Australia and New Zealand Banking Group Limited

ABN 11 005 357 522

Full Year

30 September 2008

Consolidated Results

Dividend Announcement and

Appendix 4E

The Consolidated Results and Dividend Announcement constitutes the preliminary final report and contains the information required by Appendix 4E of the Australian Securities Exchange Listing Rules. It should be read in conjunction with ANZ's 2008 Annual Report, and is lodged with the Australian Securities Exchange under listing rule 4.3A.

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

Report for the full year ended 30 September 2008

			A$ million
Operating income	⇧ 7%*	to	**12,159**
Profit after tax attributable to shareholders	⇩ 21%*	to	**3,319**
Proposed final dividend per ordinary share, fully franked at 30% tax rate			**74 cents**
(previous corresponding period 74 cents fully franked at 30% tax rate)			
Interim 2008 dividend per ordinary share, fully franked at 30% tax rate			62 cents
Record date for the proposed final dividend			12 November 2008
The proposed final dividend will be payable to shareholders registered in the books of the Company at 5:00 pm (Melbourne time) on 12 November 2008			
Payment date for the proposed final dividend			18 December 2008

* Compared to the full year ended 30 September 2007

Highlights

All figures compared to the full year ended 30 September 2007 unless otherwise indicated

Profit

Profit after tax $**3,319** million	down	**21**%
Cash^ profit after tax $**3,029** million	down	**23**%

Earnings per share and dividend

EPS **170.4** cents	down	**24**%
Cash^ EPS **155.3** cents	down	**26**%
Full year dividend **136** cents		unchanged

Other key measures

Revenue^ **$11,495** million	up	**4**%
Cost to income ratio^ **47.4**%	up	**2.5**%
Provisions **$1,948** million	up	**$1,426**m
Gross non-performing loans **$1,750** million	up	**$1,084**m

Business highlights^

- A solid underlying result (before provisions and credit risk on derivatives) highlighting quality of franchise and business resilience in a difficult environment.
- The Personal division profit increased 12%, income from growth in deposits and lending up 13% and 12% respectively.
- The flow on effects of global financial disruption including increased credit impairment costs drove a 65% reduction in profit for the Institutional division.
- A strong result in the Asia Pacific division with profit up 52%. Operating income increased 46%.
- Acceptable performance in New Zealand given the economy has slowed significantly. Provisions have increased significantly from historic lows resulting in a NZD 12% decline in net profit after tax.
- Credit impairment charges have increased $1.4 billion to $1.9 billion, and $0.7 billion in charges have been taken for the credit risk on derivatives.
- The collective provision is above 1 per cent of credit risk weighted assets providing a strong position against the deterioration in the global credit environment and softened domestic economies.
- Tier 1 capital ratio is 7.7%.

^ 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)

CONSOLIDATED RESULTS, DIVIDEND ANNOUNCEMENT and APPENDIX 4E
Full year ended 30 September 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 information on which the Condensed Consolidated Financial Information is based is in the process of being audited by the Group's auditors, KPMG. The Company has a formally constituted Audit Committee of the Board of Directors. The signing of this preliminary final report was approved by resolution of a Committee of the Board of Directors on 22 October 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.

Media Release

For Release: 23 October 2008

ANZ reports 2008 Profit of $3,319 million

Strong underlying performance offset by increased provisions

Highlights (All comparisons are with 2007 full year figures)		
Profit $3,319 million	**down**	**21%**
Cash* profit $3,029 million	**down**	**23%**
Underlying revenue* $12,343 million	**up**	**12%**
EPS 170.4 cents	**down**	**24%**
Cash* EPS 155.3 cents	**down**	**26%**
Proposed full year dividend 136 cents (fully franked)	**unchanged**	

Full year profit

Australia and New Zealand Banking Group Limited (ANZ) today announced a profit after tax of $3,319 million for the 12 months to 30 September 2008, down 21%. Cash profit* of $3,029 million was down 23%.

The full year dividend has been maintained at 136 cents per share fully franked.

Underlying revenue* grew 12%, with lending growth for the year of 16% and growth in deposits and other borrowings of 21% highlighting an increased reliance on AA-rated banks during the global financial turmoil, the relative strength of the regional economy and the quality of ANZ's franchise.

The results were impacted by a $1.4 billion increase in credit impairment charges on lending to $1.9 billion along with a $0.7 billion charge for credit risk on derivatives. The collective provision has been strengthened by $829 million to sit at over 1% of credit risk weighted assets providing a strong position against the deteriorating global credit environment and softening economic conditions. The increase in the individual provision charge to $1.1 billion was driven principally by a small number of large single name exposures in the Institutional portfolio.

Net interest margin declined 18 basis points impacted by the dislocation in global credit markets , partly offset by actions taken by ANZ to recover margin losses incurred in the first half.

Operating expenses* grew 10% year on year reflecting continued substantial investment in the Asia Pacific business, remedial work in the Institutional division, lower than normal spend in the first half of 2007 and the full year impact of prior period investment in the Personal division.

ANZ Chief Executive Officer Mr Mike Smith said: "The solid underlying result shows the strength of the Australian banking system and highlights ANZ's ability to weather an extremely challenging year. We have maintained our dividend, provided security and confidence for our customers and worked hard to meet community expectations with responsible, sustainable banking services.

* 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)

"Since I joined ANZ in October 2007, we have done much to put the Bank on a new footing with a clear strategy focused on creating a super regional bank. We recognised the new reality in financial markets early and strengthened the balance sheet, increased capital and liquidity and systematically tackled some deficiencies in operating processes and controls. We have also created a new business model to lift customer focus and drive performance improvement.

"The growth in credit losses is disappointing but our ability to manage and absorb this shows a high level of resilience.

"Importantly the underlying performance of our business is sound. We delivered an excellent performance in Personal which has remained one of Australia's best performing retail banks and one of Australia's strongest deposit taking institutions. In Asia Pacific we are building a growth business which is delivering very good results leveraging the high economic growth in Asia and the deep regional liquidity pools.

"In Institutional, the business environment and operational issues have been more difficult, however we have adjusted our business model and tightened risk management to ensure we have a strong core customer franchise. In New Zealand, we have the leading market position and we are maintaining that franchise while driving productivity improvements.

"We are positioned well and will continue to take the necessary action to ensure ANZ remains one of the world's leading banks with a strong credit rating.

"In the medium term, the main game at ANZ is our super regional strategy. What is clear is that ANZ has the right foundation to build upon although there will be a continuing period of remedial work in some areas. There are significant opportunities emerging from the environment. Continuing to manage the Bank in a steady decisive manner in the near term will set ANZ up to deliver on our aspiration to become a super regional bank. This is the key to creating greater value and out-performance for our shareholders over the longer term," Mr Smith said.

DIVISIONAL PERFORMANCE

Personal

Personal division profit grew 12%, driven by strong income from customer deposits and lending (up 13% and 12% respectively), and continued benefits derived from investment in the business.

Improved operating income (up 11%) reflected good contributions from Banking Products (+18%), Small Business (+25%) and Consumer Finance (+8%). The Investment and Insurance Products business income, while well up for the year (+13%), had a weaker second half due to reduced trading volumes in ETrade and lower volumes in financial planning.

Expenses increased 9% due to investment in personnel (approximately 50% of total) and premises, increased marketing and technology spend and the impact of 100% ownership of ETrade (acquired May 2007). ANZ has opened four new branches this year along with 209 ATMs and increased staff predominantly in customer facing roles.

The increase in provisions year on year largely reflects increased volume as loss rates have remained stable at around 28 basis points. Delinquency rates while tracking above last year are being tightly managed.

Institutional

Underlying trends in the Institutional business were encouraging with good contributions to profit from Working Capital, Business Banking and Global Markets. The Division's result was, however, adversely impacted by the global credit crisis. Increased provisions on a small number of corporate names along with credit risk on derivatives drove a 65% decrease in net profit.

Credit risk on derivatives reduced full year revenue by $721 million. Of this, $156 million related to losses on contracts with two mining companies and a financial institution. Credit impairment associated with protection purchased on credit intermediation trades comprised $531 million (USD425 million) and the remaining $34 million related to changes in counterparty credit ratings across the rest of our derivatives portfolio.

We expect the credit impairment associated with the credit intermediation trades to be substantially written back over time as either credit derivative markets improve and/or the transactions mature. The mark-to-market value of the protection is impacted by fluctuations in currency (USD versus AUD), movement in credit spreads and the time value of the derivatives.

A deterioration in the financial position of a small number of Australian corporates significantly increased individual provisioning, while the collective provision was increased to reflect volume growth, risk in the financial institutions and property sectors, and changes in the economic cycle.

Net lending assets grew 27% and margins increased off their low point experienced in early 2008.

Following an extensive internal review, the Institutional business recently announced a new streamlined structure focused on our client relationship business across three geographies. Refinement of the business model will see Institutional exit a number of businesses enabling greater focus on those areas capable of delivering superior growth and returns for shareholders within appropriate risk parameters.

New Zealand Businesses (in NZD)

Net profit declined 12% due a significant increase in provisioning off an historically low base (2008: $286 million; 2007: $78 million).

The second half saw the impacts of a slowing economy flowing through along with margin pressures, increased funding costs and higher provisions. Corporate and Commercial Banking, Rural, Private Banking and UDC achieved good growth in profit before provisions while the two retail divisions were in line with last year.

Income grew 4% driven largely by balance sheet growth (lending up 11%, customer deposits up 9%) which was offset by margin contraction (-21 basis points). Expenses increased 4% driven by increased numbers of customer facing staff and investment in business initiatives however this was offset by strong control of discretionary expenditure and productivity initiatives.

The New Zealand Businesses improved their market share during the year with gains in most business segments while also maintaining customer satisfaction levels.

Asia Pacific

The Asia Pacific division produced an excellent 52% increase in profit reflecting the full year impact of successful investments in partnership businesses such as AMMB Holdings Berhad and Shanghai Rural Commercial Bank (acquired in late 2007) along with earnings from PT Bank Pan Indonesia (Panin). The Asia Pacific Institutional business profit grew 38% reflecting increased Markets business. The Division also benefited from mark-to-market gains on bonds convertible into shares in Saigon Securities Inc and on warrants issued by Panin ($43 million before tax).

Operating income grew 46%. As well as an 82% increase in net advances, which benefited interest income, increased product capabilities generated higher fee and other revenue. The Division’s transformation program was accelerated to provide the base for future growth. Operating expenses increased 46% as the branch network grew, new technology was installed and increased client relationship and specialist resources were employed throughout the region (+1,086 FTEs).

Average lending assets grew 56% largely funded by growth in deposits and other borrowings. Provisions grew $22 million primarily through asset growth along with some increase to collective provision to reflect an economic cycle adjustment during the first half of the year.

CAPITAL AND FUNDING

ANZ's Tier 1 capital ratio of 7.7% compares well globally and against domestic peers, and represents an increase of 87 basis points since March 2008. The Group has been proactive throughout the year in its efforts to further strengthen capital, undertaking a series of initiatives including exchanging StEPS for ordinary equity, underwriting the interim dividend and raising $1.7 billion in hybrid Tier 1 capital. To further strengthen its capital ratios ANZ will also underwrite the final 2008 dividend.

Notwithstanding particularly challenging capital market conditions, ANZ has issued a record $39 billion of term wholesale debt during the year to further strengthen our funding and liquidity position. Additionally, since 30 September 2008 the liquid asset portfolio has been significantly increased to over $53 billion, which provides sufficient cover for over 12 months of all offshore wholesale debt maturities.

OUTLOOK

Commenting on the 2009 outlook for ANZ, Mr Smith said: "Market conditions globally remain difficult and unpredictable. The restructure of our business announced in September is designed to accelerate progress with our Super Regional Bank strategy, lift customer focus and drive performance improvement.

"Managing a large commercial bank means managing through a range of conditions. While we expect choppy conditions to continue in 2009, ANZ is well positioned to manage this cycle, to continue to invest and maximise the opportunities which arise.

"We have the foundation, a clear direction and the capacity to deliver performance and value to our shareholders over the longer term," Mr Smith said.

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Profit

	Half year Sep 08 $M	Half year Mar 08 $M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 $M	Full year Sep 07 $M	Movt Sep 08 v. Sep 07 %
Net interest income	4,070	3,780	8%	**7,850**	7,302	8%
Other operating income[1]	1,951	2,358	-17%	**4,309**	4,038	7%
Operating income	6,021	6,138	-2%	**12,159**	11,340	7%
Operating expenses	(2,995)	(2,701)	11%	**(5,696)**	(4,953)	15%
Profit before credit impairment and income tax	3,026	3,437	-12%	**6,463**	6,387	1%
Provision for credit impairment	(1,267)	(681)	86%	**(1,948)**	(522)	large
Profit before income tax	1,759	2,756	-36%	**4,515**	5,865	-23%
Income tax expense	(398)	(790)	-50%	**(1,188)**	(1,678)	-29%
Minority interest	(5)	(3)	67%	**(8)**	(7)	14%
Profit attributable to shareholders of the Company	1,356	1,963	-31%	**3,319**	4,180	-21%

1. *Includes share of joint venture and associates profit*

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 Sep 08 $M	Half year Mar 08 $M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 $M	Full year Sep 07 $M	Movt Sep 08 v. Sep 07 %
Profit attributable to shareholders of the Company	1,356	1,963	-31%	**3,319**	4,180	-21%
Less: Non-core items						
Significant items[1]						
Gain on Visa shares	-	248	-100%	**248**	-	n/a
Organisational transformation costs	(152)	-	n/a	**(152)**	-	n/a
Impairment of intangible - Origin Australia	-	(24)	-100%	**(24)**	-	n/a
Restatement of deferred tax balances for announced New Zealand tax rate change	(7)	8	large	**1**	(24)	large
Gain on sale of Esanda Fleetpartners	-	-	n/a	**-**	195	-100%
Total significant items	(159)	232	large	**73**	171	-57%
Economic hedging - fair value gains/losses[2]	176	67	large	**243**	69	large
NZD and USD revenue hedge - mark-to-market[2]	(16)	(10)	60%	**(26)**	16	large
Total non-core items	1	289	-100%	**290**	256	13%
Cash profit	1,355	1,674	-19%	**3,029**	3,924	-23%

1. *In 2008 ANZ has classified as significant items the gain from the allocation of shares in Visa in March 2008 of $248 million after tax (tax impact: $105 million), costs associated with organisational transformation of $152 million after tax (tax impact: $66 million) including process re-engineering and ATM write-offs relating to a network upgrade, costs associated with the 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 $1 million (Sep 2008 half: $7 million loss; Mar 2008 half: $8 million gain) following the restatement of deferred tax assets consequent to the reduction in New Zealand tax rate. In 2007 ANZ classified as significant items the gain on sale of Esanda Fleetpartners of $195 million after tax (tax impact: $nil 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 announced change in the New Zealand company tax rate which takes effect from 1 October 2008. ANZ excludes significant items to eliminate the distorting effect of one-off transactions on the results of its core business (refer page 26)*
2. *The Group enters into economic hedges to manage its interest rate and foreign exchange risk. In 2008 ANZ has classified a gain of $243 million after tax (2007 full year: $69 million; Sep 2008 half: $176 million; Mar 2008 half: $67 million) relating to economic hedging as a non-core item (tax impact $107 million (2007 full year: $31 million; Sep 2008 half: $78 million; March 2008 half: $29 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 $26 million (2007 full year: $16 million gain; Sep 2008 half: $16 million loss; Mar 2008 half: $10 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 $13 million credit (2007 full year: $7 million expense; Sep 2008 half: $9 million credit; Mar 2008 half: $4 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 27)*

Cash profit, cont'd

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

	Half year Sep 08 $M	Half year Mar 08 $M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 $M	Full year Sep 07 $M	Movt Sep 08 v. Sep 07 %
Net interest income	4,070	3,780	8%	**7,850**	7,302	8%
Other operating income	1,722	1,923	-10%	**3,645**	3,720	-2%
Operating income	5,792	5,703	2%	**11,495**	11,022	4%
Operating expenses	(2,777)	(2,667)	4%	**(5,444)**	(4,953)	10%
Profit before credit impairment and income tax	3,015	3,036	-1%	**6,051**	6,069	0%
Provision for credit impairment	(1,267)	(681)	86%	**(1,948)**	(522)	large
Profit before income tax	1,748	2,355	-26%	**4,103**	5,547	-26%
Income tax expense	(388)	(678)	-43%	**(1,066)**	(1,616)	-34%
Minority interest	(5)	(3)	67%	**(8)**	(7)	14%
Cash[1] profit	1,355	1,674	-19%	**3,029**	3,924	-23%

Earnings per share

	Half year Sep 08	Half year Mar 08	Movt Sep 08 v. Mar 08	Full year Sep 08	Full year Sep 07	Movt Sep 08 v. Sep 07
Earnings per ordinary share (cents)						
Basic	68.3	102.4	-33%	**170.4**	224.1	-24%
Diluted	65.9	98.6	-33%	**162.2**	218.3	-26%
Cash[1] (basic adjusted for non-core items)	68.3	87.1	-22%	**155.3**	210.3	-26%

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

Condensed balance sheet

	As at Sep 08 $M	As at Mar 08 $M	As at Sep 07 $M	Movt Sep 08 v. Mar 08 %	Movt Sep 08 v. Sep 07 %
Assets					
Liquid assets	**25,030**	17,803	16,987	41%	47%
Due from other financial institutions	**9,862**	11,850	8,040	-17%	23%
Trading and available-for-sale assets	**32,657**	31,203	29,173	5%	12%
Derivative financial instruments	**36,941**	29,217	22,204	26%	66%
Net loans and advances including acceptances	**350,484**	333,766	303,415	5%	16%
Other	**16,050**	14,516	12,954	11%	24%
Total assets	**471,024**	438,355	392,773	7%	20%
Liabilities					
Due to other financial institutions	**20,092**	19,134	19,116	5%	5%
Deposits and other borrowings	**283,966**	264,996	233,743	7%	21%
Derivative financial instruments	**31,927**	27,831	24,180	15%	32%
Liability for acceptances	**15,297**	15,756	14,536	-3%	5%
Bonds and notes	**67,323**	63,549	54,075	6%	24%
Other	**25,867**	23,125	25,075	12%	3%
Total liabilities	**444,472**	414,391	370,725	7%	20%
Total equity	**26,552**	23,964	22,048	11%	20%

Financial ratios

	Half year Sep 08 $M	Half year Mar 08 $M	Full year Sep 08 $M	Full year Sep 07 $M
Profit attributable to shareholders of the Company	1,356	1,963	**3,319**	4,180
Cash[1] profit	1,355	1,674	**3,029**	3,924
Profitability ratios				
Return on:				
Average ordinary shareholders' equity[2]	11.4%	17.7%	**14.5%**	20.9%
Average ordinary shareholders' equity[2] (cash[1] profit basis)	11.4%	15.1%	**13.2%**	19.6%
Average assets	0.61%	0.92%	**0.76%**	1.15%
Average assets (cash[1] profit basis)	0.61%	0.78%	**0.69%**	1.08%
Total income	7.0%	10.8%	**8.9%**	13.7%
Net interest margin	2.02%	1.99%	**2.01%**	2.19%
Profit per average FTE ($)	37,331	56,356	**93,288**	125,533
Efficiency ratios				
Operating expenses to operating income	49.7%	44.0%	**46.8%**	43.7%
Operating expenses to average assets	1.34%	1.27%	**1.30%**	1.36%
Operating expenses to operating income (cash[1])	47.9%	46.8%	**47.4%**	44.9%
Operating expenses to average assets (cash[1])	1.25%	1.25%	**1.25%**	1.36%
Credit impairment provisioning				
Collective provision charge	470	348	**818**	83
Individual provision charge[3]	797	333	**1,130**	439
Total provision charge	1,267	681	**1,948**	522
Individual provision charge[4] as a % of average net advances	0.41%	0.21%	**0.31%**	0.15%
Total provision charge[4] as a % of average net advances	0.69%	0.42%	**0.56%**	0.18%
Credit risk on derivatives	422	299	**721**	45
Ordinary share dividends (cents)				
Interim - 100% franked (Mar 07: 100% franked)	n/a	62	**62**	62
Final - 100% franked (Sep 07: 100% franked)	74	n/a	**74**	74
Ordinary share dividend payout ratio[5]	113.4%	61.4%	**82.6%**	60.9%
Cash[1] ordinary share dividend payout ratio[5]	113.4%	72.2%	**90.6%**	65.0%
Preference share dividend ($M)				
Dividend paid[6]	23	23	**46**	37

1. *Refer footnotes 1 and 2 on page 5*
2. *Average ordinary shareholders' equity excludes minority interest and preference share dividend*
3. *Includes $98 million impairment expense on available-for-sale assets (2007 full year: $nil; Sep 2008 half: $98 million; March 2008 half: $nil)*
4. *For the purposes of this ratio the individual provision charge excludes impairment expense on available-for-sale assets of $98 million (2007 full year: $nil; Sep 2008 half: $98 million; March 2008 half: $nil)*
5. *Dividend payout ratio is calculated using the proposed final dividend as at 30 September 2008 and the 31 March 2008, 30 September 2007 and 31 March 2007 dividends*
6. *Represents dividends paid on Euro Hybrid issued on 13 December 2004*

Financial ratios, cont'd

	As at Sep 08	As at Mar 08	As at Sep 07	Movt Sep 08 v. Mar 08 %	Movt Sep 08 v. Sep 07 %
Net Assets					
Net tangible assets[1] per ordinary share ($)	**10.72**	10.06	9.36	7%	15%
Net tangible assets[1] attributable to ordinary shareholders ($M)	**21,878**	19,326	17,462	13%	25%
Total number of ordinary shares (M)	**2,040.7**	1,921.4	1,864.7	6%	9%
Capital adequacy ratio (%)	**Basel II**	**Basel II**	**Basel I**		
Tier 1	**7.7%**	6.9%	6.7%		
Tier 2	**3.4%**	3.2%	4.1%		
Total capital ratio	**11.1%**	10.1%	10.1%		
Risk weighted assets[2] ($M)	**275,434**	267,486	275,018		
Impaired assets					
Collective provision ($M)	**2,821**	2,340	1,992	21%	42%
Collective provision as a % of credit risk weighted assets[2]	**1.13%**	0.94%	0.73%	20%	
Gross non-performing loans[3] ($M)	**1,750**	1,048	666	67%	large
Individual provisions on non-performing loans[3] ($M)	**(646)**	(295)	(260)	large	large
Net non-performing loans ($M)	**1,104**	753	406	47%	large
Net non-performing commitments and contingencies ($M)	**48**	46	27	4%	78%
Restructured items[4]	**846**	-	-	n/a	n/a
Individual provision as a % of gross non-performing loans[3]	**36.9%**	28.1%	39.0%	31%	-5%
Gross non-performing loans as % of net advances[3]	**0.50%**	0.31%	0.22%	61%	large
Net non-performing loans as a % of net advances[3]	**0.31%**	0.23%	0.13%	35%	large
Net non-performing loans, commitments and contingencies as a % of shareholders' equity[5]	**4.35%**	3.34%	1.97%	30%	large
Other information					
Full time equivalent staff (FTE)	**36,925**	35,482	34,353	4%	7%
Assets per FTE ($M)	**12.8**	12.4	11.4	3%	12%
Market capitalisation of ordinary shares ($M)	**38,263**	43,328	55,382	-12%	-31%

1. *Equals shareholders' equity less preference share capital, minority interest, unamortised goodwill and other intangibles*
2. *2008 risk weighted assets are calculated using Basel II methodology; prior period numbers reflect Basel I methodology*
3. *Excludes non-performing commitments and contingencies*
4. *Represents customer facilities which for reason of financial difficulty have been re-negotiated on terms which the Bank considers as uncommercial but necessary in the circumstances, and are not considered non-performing. Includes both on and off balance sheet exposures*
5. *Includes minority interest*

Business unit analysis

Profit after income tax[1]	Half year Sep 08 $M	Half year Mar 08 $M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 $M	Full year Sep 07 $M	Movt Sep 08 v. Sep 07 %
Personal	763	722	6%	**1,485**	1,330	12%
Institutional	125	401	-69%	**526**	1,482	-65%
New Zealand Businesses	239	361	-34%	**600**	720	-17%
Asia Pacific	231	182	27%	**413**	271	52%
INGA	50	76	-34%	**126**	154	-18%
Group Centre	36	15	large	**51**	92	-45%
less: Institutional Asia Pacific[2]	(89)	(83)	7%	**(172)**	(125)	38%
Cash profit	1,355	1,674	-19%	**3,029**	3,924	-23%
Non-core items[3]	1	289	-100%	**290**	256	13%
Profit	1,356	1,963	-31%	**3,319**	4,180	-21%

