5.7%	335	11	6.5%	251	6	4.8%
Loan capital, bonds and notes									
Australia	60,958	2,188	7.2%	58,208	1,936	6.6%	52,932	1,717	6.5%
New Zealand	13,922	615	8.8%	11,967	506	8.4%	11,715	452	7.7%
Overseas Markets	429	13	6.1%	491	15	6.1%	131	4	6.1%
Other liabilities[1]									
Australia	4,050	180	n/a	5,444	192	n/a	5,022	162	n/a
New Zealand	77	54	n/a	109	60	n/a	155	37	n/a
Overseas Markets	52	13	n/a	338	17	n/a	505	22	n/a
Intragroup liabilities									
New Zealand	6,511	234	7.2%	7,256	245	6.7%	6,649	216	6.5%
	362,298	12,066		326,439	10,246		303,127	9,123	
Intragroup elimination	(6,511)	(234)		(7,256)	(245)		(6,649)	(216)	
	355,787	11,832	6.7%	319,183	10,001	6.2%	296,478	8,907	6.0%
Non-interest bearing liabilities									
Deposits									
Australia	4,904			4,810			4,657		
New Zealand	3,772			3,796			3,860		
Overseas Markets	1,187			1,291			1,149		
Derivatives									
Australia	23,317			13,103			10,328		
New Zealand	4,476			3,693			2,066		
Overseas Markets	(1,002)			(701)			(287)		
Other liabilities	11,330			11,312			10,396		
	47,984			37,304			32,169		
Total average liabilities	403,771			356,487			328,647		

1. *Includes foreign exchange swap costs*

Average balance sheet and related interest, cont'd

	Half year Mar 08 $M	Half year Sep 07 $M	Half year Mar 07 $M
Total average assets			
Australia	294,216	258,872	240,448
New Zealand	96,768	93,541	86,383
Overseas Markets	42,098	32,279	28,973
less intragroup elimination	(6,511)	(7,256)	(6,649)
	426,571	377,436	349,155
% of total average assets attributable to overseas activities	32.2%	32.5%	31.6%
Average interest earning assets			
Australia	262,288	237,622	222,964
New Zealand	87,435	85,308	80,238
Overseas Markets	36,228	27,331	27,114
less intragroup elimination	(6,511)	(7,256)	(6,649)
	379,440	343,005	323,667
Total average liabilities			
Australia	280,957	247,067	228,407
New Zealand	91,001	87,750	80,582
Overseas Markets	38,324	28,926	26,307
less intragroup elimination	(6,511)	(7,256)	(6,649)
	403,771	356,487	328,647
% of total average liabilities attributable to overseas activities	30.4%	30.7%	30.5%
Total average shareholders' equity			
Ordinary share capital, reserves and retained earnings	21,929	20,078	19,637
Preference share capital	871	871	871
	22,800	20,949	20,508
Total average liabilities and shareholders' equity	426,571	377,436	349,155

Average balance sheet and related interest, cont'd

	Half year Mar 08 %	Half year Sep 07 %	Half year Mar 07 %
Gross earnings rate[1]			
Australia	8.12	7.74	7.59
New Zealand	9.42	8.98	8.55
Overseas Markets	5.94	6.36	6.45
Total Group	8.23	7.96	7.76

Interest spread and net interest average margin may be analysed as follows:

	Half year Mar 08 %	Half year Sep 07 %	Half year Mar 07 %
Australia			
Gross interest spread	1.60	1.75	1.78
Interest foregone on impaired assets	(0.01)	(0.01)	(0.01)
Net interest spread	1.59	1.74	1.77
Interest attributable to net non-interest bearing items	0.44	0.41	0.47
Net interest margin - Australia	2.03	2.15	2.24
New Zealand			
Gross interest spread	1.46	1.56	1.63
Interest foregone on impaired assets	(0.01)	(0.01)	(0.01)
Net interest spread	1.45	1.55	1.62
Interest attributable to net non-interest bearing items	0.55	0.61	0.61
Net interest margin - New Zealand	2.00	2.16	2.23
Overseas Markets			
Gross interest spread	1.35	1.36	1.33
Interest foregone on impaired assets	(0.02)	(0.03)	(0.03)
Net interest spread	1.33	1.33	1.30
Interest attributable to net non-interest bearing items	0.00	0.16	0.50
Net interest margin - Overseas Markets	1.33	1.49	1.80
Group			
Gross interest spread	1.58	1.72	1.75
Interest foregone on impaired assets	(0.01)	(0.01)	(0.01)
Net interest spread	1.57	1.71	1.74
Interest attributable to net non-interest bearing items	0.42	0.44	0.50
Net interest margin	1.99	2.15	2.24

1. *Average interest rate received on interest earning assets*

Derivative financial instruments

Derivatives

Derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices. They include swaps, forward rate contracts, futures, options and combinations of these instruments. The use of derivatives and their sale to customers as risk management products is an integral part of the Group's trading activities. Derivatives are also used to manage the Group's own exposure to fluctuations in exchange and interest rates as part of its asset and liability management activities. Derivatives are subject to the same types of credit and market risk as other financial instruments, and the Group manages these risks in a consistent manner.

The following table provides an overview of the Group's exchange rate, interest rate, commodity and credit derivatives. It includes all contracts, both trading and hedging.

Notional principal amount is the face value of the contract and represents the volume of outstanding transactions. Fair value is the net position of contracts with positive market values and negative market values.

	As at 31 March 2008			As at 30 September 2007		
	Notional Principal amount	Total fair value		Notional Principal amount	Total fair value	
		Assets	Liabilities		Assets	Liabilities
	$M	$M	$M	$M	$M	$M
Foreign exchange contracts						
Spot and forward contracts	264,212	4,404	(4,564)	278,479	4,637	(6,570)
Swap agreements	185,882	9,075	(8,078)	141,881	6,710	(6,907)
Futures contracts	307	8	(11)	144	7	(6)
Options purchased	5,809	548	-	6,476	1,047	-
Options sold	12,373	-	(528)	9,718	-	(1,001)
Collateral[1]	-	(2,856)	2,966	-	(1,875)	1,612
	468,583	11,179	(10,215)	436,698	10,526	(12,872)
Commodity Contracts						
Derivative contracts	7,764	1,707	(1,817)	15,429	1,664	(1,600)
Interest rate contracts						
Forward rate agreements	103,617	9	(9)	137,039	15	(15)
Swap agreements	1,043,891	12,853	(12,082)	944,079	8,639	(8,300)
Futures contracts	55,309	1,928	(1,959)	96,815	979	(996)
Options purchased	17,421	229	-	26,621	142	-
Options sold	26,856	-	(210)	22,711	-	(115)
Other contracts	814	35	(46)	-	-	-
	1,247,908	15,054	(14,306)	1,227,265	9,775	(9,426)
Credit default swaps						
Credit derivatives purchased[2]	23,392	1,541	(35)	21,946	223	(84)
Credit derivatives sold[2]	22,293	29	(1,458)	18,665	84	(198)
	45,685	1,570	(1,493)	40,611	307	(282)
Total	1,769,940	29,510	(27,831)	1,720,003	22,272	(24,180)

1. *Collateral relates predominantly to Foreign Exchange contracts*
2. *Includes credit derivatives purchased and sold in credit intermediation trades*

AAS - Australian Accounting Standards (also known as AIFRS).

AASB - Australian Accounting Standards Board.

Adjusted Common Equity (ACE) is Tier 1 capital less preference shares and other Hybrid Capital at current exchange rates, regulatory deductions from total capital and transitional capital relief as approved by the Australian Prudential Regulation Authority (APRA).

AIFRS - Australian Equivalents to International Financial Reporting Standards (also known as AAS).

Business Unit description:

Personal

Personal is a division comprising Mortgages, Banking Products, Consumer Finance, Rural Commercial & Agribusiness Products, Small Business Banking Products, Esanda, Investment and Insurance Products, and a number of other areas, including the branch network and marketing and support costs in Australia.