Profit before non-derivative credit impairment and income tax[1]	Half year Sep 08 $M	Half year Mar 08 $M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 $M	Full year Sep 07 $M	Movt Sep 08 v. Sep 07 %
Personal	1,336	1,220	10%	**2,556**	2,288	12%
Institutional	870	968	-10%	**1,838**	2,130	-14%
New Zealand Businesses	523	600	-13%	**1,123**	1,130	-1%
Asia Pacific	298	271	10%	**569**	390	46%
INGA	51	77	-34%	**128**	155	-17%
Group Centre	54	33	64%	**87**	142	-39%
less: Institutional Asia Pacific[2]	(117)	(133)	-12%	**(250)**	(166)	51%
Cash profit	3,015	3,036	-1%	**6,051**	6,069	0%
Non-core items[3]	11	401	-97%	**412**	318	30%
Profit	3,026	3,437	-12%	**6,463**	6,387	1%

Net loans and advances including acceptances by business unit[1]	As at Sep 08 $M	As at Mar 08 $M	As at Sep 07 $M	Movt Sep 08 v. Mar 08 %	Movt Sep 08 v. Sep 07 %
Personal	**164,494**	155,524	147,363	6%	12%
Institutional	**105,400**	99,205	82,869	6%	27%
New Zealand Businesses	**74,611**	74,053	68,672	1%	9%
Asia Pacific	**13,253**	10,070	7,300	32%	82%
Group Centre	**1,553**	1,735	1,740	-10%	-11%
less: Institutional Asia Pacific[2]	**(8,827)**	(6,821)	(4,529)	29%	95%
Net loans and advances including acceptances	**350,484**	333,766	303,415	5%	16%

Customer deposits by business unit[1]	As at Sep 08 $M	As at Mar 08 $M	As at Sep 07 $M	Movt Sep 08 v. Mar 08 %	Movt Sep 08 v. Sep 07 %
Personal	**74,207**	69,778	65,394	6%	13%
Institutional	**79,625**	75,488	68,665	5%	16%
New Zealand Businesses	**40,587**	40,679	38,333	0%	6%
Asia Pacific	**15,726**	13,443	11,101	17%	42%
Group Centre	**1,499**	1,685	1,807	-11%	-17%
less: Institutional Asia Pacific[2]	**(6,915)**	(6,001)	(4,071)	15%	70%
Customer deposits	**204,729**	195,072	181,229	5%	13%

1. *Prior period numbers have been adjusted for organisational structure changes. Refer page 37 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 Sep 08 $M	Half year Mar 08 $M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 $M	Full year Sep 07 $M	Movt Sep 08 v. Sep 07 %
Profit attributable to shareholders of the Company	1,356	1,963	-31%	**3,319**	4,180	-21%
Non-core items[1]	(1)	(289)	-100%	**(290)**	(256)	13%
Cash[1] profit	1,355	1,674	-19%	**3,029**	3,924	-23%

ANZ recorded a profit after tax of $3,319 million for the full year ended 30 September 2008, a decrease of $861 million (21%). After adjusting for non-core items[1] referred to on pages 26 and 27, cash[1] profit decreased by $895 million (23%) to $3,029 million. The cash result includes an increase in provision for credit impairment of $1,426 million, reflecting the deterioration in the global credit market and a softening in the New Zealand and Australian economies. It also includes a $721 million reduction in operating income from credit risk on derivatives (2007: $45 million).

Cash[1] profit

	Half year Sep 08 $M	Half year Mar 08 $M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 $M	Full year Sep 07 $M	Movt Sep 08 v. Sep 07 %
Net interest income	4,070	3,780	8%	**7,850**	7,302	8%
Other operating income	1,722	1,923	-10%	**3,645**	3,720	-2%
Operating income	5,792	5,703	2%	**11,495**	11,022	4%
Operating expenses	(2,777)	(2,667)	4%	**(5,444)**	(4,953)	10%
Profit before credit impairment and income tax	3,015	3,036	-1%	**6,051**	6,069	0%
Provision for credit impairment	(1,267)	(681)	86%	**(1,948)**	(522)	large
Profit before income tax	1,748	2,355	-26%	**4,103**	5,547	-26%
Income tax expense	(388)	(678)	-43%	**(1,066)**	(1,616)	-34%
Minority interest	(5)	(3)	67%	**(8)**	(7)	14%
Cash[1] profit	1,355	1,674	-19%	**3,029**	3,924	-23%

1. *In 2008 ANZ has classified as significant items the gain from the allocation of shares in Visa in March 2008 of $248 million after tax (tax impact: $105 million), costs associated with organisational transformation of $152 million after tax (tax impact: $66 million) including process re-engineering and ATM write-offs relating to a network upgrade, costs associated with the 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 $1 million (Sep 2008 half: $7 million loss; Mar 2008 half: $8 million gain) following the restatement of deferred tax assets consequent to the reduction in New Zealand tax rate. In 2007 ANZ classified as significant items the gain on sale of Esanda Fleetpartners of $195 million after tax (tax impact: $nil 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 announced change in the New Zealand company tax rate which takes effect from 1 October 2008. ANZ excludes significant items to eliminate the distorting effect of one-off transactions on the results of its core business (refer page 26)*

The Group enters into economic hedges to manage its interest rate and foreign exchange risk. In 2008 ANZ has classified a gain of $243 million after tax (2007 full year: $69 million; Sep 2008 half: $176 million; Mar 2008 half: $67 million) relating to economic hedging as a non-core item (tax impact $107 million (2007 full year: $31 million; Sep 2008 half: $78 million; March 2008 half: $29 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 $26 million (2007 full year: $16 million gain; Sep 2008 half: $16 million loss; Mar 2008 half: $10 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 $13 million credit (2007 full year: $7 million expense; Sep 2008 half: $9 million credit; Mar 2008 half: $4 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 27)

2008 result

Trends in income, credit costs and tax expense have been distorted by:

- treatment of credit risk on derivatives of $721 million (2007: $45 million), mainly related to structured credit intermediation trades, as negative revenue in the Income Statement (refer also page 20); and
- a structured transaction that generated a fee and which also resulted in a $127 million reduction in income offset by a $127 million credit in tax expense.

The table below reclassifies these items to credit impairment expense and tax expense respectively to give a clearer picture of income growth and credit losses.

Cash profit restated to reclassify credit risk on derivatives and a structured transaction

	Half year Sep 08 $M	Half year Mar 08 $M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 $M	Full year Sep 07 $M	Movt Sep 08 v. Sep 07 %
Net interest income	4,070	3,780	8%	**7,850**	7,302	8%
Other operating income	2,261	2,232	1%	**4,493**	3,765	19%
Operating income	6,331	6,012	5%	**12,343**	11,067	12%
Operating expenses	(2,777)	(2,667)	4%	**(5,444)**	(4,953)	10%
Profit before impairment and income tax	3,554	3,345	6%	**6,899**	6,114	13%
Credit risk on derivatives	(422)	(299)	41%	**(721)**	(45)	large
Provision for credit impairment	(1,267)	(681)	86%	**(1,948)**	(522)	large
Profit before income tax	1,865	2,365	-21%	**4,230**	5,547	-24%
Income tax expense	(505)	(688)	-27%	**(1,193)**	(1,616)	-26%
Minority interest	(5)	(3)	67%	**(8)**	(7)	14%
Cash[1] profit	1,355	1,674	-19%	**3,029**	3,924	-23%

1. *Refer footnote 1 on page 11*

After removing these distorting impacts, cash profit before credit impairment and income tax increased $785 million (13%) over the previous financial year. Net interest income increased $548 million (8%) following strong balance sheet growth, particularly in Institutional and Personal, resulting in an increase in interest earning assets of 17%. This was partially offset by a reduction in net interest margin of 18 basis points reflecting the impact of the global credit crisis and increased competition especially on customer deposits.

Underlying other operating income increased $728 million (19%) over the previous financial year. This increase was spread across all revenue lines and most divisions. Personal increased $156 million (12%) reflecting strong account acquisition, volume growth and revenue initiatives. Institutional increased $393 million (26%), due mainly to increased non-lending fees from strong deal activity and higher foreign exchange earnings in a volatile currency market. Asia Pacific (excluding Institutional Asia Pacific) increased $137 million (68%) mainly from increased equity accounted earnings.

Operating expenses increased $491 million (10%), largely reflecting substantial investment in Asia Pacific required to drive the growth agenda, remedial work undertaken in Institutional in relation to the Securities Lending business and the full year impact of prior period investment in Personal.

Cash profit reduced year on year by 23% as a result of provision for credit impairment increasing by $1,426 million and credit risk on derivatives growing $676 million. Around 89% of the growth in credit impairment relates to the Institutional division and reflects mark-to-market losses on credit intermediation trades (refer page 20), losses on a small number of larger institutional customers, an allowance for concentration risk in the financial institution and property sectors and impairment of a corporate debt security and certain bonds backed by US Alt-A mortgages held for liquidity purposes.

Income and expenses

Net Interest Income

	Half year Sep 08 $M	Half year Mar 08 $M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 $M	Full year Sep 07 $M	Movt Sep 08 v. Sep 07 %
Net interest income	4,070	3,780	8%	**7,850**	7,302	8%
Average interest earning assets	403,388	379,440	6%	**391,414**	333,361	17%
Net interest margin (%)	2.02	1.99	2%	**2.01**	2.19	-8%

- **2008 result**

Net interest income at $7,850 million for the year was 8% ($548 million) higher than the September 2007 year.

Volume

Average interest earning assets increased $58.1 billion (17%):

- Net advances grew $45.3 billion (16%). Personal grew $16.3 billion (12%), primarily in Mortgages ($13.3 billion) and Rural Commercial & Agribusiness Products ($1.3 billion) as a result of continuing customer demand for retail housing and investment loans. Institutional grew $22.6 billion (30%) due to corporate re-intermediation following the tightening of global credit markets earlier in the year with growth primarily in Relationship Lending ($12.5 billion), Markets ($4.5 billion), Business Banking ($2.2 billion), Corporate Finance ($1.8 billion) and Working Capital ($1.8 billion). New Zealand Businesses grew $5.5 billion or 8% (NZD10.4 billion or 14%) with growth primarily across the Retail and Rural businesses. Asia Pacific (excluding Institutional Asia Pacific) grew $0.6 billion (22%) due to continuous business expansion into the Asia Pacific region. Private Bank increased $0.3 billion (24%).
- Other interest earning assets increased $12.8 billion (26%), due to higher trading and investment securities ($6.5 billion) and other liquid assets ($3.6 billion) primarily in Markets following our decision to hold a higher liquidity portfolio during the current market turmoil. Amounts due from other financial institutions increased $2 billion.

Average deposits and other borrowings increased $46.1 billion (22%):

- Customer deposits grew $20.2 billion (12%). Personal grew $8.3 billion (14%) as a result of ongoing marketing campaigns, branch expansion and higher deposit rates. Institutional grew $9.6 billion (16%) due to customer acquisitions and a flight to cash investments reflecting share market volatility. New Zealand Businesses grew $1.8 billion (5%) with growth mainly across the Retail and Rural businesses. Asia Pacific (excluding Institutional Asia Pacific) increased $0.3 billion (4%) and Private Bank increased $0.2 billion (52%).
- Wholesale funding grew $25.9 billion (58%) to fund growth in the asset book with growth in Group Treasury ($14.1 billion), Institutional ($9.5 billion) and New Zealand Businesses ($2.7 billion), partly offset by a decrease in Personal of $0.4 billion.

Other wholesale funding, comprising Loan capital and Bonds and notes, increased $10.0 billion (15%).

Margin

Net interest margin decreased by 18 basis points to 2.01% during the year. The turmoil in global credit markets has changed the dynamics of margin movement, as higher market funding costs and liquidity concerns are inter-linked with ANZ's pricing and liquidity decisions. The net impact on margin of this turmoil and other drivers is explained as follows:

- Credit market impacts (-7 basis points)
  - Higher wholesale funding costs (-12 basis points).
  - Competitive pressures on deposits to retain and attract customer funding (-5 basis points).
  - A higher proportion of low margin liquid assets held (-3 basis points).
  - Competitive pressures in the asset book partly offset by re-pricing activities (-3 basis points).
  - Out of cycle rate adjustments (+8 basis points).
  - Benefit in a rising rate environment on deposits and capital (+8 basis points).
- Funding mix (-5 basis points)

  Margins were impacted by a lower proportion of funding through deposits (-4 basis points) and a higher proportion of wholesale funding (-1 basis point)
- Asset mix (-2 basis points)
  - A lower proportion of high margin lending assets in Personal (-1 basis point).
  - An increase in the proportion of low margin business in Institutional (-1 basis point).
- Other items (-4 basis points) principally due to:
  - Higher funding costs associated with unrealised trading gains (-3 basis points), however this is directly offset by an equivalent increase in trading income.
  - Lower New Zealand mortgage prepayment income (-1 basis point) due to downward movement in New Zealand market rates.
  - Sundry items including brokerage expenses, earnings on non-traded interest rate risk, securitisation charges and other minor adjustments which had a nil net impact.

Income and expenses, cont'd

Net Interest Income, cont'd

- **Comparison with March 2008 half**

Net interest income at $4,070 million for the September 2008 half was 8% ($290 million) higher than the March 2008 half.

Volume

Average interest earning assets increased $23.9 billion (6%):

- Net advances grew $17.1 billion (5%). Personal division grew $8.1 billion (5%), mainly in Mortgages ($6.5 billion) which has experienced similar average growth to prior halves despite higher interest rates and a slowing economy. Institutional grew $8.9 billion (10%) mainly in Relationship Lending ($4.4 billion), Working Capital ($1.5 billion), Business Banking ($1.0 billion) and Corporate Finance ($1.7 billion), reflecting the full six month impact of the corporate re-intermediation that occurred during the March 2008 half. Asia Pacific (excluding Institutional Asia Pacific) grew $0.5 billion (18%). New Zealand Businesses decreased $0.4 billion or -1% (increased in NZD4.9 billion or 6%) due to exchange rate movements.
- Other interest earning assets increased $6.8 billion (12%) driven mainly by higher levels of liquid assets ($3.1 billion) and trading and investment securities ($1.5 billion) and amounts due from other financial institutions ($1.3 billion).

Average deposits and other borrowings grew $18.3 billion (7%):

- Customer deposits grew $5.3 billion (3%). Personal grew $3.8 billion (6%) as a result of ongoing marketing campaigns and competitive pricing on deposits. Institutional grew $2.3 billion (3%) mainly in Working Capital ($2.4 billion) due to customer acquisitions and a flight to cash investments in light of share market volatility. New Zealand Businesses decreased $0.6 billion (-1%), due mainly to exchange rate movements, with the underlying businesses in NZD terms growing by NZD2.3 billion (5%) across the Retail and Rural businesses. Asia Pacific (excluding Institutional Asia Pacific) decreased $0.2 billion (-2%).
- Wholesale funding increased $13.0 billion (20%) driven by Group Treasury ($7.2 billion) and Institutional ($6.9 billion) to fund asset growth, partly offset by a decrease in New Zealand Businesses ($0.9 billion) and a decrease in Personal ($0.2 billion).

Other wholesale funding, comprising Loan capital and Bonds and notes, increased $4.7 billion (6%).

Margin

Net interest margin increased by 3 basis points to 2.02% from the March 2008 half. The impact of actions taken to recover margin losses incurred due to the global credit crisis, are evident in the improvement in margin in the September half. The net impact on margin of the market turmoil and other drivers is explained as follows:

- Credit market impacts (+2 basis points)
  - Higher wholesale funding costs (-11 basis points).
  - Competitive pressures around deposits to retain and attract customer funding (-5 basis points).
  - A higher proportion of low margin liquid assets held (-1 basis point).
  - Flow through impact of re-pricing activities on the asset book (+4 basis points).
  - Out of cycle rate adjustments (+10 basis points).
  - Benefit in a rising rate environment on holding deposits and capital (+5 basis points).
- Funding mix (-1 basis point)

  Change in funding mix saw a reduction in the proportion of high margin deposits partly offset by an increase in the proportion of free funds.
- Asset mix (nil net impact)

  The mix in assets remained relatively stable in the September half compared to the March half, with minor offsetting mix changes having a nil net impact.
- Other items (+2 basis points) principally due to:
  - Higher earnings from non-traded interest rate risk (+4 basis points).
  - Higher funding costs associated with unrealised trading gains (-1 basis point), however this is directly offset by an equivalent increase in trading income.
  - Lower New Zealand mortgage prepayment income (-1 basis point) due to downward movement in New Zealand market rates.
  - Sundry items including brokerage expenses, securitisation charges and other minor adjustments which had a nil net impact.

Income and expenses, cont'd

Other Operating Income

	Half year Sep 08 $M	Half year Mar 08 $M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 $M	Full year Sep 07 $M	Movt Sep 08 v. Sep 07 %
Fee income	1,347	1,309	3%	**2,656**	2,380	12%
Foreign exchange earnings	406	339	20%	**745**	495	51%
Profit on trading instruments	95	249	-62%	**344**	358	-4%
Credit risk on derivatives[1]	(422)	(299)	41%	**(721)**	(45)	large
Other	296	325	-9%	**621**	532	17%
Core other operating income	1,722	1,923	-10%	**3,645**	3,720	-2%
Ineffective hedge fair value gains/losses[2]	252	96	large	**348**	100	large
NZD and USD revenue hedges - mark-to-market[2]	(23)	(14)	64%	**(37)**	23	large
Significant items[2]	-	353	-100%	**353**	195	81%
Other operating income	1,951	2,358	-17%	**4,309**	4,038	7%
Composition of Markets income						
Net interest income	39	(49)	large	**(10)**	74	large
Foreign exchange earnings	280	265	6%	**545**	377	45%
Profit on trading instruments	203	266	-24%	**469**	342	37%
Credit risk on derivatives[1]	(422)	(299)	41%	**(721)**	(45)	large
Fee and other income	29	29	0%	**58**	31	87%
Total Markets income	129	212	-39%	**341**	779	-56%

1. *Reflects fair value adjustments on derivative financial instruments to reflect changes in counterparty credit worthiness. Refer page 20 for further details.*
2. *Refer footnote 1 on page 11*

▪ **2008 result**

Other operating income increased $271 million (7%) for the year. Core other operating income decreased $75 million after excluding non-core items (refer pages 26 and 27) or increased $689 million excluding the impact of credit risk on derivatives, a loss on a structured transaction in Corporate Finance and the full year impact of ETrade.

The following explanations are based on core other operating income:

- Fee income increased $276 million (12%):
  - Lending fee income increased $104 million (21%). Personal increased $47 million: Banking Products increased $21 million reflecting strong account acquisitions, Mortgages increased $16 million due to increased sales volumes and pricing initiatives and Consumer Finance increased $6 million as a result of volume growth. Institutional increased $43 million reflecting volume growth in Relationship Lending, Corporate Finance, Markets and Business Banking. New Zealand Businesses increased $10 million largely in the retail banks due to pricing initiatives.
  - Non-lending fee income increased $172 million (9%). Personal increased $112 million with a $53 million increase in Consumer Finance due to increasing account numbers and lending growth. Banking Products increased $31 million, driven mainly by pricing initiatives and new account acquisitions and Esanda increased $14 million through revenue initiatives. Institutional increased $65 million with strong deal activity in Corporate Finance (up $50 million) and volume growth in Working Capital (up $11 million).
- Foreign exchange earnings increased $250 million. Institutional increased $182 million, due mainly to a $168 million increase in Markets due to volatility in global currency markets and higher sales volumes and an $11 million increase in Working Capital driven mainly by new product initiatives. Group Centre increased $62 million, driven mainly by hedge gains due to the weaker NZD and USD.
- Profit on trading instruments decreased $14 million. This revenue is mainly derived from Institutional, with Corporate Finance decreasing $122 million primarily as a result of a structured transaction which has an offsetting credit in tax expense. ANZ Capital decreased $36 million due to mark-to-market movements in private equity investments. Partially offsetting these reductions, Markets increased $127 million, which included a $138 million increase in unrealised trading gains directly offset by an equivalent decrease in net interest income. Relationship Lending increased $14 million due to mark-to-market impacts of credit derivatives used to hedge existing customers.
- Credit risk on derivatives increased $676 million mainly reflecting the increase in the credit valuation adjustments and defaults relating to structured credit intermediation trades, a general decline in the value of corporate credit spreads which impacts derivative financial instruments and the defaults by two mining companies and a financial institution. Refer page 20 for further details.

Income and expenses, cont'd

Other Operating Income, cont'd

- Other income increased $89 million (17%). Asia Pacific increased $116 million, due mainly to increased equity accounted income from our investments during the second half of 2007 in AMMB Holdings Berhad (AMMB) and Shanghai Rural Commercial Bank (SRCB) as well as increased income from Panin Bank. Group Centre increased $20 million due mainly to higher profit on property sales. Personal increased $14 million, excluding the disposal of the remaining MasterCard shares in 2007. Investment and Insurance Products increased $22 million with higher brokerage fees following consolidation of our investment in ETrade. The disposal of the remaining MasterCard shares in 2007, not repeated this year, reduced other operating income by $27 million. INGA decreased $26 million with a decline in earnings due to the downturn in the investment market. Institutional decreased $7 million with a $50 million decrease in ANZ Capital due to lower income from private equity and infrastructure earnings. Corporate Finance increased $29 million as a result of increased income from Capital Solutions and Leasing and Structured Asset Finance. Markets increased $21 million due mainly to a mark-to-market gain on Saigon Securities Incorporation (SSI) options.
- Movements in average exchange rates decreased total other operating income by $15 million.

▪ Comparison with March 2008 half

Other operating income decreased $407 million (17%) from the March 2008 half. After adjusting for non-core items (refer pages 26 and 27), core other operating income decreased $201 million (10%) or increased $29 million excluding the impact of the credit risk on derivatives and loss on a structured transaction in Corporate Finance.

The following explanations are based on core other operating income:

- Fee income increased $38 million (3%).
  - Lending fee income increased $25 million (9%):
    - Institutional increased $16 million. Relationship Lending increased $5 million due to lending growth. Markets increased $5 million and Corporate Finance grew $3 million, both due to increased deal activity.
    - Personal increased $10 million. Banking Products increased $3 million through account acquisitions. Consumer Finance and Mortgages both grew $2 million as a result of volume growth.
  - Non-lending fee income increased $13 million (1%):
    - Personal increased $21 million. Banking Products increased $14 million due mainly to pricing initiatives. Consumer Finance increased $14 million through growth in account numbers. Investment and Insurance Products decreased $9 million as a result of lower sales volumes.
    - Institutional increased $12 million (5%). Working Capital increased $6 million reflecting stronger growth in transaction volumes. Markets increased $6 million as a result of fees earned by the Securitisation business.
    - New Zealand Businesses decreased $14 million (NZD decreased 3 million).
- Foreign exchange earnings increased $67 million. Group Centre increased $45 million as a result of hedge gains due to the weaker NZD and USD. Institutional increased $19 million driven mainly by higher sales flows in Markets.
- Profit on trading instruments decreased $154 million. Institutional decreased $159 million with Corporate Finance $109 million lower mainly as a result of a structured transaction. Markets was $63 million lower, including a $22 million increase from derivative positions, offset in net interest income. Relationship lending increased $7 million due to mark-to-market impacts of credit derivatives used to hedge existing customers. ANZ Capital increased $5 million due to mark-to-market movements in private equity investments.
- Credit risk on derivatives increased $123 million largely reflecting a widening of credit spreads of counterparty financial guarantors and underlying credit on credit intermediation trades and the impact of currency fluctuations (USD versus AUD).
- Other income decreased $29 million:
  - Institutional decreased $28 million. ANZ Capital decreased $18 million due to lower earnings in Alternative Assets and the deconsolidation of Stadium Australia income in March 2008. Markets decreased $12 million due primarily to mark-to-market gains on the convertible options on the SSI investment in the March 2008 half not repeated this half.
  - Group Centre decreased $23 million due mainly to lower profit on property sales.
  - INGA decreased $24 million with reduced earnings due to the downturn in the investment market.
  - Personal decreased $11 million with Insurance and Investment Products $7 million lower due to a reduction in ETrade brokerage income.
  - Asia Pacific increased $59 million. Retail Asia increased $55 million due to higher equity accounted income from our investments in AMMB, SRCB and Bank of Tianjin, and increased income from Panin Bank.
- Movements in average exchange rates increased total other operating income $6 million.

Income and expenses, cont'd

Expenses

	Half year Sep 08 $M	Half year Mar 08 $M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 $M	Full year Sep 07 $M	Movt Sep 08 v. Sep 07 %
Personnel expenses	1,635	1,625	1%	**3,260**	2,991	9%
Premises expenses	260	252	3%	**512**	462	11%
Computer expenses	308	299	3%	**607**	592	3%
Other expenses	574	491	17%	**1,065**	908	17%
Core operating expenses	2,777	2,667	4%	**5,444**	4,953	10%
Impairment of intangible - Origin Australia	-	34	-100%	**34**	-	n/a
Transformation initiatives[1]	218	-	n/a	**218**	-	n/a
Total operating expenses	2,995	2,701	11%	**5,696**	4,953	15%
Total employees	36,925	35,482	4%	**36,925**	34,353	7%

1. *Comprises personnel costs of $172 million, computer costs of $2 million and other costs of $44 million (refer page 26)*

▪ **2008 result**

Operating expenses increased $743 million (15%) for the year. After adjusting for non-core items (refer pages 26 and 27), core operating expenses increased $491 million (10%) or $460 million excluding the full year impact of ETrade. Asia Pacific contributed 3% of this increase in costs with substantial investment in expanding branch networks across the region and increased resources to provide leadership and support to drive the growth agenda. Personal was impacted by a lower than normal spend in the March 2007 half and the full year impact of prior period investment, including new branches in the latter half of 2007 and additional collections staff. Institutional costs grew driven by growth in staff numbers of 13% with increases concentrated in our strategic growth areas of Asia and Markets, and in our frontline relationship staff. Institutional software amortisation and other IT costs increased $16 million, and the Division incurred costs of $22 million as a result of the Securities Lending Review.

The following explanations are based on core operating expenses:

- Personnel costs were up $269 million (9%) 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:
  - Asia Pacific (excluding Institutional Asia Pacific) staff numbers increased 30%. Asia Retail increased 57% due to continued growth in the business, particularly in Cambodia and Vietnam. Pacific increased 10% resulting from business growth strategies particularly in Fiji and Papua New Guinea.
  - Institutional staff numbers increased 13%. Markets grew 27% with growth in Asia and Australia focused on revenue generating initiatives. Institutional Banking increased 45% driven mainly by expansion in Asia.
  - Personal staff numbers increased 3%. Mortgages increased 6% to support increased volumes. Consumer Finance increased 4% to resource increased volumes and to increase collections capacity.
- Premises costs increased $50 million (11%), driven mainly by a $51 million higher rental expense reflecting additional space requirements, the impact of the sale and leaseback program and market rental growth.
- Computer costs increased $15 million (3%), due mainly to an increase in computer contractors to enhance technology risk management and for architecture investment programs.
- Other expenses increased $157 million (17%). Professional fees increased $32 million with Institutional increasing $16 million, due mainly to the Securities Lending Review, and Asia Pacific up $8 million as a result of initiatives in line with the growth strategy. Advertising spend increased $25 million, with Personal increasing $12 million, due mainly to an $8 million increase in Mortgages directed at loan volume growth and Banking Products up $8 million as a result of the deposit growth strategy. Group Centre advertising spend increased $9 million, which included ANZ Stadium sponsorship. Non-lending losses increased $29 million with Personal up $13 million as a result of small increases spread throughout the Division. Travel costs grew $15 million with Asia Pacific up $9 million and Institutional $6 million higher with small increases spread across both divisions. Depreciation of furniture and equipment increased $9 million due to refurbishments. A number of other smaller cost increases included stamp and other duties up $8 million, a rise in postage and stationery of $7 million from increased customer communications and a $5 million increase in losses on sale of furniture and equipment.
- Movements in exchange rates decreased costs $95 million.

Income and expenses, cont'd

Expenses, cont'd

- **Comparison with March 2008 half**

Operating expenses increased $294 million (11%) from the March 2008 half. After adjusting for non-core items (refer pages 26 and 27), core operating expenses increased $110 million (4%).

The following explanations are based on core operating expenses:

- Personnel expenses increased $10 million (1%) as a result of a 4% increase in staff numbers mainly in the following business units:
  - Asia Pacific (excluding Institutional Asia Pacific) increased 15%. Asia Retail increased 27% due to the continued growth of the business particularly in Cambodia and Vietnam.
  - Institutional staff numbers grew 8% due to an 11% increase in Markets with growth in Asia and Australia focused on revenue generating initiatives and a 7% increase in Business Banking due to frontline growth initiatives.
- Premises costs increased $8 million (3%) with rental expenses growing $16 million reflecting the impact of the sale and leaseback program and market rental growth offset by a $6 million reduction in utilities and other outgoings due to lower repairs and maintenance costs.
- Computer costs increased $9 million (3%). Computer contractors grew $3 million due to project work on risk information security.
- Other expenses increased $83 million, including a $27 million increase in Professional fees with Institutional up $22 million due mainly to the Securities Lending Review. Non lending losses grew $24 million, with a $7 million increase in Institutional driven by a $6 million increase in Working Capital, and a $6 million increase in Personal due mainly to a $3 million increase in Retail Banking. Travel costs grew $7 million with Asia Pacific up $5 million. Stamp and other duties increased $5 million.
- Movements in exchange rates decreased costs $40 million.

Credit risk (including credit risk on derivatives)

Provision for credit impairment charge

The credit impairment charge relating to lending assets, commitments and debt securities classified as available-for-sale assets increased $1,426 million during the year to $1,948 million as a result of the ongoing deterioration in the global credit market and a softening in the New Zealand and Australian economies. The collective and individual provision charges increased in all divisions, with Institutional booking the largest increase. The increase in provisions reflects a combination of a prudent approach taken to recognising impairment in the current volatile conditions by increasing the collective provision, as well as actual losses booked in difficult and tightening market conditions. The Group has also booked $721 million of credit risk on derivatives as a deduction from income, up from $45 million in 2007 (refer page 20 for further details).

	Half year Sep 08 $M	Half year Mar 08 $M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 $M	Full year Sep 07 $M	Movt Sep 08 v. Sep 07 %
Personal	250	187	34%	**437**	386	13%
Institutional	818	400	large	**1,218**	24	large
New Zealand Businesses	173	67	large	**240**	69	large
Asia Pacific	30	34	-12%	**64**	42	52%
Group Centre	3	6	-50%	**9**	2	large
less: Institutional Asia Pacific	(7)	(13)	-46%	**(20)**	(1)	large
Provision for credit impairment charge	1,267	681	86%	**1,948**	522	large

Individual provision charge

The individual provision charge increased $691 million to $1,130 million. The increase in Institutional of $532 million reflects the deterioration in global credit markets and a softening Australian economy, with the majority of the individual provision raised in the second half of 2008 following downgrades for a small number of customers in the broking, finance, mining, business services and manufacturing sectors together with an impairment expense of $98 million relating to securities backed by US Alt-A mortgages and corporate debt instruments held in the liquidity portfolio accounted for on an available-for-sale basis. The increase in New Zealand Businesses of $105 million was driven by higher retail consumer and small to medium business provisioning charges as weak economic conditions impacted household income, consumer spending and small businesses. The Personal increase of $44 million was driven by higher losses in Esanda, Personal Loans and Small Business Banking Products, which have been mostly offset by an improved loss rate in Consumer Credit Cards. The overall loss rate in Personal has remained relatively stable.

	Half year Sep 08 $M	Half year Mar 08 $M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 $M	Full year Sep 07 $M	Movt Sep 08 v. Sep 07 %
Personal	216	168	29%	**384**	340	13%
Institutional	348	100	large	**448**	14	large
New Zealand Businesses	116	41	large	**157**	52	large
Asia Pacific	16	15	7%	**31**	30	3%
Group Centre	3	6	-50%	**9**	2	large
less: Institutional Asia Pacific	-	3	-100%	**3**	1	large
Individual provision charge for loans and advances	699	333	large	**1,032**	439	large
Individual provision charge as a % of average net advances	0.41%	0.21%		**0.31%**	0.15%	
Impairment on AFS assets (Institutional)	98	-	n/a	**98**	-	n/a
Total individual provision charge	797	333	large	**1,130**	439	large
New and increased provisions						
Personal	275	223	23%	**498**	449	11%
Institutional	380	125	large	**505**	142	large
New Zealand Businesses	131	54	large	**185**	80	large
Asia Pacific	20	18	11%	**38**	37	3%
Group Centre	3	8	-63%	**11**	3	large
less: Institutional Asia Pacific	-	-	n/a	**-**	-	n/a
New and increased provisions for loans and advances	809	428	89%	**1,237**	711	74%
Recoveries and writebacks						
Personal	(59)	(55)	7%	**(114)**	(109)	5%
Institutional	(32)	(25)	28%	**(57)**	(128)	-55%
New Zealand Businesses	(15)	(13)	15%	**(28)**	(28)	0%
Asia Pacific	(4)	(3)	33%	**(7)**	(7)	0%
Group Centre	-	(2)	-100%	**(2)**	(1)	100%
less: Institutional Asia Pacific	-	3	-100%	**3**	1	large
Recoveries and writebacks	(110)	(95)	16%	**(205)**	(272)	-25%

Credit risk, cont'd

Collective provision charge

The collective provision charge increased $735 million during the year to $818 million. This included an economic cycle adjustment charge of $225 million due to the deterioration in global credit markets and a slowing New Zealand economy, as well as an incremental risk charge of $300 million to reflect higher portfolio concentration risk within the Institutional portfolio. The increase in Institutional of $662 million was due to portfolio growth and risk movements of $181 million, an economic cycle adjustment charge of $180 million to reflect the impact of deterioration in global credit markets, and an incremental risk charge of $300 million to reflect higher concentration risk within the financial institutions exposures (including securities lending industry) and commercial property portfolios. The increase in New Zealand Businesses of $66 million includes a $36 million economic cycle adjustment charge taken to reflect the expected impact from a slowing New Zealand economy and a $30 million charge for an increase in unsecured consumer delinquencies and weakening in the small to medium business risk profiles. The increase in Asia Pacific was driven by the Institutional Asia Pacific portfolio due to growth. Personal experienced a small increase of $7 million driven by higher delinquencies in cards, adverse risk movements in the Regional and Rural and Small Business Banking portfolios, and an economic cycle adjustment of $7 million. This was partly offset by a lower increase in charges relating to Consumer Finance bankruptcies.

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

Collective provision charge by source	Half year Sep 08 $M	Half year Mar 08 $M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 $M	Full year Sep 07 $M	Movt Sep 08 v. Sep 07 %
Lending growth	66	131	-50%	**197**	145	36%
Risk profile	56	144	-61%	**200**	12	large
Portfolio mix	(15)	(21)	-29%	**(36)**	(6)	large
Economic cycle adjustment	100	125	-20%	**225**	-	n/a
Concentration risk	300	-	n/a	**300**	-	n/a
Other[1]	(37)	(31)	19%	**(68)**	(68)	0%
Collective provision charge	470	348	35%	**818**	83	large
Collective provision charge by business unit						
Personal	34	19	79%	**53**	46	15%
Institutional	372	300	24%	**672**	10	large
New Zealand Businesses	57	26	large	**83**	17	large
Asia Pacific	14	19	-26%	**33**	12	large
Group Centre	-	-	n/a	**-**	-	n/a
less: Institutional Asia Pacific	(7)	(16)	-56%	**(23)**	(2)	large
Collective provision charge	470	348	35%	**818**	83	large

1. *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*

Credit risk on derivatives

ANZ recognised $721 million of credit risk on derivatives during the year (2007: $45 million).

Credit risk on derivatives	Half year Sep 08 $M	Half year Mar 08 $M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 $M	Full year Sep 07 $M	Movt Sep 08 v. Sep 07 %
Credit intermediation trade related	305	226	35%	**531**	-	n/a
Counterparty defaults	111	45	large	**156**	-	n/a
Other counterparties	6	28	-79%	**34**	45	-24%
Credit risk on derivatives	422	299	41%	**721**	45	large

Credit intermediation trade related impairment of $531 million or USD425 million compares to USD369 million figure provided at the 28 July trading update.

This charge arose from:

- changes to the creditworthiness of counterparties to our structured credit intermediation trades (USD425 million or $531 million),
- defaults on customer derivative exposures with two mining companies and a financial institution ($156 million), and
- changes in counterparty credit ratings on the remainder of our derivatives portfolio ($34 million).

Credit risk, cont'd

Credit risk on derivatives, cont'd

Structured credit intermediation trades

ANZ entered into a series of structured credit intermediation trades from 2004 to 2007. The underlying structures involve credit default swaps (CDS) over synthetic collateralised debt obligations (CDOs) (80%), portfolios of external collateralised loan obligations (CLOs) (12%) or specific bonds/floating rate notes (FRNs) (8%).

ANZ sold protection using credit default swaps over these structures and then to mitigate risk purchased protection via credit default swaps over the same trades from eight US financial guarantors many of which are rated AAA.

Notional exposure on credit intermediation trades

The total notional exposure is USD11.24 billion, all of which relates to corporate (including financial institutions) names.

There are no mortgage exposures.

There are 38 structures, i.e. 20 synthetic CDOs with approximately 650 underlying reference assets, 10 CLOs with approximately 700 underlying reference assets and eight bonds/floating rate notes over five corporate names. Although the underlying names in the CDOs (and CLOs) are referenced in more than one structure there is minimal overlap of reference assets (less than 5%) between CDOs and CLOs.

The maturity profile for the CDOs and CLOs runs from 2010 to 2022, with an average remaining term of 6.65 years.

First loss protection

The CDOs and CLOs transactions have a defined subordination level or level of first loss protection; this averages over 19%. The amount of subordination varies with each deal. Typically, the lower range attachment points reflect structures with a greater concentration of more highly rated names. The detachment points similarly reflect the relative risk of the structure, with the average detachment point being 50%.

Each transaction can sustain highly significant levels of default to the portfolios before ANZ incurs a cash loss. ANZ conducted a scenario test on the portfolio using Moody's historical corporate default rates going back to 1920. Only under a great depression scenario were any of the attachment points breached. Even under a great depression scenario the majority of trades remained safe, with total realised cash losses of approximately USD400 million (only if financial guarantors default as well).

Erosion of the attachment point depends on whether defaults occur, and the loss given default on each occasion. Despite defaults having occurred in relation to nine names, the transactions continue to remain investment grade rated.

Credit Risk – mark-to-market impact

As derivatives, both the sold protection and purchased protection are marked-to-market. Prior to the commencement of the global credit crisis, gains and losses were not significant and offset each other in income.

The value of the obligation under the sold protection has grown to USD1.4 billion, for which the purchased protection has provided only a partial offset as:

- one of the purchased protection counterparties has defaulted, and
- ANZ has made a credit valuation adjustment on the remaining counterparties. Although many of the US financial guarantors are AAA or AA, their credit spreads have increased significantly.

As a result of the above, the aggregate of credit risk expense for credit intermediation trades is USD425 million ($531 million) for the financial year 2008.

Since balance date, global financial and equity markets have exhibited abnormal volatility and the Australian dollar has depreciated materially against the US dollar.

The mark-to-market for credit risk on structured credit derivatives purchased has therefore moved significantly since 30 September (around $400 million mark-to-market) reflecting the depreciation of the AUD against the USD (these derivative trades are in USD) and the impact of the market dislocation on credit spreads and correlations.

It is likely there will continue to be substantial volatility in this market value, however ANZ expects the mark-to-market adjustment for credit risk on these structured credit derivatives to substantially reverse as either credit spreads contract and/or the derivatives reach maturity.

Information regarding the credit intermediation trades is available on the ANZ website in the analysts' toolkit.

Credit risk, cont'd

Gross non-performing loans

Gross non-performing loans at $1,750 million represent a $1,084 million increase over 30 September 2007. The increase is principally in Institutional and due to a number of downgrades spread across the finance sector (including broking and financial asset investors), health care and business services segments. The New Zealand Businesses increase was primarily driven by customer downgrades in the retail and small to medium business portfolios. The increase in Personal was driven by higher retail chattel default rates in Esanda (particularly in the commercial and used car sectors), margin lending and residential investment loan defaults relating to a very small number of Private Banking customers and an increase in defaults across commercial and agriculture customers in Regional and Rural Banking. The increase in Asia Pacific was due to two downgrades within Institutional Asia Pacific and rising defaults in Papua New Guinea, Tonga and Fiji.

Net non-performing loans

Net non-performing loans are $1,104 million (Sep 2007: $406 million). The Group has an individual provision coverage ratio of 37%.

	As at Sep 08	As at Mar 08	As at Sep 07	Movt Sep 08 v. Mar 08	Movt Sep 08 v. Sep 07
Gross non-performing loans	**$M**	**$M**	**$M**	**%**	**%**
Personal	**281**	189	170	49%	65%
Institutional	**1,161**	697	355	67%	large
New Zealand Businesses	**267**	133	95	large	large
Asia Pacific	**128**	29	22	large	large
Group Centre	**5**	-	25	n/a	-80%
less: Institutional Asia Pacific	**(92)**	-	(1)	n/a	large
Total gross non-performing loans	**1,750**	1,048	666	67%	large

	As at Sep 08	As at Mar 08	As at Sep 07	Movt Sep 08 v. Mar 08	Movt Sep 08 v. Sep 07
Net non-performing loans					
Personal	**129**	75	68	72%	90%
Institutional	**795**	575	248	38%	large
New Zealand Businesses	**160**	89	58	80%	large
Asia Pacific	**109**	14	9	large	large
Group Centre	**3**	-	23	n/a	-87%
less: Institutional Asia Pacific	**(92)**	-	-	n/a	n/a
Total net non-performing loans	**1,104**	753	406	47%	large
Individual provision coverage	**37%**	28%	39%		

New and increased non-performing loans	Half year Sep 08 $M	Half year Mar 08 $M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 $M	Full year Sep 07 $M	Movt Sep 08 v. Sep 07 %
Personal	432	301	44%	**733**	607	21%
Institutional	1,005	620	62%	**1,625**	325	large
New Zealand Businesses	274	104	large	**378**	142	large
Asia Pacific	126	18	large	**144**	41	large
Group Centre	6	-	n/a	**6**	28	-79%
less: Institutional Asia Pacific	(97)	-	n/a	**(97)**	(1)	large
Total new and increased non-performing loans	1,746	1,043	67%	**2,789**	1,142	large

Credit risk, cont'd

Restructured items[1]	As at Sep 08 $M	As at Mar 08 $M	As at Sep 07 $M	Movt Sep 08 v. Mar 08 %	Movt Sep 08 v. Sep 07 %
Institutional	**846**	-	-	n/a	n/a
Total restructured items	**846**	-	-	n/a	n/a

1. *Represents customer facilities which for reason of financial difficulty have been re-negotiated on terms which the Bank considers as uncommercial but necessary in the circumstances, and are not considered non-performing. Includes both on and off balance sheet exposures*

Net non-performing commitments and contingencies	As at Sep 08 $M	As at Mar 08 $M	As at Sep 07 $M	Movt Sep 08 v. Mar 08 %	Movt Sep 08 v. Sep 07 %
Personal	**-**	4	3	-100%	-100%
Institutional	**43**	26	19	65%	large
New Zealand Businesses	**5**	16	5	-69%	0%
Net non-performing commitments and contingencies	**48**	46	27	4%	78%

Income tax expense

	Half year Sep 08 $M	Half year Mar 08 $M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 $M	Full year Sep 07 $M	Movt Sep 08 v. Sep 07 %
Income tax expense charged in the income statement	398	790	-50%	**1,188**	1,678	-29%
Effective tax rate	22.6%	28.7%		**26.3%**	28.6%	
Income tax expense on cash profit[1]	388	678	-43%	**1,066**	1,616	-34%
Effective tax rate (cash profit[1])	22.3%	28.8%		**26.0%**	29.1%	

1. *Refer footnote 1 on page 11*

- **2008 result**

The Group's effective tax rate was 26.3%, down 2.3%. The decrease primarily reflects higher equity accounted earnings, increased concessionally taxed Offshore Banking Unit (OBU) income mainly as a result of the structured transaction, the restatement of deferred tax balances in 2007 for the announced New Zealand tax rate change and non-assessable mark-to-market gains on fair valued assets related to our associate investments. These items, which reduced the effective tax rate, were partially offset by the usage of capital losses (which offset the gain from the sale of Esanda Fleetpartners) in 2007.

Adjusted for non-core items, the effective tax rate decreased 3.1%, due primarily to higher equity accounted earnings, increased concessionally taxed OBU income and non-assessable market movements on derivatives related to our associate investments.

- **Comparison with March 2008 half**

The Group's effective tax rate decreased 6.1% primarily resulting from increased concessionally taxed OBU income, a reduction in profits generated from countries taxed at a higher rate (NZ and US) and non-assessable mark-to-market gains on fair valued assets related to our associate investments. These reductions were offset by further restatements of deferred tax balances for the announced New Zealand tax rate change.

Adjusted for non-core items, the effective tax rate decreased by 6.5%, due primarily to the reasons mentioned above (excluding the tax rate change offset which is considered a significant item).

Earnings per share[1] (cents)

	Half year Sep 08	Half year Mar 08	Movt Sep 08 v. Mar 08 %	Full year Sep 08	Full year Sep 07	Movt Sep 08 v. Sep 07 %
Basic	68.3	102.4	-33%	**170.4**	224.1	-24%
Diluted	65.9	98.6	-33%	**162.2**	218.3	-26%
Cash earnings per share						
Profit attributable to shareholders of the Company ($M)	1,356	1,963	-31%	**3,319**	4,180	-21%
Less: non-core items included in profit after tax ($M)	(1)	(289)	-100%	**(290)**	(256)	13%
Cash Profit ($M)	1,355	1,674	-19%	**3,029**	3,924	-23%
Preference share dividend[2] ($M)	(23)	(23)	0%	**(46)**	(37)	24%
Earnings adjusted for non-core items ($M)	1,332	1,651	-19%	**2,983**	3,887	-23%
Weighted average number of ordinary shares (M)	1,950.7	1,895.1	3%	**1,921.1**	1,848.5	4%
Cash earnings per share (cents)	68.3	87.1	-22%	**155.3**	210.3	-26%

1. *Refer page 86 for full calculation*
2. *The EPS calculation excludes the Euro Hybrid preference shares*

2008 full year earnings per share decreased 24.0% (53.7 cents) to 170.4 cents over full year 2007. Cash EPS for the Group decreased 26.2% or 55.0 cents over full year 2007. The main drivers of the decline in Cash EPS on September 2007 were:

- an after tax increase in the credit impairment charge (25.3%)
- dilution from an increase in the weighted average number of shares (2.9%)
- partly offset by growth in profit before credit impairment (after tax), which contributed 2.1%.

September 2008 half year earnings per share were down 33.3% (34.1 cents) on the March 2008 half. Cash EPS for the Group decreased 21.6% or 18.8 cents on the March 2008 half. The main drivers of the decline in Cash EPS on the March 2008 half were:

- an after tax increase in the credit impairment charge (24.1%)
- dilution from an increase in the weighted average number of shares (2.3%)
- partly offset by growth in profit before credit impairment (after tax), which contributed 4.8%.

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 $31 million decrease in cash[2] profit for the 2008 year, 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 1.1470 (2008) and 1.140 (2007). USD earnings were translated at effective exchange rates of 0.8945 (2008) and 0.8084 (2007).