- **Mortgages** provides housing finance to consumers in Australia for both owner occupied and investment purposes.
- **Banking Products** provides transaction banking and savings products, such as term deposits, V2+ and cash management accounts.
- **Consumer Finance** provides consumer and commercial credit cards, ePayment products, personal loans, merchant payment facilities in Australia and ATM facilities.
- **Rural Commercial & Agribusiness Products** provides a full range of banking services to personal customers and to small business and agribusiness customers in rural and regional Australia.
- **Small Business Banking Products** provides a full range of banking services for metropolitan-based small businesses in Australia with unsecured loans up to $100,000.
- **Esanda** provides motor vehicle and equipment finance, operating leases and investment products.
- **Investments and Insurance Products** comprises ANZ Australia's Financial Planning, Margin Lending, insurance distribution and Trustees businesses in addition to ETrade, an online broking business.

Institutional

Institutional division provides a full range of financial services principally to Australia and New Zealand corporate and institutional customers in all geographies. Institutional has a major presence in Australia and New Zealand and also has operations in Asia, Europe and the United States.

- **Working Capital** provides working capital solutions including lending and deposit products, cash transaction banking management, trade finance, international payments, securities lendings, clearing and custodian services principally to institutional and corporate customers.
- **Markets** provides risk management services to corporate and institutional clients globally in relation to foreign exchange, interest rates, credit and commodities. This includes the business providing origination, underwriting, structuring and risk management services, advice and sale of credit and derivative products globally. Markets also manages the Group's interest rate risk position.
- **Business Banking** provides a full range of banking services, including risk management, to metropolitan based small to medium sized business clients with up to $50 million turnover.
- **Relationship Lending** manages the Institutional and Corporate balance sheets with a particular focus on credit quality, diversification and maximising risk adjusted returns.
- **Corporate Finance (excluding Relationship Lending)** provides complex financing and advisory services, structured financial products, leasing, private equity finance, project finance, leveraged finance and infrastructure investment products to our global client set.
- **Relationships & Infrastructure** includes Institutional Banking, Financial Institutions and Corporate Banking. These units are our client relationship teams for our global Institutional and Financial Institutions customers, and our Corporate customers in Australia.
- **Non-continuing business** includes the London headquartered project finance business, the run-off of New Zealand conduit transactions and certain structured finance transactions that ANZ has exited.

New Zealand Businesses

New Zealand Businesses includes the following:

- **National Bank Retail**, operating under the National Bank brand in New Zealand, provides a full range of banking services to personal and business banking customers.
- **ANZ Retail**, operating under the ANZ brand in New Zealand, provides a full range of banking services to personal and business banking customers.
- **Corporate & Commercial Banking** incorporates the ANZ and National Bank brands and provides financial solutions through a relationship management model for medium-sized businesses with a turnover up to NZD100 million.
- **Rural Banking** provides a full range of banking services to rural and agribusiness customers.
- **Private Banking and Retail Specialist Units** includes ANZ's 49% stake in ING New Zealand, Private Banking operating under the ANZ and National Bank brands and Bonus Bonds.
- **UDC** provides motor vehicle and equipment finance, operating leases and investment products.
- **Central Support** includes Treasury funding and shared services.

Business Unit description, continued:

Asia Pacific

Asia Pacific includes the following:

- **Retail Asia** includes the Personal and Private Banking Asia business.
- **Asian Partnerships** is a portfolio of strategic retail partnerships in Asia. This includes partnerships in Indonesia with PT Panin Bank, in the Philippines with Metrobank, in Cambodia with the Royal Group, in China with Bank of Tianjin and Shanghai Rural Commercial Bank, in Malaysia with AMMB Holdings Berhad and in Vietnam with investments in Sacombank and Saigon Securities Incorporation.
- **Institutional Asia Pacific** includes the trade finance, relationship lending, markets and corporate finance businesses in Asia and foreign exchange activities in the Pacific region
- **Retail Pacific** provides retail and corporate banking services to customers in the Pacific Region.
- **Executive & Support** includes the central support functions for the division.

INGA

INGA includes the equity accounted earnings from our 49% stake in ING Australia Ltd, a joint venture between ANZ and ING.

Group Centre

- **Group Centre** includes Operations, Technology & Shared Services, Treasury (funding component), Group People Capital, Group Strategic Development, Group Financial Management, Group Risk Management, Capital Funding and Group Items.
- **Private Bank** specialises in assisting high net worth individuals and families to manage, grow and preserve their assets. The contribution of the Private Bank business in the Group Centre includes only sales commissions. Other revenue earned is recognised in Personal division.