	Half Year Sep 2008 v. Half Year Mar 2008			Full Year Sep 2008 v. Full Year Sep 2007		
	FX unadjusted % growth	FX adjusted % growth	FX Impact $M	FX unadjusted % growth	FX adjusted % growth	FX Impact $M
Net interest income	8%	9%	(60)	8%	10%	(135)
Other operating income	-10%	-11%	6	-2%	-2%	(15)
Operating income	2%	2%	(54)	4%	6%	(150)
Operating expenses	4%	-6%	40	10%	-12%	95
Profit before credit impairment and income tax	-1%	0%	(14)	0%	1%	(55)
Provision for credit impairment	86%	-88%	6	large	large	9
Profit before income tax	-26%	-26%	(8)	-26%	-25%	(46)
Income tax expense	-43%	42%	3	-34%	33%	15
Minority interest	67%	-47%	-	14%	-26%	0
Cash[2] profit	-19%	-19%	(5)	-23%	-22%	(31)

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 29*
2. *Refer footnote 1 on page 11*

Impact of acquisitions and disposals

Acquisitions and disposals of consolidated entities give rise to impacts on growth rates when analysing Operating income and Operating expenses. Outlined below are the major 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 was partly sold down in the March 2008 half, and has therefore been deconsolidated from the Group's result.
- ETrade became a wholly owned subsidiary in May 2007.

The impact of these acquisitions and disposals on Operating income and Operating expenses is shown below:

- Operating income increased by $10 million over the 2007 year (Sep 2008 half: $15 million decrease):
  - ETrade increased $30 million (Sep 2008 half: $nil)
  - Stadium Australia decreased $20 million (Sep 2008 half: $15 million decrease).
- Operating expenses have increased by $22 million over the 2007 year (Sep 2008 half: $20 million decrease):
  - ETrade increased $31 million (Sep 2008 half: $nil)
  - Stadium Australia decreased $9 million (Sep 2008 half: $20 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.

	Half year Sep 08 $M	Half year Mar 08 $M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 $M	Full year Sep 07 $M	Movt Sep 08 v. Sep 07 %
Significant items (after tax)						
Gain on Visa shares	-	248	-100%	**248**	-	n/a
Organisational transformation costs	(152)	-	n/a	**(152)**	-	n/a
Impairment of intangible - Origin Australia	-	(24)	-100%	**(24)**	-	n/a
Restatement of deferred tax balances for announced New Zealand tax rate change	(7)	8	large	**1**	(24)	large
Gain on sale of Esanda Fleetpartners	-	-	n/a	**-**	195	-100%
Total significant items	(159)	232	large	**73**	171	-57%
Economic hedging - fair value gains/losses	176	67	large	**243**	69	large
NZD and USD revenue hedge - mark-to-market	(16)	(10)	60%	**(26)**	16	large
Non-core items	1	289	-100%	**290**	256	13%

Non-core items after tax in the income statement

- **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.

  - Organisational transformation costs

    ANZ has incurred costs associated with an organisational transformation of $218 million ($152 million after tax) including process re-engineering within Operations, Technology and Shared Services, an ATM write-off relating to a network upgrade and organisational transformation within our New Zealand business. ANZ expects approximately $130 million of benefits from this transformation in 2009. It is expected a further $100 million before tax (approximately) will be incurred in future years in relation to this transformation with full annualised benefits of $200 million by 2010. In addition to the above transformation projects, on 9 September 2008, ANZ announced a new customer centric business model and structure called One ANZ. This Group-wide transformation will accelerate progress towards becoming a super regional bank. Annualised benefits from One ANZ are expected in the order of $100 million with the full benefits realised in 2010 and beyond. These benefits will build up progressively across 2009 and are likely to be substantially offset by the costs of implementing the program.

  - 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

    In May 2007, the New Zealand Government announced a reduction in company tax rate 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 $1 million profit after tax in the current year following reassessment of timing differences.

  - Gain on sale of Esanda Fleetpartners

    During 2007, ANZ sold Esanda Fleetpartners, which had operations in Australia and New Zealand, to Nikko Principal Investments. Profit on disposal was $195 million ($195 million after tax following the availability of capital losses being applied against the gain) with $128 million recognised in Australia and $67 million recognised 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 $193 million (2007: $46 million; Sep 2008 half: $71 million; Mar 2008 half: $122 million) is a result of widening spreads on the fair value of ANZ's own-issued paper. The significant increase in the ineffective portion of cash flow and fair value hedges ($97 million gain) arises from the impact of global financial market turmoil on short term interest rates in the last few days of the financial year affecting the valuation of floating legs of swaps.

Impact on income statement	**Half year Sep 08 $M**	**Half year Mar 08 $M**	**Full year Sep 08 $M**	**Full year Sep 07 $M**
Non-compliant hedges	91	(33)	58	52
NZD and USD revenue hedges – mark-to-market	(23)	(14)	(37)	23
Use of the fair value option	71	122	193	46
Ineffective portion of effective cash flow and fair value hedges	90	7	97	2
Profit before tax	229	82	311	123
Profit after tax	160	57	217	85

Dividends

Dividend per ordinary share (cents)	**Half year Sep 08**	**Half year Mar 08**	**Movt Sep 08 v. Mar 08**	**Full year Sep 08**	**Full year Sep 07**	**Movt Sep 08 v. Sep 07**
Interim (fully franked)	n/a	62	n/a	**62**	62	0%
Final (fully franked)	74	n/a	n/a	**74**	74	0%
Total				**136**	136	0%
Ordinary share dividend payout ratio (%)	113.4%	61.4%		82.6%	60.9%	
Profit after tax ($M)	1,356	1,963	-31%	**3,319**	4,180	-21%
Non-core items[1] ($M)	(1)	(289)	-100%	**(290)**	(256)	13%
Cash[1] profit ($M)	1,355	1,674	-19%	**3,029**	3,924	-23%
Dividend payout ratio of cash[1] profit (%)	113.4%	72.2%		**90.6%**	65.0%	

1. *Refer footnote 1 on page 11*

The Directors propose that a final dividend of 74 cents be paid on each eligible ordinary share on 18 December 2008. It will be fully franked for Australian tax purposes and brings the total dividends for 2008 to 136 cents, no change on 2007.

ANZ has a Dividend Reinvestment Plan (DRP) and a Bonus Option Plan (BOP). For the 2008 final dividend, ANZ intends to provide shares under the DRP and BOP through the issue of new shares. A discount of 1.5% will be applied when calculating the "Acquisition Price" under the DRP and BOP terms and conditions. This discount will apply in respect of the 2008 final dividend and to future dividends until such time as ANZ announces otherwise. For the 2008 final dividend only, the "Pricing Period" under the DRP and BOP terms and conditions will be the 15 trading days commencing on and including 14 November 2008. Election notices from shareholders to commence, cease or vary participation in the DRP or BOP for the 2008 final dividend must be received by ANZ's Share Registrar by 5.00 pm (Melbourne time) on 12 November 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 pounds sterling and New Zealand dollars respectively at ANZ's exchange rate at 5.00 pm (Melbourne time) on 14 November 2008. For the 2008 final dividend, it is intended that the issue of a specified number of shares in respect of the balance of the dividend which has not been reinvested by shareholders under the DRP or foregone by shareholders under the BOP will be underwritten by UBS AG, Australia Branch. Refer also page 85.

Market risk

Traded Market Risk

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

- **97.5% confidence level (1 day holding period)**

	As at Sep 08 $M	High for period Sep 08 $M	Low for period Sep 08 $M	Avg for period Sep 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	2.4	2.4	0.4	0.8	0.7	1.3	0.2	0.6
Interest rate	2.8	3.6	1.2	1.9	1.6	7.6	1.2	2.6
Credit Spread	1.2	2.6	0.6	1.0	1.0	1.9	0.7	1.2
Commodities	1.3	1.5	0.4	1.0	1.0	1.1	-	0.2
Diversification benefit	(3.6)	n/a	n/a	(2.2)	(2.6)	n/a	n/a	(1.8)
Total VaR	4.1	4.7	1.4	2.5	1.7	8.1	1.4	2.8

- **99% confidence level (1 day holding period)**

	As at Sep 08 $M	High for period Sep 08 $M	Low for period Sep 08 $M	Avg for period Sep 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	3.2	3.2	0.5	1.2	1.1	2.1	0.3	0.8
Interest rate	5.0	5.4	1.3	2.7	2.3	9.8	1.7	3.4
Credit Spread	1.8	3.9	0.9	1.6	1.6	3.2	1.1	2.1
Commodities	2.0	2.3	0.6	1.4	1.4	1.5	0.1	0.3
Diversification benefit	(6.1)	n/a	n/a	(3.4)	(3.7)	n/a	n/a	(2.7)
Total VaR	5.9	8.2	1.7	3.5	2.7	9.9	1.7	3.9

Non-Traded Interest Rate Risk

Non-traded interest rate risk relates to the potential adverse impact of changes in market interest rates on future net interest income. Interest rate risk is reported using various techniques including VaR and scenario analysis to a 1% rate shock.

- **97.5% confidence level (1 day holding period)**

	As at Sep 08 $M	High for period Sep 08 $M	Low for period Sep 08 $M	Avg for period Sep 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								
Australia	11.7	11.7	5.6	8.3	9.2	12.8	3.2	8.2
New Zealand	3.4	3.4	1.8	2.7	2.4	2.6	1.5	2.0
Overseas Markets	3.1	3.6	1.7	2.7	3.3	4.1	1.5	2.3
Diversification benefit	(2.8)	n/a	n/a	(2.9)	(3.0)	n/a	n/a	(3.1)
Total VaR	15.4	15.4	7.9	10.8	11.9	14.9	3.4	9.4

- **Impact of 1% rate shock on the next 12 months' net interest income[1]**

	As at Sep 08 %	As at Sep 07 %
As at 30 September	0.94%	(0.53%)
Maximum exposure	0.94%	0.69%
Minimum exposure	(0.55%)	(0.96%)
Average exposure (in absolute terms)	0.47%	0.38%

1. *The impact is expressed as a percentage of net interest income. A positive result indicates that a rate increase is positive for net interest income. Conversely, a negative indicates a rate increase is negative for net interest income*

Market risk, cont'd

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 $31 million in the Group's profit after tax for 2008 when compared to 2007 (Sep 2008 half: decrease $5 million). This included the impact on earnings (cash basis) from associated revenue hedges, which increased by $58 million (before tax) from September 2007 (Sep 2008 half: $41 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 60) and the debt component of New Zealand Dollar intra-group funding of this business, which amounted to NZD1.77 billion at 30 September 2008. Details of revenue hedges are set out below.

NZD Economic hedges	Half year Sep 08 $M	Half year Mar 08 $M	Full year Sep 08 $M	Full year Sep 07 $M
Net open NZD position (notional principal)	1,474	1,241	**1,474**	643
Amount taken to income (pre tax)	32	(17)	**15**	12
Amount taken to income (pre tax cash basis)	39	3	**42**	(11)
USD Economic hedges				
Net open USD position (notional principal)	69	172	69	-
Amount taken to income (pre tax)	(7)	3	(4)	-
Amount taken to income (pre tax cash basis)	5	-	5	-

In the September 2008 year:

- NZD1.5 billion of economic hedges matured and a realised gain of $42 million (pre-tax) was booked to the income statement.
- NZD1.8 billion of economic hedges are in place at a forward rate of approximately NZD1.19/AUD hedging anticipated 2009 earnings and approximately 25% of anticipated 2010 earnings.
- USD0.1 billion of economic hedges matured and a realised gain of $5 million (pre-tax) was booked to the income statement.
- USD0.1 billion of economic hedges are in place at a forward rate of approximately USD0.91/AUD hedging approximately 18% of 2009 earnings.
- An unrealised loss of $12 million (pre-tax) on the outstanding NZD1.8 billion and USD0.1 billion of economic hedges was booked to the income statement and has been treated as a non-core item as these are hedges of future years' NZD and USD revenues.

Balance sheet

Total assets increased $78.3 billion (20%) from 30 September 2007 to $471.0 billion at 30 September 2008. The net impact of exchange rate movements were minimal at Group level, however a decrease of $2.2 billion in New Zealand was offset by an increase of $2.2 billion in Asia Pacific, the United Kingdom and the United States.

Excluding the impact of exchange rate movements:

- Australia increased $48.7 billion (18%) driven by increases of $16.6 billion in Markets Australia primarily in derivatives and net loans and advances, and in Mortgages ($14.3 billion) and Relationship Lending ($6.6 billion) following growth in net loans and advances.
- New Zealand increased $11.5 billion (13%) with an increase of $4.2 billion in the Institutional business, mainly in derivatives, and strong lending growth of $2.9 billion and $2.8 billion in Retail Banking and Rural Banking respectively.
- Asia Pacific increased $13.4 billion (75%) with growth across the majority of countries, however Korea, Singapore and Hong Kong were the significant growth areas. Korea increased $4.1 billion mainly in available-for-sale assets and derivatives, Singapore increased $3.7 billion with growth in lending assets, liquid assets and derivatives and Hong Kong increased $2.4 billion following growth in liquid assets and lending assets.
- The United Kingdom and the United States grew $4.2 billion (34%) with increases of $2.9 billion in both liquid assets and net loans and advances.
- India increased $0.5 billion.

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

Liquid assets ⇧47% *(Excl Exchange Rates ⇧44%)*

Liquid assets increased $8.0 billion to $25.0 billion at 30 September 2008 mainly from an increase in bank certificates of deposit of $5.1 billion primarily in the United Kingdom, Singapore and the United States. Repurchase agreements increased $1.6 billion in Group Treasury and cash holdings increased $1.2 billion, primarily in New Zealand.

Due from other financial institutions ⇧23% *(Excl Exchange Rates ⇧19%)*

Due from other financial institutions increased $1.8 billion to $9.9 billion at 30 September 2008 due mainly to an increase in interbank lending volumes of $1.7 billion across various countries in Asia Pacific, $0.8 billion in the United Kingdom and the United States and $0.8 billion in Working Capital Australia. This was partially offset by a reduction in interbank lending volumes of $1.2 billion in Group Treasury.

Derivatives ⇧66% *(Excl Exchange Rates ⇧68%)*

Derivative assets increased $14.7 billion to $36.9 billion at 30 September 2008 driven by significant volatility in the foreign exchange, interest rate and credit derivative markets.

Available-for-sale assets ⇧25% *(Excl Exchange Rates ⇧22%)*

Available-for-sale asset volumes increased $3.5 billion to $17.5 billion at 30 September 2008 due mainly to Markets Australia holding highly liquid assets as a result of the current instability in global financial markets and an increase in government bonds held in Korea.

Net loans and advances ⇧16% *(Excl Exchange Rates ⇧16%)*

Net loans and advances increased $46.3 billion to $335.2 billion at 30 September 2008. Excluding the impact of exchange rate movements, the increase was $47.2 billion or 16%.

Growth in Australia was $30.8 billion or 15%:

- Personal grew by $16.7 billion (11%) of which $14.5 billion was due to growth in housing loans from Mortgages. Regional & Rural and Small Business Banking increased by $1.0 billion due to ongoing customer expansion. Consumer Finance increased by $1.0 billion due to customer acquisition and new product offering, Esanda increased $0.6 billion.
- Institutional grew by $14.1 billion (26%) largely driven by re-intermediation of corporate customer following the tightening of global credit markets in Relationship Lending ($6.7 billion) and Markets ($3.9 billion). Corporate Finance grew by $3.7 billion driven by customer transactions and Business Banking was up $0.5 billion.

New Zealand grew by $6.6 billion (9%). After excluding the impact of exchange rates, loans and advances increased by $8.4 billion (11%) due to increases in Retail and Private Banking $3.0 billion, Rural Banking $2.8 billion, Corporate & Commercial Banking $1.7 billion, and Institutional Markets & Treasury $0.9 billion.

Overseas Markets increased $8.9 billion (76%). After excluding the impact of exchange rates, growth was $7.9 billion due primarily to growth in corporate lending in Asia ($4.2 billion), the United Kingdom ($2.1 billion) and the United States ($0.8 million).

Balance sheet, cont'd

Total liabilities increased $73.7 billion (20%) from 30 September 2007 to $444.5 billion at 30 September 2008. Exchange rate movements accounted for an increase of $0.9 billion, consisting of increases of $1.5 billion in Asia Pacific and $1.3 billion in the United Kingdom and the United States partially offset by a reduction of $1.9 billion in New Zealand.

Excluding the impact of exchange rate movements:

- Australia increased $43.3 billion (16%). Strong growth in deposits and other borrowings was delivered in Banking Products ($7.9 billion), Working Capital ($3.6 billion) and Business Banking ($3.3 billion) and Markets Australia, which increased $3.5 billion primarily in derivatives. The increase was also attributable to an increase of $22.2 billion in Treasury within deposits and other borrowings, bonds and notes and loan capital.
- New Zealand increased $12.6 billion (17%) with an increase of $7.4 billion in Treasury in deposits and bonds and notes. The Institutional business increased $2.3 billion in derivatives and deposits and other borrowings increased $1.9 billion in retail banking.
- Asia Pacific increased $12.0 billion (66%) with increases of $3.3 billion in Japan and $0.9 billion in Philippines due to growth in deposits and other borrowings, $2.4 billion in Korea mainly in amounts due to other financial institutions and $2.0 billion in Singapore in derivatives and deposits and other borrowings.
- The United Kingdom and the United States grew $4.9 billion (45%) with an increase of $3.1 billion in the United States in deposits and other borrowings and an increase of $1.1 billion in the United Kingdom also in deposits and other borrowings partially offset by a reduction in amounts due to other financial institutions.

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

Deposits and other borrowings ⇧21% *(Excl Exchange Rates ⇧21%)*

Deposits and other borrowings increased $50.2 billion to $284.0 billion at 30 September 2008.

Australia increased $29.6 billion (19%) largely as a result of increases in the following businesses:

- Personal increased $8.1 billion (12%) following branch expansion, ongoing marketing campaigns and improved attractiveness of bank deposits given higher interest rates and share market volatility. Growth was primarily in cash management account products and term deposit balances in Banking Products ($7.6 billion).
- Institutional increased $7.2 billion (13%) in Working Capital ($3.2 billion) due to growth in term and other high interest deposit accounts and higher volumes in Corporate Finance ($1.8 billion) and Business Banking ($1.7 billion).
- Treasury increased $14.3 billion largely due to an increase in certificates of deposit to fund lending growth.

New Zealand increased $4.6 billion (8%). After excluding the impact of exchange rates, growth was $6.1 billion (10%) with increases largely in Treasury ($2.8 billion) and Retail Banking ($1.7 billion).

Overseas Markets increased $16.1 billion (82%). After excluding the impact of exchange rates, the increase was $14.0 billion (65%), with increases in the United Kingdom ($5.0 billion), the United States ($2.6 billion) and Asia ($5.8 billion). Deposit growth was due to an increase in customer term deposit and higher certificates of deposit issued to fund lending growth.

Derivatives ⇧32% *(Excl Exchange Rates ⇧33%)*

Derivative liabilities increased $7.7 billion to $31.9 billion at 30 September 2008. The increase was driven principally by volatility in foreign exchange, interest rate and credit derivative markets.

Bonds and notes ⇧24% *(Excl Exchange Rates ⇧10%)*

Bonds and notes increased $13.2 billion to $67.3 billion at 30 September 2008 in Australia and New Zealand. $5.6 billion of the growth was in response to increased term funding requirements and $7.6 billion was the result of exchange rate movements.

Loan capital ⇧12% *(Excl Exchange Rates ⇧7%)*

Loan capital increased $1.5 billion to $14.3 billion at 30 September 2008 in response to capital management requirements including two new issuances of hybrid Tier 1 capital of $1.7 billion, issuance of perpetual subordinated notes of $0.7 billion and conversion of ANZ StEPS to ordinary shares.

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.

Global liquidity conditions have remained difficult over the last 12 to 18 months, following the onset of the global credit crisis. The cost of wholesale debt has increased significantly compared to pre-crisis levels. ANZ has continued to manage liquidity risks by maintaining a strong funding profile and increasing its portfolio of highly liquid assets.

The management of the Group's liquidity and funding risk incorporates the following key components.

- 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 as well as deposit withdrawals by customers. The Group also models a number of other stress tests and liquidity scenarios over a variety of time horizons.

- Funding metrics

  ANZ actively uses balance sheet disciplines to prudently manage funding requirements. Also, the Group employs funding metrics to ensure that an appropriate proportion of the Group's assets are funded by stable funding sources including customer liabilities, longer-dated wholesale debt (with a remaining term exceeding one year), and equity. At 30 September 2008 the volume of customer deposits and other liabilities had increased to $216.3 billion (50.3% of total funding) from $193.5 billion (52.9% of total funding) at 30 September 2007.

- Wholesale funding

  Despite the challenging environment, the Group maintained access to the major global capital markets to meet its borrowing requirement in full. Highlights for the year included:

  - ANZ issued the largest Eurobond for an Australian borrower (ANZ EUR2 billion May 2013 Fixed Rate Notes), sold to approximately 200 investors in 23 different countries.
  - ANZ's broad debt investor base was further diversified via the inaugural issuance of two Samurai bonds in the Japanese market, raising JPY224.3 billion in aggregate.
  - The funding profile of ANZ National Bank Limited was strengthened by the issuance of two significant Rule 144a bond issues in the United States, including USD2 billion July 2013 Fixed Rate Notes.

  In aggregate the Group raised $39 billion of new term wholesale debt during 2008 from 338 transactions, comprising $24 billion of debt issued with a tenor greater than one year, an additional $9 billion of debt with an effective term to maturity of approximately one year and an additional $6 billion of extendible notes. The weighted average tenor of new term debt issued in 2008 (greater than one year) was 4.0 years. The average cost of new term debt increased by 64 basis points in 2008 as a result of credit market conditions.

  Despite periods of instability in offshore short term markets, the Group was able to access all required short term funding during 2008. Offshore commercial paper markets experienced a decline in average duration towards the end of the year. However this was offset by ANZ's issuance of higher volumes of one year debt than previous years, which was the result of a strategic decision to lengthen the short-end maturity profile.

- Liquidity portfolio

  The Group holds a diversified portfolio of cash and unencumbered high-quality, highly-liquid securities that may be sold or pledged to provide same-day liquidity. This portfolio helps protect the Group's liquidity position by providing cash in a severely stressed environment. All assets held in this portfolio are eligible securities for repurchase agreements with the applicable central bank (repo eligible). From March to September 2008, the Group has increased the volume of eligible securities held, post repurchase (i.e. repo) discounts applied by the applicable central bank, by approximately $13.2 billion to $34.7 billion. This includes the current market value of the $10.3 billion Australian internal mortgage securitisation (RMBS) announced to the market in April 2008.

  Since 30 September 2008 $20.6 billion of additional repo eligible internal mortgage securitisation has been executed (being $17.4 billion ($15.7 billion post repo discount) in Australia and NZD3.5 billion (NZD $2.9 billion post repo discount) in New Zealand). Together with the impact of the Reserve Bank of Australia's reduction in the repo discount (initial margin) applied to internal mortgage securitisations from 19% to 10%, the balance of the prime liquid asset portfolio as at the end of September plus the new internal securitisations increased by $19.2 billion to $53.9 billion.

  Supplementing the liquidity position, the Group holds additional cash and liquid asset balances. In addition, our Markets business holds secondary sources of liquidity in the form of highly liquid instruments in its trading portfolios. These assets are not included in the Eligible securities held in the prime liquidity portfolio outlined on the following page.

Liquidity risk, cont'd

Eligible securities (Market Values[1])	As at Sep 08 AUD $M	As at Mar 08 AUD $M	As at Sep 07 AUD $M
Australia	12,899	9,867	9,281
New Zealand	6,620	5,603	5,474
United States	2,739	3,305	3,070
United Kingdom	4,157	2,749	2,251
Internal RMBS (Australia)	8,305	-	-
Total	**34,720**	**21,524**	**20,076**

New internal securitisations occurring in October 2008	
Internal RMBS (Australia) RBA initial margin adjustment	923
Internal RMBS (Australia) second tranche	15,685
Internal RMBS (New Zealand)[2]	2,560
Total	**19,168**

1. *Market value is post the repo discount applied by the applicable central bank*
2. *NZD3.5 billion*

Funding composition

The following table shows the Group's funding composition.

	As at Sep 08 $M	As at Mar 08 $M	As at Sep 07 $M	Movt Sep 08 v. Mar 08 %	Movt Sep 08 v. Sep 07 %
Customer deposits and other liabilities[1]					
Personal	**74,207**	69,778	65,394	6%	13%
Institutional	**79,625**	75,488	68,665	5%	16%
New Zealand Businesses	**40,587**	40,679	38,333	0%	6%
Asia Pacific	**15,726**	13,443	11,101	17%	42%
Group Centre	**1,499**	1,685	1,807	-11%	-17%
less: Institutional Asia Pacific	**(6,915)**	(6,001)	(4,071)	15%	70%
Total customer deposits	**204,729**	195,072	181,229	5%	13%
Other[2]	**11,601**	10,194	12,291	14%	-6%
Total customer deposits and other liabilities (funding)	**216,330**	205,266	193,520	5%	12%
Wholesale funding					
Bonds and notes	**67,323**	63,549	54,075	6%	24%
Loan Capital	**14,266**	12,931	12,784	10%	12%
Certificates of deposit (wholesale)	**52,346**	46,923	31,903	12%	64%
Commercial paper	**22,422**	19,230	16,914	17%	33%
Liability for acceptances	**15,297**	15,756	14,536	-3%	5%
Due to other financial institutions	**20,092**	19,134	19,116	5%	5%
Other wholesale borrowings[3]	**(3,532)**	(634)	1,924	large	large
Total wholesale funding	**188,214**	176,889	151,252	6%	24%
Shareholders' equity[5]	**25,681**	23,093	21,177	11%	21%
Total funding maturity					
Short term wholesale funding	**18.0%**	16.7%	14.5%	8%	24%
Liability for acceptances	**3.6%**	3.9%	4.0%	-9%	-11%
Long term wholesale funding[4]					
- Less than 1 year residual maturity	**6.8%**	8.7%	8.0%	-22%	-16%
- Greater than 1 year residual maturity	**14.2%**	13.3%	13.7%	6%	3%
Total customer deposits and other liabilities (funding)	**50.3%**	50.7%	52.9%	-1%	-5%
Shareholders' equity and hybrid debt[5]	**7.1%**	6.7%	6.9%	6%	3%
Total funding and shareholders' equity[5]	**100.0%**	100.0%	100.0%	0%	0%

1. *Includes term deposits, other deposits excluding Collateralised Loan Obligation and securitisation deposits*
2. *Includes interest accruals, 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 classified as short term wholesale funding*
5. *Shareholders' equity excludes preference share capital*

Capital management

	Basel II	Basel I	Basel II	Basel I
	As at Sep 08	As at Sep 08	As at Mar 08	As at Sep 07
Tier 1	7.7%	7.1%	6.9%	6.7%
Tier 2	3.4%	3.9%	3.2%	4.1%
Deductions	n/a	(0.6%)	n/a	(0.7%)
Total	11.1%	10.4%	10.1%	10.1%
Target Tier 1	minimum 7.0%	n/a	n/a	n/a
Risk Weighted Assets $M	275,434	322,543	267,486	275,018

Further details of the components of capital and the capital adequacy calculation are set out on pages 100 to 102

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 been accredited by Australian Prudential Regulation Authority (APRA) to use Advanced Internal Ratings Based (AIRB) methodology for credit risk weighted assets and Advanced Measurement Approach (AMA) for the operational risk weighted asset equivalent. Changes to the calculation of market risk weighted assets are minimal other than the inclusion of capital requirements for Interest Rate Risk in the Banking Book (IRRBB) from 1 July 2008.

While 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 we expect some changes as a result.

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

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

- Basel II methodologies for calculating credit risk weighted assets and expected loan losses (Expected Losses).
- Inclusion of a capital charge for operating risk and a charge for IRRBB from 1 July 2008.
- 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 (tax effected) in excess of Expected Losses, or 50% Tier 1 and 50% Tier 2 deductions of Expected Losses in excess of Eligible Provisions (tax effected).
- 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 are now 25% of net Tier 1 capital, with Innovative limited to 15% of net Tier 1.
- A capital floor was introduced based on 90% of capital required under Basel I methodology. At 30 September 2008, the floor has no impact on ANZ's reported capital and ratios.

Following APRA's review of the Group's Internal Capital Adequacy Assessment Process (ICAAP) document, APRA has advised ANZ of its Prudential Capital Minimums (PCRs) for both Tier 1 and Total Capital at both Level 1 and Level 2. ANZ maintains capital ratios well in excess of these minimum levels.

Tier 1 Ratio (Basel II)

With the adoption of Basel II from January 2008, ANZ has adopted the Tier 1 capital ratio (Tier 1 ratio) as its principal capital management target. Since March 2008 ANZ has set a minimum management operating target of 7%, however management seeks to operate well above this minimum given the current economic and financial markets conditions.

The Tier 1 ratio at September 2008 of 7.71% represents an increase from March 2008 of 87 basis points. The key contributors to the increase were:

- net profit excluding non-core items and after preference share dividends of $1.3 billion (+50 basis points)
- ordinary share dividend commitments net of expected reinvestment through the Dividend Reinvestment Plan (DRP) and Bonus Option Plan (BOP) of $1.1 billion (-40 basis points)
- underwrite of the non-participation in the DRP and BOP for the interim 2008 dividend, which raised $0.7 billion (+27 basis points)
- issuance of $1.7 billion in hybrid Tier 1 instruments, including ANZ Convertible Preference Shares (+63 basis points)
- increase in risk weighted assets (excluding the impact of exchange rate movements) from portfolio growth, credit downgrades and introduction of IRRBB offset by refinements to methodology following initial adoption of Basel II (-18 basis points)
- increase in investment/profit retention in funds management businesses, associates and commercial operations (-3 basis points)
- other items (net +8 basis points) including: the impact of exchange rate movements (+10 basis points) and business investments (-2 basis points).

With respect to the proposed 2008 final dividend, ANZ will offer a discount of 1.5% on the DRP/BOP and underwrite any shortfall in participation to raise an additional estimated $1.1 billion of Tier 1 capital.

Capital management, cont'd

The impact of the material changes on capital calculated at 30 September 2008 is shown below.

	Basel I[1]	Market and 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	24,105	-	-	-	-	38	-	24,143
Non-Innovative Tier 1	2,095	-	-	-	-	-	-	2,095
Innovative Tier 1	2,847	-	-	-	-	-	-	2,847
AIFRS Transitional relief	716	-	-	-	-	-	(716)	-
Tier 1 capital deductions	(6,807)	-	-	(167)	(995)	113	-	(7,856)
Tier 1 capital	22,956	-	-	(167)	(995)	151	(716)	21,229
General reserve for impairment of financial assets net of attributable deferred tax asset	1,973	-	-	(1,919)		-	-	54
Upper Tier 2 capital	1,320	-	-	-	-	-	-	1,320
AIFRS Transitional relief	17	-	-	-	-	-	(17)	-
Lower Tier 2 capital	9,170	-	-	-	-	-	-	9,170
Tier 2 capital deductions	-	-	-	(167)	(995)	(44)		(1,206)
Tier 2 capital	12,480	-	-	(2,086)	(995)	(44)	(17)	9,338
Total capital deductions	(1,990)	-	-	-	1,990	-	-	-
Total Regulatory Capital	33,446	-	-	(2,253)	-	107	(733)	30,567
Risk Weighted Assets	322,543	22,294	(69,403)	n/a	n/a	n/a	n/a	275,434
Ratios								
Tier 1	7.1%							7.7%
Tier 2	3.9%							3.4%
Deductions	(0.6%)							-
Total capital	10.4%							11.1%

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 $1,973 million, less the standardised component of $54 million (after tax) plus Other Eligible provisions of $799 million, less Basel Expected Loss of $3,052 million (comprising Individual Provisions of $656 million and Expected Loss of $2,396 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*

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 and is due for publication on the ANZ website by 26 November 2008.

Hybrid Capital and Tier 1 Capital

ANZ raises hybrid Tier 1 capital to further strengthen the Group's capital base, ensure compliance with APRA's prudential capital requirements and meet Group operating targets for Tier 1. As at 30 September 2008, ANZ had three Innovative hybrid Tier 1 capital instruments (13.4% of net Tier 1) and two Non-innovative hybrid Tier 1 capital instruments (9.9% of net Tier 1).

Hybrid Tier 1 Capital details

- **Non-innovative instruments**

	UK Hybrid	ANZ Convertible Preference Shares
Amount (in issue currency)	£450 million	$1,081 million
Accounting classification	Debt	Debt
September 2008 balance (AUD)	$1,014 million	$1,081 million
Interest rate	Coupon 6.54%	90 day BBSW + 2.5% (gross pay equivalent)

- **Innovative instruments**

	US Stapled Trust Security	Euro Hybrid	ANZ Convertible Notes
Amount (in issue currency)	USD1,100 million	€500 million	$600 million
Accounting classification	Debt	Equity	Debt
September 2008 balance (AUD)	$1,376 million	$871 million	$600 million
Interest rate	Tranche 1 (USD350 million) Coupon: 4.48% Tranche 2 (USD750 million) Coupon: 5.36%	Euribor (3 month) +0.66%	30 day BBSW + 2.0%

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		
	Sep 08 $M	Mar 08 $M	Sep 07 $M	Sep 08 $M	Mar 08 $M	Sep 07 $M
Personal[2]	494	474	456	78	83	85
Institutional	12	16	14	206	188	159
New Zealand Businesses	91	103	103	41	47	43
Asia Pacific	3	2	-	24	20	18
Other[3]	42	24	29	2	2	1
Total	642	619	602	351	340	306

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 $312 million for Esanda (Mar 2008: $308 million Sep 2007: $299 million) and deferred income of $51 million for Esanda (Mar 2008: $49 million Sep 2007: $49 million)*
3. *Includes Group Centre and Private Bank*

Deferred acquisition costs analysis:

	Full Year Sep 2008		Full Year Sep 2007	
	Amortisation Charge $M	Capitalised Costs[1] $M	Amortisation Charge $M	Capitalised Costs[1] $M
Personal[2]	271	309	261	277
Institutional	4	2	3	(4)
New Zealand Businesses	48	36	39	62
Asia Pacific	1	4	1	1
Other[3]	8	21	11	12
Total	332	372	315	348

1. *Costs capitalised during the year exclude brokerage trailer commissions paid*
2. *Comprises amortisation charge of $195 million for Esanda (Sep 2007: $184 million) and capitalised costs of $208 million for Esanda (Sep 2007: $194 million)*
3. *Includes Group Centre and Private Bank*

Software capitalisation

At 30 September 2008, the Group's intangibles included $625 million in relation to costs incurred in acquiring and developing software. Details are set out in the table below:

	Half year Sep 08 $M	Half year Mar 08 $M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 $M	Full year Sep 07 $M	Movt Sep 08 v. Sep 07 %
Balance at start of period	509	462	10%	462	397	16%
Software capitalised during the period	175	111	58%	286	203	41%
Amortisation during the period	(59)	(62)	-5%	(121)	(122)	-1%
Software written-off	-	(2)	-100%	(2)	(16)	-88%
Total software capitalisation	625	509	23%	625	462	35%

Organisational structure

There have been no major structure changes between 31 March 2008 and 30 September 2008, however there have been a number of minor restatements as a result of changes to customer segmentation, changes to net interbusiness unit expense methodologies and the realignment of support functions. Prior period numbers are adjusted for such changes to allow comparability.

Income Statement (including impact of movements in foreign currencies)

Profit after income tax	Half year Sep 08 $M	Half year Mar 08 $M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 $M	Full year Sep 07 $M	Movt Sep 08 v. Sep 07 %
Personal	763	722	6%	**1,485**	1,330	12%
Institutional	125	401	-69%	**526**	1,482	-65%
New Zealand Businesses	239	361	-34%	**600**	720	-17%
Asia Pacific	231	182	27%	**413**	271	52%
INGA	50	76	-34%	**126**	154	-18%
Group Centre	36	15	large	**51**	92	-45%
less: Institutional Asia Pacific	(89)	(83)	7%	**(172)**	(125)	38%
Cash profit	1,355	1,674	-19%	**3,029**	3,924	-23%
Non-core items[1]	1	289	-100%	**290**	256	13%
Profit	1,356	1,963	-31%	**3,319**	4,180	-21%

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

Profit after income tax	Half year Sep 08 $M	Half year Mar 08 $M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 $M	Full year Sep 07 $M	Movt Sep 08 v. Sep 07 %
Personal	763	722	6%	**1,485**	1,329	12%
Institutional	125	393	-68%	**526**	1,463	-64%
New Zealand Businesses	239	339	-29%	**600**	684	-12%
Asia Pacific	231	179	29%	**413**	255	62%
INGA	50	76	-34%	**126**	155	-19%
Group Centre	36	41	-12%	**51**	121	-58%
less: Institutional Asia Pacific	(89)	(81)	10%	**(172)**	(117)	47%
Cash profit[2]	1,355	1,669	-19%	**3,029**	3,890	-22%
Non-core items[1]	1	284	-100%	**290**	256	13%
Profit	1,356	1,953	-31%	**3,319**	4,146	-20%
FX impact on reported profit[2]	-	10	-100%	**-**	34	-100%
Reported profit	1,356	1,963	-31%	**3,319**	4,180	-21%

1. *In 2008 ANZ has classified as significant items the gain from the allocation of shares in Visa in March 2008 of $248 million after tax (tax impact: $105 million), costs associated with organisational transformation of $152 million after tax (tax impact: $66 million) including process re-engineering and ATM write-offs relating to a network upgrade, costs associated with the 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 $1 million (Sep 2008 half: $7 million loss; Mar 2008 half: $8 million gain) following the restatement of deferred tax assets consequent to the reduction in New Zealand tax rate. In 2007 ANZ classified as significant items the gain on sale of Esanda Fleetpartners of $195 million after tax (tax impact: $nil 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 announced change in the New Zealand company tax rate which takes effect from 1 October 2008. ANZ excludes significant items to eliminate the distorting effect of one-off transactions on the results of its core business (refer page 26)*

   The Group enters into economic hedges to manage its interest rate and foreign exchange risk. In 2008 ANZ has classified a gain of $243 million after tax (2007 full year: $69 million; Sep 2008 half: $176 million; Mar 2008 half: $67 million) relating to economic hedging as a non-core item (tax impact $107 million (2007 full year: $31 million; Sep 2008 half: $78 million; March 2008 half: $29 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 $26 million (2007 full year: $16 million gain; Sep 2008 half: $16 million loss; Mar 2008 half: $10 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 $13 million credit (2007 full year: $7 million expense; Sep 2008 half: $9 million credit; Mar 2008 half: $4 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 27)

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 Sep 08 $M	Half year Mar 08 $M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 $M	Full year Sep 07 $M	Movt Sep 08 v. Sep 07 %
Net interest income	1,770	1,654	7%	**3,424**	3,112	10%
Other external operating income	751	730	3%	**1,481**	1,326	12%
Operating income	2,521	2,384	6%	**4,905**	4,438	11%
External operating expenses	(1,014)	(1,006)	1%	**(2,020)**	(1,839)	10%
Net inter business unit expenses	(171)	(158)	8%	**(329)**	(311)	6%
Operating expenses	(1,185)	(1,164)	2%	**(2,349)**	(2,150)	9%
Profit before credit impairment and income tax	1,336	1,220	10%	**2,556**	2,288	12%
Provision for credit impairment	(250)	(187)	34%	**(437)**	(386)	13%
Profit before income tax	1,086	1,033	5%	**2,119**	1,902	11%
Income tax expense and minority interest	(323)	(311)	4%	**(634)**	(572)	11%
Profit	763	722	6%	**1,485**	1,330	12%
Consisting of:						
Banking Products	225	217	4%	**442**	347	27%
Mortgages	215	180	19%	**395**	372	6%
Consumer Finance	158	153	3%	**311**	277	12%
Rural Commercial & Agribusiness Products	65	63	3%	**128**	114	12%
Small Business Banking Products	41	37	11%	**78**	61	28%
Esanda	57	61	-7%	**118**	112	5%
Investment and Insurance Products	22	29	-24%	**51**	58	-12%
Other[1]	(20)	(18)	11%	**(38)**	(11)	large
	763	722	6%	**1,485**	1,330	12%
Balance Sheet						
Net loans & advances including acceptances	164,494	155,524	6%	**164,494**	147,363	12%
Other external assets	3,369	3,359	0%	**3,369**	3,160	7%
External assets	167,863	158,883	6%	**167,863**	150,523	12%
Customer deposits	74,207	69,778	6%	**74,207**	65,394	13%
Other deposits and borrowings	3,218	3,650	-12%	**3,218**	3,774	-15%
Deposits and other borrowings	77,425	73,428	5%	**77,425**	69,168	12%
Other external liabilities	3,723	3,665	2%	**3,723**	3,753	-1%
External liabilities	81,148	77,093	5%	**81,148**	72,921	11%
Average net loans & advances including acceptances	159,525	151,413	5%	**155,469**	139,140	12%
Average deposits and other borrowings	74,940	71,364	5%	**73,152**	65,342	12%
Ratios						
Net interest margin	2.20%	2.17%		**2.19%**	2.22%	
Return on average assets	0.94%	0.93%		**0.94%**	0.94%	
Operating expenses to operating income	47.0%	48.8%		**47.9%**	48.4%	
Operating expenses to average assets	1.46%	1.51%		**1.48%**	1.52%	
Individual provision charge	216	168	29%	**384**	340	13%
Individual provision charge as a % of average net advances	0.27%	0.22%		**0.25%**	0.24%	
Collective provision charge	34	19	79%	**53**	46	15%
Collective provision charge as a % of average net advances	0.04%	0.03%		**0.03%**	0.03%	
Net non-performing loans	129	75	72%	**129**	68	90%
Net non-performing loans as a % of net advances	0.08%	0.05%		**0.08%**	0.05%	
Total employees	13,132	13,113	0%	**13,132**	12,767	3%

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 2007*

Personal
Brian Hartzer

2008 result

Profit after tax increased 12% reflecting strong income from average lending and customer deposit growth (both at 12%), and the continued benefits from ongoing investment in the business.

Operating income was up 11% driven by strong volume and customer growth. Operating expenses increased 9% mainly through investment in personnel, premises and advertising/marketing costs to support revenue momentum, as part of our "More Convenient Banking" proposition.

Solid balance sheet growth drove earnings in all business units despite difficult economic conditions.

Key factors affecting the result included:

- Net interest income increased 10% with strong balance sheet growth while margins reduced 3 basis points affected by increased funding costs, competition and a shift to lower margin products. Banking Products grew 17%, driven by 15% deposit growth following volume growth initiatives and favourable margins. Mortgages net interest grew 4%, on the back of strong lending growth of 13% but was impacted by an extremely volatile funding environment. Consumer Finance grew 6% mainly through higher account acquisition, partially offset by margin decline. Small Business Banking Products grew 30% with an expanding sales force driving strong balance sheet growth and increased margins, and Rural Commercial & Agribusiness Products grew 14% driven mainly by volume growth.
- Other external operating income increased 12%. Banking Products increased 21% driven by new customer account acquisition. Investment and Insurance Products grew 12% due mainly to effect of the ETrade acquisition (100% ownership from 34% in May 2007). Esanda was up 26% due to revenue initiatives. Small Business Banking Products grew 13% due mainly to an increase in new customer accounts. Mortgages increased 12% due to increased sales volumes. Consumer Finance increased 10% through stronger acquisition income. Rural Commercial & Agribusiness Products grew 5% due to greater volumes.
- Operating expenses increased 9% or $199 million. The main drivers included a $96 million increase in personnel costs, mainly from increased customer facing and support roles and the impact of 100% ownership of ETrade from May 2007. Premises costs increased $27 million and marketing costs increased $12 million to drive footprint expansion and revenue growth. The branch investment program concluded, meaning we incurred nearly a full year of costs relating to our expanded branch operations. There were 209 new ATMs for the year. Non-lending losses increased $13 million, while technology expenses to support initiatives and the branch network increased $13 million.
- Credit costs increased 13% or $51 million with the major drivers being volume growth, acquisition growth and a decline in market conditions leading to higher delinquencies and bankruptcies.

Comparison with March 2008 half

Profit after tax increased 6% over the previous half. Income growth of 6% was driven by average lending growth of 5% and deposit growth of 5%, and margin improvement of 3 basis points.

Net interest income increased 7%. Mortgages increased 14% driven by a 6% increase in lending volumes and a more favourable funding situation in the second half. Small Business Banking Products increased 11% as business expansion generated strong lending growth of 28% and higher margins. Rural Commercial & Agribusiness Products increased 9% driven by 9% lending growth and higher deposit margins. Consumer Finance increased 6% due to greater outstandings per account. Esanda lending growth of 3% drove 3% growth in income. Banking Products increased 2% though volume growth but at reduced margins. Investment and Insurance Products decreased 4% reflecting market conditions.

Other external operating income increased 3%. Banking Products grew 13% through revenue initiatives. Small Business Banking Products increased 8% due to increase in new customer accounts and fee initiatives. Consumer Finance grew 6% through account growth. Esanda increased 6% through revenue initiatives. Mortgages decreased 2% due mainly to lower mortgage insurance earnings. Investment and Insurance Products declined 12% due to lower trades in ETrade and lower volumes in Financial Planning.

Operating expenses increased 2% or $21 million largely due to a $6 million increase in non-lending losses, an increase of $2 million in consulting costs to support revenue growth, an increase of $3 million relating to premises and 149 extra ATMs to drive footprint expansion. Technology expenses increased $12 million to support initiatives and the branch network.

Credit costs increased 34% or $63 million due mainly to volume growth, seasonality and a decline in market conditions leading to higher delinquencies and bankruptcies.