Collective provision is the Provision for Credit Losses that are inherent in the portfolio but not able to be individually identified; presently unidentified impaired assets. A collective provision may only be recognised when a loss event has already occurred. Losses expected as a result of future events, no matter how likely, are not recognised.

Customer deposits represent term deposits, other deposits bearing interest, deposits not bearing interest and borrowing corporations debt excluding collateralised loan obligation and securitisation vehicle funding.

Expected loss is determined based on the expected average annual loss of principal over the economic cycle for the current risk profile of the lending portfolio.

Equity standardisation Economic Value Added (EVA[TM]) principles are in use throughout the Group, whereby risk adjusted capital is allocated and charged against business units. Equity standardised profit is determined by eliminating the impact of earnings on each business unit's book capital and attributing earnings on the business unit's risk adjusted capital. This enhances comparability of business unit performance. Geographic results are not equity standardised.

Impaired assets are those financial assets where doubt exists as to whether the full contractual amount will be received in a timely manner, or where concessional terms have been provided because of the financial difficulties of the customer. Financial Assets are impaired if there is objective evidence of impairment as a result of a loss event that occurred prior to the reporting date, and that loss event has had an impact, which can be reliably estimated, on the expected future cash flows of the individual asset or portfolio of assets.

Individual provision charge is the amount of expected credit losses on those financial instruments assessed for impairment on an individual basis (as opposed to on a collective basis). It takes into account expected cash flow over the lives of those financial instruments.

Liquid assets are cash and cash equivalent assets. Cash equivalent assets are highly liquid investments with short periods to maturity, are readily convertible to cash at ANZ's option and are subject to an insignificant risk of changes in value.

Net advances includes **gross** loans and advances and acceptances and capitalised brokerage/mortgage origination fees, less income yet to mature and allowances for credit on impairment.

Net inter business unit expenses (also known as Service Transfer Pricing) consists of the charges made between business units for the provision of support services. Both payments and receipts by business units are shown as net inter business unit expenses.

Net interest average margin is net interest income as a percentage of average interest earning assets. Non-assessable interest income is grossed up to the equivalent before tax amount for the purpose of these calculations.

Net interest spread is the average interest rate received on interest earning assets less the average interest rate paid on interest bearing liabilities. Non-assessable interest income is grossed up to the equivalent before tax amount for the purpose of these calculations.

Net non-interest bearing items which are referred to in the analysis of interest spread and net interest average margin, include shareholders' equity, provision for impairment of loans and advances, deposits not bearing interest and other liabilities not bearing interest, offset by premises and equipment and other non-interest earning assets. Non-performing loans are included within interest bearing loans, advances and bills discounted.

Net tangible assets equals share capital and reserves attributable to shareholders of the Group less preference share capital and unamortised intangible assets (including software).

Non-performing commitments, contingencies and derivatives comprises undrawn facilities, derivative exposures and contingent facilities where the customer's status is defined as impaired.

Non-performing loans comprises drawn facilities where the customer's status is defined as impaired.

Operating expenses excludes the provision for impairment of loans and advances charge.

Operating income in business segments includes equity standardised net interest and other operating income.

Overseas includes the results of all operations outside Australia, except if New Zealand is separately identified.

Overseas Markets includes all operations outside of Australia and New Zealand. The Group's geographic segments are Australia, New Zealand and Overseas Markets.

Return on asset ratios include net intra group assets which are risk weighted at 0% for return on risk weighted assets calculations.

Revenue includes net interest income and other operating income.

Segment assets represents total external assets excluding deferred tax assets.

Segment result represents equity standardised profit before income tax expense.

Segment revenue includes equity standardised net interest income and other operating income.

Significant items are items that typically have a substantial impact on profit after tax, or the earnings used in the earnings per share calculation. Significant items also do not arise in the normal course of business and are infrequent in nature. Divestments are typically defined as significant items.

Sticky deposits exhibit a longer duration than the actual contractual term due to favourable behavioural characteristics.