Personal
Brian Hartzer

Personal division by business unit

Comparison to Full Year Sep 2007

	Full Year Sep 2008					Growth Rate				
	Revenue	Expenses	PBP[1]	Credit[2]	NPAT	Revenue	Expenses	PBP[1]	Credit[2]	NPAT
Banking Products	1,272	625	647	14	442	18%	9%	28%	56%	27%
Mortgages	1,116	534	582	22	395	5%	5%	5%	0%	6%
Consumer Finance	1,184	470	714	269	311	8%	6%	9%	4%	12%
Rural Commercial & Agribusiness Products	361	157	204	21	128	13%	7%	18%	large	12%
Small Business Banking Products	262	125	137	26	78	25%	16%	37%	large	28%
Esanda	408	154	254	85	118	6%	3%	8%	12%	5%
Investment and Insurance Products	299	227	72	-	51	13%	25%	-12%	-100%	-12%
Other[3]	3	57	(54)	-	(38)	-84%	58%	large	n/a	large
Personal Division	**4,905**	**2,349**	**2,556**	**437**	**1,485**	**11%**	**9%**	**12%**	**13%**	**12%**

Comparison to Half Year Mar 2008

	Half Year Sep 2008					Growth Rate				
	Revenue	Expenses	PBP[1]	Credit[2]	NPAT	Revenue	Expenses	PBP[1]	Credit[2]	NPAT
Banking Products	649	319	330	8	225	4%	4%	4%	14%	4%
Mortgages	588	272	316	14	215	12%	4%	19%	75%	19%
Consumer Finance	610	232	378	152	158	6%	-3%	12%	30%	3%
Rural Commercial & Agribusiness Products	187	80	107	14	65	8%	5%	9%	100%	3%
Small Business Banking Products	137	64	73	16	41	10%	3%	16%	60%	11%
Esanda	207	79	128	47	57	3%	5%	2%	24%	-7%
Investment and Insurance Products	141	110	31	-	22	-11%	-6%	-24%	n/a	-24%
Other[3]	2	29	(27)	(1)	(20)	-33%	4%	4%	n/a	11%
Personal Division	**2,521**	**1,185**	**1,336**	**250**	**763**	**6%**	**2%**	**10%**	**34%**	**6%**

Net loans & advances including acceptances	**Half year Sep 08 $M**	**Half year Mar 08 $M**	**Movt Sep 08 v. Mar 08 %**	**Full year Sep 08 $M**	**Full year Sep 07 $M**	**Movt Sep 08 v. Sep 07 %**
Banking Products	89	93	-4%	**89**	82	9%
Mortgages	128,691	121,065	6%	**128,691**	114,175	13%
Consumer Finance	8,992	8,564	5%	**8,992**	8,009	12%
Rural Commercial & Agribusiness Products	9,126	8,299	10%	**9,126**	7,947	15%
Small Business Banking Products	726	612	19%	**726**	499	45%
Esanda	15,112	14,940	1%	**15,112**	14,514	4%
Investment and Insurance Products	1,759	1,949	-10%	**1,759**	2,134	-18%
Other[3]	(1)	2	large	**(1)**	3	large
	164,494	155,524	6%	**164,494**	147,363	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
Alex Thursby

	Half year Sep 08 $M	Half year Mar 08 $M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 $M	Full year Sep 07 $M	Movt Sep 08 v. Sep 07 %
Net interest income	1,244	1,015	23%	**2,259**	1,984	14%
Other external operating income	404	667	-39%	**1,071**	1,481	-28%
Operating income	1,648	1,682	-2%	**3,330**	3,465	-4%
External operating expenses	(646)	(585)	10%	**(1,231)**	(1,086)	13%
Net inter business unit expenses	(132)	(129)	2%	**(261)**	(249)	5%
Operating expenses	(778)	(714)	9%	**(1,492)**	(1,335)	12%
Profit before credit impairment and income tax	870	968	-10%	**1,838**	2,130	-14%
Provision for credit impairment	(818)	(400)	large	**(1,218)**	(24)	large
Profit before income tax	52	568	-91%	**620**	2,106	-71%
Income tax expense and minority interest	73	(167)	large	**(94)**	(624)	-85%
Profit	125	401	-69%	**526**	1,482	-65%
Consisting of:						
Working Capital	99	128	-23%	**227**	313	-27%
Markets[1]	(139)	16	large	**(123)**	298	large
Business Banking	146	144	1%	**290**	268	8%
Corporate Finance						
- Relationship Lending	82	139	-41%	**221**	540	-59%
- Corporate Finance (excluding Relationship Lending)	39	61	-36%	**100**	148	-32%
ANZ Capital	(20)	(4)	large	**(24)**	59	large
Relationships & Infrastructure[2]	(82)	(83)	-1%	**(165)**	(144)	15%
	125	401	-69%	**526**	1,482	-65%
Balance Sheet						
Net loans & advances including acceptances	105,400	99,205	6%	**105,400**	82,869	27%
Other external assets	102,640	86,614	19%	**102,640**	74,792	37%
External assets	208,040	185,819	12%	**208,040**	157,661	32%
Customer deposits	79,625	75,488	5%	**79,625**	68,665	16%
Other deposits and borrowings	21,699	19,971	9%	**21,699**	11,198	94%
Deposits and other borrowings	101,324	95,459	6%	**101,324**	79,863	27%
Other external liabilities	74,175	67,795	9%	**74,174**	64,654	15%
External liabilities	175,499	163,254	8%	**175,498**	144,517	21%
Average net loans & advances including acceptances	102,198	93,319	10%	**97,758**	75,117	30%
Average deposits and other borrowings	96,072	86,839	11%	**91,454**	72,198	27%
Ratios						
Net interest margin	1.56%	1.40%		**1.48%**	1.66%	
Return on average assets	0.13%	0.45%		**0.29%**	1.09%	
Operating expenses to operating income	47.2%	42.4%		**44.8%**	38.5%	
Operating expenses to average assets	0.82%	0.81%		**0.81%**	0.98%	
Individual provision charge[3]	446	100	large	**546**	14	large
Individual provision charge[4] as a % of average net advances	0.87%	0.21%		**0.56%**	0.02%	
Collective provision charge	372	300	24%	**672**	10	large
Collective provision charge as a % of average net advances	0.73%	0.64%		**0.69%**	0.01%	
Net non-performing loans	795	575	38%	**795**	248	large
Net non-performing loans as a % of net advances	0.75%	0.58%		**0.75%**	0.30%	
Total employees	6,051	5,609	8%	**6,051**	5,373	13%

1. *The Markets results for 2008 are impacted by credit risk on derivatives and mark-to-market losses on credit intermediation trades (refer page 20). The Markets results also include the global interest rate mismatch results and the offshore funding results for which net profit after tax for 2008 was $10 million (2007 full year: $28 million; Sep 2008 half: $14 million; Mar 2008 half: $-4 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*
3. *Includes $98 million impairment expense on available-for-sale assets (2007 full year: $nil; Sep 2008 half: $98 million; Mar 2008 half: $nil)*
4. *For the purposes of this ratio the individual provision charge excludes impairment expense on available-for-sale assets of $98 million (2007 full year: $nil; Sep 2008 half: $98 million; Mar 2008 half: $nil)*

Institutional
Alex Thursby

2008 result

Institutional's results have been adversely impacted by the global credit crisis, including recognition of significant credit risk on derivatives of $721 million, $531 million of which relates to structured credit intermediation trades.

The unprecedented events in the global financial services sector have increased concentration risk in the sector, and we have recognised this with a $200 million collective provision charge. A further collective provision charge of $100 million has been taken for concentration risk in the property sector. We booked individual provisions of $427 million in Australia and $119 million in Europe and the US, representing difficulties with securities lending clients in Australia, a limited number of corporate names and a global financial institution, and impairment on securities held for liquidity purposes.

Our Relationship teams (Institutional Banking, Financial Institutions, Corporate Banking and Business Banking) continued to work closely with product partners and grew other external operating income by 17%, excluding the impact of the credit risk on derivatives. Net lending assets grew by 27%, and margins increased from a low point early in the year in response to widening credit spreads. Business Banking achieved market share gains with good growth in both deposits and lending. Key enablers included the opening of new business centres, increased footprint and improvements in transaction banking offerings. Working Capital had solid growth in deposits and trade, offset by costs associated with the issues in the Securities Lending business. Strong growth was recorded in the Clearing and International Payments businesses. Corporate Finance (excluding Relationship Lending) grew revenue by 30% excluding the impact of a structured transaction, however the overall result declined from increased provisions. Markets underlying business growth remained strong, accelerating the momentum of the last two years. Increased volatility in the global interest rate and currency markets and disciplined investment in Asia supported growth in customer sales, new customer acquisitions and product cross-sell. ANZ Capital's result declined from the impact of weakened economic conditions on private equity investments.

Significant factors affecting the result were as follows:

- Net Interest Income increased 14%, however increased 19% excluding a $138 million reduction in Markets (offset in other income) associated with the recording of income on trading securities. Average net lending assets increased 30% and average deposit volumes increased 27%. Excluding the Markets income above, the main impacts on margins were higher funding costs partially offset by repricing of the book which led to an improved margin performance in the second half of the year. Other significant impacts on margin were a change in the funding mix (-5 basis points) with a decline in the proportion of customer deposits and an increase in wholesale funding and a change in the asset mix (-2 basis points) due to re-intermediation of large low risk / low margin customers in the first half. These impacts were partly offset by the wholesale benefit of holding deposits in a rising rate environment.
- Other external operating income (excluding credit risk on derivatives) increased by 17% and now represents 54% of income (Sep 2007: 44%). Non-lending fees increased by 14%, and foreign exchange earnings by 30%. Growth rates in New Zealand (50%) and Asia (58%) were particularly strong.
- Operating costs grew 12% driven by growth in staff numbers of 13% with increases concentrated in our strategic growth areas of Asia and Markets, and in our frontline relationship staff. Software amortisation and other IT costs increased $16 million, and the Division incurred further unexpected costs of $22 million as a result of the Securities Lending issues.
- Provisioning for credit impairment on lending and debt securities classified as available-for-sale assets increased materially. The collective provision charge for the year of $672 million reflected the increase in the balance sheet, a general (to date modest) deterioration in the overall quality of the lending portfolio, and the charges taken to reflect increased concentration risk to financial institutions and the property sector. Individual provisions are mainly within Australia, and were dominated by two large securities firms' exposures, two mining exposures, and the collapse of an offshore financial institution. Offshore, impairment expense largely reflected write-down and sales of certain corporate debt securities and certain bonds backed by US Alt-A mortgages held for liquidity purposes.
- Income tax expense decreased as a result of a structured transaction that had a positive outcome after tax. This transaction reduced income tax expense $127 million, with an offsetting reduction to revenue.

Comparison with March 2008 half

Profit for the half declined by 69%, with underlying revenue growth offset by increases in the credit valuation adjustment from the decline in the AUD against the USD and widening in credit spreads. Credit loss charges increased significantly.

Net interest income increased off the back of strong lending and deposit volume growth in the first half, and stabilisation of margins. Relationship Lending margins improved to 1.53% from 1.39% in the first half.

Other income, excluding the credit risk on derivatives, increased from strong growth in lending fees.

Expenses were higher than expected, driven mainly by the additional costs associated with the remediation of the Securities Lending business. The Division is continuing to increase its investment in technology, and amortisation and other computer charges increased by $11 million during the half.

The increased individual provision charge was driven by several large exposures in Australia. The collective provision was increased by $300 million to recognise increased concentration risk in the financial institutions and property sectors. A further net $55 million collective provision charge was taken for an economic cycle adjustment.

Institutional
Alex Thursby

Institutional division by business unit

Comparison to Full Year Sep 2007

	Full Year Sep 2008					Growth Rate				
	Revenue	**Expenses**	**PBP**[1]	**Credit**[2]	**NPAT**	**Revenue**	**Expenses**	**PBP**[1]	**Credit**[2]	**NPAT**
Working Capital	901	366	535	212	227	17%	15%	18%	large	-27%
Markets	341	391	(50)	131	(123)	-56%	16%	large	large	large
Business Banking	754	259	495	78	290	13%	8%	15%	70%	8%
Corporate Finance										
- Relationship Lending	952	41	911	592	221	28%	-9%	31%	large	-59%
- Corp. Finance (excl. Relationship Lending)	314	122	192	190	100	-8%	7%	-15%	large	-32%
ANZ Capital	65	78	(13)	15	(24)	-57%	20%	large	large	large
Relationships & Infrastructure[3]	3	235	(232)	-	(165)	-77%	9%	15%	n/a	15%
Institutional Division	**3,330**	**1,492**	**1,838**	**1,218**	**526**	**-4%**	**12%**	**-14%**	**large**	**-65%**

Comparison to Half Year Mar 2008

	Half Year Sep 2008					Growth Rate				
	Revenue	**Expenses**	**PBP**[1]	**Credit**[2]	**NPAT**	**Revenue**	**Expenses**	**PBP**[1]	**Credit**[2]	**NPAT**
Working Capital	472	197	275	141	99	10%	17%	6%	96%	-23%
Markets	129	208	(79)	130	(139)	-39%	14%	large	large	large
Business Banking	388	134	254	44	146	6%	7%	5%	26%	1%
Corporate Finance										
- Relationship Lending	516	21	495	376	82	18%	11%	19%	74%	-41%
- Corp. Finance (excl. Relationship Lending)	110	60	50	113	39	-46%	-5%	-65%	47%	-36%
ANZ Capital	27	37	(10)	15	(20)	-27%	-8%	large	n/a	large
Relationships & Infrastructure[3]	6	121	(115)	(1)	(82)	n/a	5%	0%	0%	-1%
Institutional Division	**1,648**	**778**	**870**	**818**	**125**	**-2%**	**9%**	**-10%**	**large**	**-69%**

Net loans & advances including acceptances	**Half year Sep 08 $M**	**Half year Mar 08 $M**	**Movt Sep 08 v. Mar 08 %**	**Full year Sep 08 $M**	**Full year Sep 07 $M**	**Movt Sep 08 v. Sep 07 %**
Working Capital	8,281	8,556	-3%	**8,281**	6,907	20%
Business Banking	18,632	17,741	5%	**18,632**	16,665	12%
Corporate Finance						
- Relationship Lending	58,414	55,076	6%	**58,414**	46,417	26%
- Corporate Finance (excl. Relationship Lending)	15,377	13,377	15%	**15,377**	11,500	34%
ANZ Capital	93	88	6%	**93**	99	-6%
Other[4]	4,603	4,367	5%	**4,603**	1,281	large
	105,400	99,205	6%	**105,400**	82,869	27%

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 49	**Half year Sep 08 NZD M**	**Half year Mar 08 NZD M**	**Movt Sep 08 v. Mar 08 %**	**Full year Sep 08 NZD M**	**Full year Sep 07 NZD M**	**Movt Sep 08 v. Sep 07 %**
Net interest income	975	984	-1%	**1,959**	1,879	4%
Other external operating income	306	298	3%	**604**	575	5%
Operating income	1,281	1,282	0%	**2,563**	2,454	4%
External operating expenses	(636)	(593)	7%	**(1,229)**	(1,173)	5%
Net inter business unit expenses	1	3	-67%	**4**	(1)	large
Operating expenses	(635)	(590)	8%	**(1,225)**	(1,174)	4%
Profit before credit impairment and income tax	646	692	-7%	**1,338**	1,280	5%
Provision for credit impairment	(209)	(77)	large	**(286)**	(78)	large
Profit before income tax	437	615	-29%	**1,052**	1,202	-12%
Income tax expense and minority interest	(139)	(198)	-30%	**(337)**	(387)	-13%
Profit (NZD)	298	417	-29%	**715**	815	-12%
Consisting of:						
The National Bank Retail	87	129	-33%	**216**	262	-18%
ANZ Retail	58	95	-39%	**153**	183	-16%
Corporate & Commercial Banking	61	90	-32%	**151**	173	-13%
Rural Banking	57	56	2%	**113**	101	12%
Private Banking & Retail Specialist Units[2]	25	25	0%	**50**	46	9%
UDC	10	17	-41%	**27**	29	-7%
Central Support[3]	-	5	-100%	**5**	21	-76%
New Zealand Businesses	298	417	-29%	**715**	815	-12%
Balance Sheet						
Net loans & advances including acceptances	89,041	85,531	4%	**89,041**	79,954	11%
Other external assets	1,963	2,221	-12%	**1,963**	2,188	-10%
External assets	91,004	87,752	4%	**91,004**	82,142	11%
Customer deposits	48,436	46,984	3%	**48,436**	44,632	9%
Other deposits and borrowings	12,670	10,932	16%	**12,670**	9,319	36%
Deposits and other borrowings	61,106	57,916	6%	**61,106**	53,951	13%
Other external liabilities	19,853	17,544	13%	**19,853**	14,206	40%
External liabilities	80,959	75,460	7%	**80,959**	68,157	19%
Average net loans & advances including acceptances	87,527	82,581	6%	**85,054**	74,622	14%
Average deposits and other borrowings	58,943	56,954	3%	**57,949**	49,998	16%
Ratios						
Net interest margin	2.20%	2.36%		**2.28%**	2.49%	
Return on average assets	0.66%	0.98%		**0.82%**	1.07%	
Operating expenses to operating income	49.6%	46.0%		**47.8%**	47.8%	
Operating expenses to average assets	1.42%	1.39%		**1.41%**	1.54%	
Individual provision charge	140	47	large	**187**	59	large
Individual provision charge as a % of average net advances	0.32%	0.11%		**0.22%**	0.08%	
Collective provision charge	69	30	large	**99**	19	large
Collective provision charge as a % of average net advances	0.16%	0.07%		**0.12%**	0.03%	
Net non-performing loans	191	103	85%	**191**	67	large
Net non-performing loans as a % of net advances	0.21%	0.12%		**0.21%**	0.08%	
Total employees	9,178	9,214	0%	**9,178**	9,087	1%

1. *For a reconciliation of New Zealand Businesses results to the New Zealand Geographic results refer page 61*
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

2008 result

The combination of domestic recession, which is emerging as the worst economic downturn since the early 1990's, and the impact of the global credit crunch has had a significant impact on business performance in 2008. Costs have been managed to reflect the changing environment, albeit with some phasing into the second half. Profit for New Zealand Businesses has reduced 12% compared to the 2007 year with the result including a NZD139 million after tax increase in credit impairment expense. Profit before credit impairment and income tax increased 5%.

The Retail businesses have been most affected by the economic slowdown which has been led by the household sector. The Businesses have seen a marked slowdown in the volume of new business, increasing levels of household sector stress (driven by higher interest rates, fuel and food costs) and a switch to intense competition for domestic deposits as global funding conditions have tightened.

Underlying performance in Corporate & Commercial Banking and UDC has been solid with growth in profit before provisions of 9% and 16% respectively. These results have been impacted by an increase in collective provisioning costs in the second half with the weakness in the household sector, also expected to be incurred in the business sector. Rural Banking had a strong performance for the year with a 15% profit before provisions growth in line with the ongoing good performance of the rural economy.

Key factors driving the result were:

- Net interest income increased 4%, driven by robust balance sheet growth (lending 11% and customer deposits 9%). Rural Banking, Corporate & Commercial Banking and UDC delivered double digit lending growth. The Retail banks both achieved 7% growth, with housing lending growth slowing more significantly in the second half of the year. The balance sheet growth was offset by a 21 basis point contraction in margins. Deposit margins contracted as a result of increased competition and unfavourable mix in a high rate environment with migration of customers from low to high yielding products.
- Other external operating income increased 5%. The main contribution was from the Retail banks which achieved growth across lending, cards and commission income.
- Operating expenses increased 4%. 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. The cost to income ratio was stable at 47.8%.
- The individual provision charge increased NZD128 million, largely reflecting increasing mortgage, consumer and small-to-medium business arrears in response to the significant downturn in the economy and resultant stress in the household sector. Net non-performing loans as a percentage of net advances was 0.21%, up from the exceptionally low level of 0.08% in 2007. The collective provision charge increase of NZD80 million mainly reflects the impact of the economic environment on mortgages, personal loans, credit cards and small-to-medium size business lending, and an economic cycle adjustment of NZD40 million (spread across business and retail segments) in the second half to reflect the rapid deterioration in the economy during 2008.

Comparison with March 2008 half

The slowing New Zealand economy and the adverse developments in the global economy were more significant in the second half of the year. Profit for New Zealand Businesses reduced 29%, with the result including an $88 million after tax increase in credit impairment expense. Profit before credit impairment and income tax reduced 7%.

Net interest income reduced 1% with balance sheet growth (lending 4%, customer deposits 3%) being offset by margin contraction of 16 basis points. Continued competition for customer deposits driven by the significant increase in wholesale funding spreads has placed pressure on deposit margins. Unfavourable product mix also had a negative impact on deposit margins.

Other external operating income increased 3% with growth constrained across most businesses by competitive pressures.

Operating expenses increased 8% largely due to the phasing of business investment initiatives, non-lending losses and the acquisition of a subsidiary as part of a debt restructure (4% for the full year).

The individual provision charge increased NZD93 million, largely reflecting increasing mortgage, consumer and small-to-medium business arrears in response to the tighter economic conditions. The collective provision charge increased NZD39 million, reflecting the economic cycle adjustment (spread across business and retail segments).

New Zealand Businesses
Graham Hodges

New Zealand Businesses by business unit

Comparison to Full Year Sep 2007

	Full Year Sep 2008 (NZD M)					Growth Rate				
	Revenue	Expenses	PBP[1]	Credit[2]	NPAT	Revenue	Expenses	PBP[1]	Credit[2]	NPAT
The National Bank Retail	898	472	426	104	216	1%	2%	1%	large	-18%
ANZ Retail	752	450	302	74	153	2%	3%	1%	large	-16%
Corporate & Commercial Banking	453	150	303	78	151	11%	15%	9%	large	-13%
Rural Banking	264	88	176	8	113	11%	5%	15%	large	12%
Private Banking & Retail Specialist Units	104	40	64	-	50	8%	5%	10%	n/a	9%
UDC	85	26	59	22	27	10%	-21%	37%	large	-7%
Central Support[3]	7	(1)	8	-	5	-46%	-91%	-68%	n/a	-76%
New Zealand Businesses	**2,563**	**1,225**	**1,338**	**286**	**715**	**4%**	**4%**	**5%**	**large**	**-12%**

Comparison to Half Year Mar 2008

	Half Year Sep 2008 (NZD M)					Growth Rate				
	Revenue	Expenses	PBP[1]	Credit[2]	NPAT	Revenue	Expenses	PBP[1]	Credit[2]	NPAT
The National Bank Retail	444	243	201	72	87	-2%	6%	-10%	large	-33%
ANZ Retail	367	228	139	53	58	-5%	3%	-15%	large	-39%
Corporate & Commercial Banking	233	80	153	62	61	6%	14%	2%	large	-32%
Rural Banking	136	44	92	6	57	5%	2%	8%	large	2%
Private Banking & Retail Specialist Units	52	19	33	-	25	0%	-5%	6%	n/a	0%
UDC	43	14	29	15	10	2%	17%	-3%	large	-41%
Central Support[3]	6	7	(1)	1	-	large	large	large	large	-100%
New Zealand Businesses	**1,281**	**635**	**646**	**209**	**298**	**0%**	**8%**	**-7%**	**large**	**-29%**

Net loans & advances including acceptances	Half year Sep 08 NZD M	Half year Mar 08 NZD M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 NZD M	Full year Sep 07 NZD M	Movt Sep 08 v. Sep 07 %
The National Bank Retail	32,037	31,648	1%	**32,037**	29,937	7%
ANZ Retail	20,670	20,436	1%	**20,670**	19,339	7%
Corporate & Commercial Banking	15,505	14,906	4%	**15,505**	13,521	15%
Rural Banking	17,950	15,785	14%	**17,950**	14,648	23%
Private Banking & Retail Specialist Units	877	790	11%	**877**	677	30%
UDC	2,002	1,966	2%	**2,002**	1,832	9%
	89,041	85,531	4%	**89,041**	79,954	11%

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 46	**Half year Sep 08 $M**	**Half year Mar 08 $M**	**Movt Sep 08 v. Mar 08 %**	**Full year Sep 08 $M**	**Full year Sep 07 $M**	**Movt Sep 08 v. Sep 07 %**
Net interest income	791	853	-7%	**1,644**	1,658	-1%
Other external operating income	248	258	-4%	**506**	508	0%
Operating income	1,039	1,111	-6%	**2,150**	2,166	-1%
External operating expenses	(517)	(514)	1%	**(1,031)**	(1,035)	0%
Net inter business unit expenses	1	3	-67%	**4**	(1)	large
Operating expenses	(516)	(511)	1%	**(1,027)**	(1,036)	-1%
Profit before credit impairment and income tax	523	600	-13%	**1,123**	1,130	-1%
Provision for credit impairment	(173)	(67)	large	**(240)**	(69)	large
Profit before income tax	350	533	-34%	**883**	1,061	-17%
Income tax expense and minority interest	(111)	(172)	-35%	**(283)**	(341)	-17%
Profit	239	361	-34%	**600**	720	-17%
Consisting of:						
The National Bank Retail	69	112	-38%	**181**	231	-22%
ANZ Retail	46	82	-44%	**128**	162	-21%
Corporate & Commercial Banking	48	78	-38%	**126**	153	-18%
Rural Banking	47	48	-2%	**95**	89	7%
Private Banking & Retail Specialist Units[2]	21	21	0%	**42**	41	2%
UDC	8	15	-47%	**23**	25	-8%
Central Support[3]	-	5	-100%	**5**	19	-74%
New Zealand Businesses	239	361	-34%	**600**	720	-17%
Balance Sheet						
Net loans & advances including acceptances	74,611	74,053	1%	**74,611**	68,672	9%
Other external assets	1,645	1,923	-14%	**1,645**	1,878	-12%
External assets	76,256	75,976	0%	**76,256**	70,550	8%
Customer deposits	40,587	40,679	0%	**40,587**	38,333	6%
Other deposits and borrowings	10,616	9,465	12%	**10,616**	8,004	33%
Deposits and other borrowings	51,203	50,144	2%	**51,203**	46,337	11%
Other external liabilities	16,636	15,189	10%	**16,636**	12,202	36%
External liabilities	67,839	65,333	4%	**67,839**	58,539	16%
Average net loans & advances including acceptances	71,184	71,549	-1%	**71,366**	65,862	8%
Average deposits and other borrowings	47,900	49,345	-3%	**48,623**	44,129	10%
Ratios						
Net interest margin	2.20%	2.36%		**2.28%**	2.49%	
Return on average assets	0.66%	0.98%		**0.82%**	1.07%	
Operating expenses to operating income	49.6%	46.0%		**47.8%**	47.8%	
Operating expenses to average assets	1.42%	1.39%		**1.41%**	1.54%	
Individual provision charge	116	41	large	**157**	52	large
Individual provision charge as a % of average net advances	0.32%	0.11%		**0.22%**	0.08%	
Collective provision charge	57	26	large	**83**	17	large
Collective provision charge as a % of average net advances	0.16%	0.07%		**0.12%**	0.03%	
Net non-performing loans	160	89	80%	**160**	58	large
Net non-performing loans as a % of net advances	0.21%	0.12%		**0.21%**	0.08%	
Total employees	9,178	9,214	0%	**9,178**	9,087	1%

1. *For a reconciliation of New Zealand Businesses results to the New Zealand Geographic results refer page 61*
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 Sep 08 $M	Half year Mar 08 $M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 $M	Full year Sep 07 $M	Movt Sep 08 v. Sep 07 %
Net interest income	253	227	11%	**480**	347	38%
Other external operating income	307	252	22%	**559**	365	53%
Operating income	560	479	17%	**1,039**	712	46%
External operating expenses	(240)	(188)	28%	**(428)**	(285)	50%
Net inter business unit expenses	(22)	(20)	10%	**(42)**	(37)	14%
Operating expenses	(262)	(208)	26%	**(470)**	(322)	46%
Profit before credit impairment and income tax	298	271	10%	**569**	390	46%
Provision for credit impairment	(30)	(34)	-12%	**(64)**	(42)	52%
Profit before income tax	268	237	13%	**505**	348	45%
Income tax expense and minority interest	(37)	(55)	-33%	**(92)**	(77)	19%
Profit	231	182	27%	**413**	271	52%
Consisting of:						
Retail Asia	9	16	-44%	**25**	28	-11%
Asia Partnerships	111	61	82%	**172**	56	large
Institutional Asia Pacific	89	83	7%	**172**	125	38%
Retail Pacific	41	36	14%	**77**	70	10%
Exec & Support	(19)	(14)	36%	**(33)**	(8)	large
	231	182	27%	**413**	271	52%
Balance Sheet						
Net loans & advances including acceptances	13,253	10,070	32%	**13,253**	7,300	82%
Other external assets	18,894	12,861	47%	**18,894**	9,751	94%
External assets	32,147	22,931	40%	**32,147**	17,051	89%
Customer deposits	15,726	13,443	17%	**15,726**	11,101	42%
Other deposits and borrowings	3,380	1,986	70%	**3,380**	407	large
Deposits and other borrowings	19,106	15,429	24%	**19,106**	11,508	66%
Other external liabilities	11,234	8,199	37%	**11,234**	5,254	large
External liabilities	30,340	23,628	28%	**30,340**	16,762	81%
Average net loans & advances including acceptances	10,897	8,448	29%	**9,672**	6,216	56%
Average deposits and other borrowings	15,357	12,966	18%	**14,162**	10,987	29%
Ratios						
Net interest margin	2.18%	2.48%		**2.31%**	2.39%	
Return on average assets	1.75%	1.62%		**1.69%**	1.62%	
Operating expenses to operating income	46.8%	43.4%		**45.2%**	45.2%	
Operating expenses to average assets	1.98%	1.85%		**1.92%**	1.93%	
Individual provision charge	16	15	7%	**31**	30	3%
Individual provision charge as a % of average net advances	0.29%	0.36%		**0.32%**	0.48%	
Collective provision charge	14	19	-26%	**33**	12	large
Collective provision charge as a % of average net advances	0.26%	0.45%		**0.34%**	0.19%	
Net non-performing loans	109	14	large	**109**	9	large
Net non-performing loans as a % of net advances	0.82%	0.14%		**0.82%**	0.12%	
Total employees	4,394	3,776	16%	**4,394**	3,308	33%

Asia Pacific
Alex Thursby

2008 result

Profit increased by 52%. This growth was driven mainly by partnerships in Asia with full year earnings received for investments in AMMB Holdings Berhad (AMMB) and Shanghai Rural Commercial Bank (SRCB) which were acquired in the September 2007 half and mark-to-market gains on warrants in P.T. Bank Pan Indonesia (Panin). Institutional Asia Pacific profit grew by 38% reflecting increased Markets capability and income from our investment in Saigon Securities Inc (SSI). These gains were partly offset by increased investment in our organic business particularly in front office markets capability and investments in branches in key strategic markets such as Vietnam and Indonesia.

Income and expense growth were equal with operating income growing strongly by 46% to $1,039 million, while operating expense growth was held to 46% notwithstanding the significant investment made into the respective businesses.

Significant influences on the result were as follows:

- Net interest income increased 38% driven by a 56% growth in average lending assets and 29% growth in average deposits. The growth in the loan book was largely 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 currency trading and sales.
- Other external operating income grew by 53%, which was due mainly to increased equity accounted earnings from our various partnerships in Asia. Other factors contributing to the increase include higher income in 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 mark-to-market gains on bonds convertible into shares in SSI and warrants in Panin.
- Operating expenses increased 46% as we extended the branch networks in Vietnam, Cambodia, Papua New Guinea, Indonesia and Solomon Islands. In the Pacific, a new branch telling platform was installed while the transformation program was accelerated to provide the base for future growth and reduced operating risk. Core banking systems were deployed into American Samoa and Laos. 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. Our regional hubs in Hong Kong and Singapore were also extended to house the increased leadership and support resources required to drive the growth agenda.
- Provision for credit impairment increased by 52% or $22 million due primarily to asset growth and increases in collective provisions to reflect global credit market turmoil during the first half of 2008.

Comparison with March 2008 half

Profit increased by 27%. Profits from partnerships in Asia grew by 82% with contributions from investments in Panin, AMMB and increased profits from both the Chinese partnerships (SRCB and Bank of Tianjin) while the Institutional Asian businesses grew by 7%.

Total revenue grew by 17% with net interest income up 11% on the previous half driven by average loan and deposit growth of 29% and 18% respectively. Other operating income increased by 22% boosted by contributions from AMMB, Panin and SSI.

Operating expenses increased by 26% as we invested in additional distribution including 6 new branches, 49 ATMs and more than 450 point of sale (POS) terminals across the region and we accelerated the transformation programs in the Pacific. Employees in the Asia Pacific region grew by 618, mainly in the Retail network branches 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.

Provision for credit impairment decreased $4 million due to the additional collective provision booked in the March half reflecting global credit market turmoil.

Institutional Asia Pacific

The contribution from Institutional Asia Pacific is included in both the Institutional results (pages 42 to 44) and the Asia Pacific results (pages 50 to 51). This is consistent with how this business is internally managed. The following information is presented purely for reconciliation purposes.

	Half year Sep 08 $M	Half year Mar 08 $M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 $M	Full year Sep 07 $M	Movt Sep 08 v. Sep 07 %
Net interest income	93	77	21%	**170**	93	83%
Other external operating income	106	115	-8%	**221**	164	35%
Operating income	199	192	4%	**391**	257	52%
External operating expenses	(56)	(36)	56%	**(92)**	(54)	70%
Net inter business unit expenses	(26)	(23)	13%	**(49)**	(37)	32%
Operating expenses	(82)	(59)	39%	**(141)**	(91)	55%
Profit before credit impairment and income tax	117	133	-12%	**250**	166	51%
Provision for credit impairment	(7)	(13)	-46%	**(20)**	(1)	large
Profit before income tax	110	120	-8%	**230**	165	39%
Income tax expense and minority interest	(21)	(37)	-43%	**(58)**	(40)	45%
Profit	89	83	7%	**172**	125	38%
Consisting of:						
Institutional Asia	61	55	11%	116	75	55%
Institutional Pacific	28	28	0%	56	50	12%
	89	83	7%	**172**	125	38%
Balance Sheet						
Net loans & advances including acceptances	8,827	6,821	29%	**8,827**	4,529	95%
Other external assets	14,646	9,523	54%	**14,646**	6,688	large
External assets	23,473	16,344	44%	**23,473**	11,217	large
Customer deposits	6,915	6,001	15%	**6,915**	4,071	70%
Other deposits and borrowings	3,317	1,874	77%	**3,317**	268	large
Deposits and other borrowings	10,232	7,875	30%	**10,232**	4,339	large
Other external liabilities	10,647	7,845	36%	**10,647**	4,828	large
External liabilities	20,879	15,720	33%	**20,879**	9,167	large
Total employees	486	379	28%	**486**	292	66%

INGA
Bob Edgar

	Half year Sep 08 $M	Half year Mar 08 $M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 $M	Full year Sep 07 $M	Movt Sep 08 v. Sep 07 %
Funds management income	242	255	-5%	**497**	501	-1%
Risk income						
- planned margin	154	149	3%	**303**	247	23%
- experience variation[1]	6	11	-45%	**17**	29	-41%
- assumption changes[1]	-	8	-100%	**8**	8	0%
Operating income	402	423	-5%	**825**	785	5%
Funds management expenses	(152)	(151)	1%	**(303)**	(294)	3%
Life risk expenses	(79)	(78)	1%	**(157)**	(139)	13%
Remediation expenses[2]	(1)	(7)	-86%	**(8)**	(12)	-33%
Capitalised software write-offs	-	-	n/a	**-**	(29)	-100%
Gross tax on operating profit	(41)	(45)	-9%	**(86)**	(68)	26%
Profit after tax, before capital investment earnings	129	142	-9%	**271**	243	12%
Capital investment earnings after tax	(30)	12	large	**(18)**	69	large
Profit after tax before minority interest	99	154	-36%	**253**	312	-19%
Minority interest	-	-	n/a	**-**	(1)	-100%
Profit	99	154	-36%	**253**	311	-19%
ANZ share						
ANZ share @ 49%	49	75	-35%	**124**	152	-18%
Net funding	1	1	0%	**2**	3	-33%
Net return to ANZ	50	76	-34%	**126**	155	-19%
Carrying value of investment[3]	1,589	1,540	3%	**1,589**	1,519	5%
Annualised return on ANZ investment	6.2%	9.8%		**7.9%**	10.3%	
Performance measures at 100%						
Value of new business[4]	53	54	-2%	**107**	140	-24%
Cost to income[5]	57.5%	54.1%	6%	**55.8%**	55.2%	1%
Funds Management						
Retail & mezzanine funds under management	41,892	43,943	-5%	**41,892**	45,993	-9%
Net retail & mezzanine flows	(151)	1,037	large	**886**	3,312	-73%
Life Risk						
Total in-force	875	800	9%	**875**	751	17%
New premiums	124	106	17%	**230**	201	14%

Funds management growth (Retail & mezzanine)	Sep-08 $M	In-flows	Out-flows	Other flows[6]	Sep 07 $M
OneAnswer	17,955	4,348	(3,411)	(1,963)	18,981
Other Personal Investment	6,735	377	(1,217)	(497)	8,072
Mezzanine	2,036	709	(746)	(571)	2,644
Employer Super	10,490	1,765	(1,197)	(1,084)	11,006
Oasis	4,676	999	(741)	(872)	5,290
Total	41,892	8,198	(7,312)	(4,987)	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 first half 2008 represent costs incurred to improve an investment property for future sale. Remediation costs in first half 2007 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 December 2007. 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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2008 result

In a year characterised by investment market weakness and volatility in the wake of the global credit crisis, there were some reassuring aspects to the financial performance of the joint venture. Despite the adverse market conditions, the joint venture achieved 12% year-on-year growth in operating profit after tax before capital investment earnings. Other highlights included strong growth in the aligned financial adviser force, Standard & Poor's Ratings Services raising its insurer financial strength rating on the core life company ING Life Ltd to 'AA-' from 'A+' (outlook stable) and a significant organisational restructure.

In the wealth management businesses, client funds under management (FUM) fell 9% over the course of the year, attributable to weakening in underlying investment asset prices, while net flows remained in positive territory. The fall in the value of FUM adversely impacted fee income and consequently operating profit before capital investment earnings. In addition, annuity and capital-guarantee reserves were adversely impacted. INGA's products continue to receive favourable ratings and industry awards including INGA's Corporate Super product retaining its No. 1 ranking amongst employer super providers (as rated by Heron Partnership). The Personal Investments business further upgraded its flagship OneAnswer platform during the March 2008 half and the Nielsen Company rated INGA No. 1 for customer service in their wealth management industry online consumer survey.

The insurance operations continued to perform strongly in a competitive market, showing solid growth year-on-year. In-force premiums continued to grow, up 17% over last year. Both individual and group life business experienced growth. Latest available industry statistics indicate that in the year to 31 March 2008, INGA grew in-force premium above the industry average rate, improving its ranking to No. 2 in the industry for total risk in-force premiums, with market share of 12.7%[1]. INGA has achieved a position of leadership in the life insurance industry, being awarded the overall Risk Company of the Year at the 2008 Money Management / Dexx&r Adviser Choice Risk Awards.

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 1,514, a year-on-year increase of 180 or 13%. INGA ranks 2nd in the industry for aligned adviser numbers.

Profit after tax was 19% lower than 2007, with the uplift in operating profit noted above being more than offset by lower capital investment earnings. Notable influences were:

- Wealth management income fell 1% despite the 9% reduction in FUM, due mainly to the timing (and non-recurrence) of the exceptional inflows into superannuation products driven by tax incentives experienced during mid-2007.
- Risk income was 15% higher than the prior comparative period. The increase was driven by growth in the in-force books of term life, group life and consumer credit and was assisted by reinsurance recoveries on income protection claims in 2008 and continued favourable mortality and morbidity experience.
- Funds management expenses were well contained (up 3%) due to scale efficiencies and increased automation. Life risk expenses increased 13% due to the increased cost base associated with supporting the growth in retail risk and consumer credit business. Remediation expenses in both years relate to expenses incurred to improve an investment property for future sale.
- Tax on operating profit was significantly higher due to the non-recurrence of prior year one-off deductions.
- Capital investment earnings after tax were significantly lower than 2007 due to:
  - the cost of meeting capital-guaranteed obligations on a closed book of business caused the market value declines on the assets which back this liability. If financial markets return to long-term average growth rates, the cost of the guarantee will largely reverse;
  - the non-recurrence in 2008 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, and
  - the impact of rising domestic interest rates on the value of the risk reserves, and on the cost of servicing parent company loans.

1. *Source of market statistics: Plan For Life – March 2008*

Adviser Numbers
(by Dealer Group)

	Sep 08	Sep 07	Mvmt
ANZ Financial Planning	395	432	-9%
RetireInvest	214	198	8%
FSP Tandem	199	75	large
Millennium3	679	604	12%
ING Financial Planning	27	25	8%
Total	1,514	1,334	13%

Sales by Channel

	Retail Funds Management[1]		Life Insurance[2]	
	Sep 08	Sep 07	Sep 08	Sep 07
ANZ	28%	31%	12%	13%
IFAs aligned to ING	19%	19%	10%	12%
Direct	7%	6%	34%	20%
Open Market	46%	44%	44%	55%
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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Comparison with March 2008 half

Profit after tax was 36% lower than the half year to 31 March 2008, due primarily to the negative capital investment earnings in the September half. Operating profit after tax was also lower, attributable to the volatile equity and credit markets adversely impacting wealth management income, and normal seasonality through the insurance operations, which are traditionally stronger in the first half.

Notable influences on the September half result were:

- Reduced wealth management income due to lower average funds under management during the September half, as a result of falling values in underlying investment assets and rising interest rates.
- Higher risk income from in-force premium growth, offset by the non-recurrence in the September half of a pre-tax profit release of $8 million in the March half from the annual review of risk assumptions conducted in the fourth quarter of 2007.
- Wealth management and insurance expenses were flat. The remediation expenses in both halves relate to expenses incurred to improve an investment property for future sale.
- Lower tax on operating profit due to the booking of $8 million of prior period tax adjustments in the March half.

Capital investment earnings were significantly reduced due to:

- the cost of meeting capital-guaranteed obligations on a closed book of business caused the market value declines on the assets which back this liability. If financial markets return to long-term average growth rates, the cost of the guarantee will largely reverse;
- lower realised capital gains on investment assets;
- a more defensive investment asset mix, and
- the impact of rising interest rates on the value of the risk reserves and on the cost of servicing parent company loans.

Group Centre[1]

	Half year Sep 08 $M	Half year Mar 08 $M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 $M	Full year Sep 07 $M	Movt Sep 08 v. Sep 07 %
Net interest income	104	106	-2%	**210**	290	-28%
Other external operating income	67	56	20%	**123**	52	large
Operating income	171	162	6%	**333**	342	-3%
External operating expenses	(415)	(411)	1%	**(826)**	(763)	8%
Net inter business unit expenses	298	282	6%	**580**	563	3%
Operating expenses	(117)	(129)	-9%	**(246)**	(200)	23%
Profit before credit impairment and income tax	54	33	64%	**87**	142	-39%
Provision for credit impairment	(3)	(6)	-50%	**(9)**	(2)	large
Profit before income tax	51	27	89%	**78**	140	-44%
Income tax expense and minority interest	(15)	(12)	25%	**(27)**	(48)	-44%
Profit	36	15	large	**51**	92	-45%
Total employees	4,344	4,149	5%	**4,344**	4,110	6%

1. *Group Centre comprises Group Human Resources, Group Risk Management, Group 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*

2008 result

Profit of $51 million in 2008 was $41 million lower than for the 2007 year.

- Operating income reduced $9 million due primarily to reduced interest earned on surplus capital following investments in Asia, a reduction in interest received on tax refunds, higher funding costs relating to less favourable tax timing differences and lower Treasury income. These factors were mostly offset by a $58 million improvement in earnings from matured revenue hedges and an increase of $16 million in profits on the sale of properties.
- Operating expenses increased by $46 million due mainly to costs associated with the development of ANZ's Anti-Money Laundering (AML) and Basel II programs, increased sponsorship and public relations expenditure, increased property costs and the continued investment in our Private Bank business, partly offset by lower long service leave costs. The increase in employee numbers was largely driven by increased resourcing required for the AML and Basel II programs, additional staffing while non-customer facing functions were being transitioned to Bangalore, and increased customer-facing roles within Private Bank.
- The provision for credit impairment charge of $9 million in 2008 was due mainly to a $6 million loss on settlement of the final residual loan relating to the exited Grindlays business.

Comparison with March 2008 half

Profit of $36 million was $21 million higher than in the March half.

- Operating income improved by $9 million due primarily to a $41 million improvement in earnings from matured revenue hedges and higher interest earned on surplus capital. These factors were mostly offset by increased funding costs relating to less favourable tax timing differences and a reduction in profits from the sale of properties by $17 million to $18 million.
- Operating expenses reduced $12 million due mainly to lower legal costs, higher cost recoveries and lower incentive scheme costs, partly offset by higher costs associated with the development of our AML program, annual leave accruals and continued investment in our Private Bank business. The increase in employee numbers was driven largely by increased staff involved with the AML program, additional staffing while non-customer facing functions were being transitioned to Bangalore and increased customer-facing roles within Private Bank.

Geographic performance

Profit	Half year Sep 08 $M	Half year Mar 08 $M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 $M	Full year Sep 07 $M	Movt Sep 08 v. Sep 07 %
Australia	840	1,224	-31%	**2,064**	2,889	-29%
New Zealand	302	529	-43%	**831**	917	-9%
Asia	157	111	41%	**268**	171	57%
Pacific	69	64	8%	**133**	121	10%
Other	(12)	35	large	**23**	82	-72%
	1,356	1,963	-31%	**3,319**	4,180	-21%

Cash[1] profit	Half year Sep 08 $M	Half year Mar 08 $M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 $M	Full year Sep 07 $M	Movt Sep 08 v. Sep 07 %
Australia	821	1,010	-19%	**1,831**	2,688	-32%
New Zealand	318	451	-29%	**769**	861	-11%
Asia	162	116	40%	**278**	172	62%
Pacific	69	64	8%	**133**	121	10%
Other	(15)	33	large	**18**	82	-78%
	1,355	1,674	-19%	**3,029**	3,924	-23%

	Comparison to Full Year Sep 2007									
	Full Year Sep 2008					Growth Rate				
	Revenue	Expenses	PBP[2]	Credit[3]	NPAT	Revenue	Expenses	PBP[2]	Credit[3]	NPAT
Australia	7,639	3,714	3,925	1,490	1,831	2%	10%	-5%	large	-32%
New Zealand	2,558	1,177	1,381	253	769	0%	0%	0%	large	-11%
Asia	644	288	356	47	278	57%	70%	48%	34%	62%
Pacific	358	155	203	16	133	13%	12%	14%	100%	10%
Other	296	110	186	142	18	29%	6%	48%	large	-78%
	11,495	**5,444**	**6,051**	**1,948**	**3,029**	**4%**	**10%**	**0%**	**large**	**-23%**
New Zealand (NZD)	3,047	1,401	1,646	302	916	5%	5%	5%	large	-6%

	Comparison to Half Year Mar 2008									
	Half Year Sep 2008					Growth Rate				
	Revenue	Expenses	PBP[2]	Credit[3]	NPAT	Revenue	Expenses	PBP[2]	Credit[3]	NPAT
Australia	3,853	1,883	1,970	946	821	2%	3%	1%	74%	-19%
New Zealand	1,235	594	641	172	318	-7%	2%	-13%	large	-29%
Asia	355	167	188	22	162	23%	38%	12%	-12%	40%
Pacific	183	78	105	8	69	5%	1%	7%	0%	8%
Other	166	55	111	119	(15)	28%	0%	48%	large	large
	5,792	**2,777**	**3,015**	**1,267**	**1,355**	**2%**	**4%**	**-1%**	**86%**	**-19%**
New Zealand (NZD)	1,520	728	792	209	396	0%	8%	-7%	large	-24%

1. *In 2008 ANZ has classified as significant items the gain from the allocation of shares in Visa in March 2008 of $248 million after tax (tax impact: $105 million), costs associated with organisational transformation of $152 million after tax (tax impact: $66 million) including process re-engineering and ATM write-offs relating to a network upgrade, costs associated with the 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 $1 million (Sep 2008 half: $7 million loss; Mar 2008 half: $8 million gain) following the restatement of deferred tax assets consequent to the reduction in New Zealand tax rate. In 2007 ANZ classified as significant items the gain on sale of Esanda Fleetpartners of $195 million after tax (tax impact: $nil 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 announced change in the New Zealand company tax rate which takes effect from 1 October 2008. ANZ excludes significant items to eliminate the distorting effect of one-off transactions on the results of its core business (refer page 26)*

   The Group enters into economic hedges to manage its interest rate and foreign exchange risk. In 2008 ANZ has classified a gain of $243 million after tax (2007 full year: $69 million; Sep 2008 half: $176 million; Mar 2008 half: $67 million) relating to economic hedging as a non-core item (tax impact $107 million (2007 full year: $31 million; Sep 2008 half: $78 million; March 2008 half: $29 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 $26 million (2007 full year: $16 million gain; Sep 2008 half: $16 million loss; Mar 2008 half: $10 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 $13 million credit (2007 full year: $7 million expense; Sep 2008 half: $9 million credit; Mar 2008 half: $4 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 27)
2. *PBP (profit before provisions) is profit before credit impairment and income tax*
3. *Credit impairment expense*

Australia

	Half year Sep 08 $M	Half year Mar 08 $M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 $M	Full year Sep 07 $M	Movt Sep 08 v. Sep 07 %
Net interest income	2,950	2,664	11%	**5,614**	5,036	11%
Other external operating income	903	1,122	-20%	**2,025**	2,472	-18%
Operating income	3,853	3,786	2%	**7,639**	7,508	2%
Operating expenses	(1,883)	(1,831)	3%	**(3,714)**	(3,365)	10%
Profit before credit impairment and income tax	1,970	1,955	1%	**3,925**	4,143	-5%
Provision for credit impairment	(946)	(544)	74%	**(1,490)**	(410)	large
Profit before income tax	1,024	1,411	-27%	**2,435**	3,733	-35%
Income tax expense	(201)	(401)	-50%	**(602)**	(1,042)	-42%
Minority interest	(2)	-	n/a	**(2)**	(3)	-33%
Cash[1] profit	821	1,010	-19%	**1,831**	2,688	-32%
Non-core items[1]	19	214	-91%	**233**	201	16%
Profit	840	1,224	-31%	**2,064**	2,889	-29%
Net interest average margin	2.10%	2.03%		**2.07%**	2.19%	
Operating expenses[1] to operating income	50.8%	44.8%		**47.8%**	43.5%	
Operating expenses[1] to average assets	1.32%	1.27%		**1.30%**	1.35%	
Operating expenses to operating income (cash[1])	48.9%	48.4%		**48.6%**	44.8%	
Operating expenses to average assets (cash[1])	1.21%	1.25%		**1.23%**	1.35%	
Individual provision charge	544	270	large	**814**	357	large
Individual provision charge as a % of average net advances	0.45%	0.24%		**0.35%**	0.18%	
Collective provision charge	402	274	47%	**676**	53	large
Collective provision charge as a % of average net advances	0.33%	0.24%		**0.29%**	0.03%	
Net non-performing loans	819	620	32%	**819**	310	large
Net non-performing loans as a % of net advances	0.33%	0.27%		**0.33%**	0.16%	
Total employees	20,375	20,213	1%	**20,375**	19,868	3%
Lending growth	5.5%	8.5%		**14.5%**	13.1%	
External assets	321,705	301,126	7%	**321,705**	272,969	18%

1. *In 2008 ANZ has classified as significant items 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), costs associated with organisational transformation of $128 million after tax (tax impact:$54 million) including process re-engineering and ATM write-offs relating to a network upgrade and costs associated with a write-down of our investment in Origin Australia of $24 million after tax (tax impact: $10 million). In 2007 ANZ has classified the gain on sale of Esanda Fleetpartners of $128 million after tax (tax impact: $nil following the availability of capital losses being applied against the gain) 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 26)*

The Group enters into economic hedges to manage its interest rate and foreign exchange risk. In 2008 ANZ has classified a gain of $237 million after tax (2007 full year: $57 million; Sep 2008 half: $163 million; Mar 2008 half: $74 million) relating to economic hedging as a non-core item (tax impact $103 million (2007 full year: $24 million; Sep 2008 half: $70 million; Mar 2008 half: $33 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 market loss after tax of $26 million (2007 full year: $16 million gain; Sep 2008 half: $16 million loss; Mar 2008 half: $10 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 $13 million credit (2007 full year: $7 million expense; Sep 2008 half: $9 million credit; Mar 2008 half: $4 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 27)

Australia, cont'd

2008 result

Profit after tax decreased 29%. After adjusting for the impact of non-core items cash profit decreased 32%. Significant influences on cash profit were:

- Net interest income increased 11% as average net advances grew 17% and average deposits and other borrowings increased 25%, offset by a 12 basis point reduction in net interest margin. Growth in average net advances was driven by Institutional (28%) reflecting the re-intermediation of commercial customers during the March half year as a result of tightening global credit conditions. Average net advances in Personal increased 12% primarily in Mortgages. Net interest margin decline was largely in Institutional due to declining Markets mismatch income and the higher cost of funding derivative revaluations (-$47 million offset in other income), change in the funding and deposit mix, lags in passing on higher funding costs and growth in low risk, low margin lending to well rated corporates. In Personal, margins declined across most lending businesses, due mainly to higher funding costs partly offset by out of cycle rate rises. Strong competition for deposits saw term deposit margins decline and a switch into high yield/low margin products.
- Other external income decreased 18%. The decline was impacted by the treatment of credit risk on derivatives as negative revenue (-$676 million), the impact of a structured transaction on income (-$127 million) and the consolidation of Stadium Australia (-$21 million) and ETrade (+$39 million). Excluding these, Other external income increased 14% driven by Institutional (16%), with higher Markets income due to market volatility (including +$47 million offset in net interest income), and higher deal related fee income in Corporate Finance partly offset by lower private equity mark-to-market earnings and higher impairment write-downs. Personal increased 8% with higher fee income due to customer acquisition and fee initiatives across several businesses. In the Corporate Centre an additional $16 million contribution from property sales was offset by MasterCard IPO proceeds in 2007 of $18 million.
- Operating expenses increased 10%. Personal operating costs increased 10% due to higher personnel and premises expenses associated with investment in the branch network with 44 new branches and 600 ATMs opened during 2007 and 2008. There were also additional financial planners, higher marketing costs and additional servicing costs related to customer acquisition. Increased expenses within Institutional (+9%) were attributable to higher consultant and legal fees associated with the review of the Securities Lending business and the cost of revenue initiatives, reflected in higher staff and technology costs.
- Provision for credit impairment on lending assets increased $1.1 billion. Individual provisions were up $457 million, of which $258 million relates to six individual customers. Underlying growth was driven by volume growth, a recovery in 2007 and the impact of deteriorating economic conditions mainly on corporate customers. The collective provision increased by $623 million; $461 million relates to an economic cycle adjustment and allowances for stress in the financial and property sectors, with the residual due to volume growth and observed decline in credit ratings.
- The effective tax rate declined from 27.9% to 24.7% benefiting from a structured transaction.

Comparison with March 2008 half

Profit after tax decreased by 31%. Cash profit decreased 19%. Significant influences on cash profit were as follows:

- Net interest income increased 11% with average net advances up 7%, average deposits and other borrowings up 9% and a 7 basis point increase in net interest margin. The March half year margin was fully impacted by higher funding costs associated with the global credit crisis, while the benefit from subsequent related repricing and repositioning activities are reflected in the September 2008 half margin. Institutional margin increased as a result of repricing activities and higher Markets mismatch income after a low March half result, partly offset by higher funding cost of derivatives (-$42 million offset in other income). Personal experienced modest margin improvement with the benefit from repricing activities flowing into the September half, partly offset by strong competition for deposits.
- Other external operating income decreased 20%. This was impacted by the treatment of credit risk on derivatives treated as negative revenue (-$123 million), the impact of a structured transaction on income (-$107 million) and the consolidation of Stadium Australia (-$19 million). Excluding these, underlying other external income increased 2%. Institutional increased 1% driven by stronger fee income due to seasonal factors, new product and fee changes across several businesses. There were also improved profits from sale of trading and investment securities, lower mark-to-market write-downs in private equity and the change in the composition of the derivatives result (+$42 million offset in net interest income). Personal increased 3%, due mainly to higher fee income from customer acquisition and fee initiatives partly offset by lower Investment sales and commissions due to the downturn in equity markets. Property sales in the September half were $17 million lower.
- Operating expenses increased 3%. Institutional expenses increased 7% driven by higher consultant and legal costs associated with the Securities Lending Review, the consolidation of some equity investments and the cost of an increase in customer facing staff in our relationship businesses. Personal increased 2% reflecting increased personnel and premises expenses associated with branch expansion and higher marketing costs.
- Provision for credit impairment on lending assets increased $401 million. The Individual provision charge increased by $274 million, $194 million of which relates to six large customers. The remaining increase is driven by volume growth and the impact of the current economic climate on both corporate and personal customers. The Collective provision charge increased $128 million, largely due to an economic cycle adjustment due to deterioration in global credit markets and with allowances for stress in the financial and property sectors.
- The effective tax rate declined from 28.4% to 19.6% benefiting from a structured transaction.

New Zealand

	Half year Sep 08 NZD M	Half year Mar 08 NZD M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 NZD M	Full year Sep 07 NZD M	Movt Sep 08 v. Sep 07 %
Net interest income	1,019	1,010	1%	**2,029**	2,059	-1%
Other external operating income	501	517	-3%	**1,018**	841	21%
Operating income	1,520	1,527	0%	**3,047**	2,900	5%
Operating expenses	(728)	(673)	8%	**(1,401)**	(1,334)	5%
Profit before credit impairment and income tax	792	854	-7%	**1,646**	1,566	5%
Provision for credit impairment	(209)	(93)	large	**(302)**	(74)	large
Profit before income tax	583	761	-23%	**1,344**	1,492	-10%
Income tax expense	(187)	(241)	-22%	**(428)**	(517)	-17%
Minority interest	-	-	n/a	**-**	-	n/a
Cash[1] profit	396	520	-24%	**916**	975	-6%
Non-core items[1]	(16)	90	large	**74**	64	16%
Profit (NZD)	380	610	-38%	**990**	1,039	-5%
Profit (AUD)	302	529	-43%	**831**	917	-9%
Net interest average margin	1.92%	2.00%		**1.96%**	2.20%	
Operating expenses[1] to operating income	49.5%	42.0%		**45.7%**	44.5%	
Operating expenses[1] to average assets	1.34%	1.21%		**1.27%**	1.31%	
Operating expenses to operating income (cash[1])	47.9%	44.1%		**46.0%**	46.0%	
Operating expenses to average assets (cash[1])	1.28%	1.21%		**1.24%**	1.31%	
Individual provision charge	143	47	large	**190**	55	large
Individual provision charge as a % of average net advances	0.30%	0.10%		**0.21%**	0.07%	
Collective provision charge	66	46	43%	**112**	19	large
Collective provision charge as a % of average net advances	0.14%	0.10%		**0.12%**	0.02%	
Net non-performing loans	195	108	81%	**195**	72	large
Net non-performing loans as a % of net advances	0.20%	0.12%		**0.20%**	0.08%	
Total employees	9,548	9,552	0%	**9,548**	9,409	1%
Lending growth	5.7%	5.5%		**11.5%**	12.1%	
External assets	119,780	110,834	8%	**119,780**	105,997	13%

1. *In 2008 ANZ has classified as significant items the gain from the allocation of shares in Visa in March 2008 of NZD85 million after tax (tax impact: $nil), costs associated with organisational transformation of NZD28 million after tax (tax impact: NZD14 million) and a further positive adjustment of NZD1 million (Sep 2008 half: NZD8 million loss; Mar 2008 half: NZD9 million gain) following the restatement of deferred tax assets to reflect the reduction in New Zealand tax rate as significant items. In 2007 ANZ has classified the gain on sale of Esanda Fleetpartners of NZD76 million (tax impact: $nil) and 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 significant items. ANZ excludes significant items to eliminate the distorting effect of one-off transactions on the results of its core business (refer page 26)*

The Group enters into economic hedges to manage its interest rate and foreign exchange risk. In 2008 ANZ has classified a gain of NZD13 million after tax (2007 full year: NZD15 million gain; Sep 2008 half: NZD8 million gain; Mar 2008 half: NZD5 million loss) relating to economic hedging as a non-core item (tax impact NZD6 million (2007 full year: NZD8 million; Sep 2008 half: NZD8 million; Mar 2008 half: NZD2 million credit)). 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 27)

New Zealand, cont'd

Reconciliation of Geographic profit

	Half year Sep 08 NZD M	Half year Mar 08 NZD M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 NZD M	Full year Sep 07 NZD M	Movt Sep 08 v. Sep 07 %
New Zealand Businesses	298	417	-29%	**715**	815	-12%
NZ Institutional	135	127	6%	**263**	215	22%
New Zealand Banking	433	544	-20%	**978**	1,030	-5%
NZ shareholder functions	(37)	(24)	54%	**(62)**	(55)	13%
New Zealand geography adjusted for non-core items[1]	396	520	-24%	**916**	975	-6%
Non-core items	(16)	90	large	**74**	64	16%
Total New Zealand geography	380	610	-38%	**990**	1,039	-5%

1. *Refer footnote 1 on page 60*

2008 result

The combination of domestic recession, which is emerging as the worst economic downturn since the early 1990's, and the impact of the global credit crunch has had a significant impact on business performance in 2008. Costs have been managed to reflect the changing environment, albeit with some phasing into the second half. Profit reduced 6% after adjusting for non-core items with the result including a NZD153 million after tax increase in credit impairment expense. Profit before credit impairment and income tax increased 5%.

Institutional, particularly in Markets, delivered a very strong profit result for the year (22%), which in part reflects increased customer activity as a result of a more volatile market environment. New Zealand Businesses growth was most affected by the economic slowdown which has been led by the household sector and the switch to intense competition for domestic deposits as global funding conditions have tightened.

- Net interest income reduced 1%, with the result impacted by a number of factors within Institutional, including the reduction in net interest income from derivative positions (NZD29 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 lending growth across the New Zealand Businesses (11%), offset by margin decline in these businesses of 21 basis points. Deposit margins contracted as a result of increased competition, unfavourable mix in a high rate environment with migration of customers from low, to high yielding products.
- Other external operating income increased 21%, driven by a stronger Markets result and the change in composition of the derivatives result referred to above. Growth in the New Zealand Businesses was 5%, with the main contribution coming from the Retail banks, achieving growth across lending, cards and commission income.
- Operating expenses increased 5%. Cost growth was due to annual increases in salaries, an increase in the number of customer-facing staff and investment in the businesses which have been partly offset by strong control of discretionary expenditure. The cost to income ratio was stable at 46.0%.
- The individual provision charge increased NZD136 million, largely reflecting increasing mortgage, consumer and small to medium business arrears in response to the significant downturn in the economy and resultant stress in the household sector. The collective provision charge increased NZD92 million, mainly reflecting arrears in mortgages, personal loans, credit cards and small business to medium size lending, together with economic cycle adjustments booked to reflect the current financial environment (NZD50 million spread across wholesale and retail businesses).

Comparison with March 2008 half

The slowing New Zealand economy and the adverse developments in the global economy were more significant in the second half of the year. Profit reduced 24% over the March 2008 half after adjusting for non-core items, with the result including a NZD80 million after tax increase in credit impairment expense. Profit before credit impairment and tax reduced 7% (Institutional +3%, New Zealand Businesses -7%).

- Net interest income increased 1%. Lending growth (6%) was moderated by margin contraction of 8 basis points. Increased competition for customer deposits driven by the significant increase in wholesale funding spreads has placed pressure on deposit margins. Unfavourable product mix has also had a negative impact. An increase in net interest income from derivative positions (NZD22 million), offset in trading income assisted the net interest income result.
- Other external operating income reduced 3%, largely reflecting lower contributions from Corporate Finance and the change in composition of the derivatives result referred to above.
- Operating expenses increased 8% largely due to the phasing of business investment initiatives, non-lending losses and the acquisition of a subsidiary as part of a debt restructure (5% for full year).
- The individual provision charge increased NZD96 million, largely reflecting increasing mortgage, consumer and small to medium business arrears in response to tighter economic conditions. The collective provision charge increased NZD20 million, reflecting economic cycle adjustments booked in the respective halves (NZD40 million in the September 2008 half, and NZD10 million in the March 2008 half).

Asia

	Half year Sep 08 $M	Half year Mar 08 $M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 $M	Full year Sep 07 $M	Movt Sep 08 v. Sep 07 %
Net interest income	137	124	10%	**261**	206	27%
Other external operating income	218	165	32%	**383**	203	89%
Operating income	355	289	23%	**644**	409	57%
Operating expenses	(167)	(121)	38%	**(288)**	(169)	70%
Profit before credit impairment and income tax	188	168	12%	**356**	240	48%
Provision for credit impairment	(22)	(25)	-12%	**(47)**	(35)	34%
Profit before income tax	166	143	16%	**309**	205	51%
Income tax expense	(1)	(25)	-96%	**(26)**	(30)	-13%
Minority interest	(3)	(2)	50%	**(5)**	(3)	67%
Cash[1] profit	162	116	40%	**278**	172	62%
Non-core items[1]	(5)	(5)	0%	**(10)**	(1)	large
Profit	157	111	41%	**268**	171	57%
Operating expenses to operating income	47.9%	43.2%		**45.6%**	41.4%	
Operating expenses to operating income (cash[1])	47.0%	41.9%		**44.7%**	41.4%	
Individual provision charge	10	9	11%	**19**	27	-30%
Collective provision charge	12	16	-25%	**28**	8	large
Net non-performing loans	92	-	n/a	**92**	-	n/a
Total employees	2,184	1,684	30%	**2,184**	1,313	66%

1. *The Group enters into economic hedges to manage its interest rate and foreign exchange risk. In 2008 ANZ has classified $10 million loss after tax (2007 full year: $1 million loss; Sep 2008 half: $5 million loss; Mar 2008 half: $5 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 27)*

2008 result

Profit grew 57%. With strong growth in ANZ's Asian partnerships (including full year contributions from AMMB Holdings Berhad (AMMB) and Shanghai Rural Commercial Bank (SRCB) which were acquired in the September 2007 half year) contributing significantly to the result. Investment in the organic business has driven significant revenue growth and is being accelerated to drive even further growth.

Key factors affecting the result were:

- Net interest income increased by 27%. 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 have led to strong interest income growth in Markets.
- Other external operating income grew by 89%, of which more than half was contributed by equity accounted income from partnerships (including full year 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 mark-to-market gains on bonds convertible into shares in SSI, and warrants in P.T. Bank Pan Indonesia (Panin).
- Operating expenses increased 70% through a combination of new investment, including new branches in Vietnam, Indonesia and Cambodia and inflationary pressures across the region. Employees increased by 871, largely in the network businesses and in specialist institutional product areas including deal origination and structuring (client relationship management).
- Provision for credit impairment increased by $12 million due to asset growth and additional provisions for economic cycle impacts. Overall credit quality improved, with investment grade loans constituting a higher proportion of the portfolio.

Comparison with March 2008 half

Profit increased 41%. The result was boosted by increased equity accounted earnings from partnership investments together with significant revenue growth from the network business. Operating expenses increased due to the flow through impact from staff recruited in first half 2008, together with additional front office staff taken on during the second half.

Pacific

	Half year Sep 08 $M	Half year Mar 08 $M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 $M	Full year Sep 07 $M	Movt Sep 08 v. Sep 07 %
Net interest income	95	88	8%	**183**	154	19%
Other external operating income	88	87	1%	**175**	162	8%
Operating income	183	175	5%	**358**	316	13%
Operating expenses	(78)	(77)	1%	**(155)**	(138)	12%
Profit before credit impairment and income tax	105	98	7%	**203**	178	14%
Provision for credit impairment	(8)	(8)	0%	**(16)**	(8)	100%
Profit before income tax	97	90	8%	**187**	170	10%
Income tax expense	(27)	(26)	4%	**(53)**	(48)	10%
Minority interest	(1)	-	n/a	**(1)**	(1)	0%
Cash profit	69	64	8%	**133**	121	10%
Profit	69	64	8%	**133**	121	10%

Operating expenses to operating income	42.6%	44.0%		**43.3%**	43.7%	
Individual provision charge	6	6	0%	**12**	4	large
Collective provision charge	2	2	0%	**4**	4	0%
Net non-performing loans	17	14	21%	**17**	9	89%
Total employees	2,048	1,991	3%	**2,048**	1,867	10%

2008 result

Profit increased by 10%. Double-digit profit growth in Fiji, Papua New Guinea, Cook Islands, Solomon Islands, Kiribati and Timor Leste and the full year impact from the acquisition of Citizens Security Bank (CSB) in Guam were partly offset by continued investment in network infrastructure.

Key factors affecting the result were:

- Net interest income increased 19% due to volume gains notably in Papua New Guinea and the Solomon Islands, the full year impact from the acquisition of CSB and a return to more normal cost of funds in Fiji following the coup in November 2006.
- Other external operating income increased 8% predominantly due to strong foreign exchange earnings growth in Papua New Guinea.
- Operating expenses increased 12% due mainly to the inclusion of the first full year result from CSB and increased distribution channels including the rolling out of a new branch telling software as well as investment in additional ATMs, point of sale (POS) terminals and branches. The transformation program was accelerated to increase efficiency and reduce operating risk. Employees increased by 181 as a result of the accelerated transformation program along with investment in high growth countries including Papua New Guinea and the Solomon Islands.
- While credit quality remains sound, provision for credit impairment increased by $8 million driven by higher provisioning in Tonga, Kiribati and Samoa.

Comparison with March 2008 half

Profit increased 8% with continued growth in Papua New Guinea and Fiji. Operating income increased 5% as a result of improved interest margins in Fiji and growth in Papua New Guinea. Operating expenses remained relatively stable compared to the previous half. The provision for credit impairment was also in line with provisioning in the March half.

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

	Half year Sep 08 $M	Half year Mar 08 $M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 $M	Full year Sep 07 $M	Movt Sep 08 v. Sep 07 %
Net interest income	60	29	large	**89**	89	0%
Other external operating income	106	101	5%	**207**	141	47%
Operating income	166	130	28%	**296**	230	29%
Operating expenses	(55)	(55)	0%	**(110)**	(104)	6%
Profit before credit impairment and income tax	111	75	48%	**186**	126	48%
Provision for credit impairment	(119)	(23)	large	**(142)**	(4)	large
Profit before income tax	(8)	52	large	**44**	122	-64%
Income tax expense	(7)	(19)	-63%	**(26)**	(40)	-35%
Cash[1] profit	(15)	33	large	**18**	82	-78%
Non-core items[1]	3	2	50%	**5**	-	n/a
Profit	(12)	35	large	**23**	82	-72%
Operating expenses to operating income	32.7%	40.9%		**36.5%**	45.2%	
Operating expenses to operating income (cash[1])	33.1%	42.3%		**37.2%**	45.2%	
Individual provision charge	120	6	large	**126**	3	large
Collective provision charge	(1)	17	large	**16**	1	large
Net non-performing loans	13	25	-48%	**13**	25	-48%
Total employees	2,772	2,042	36%	**2,772**	1,897	46%

1. *The Group enters into economic hedges to manage its interest rate and foreign exchange risk. In 2008 half ANZ has classified a gain of $5 million after tax (2007 full year: $nil; Sep 2008 half: $3 million; Mar 2008 half: $2 million) 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 27)*

2008 result

Cash profit decreased by 78% with the appreciation of the AUD against other currencies providing a 4% offset to the 2008 result.

Significant influences on profit:

- Net interest income remained flat with higher margins from new and repricing portfolios, strong balance sheet growth in Relationship Lending and Working Capital offset by higher costs associated with liquidity maintenance together with movements in the derivative and collateral positions.
- Other external operating income increased 47% of which 24% relates to the realisation of credit default swaps economically hedging items in the liquidity portfolio. The remaining increase reflects higher fee income on repricing commitments and contingent assets in line with the current credit environment.
- Operating expenses increased 6% with investment in revenue generating staff in Europe and the United States and increased costs associated with the relocation to new premises together with the costs associated with opening a Representative Office in Dubai. Personnel numbers also increased within operations and technology support in India however, these costs were charged to the sponsoring business units.
- Provision for credit impairment increased, with $98 million relating to credit losses on assets held in the liquidity portfolio and a $25 million specific loss on the loan portfolio. Growth in net lending assets resulted in a higher collective provision charge.

Comparison with March 2008 half

Key factors driving the profit reduction:

- Net interest income increased 107% including $23 million from movement in the derivatives position (offset in other income). Other factors include strong Relationship lending growth and higher margins in Corporate Finance were offset by an overall reduction in lending growth due primarily to the repayment of one large facility in the March 2008 half.
- Other external operating income increased 5%, due primarily to the impact of the realisation of credit default swaps economically hedging items in the liquidity portfolio, with the remainder attributed to movement in the collateral and underlying derivatives position (offset in net interest income) together with a reduced asset writing strategy in Corporate Finance.
- Operating expenses remained flat.
- Provision for credit impairment increased, with $98 million recorded in the September 2008 half relating to credit loss on assets held in the liquidity portfolio and a further $25 million specific loss on the loan portfolio. Collective provision reduced with lower net lending assets reported in the last quarter of September 2008.

	Sep 08 $M	Sep 07 $M	Sep 06 $M	Sep 05 $M	Previous AGAAP Sep 04 $M
Income Statement					
Net interest income	7,850	7,302	6,943	6,371	5,252
Other operating income	3,645	3,720	3,146	2,935	3,267
Operating expense	(5,444)	(4,953)	(4,605)	(4,340)	(4,005)
Provision for credit impairment	(1,948)	(522)	(407)	(565)	(632)
Profit before income tax	4,103	5,547	5,077	4,401	3,882
Income tax expense	(1,066)	(1,616)	(1,486)	(1,247)	(1,147)
Minority interest	(8)	(7)	(4)	(3)	(4)
Cash profit[1]	3,029	3,924	3,587	3,151	2,731
Non-core items[1]	290	256	101	24	84
Profit attributable to shareholders of the Company	3,319	4,180	3,688	3,175	2,815
Balance Sheet					
Assets	471,024	392,773	334,640	300,885	259,345
Net assets	26,552	22,048	19,906	19,538	17,925
Ratios					
Return on average ordinary equity[2]	14.5%	20.9%	20.7%	18.3%	19.1%
Return on average assets	0.8%	1.2%	1.1%	1.1%	1.2%
Tier 1 capital ratio[3]	7.7%	6.7%	6.8%	6.9%	6.9%
Total capital ratio[3]	11.1%	10.1%	10.6%	10.5%	10.4%
Operating expenses[4] to operating income	46.8%	43.7%	44.6%	47.0%	44.9%
Operating expenses[4] to operating income (cash)	47.4%	44.9%	45.6%	46.6%	45.3%
Shareholder value - ordinary shares					
Total return to shareholders					
(share price movement plus dividends)	-33.5%	15.6%	17.1%	32.6%	17.0%
Market capitalisation	38,263	55,382	49,331	43,834	34,586
Dividend	136 cents	136 cents	125 cents	110 cents	101 cents
Franked portion	100%	100%	100%	100%	100%
Share price					
- high	$31.74	$31.50	$28.66	$24.45	$19.44
- low	$15.07	$25.75	$22.70	$19.02	$15.94
- closing	$18.75	$29.70	$26.86	$24.00	$19.02
Share information (per fully paid)					
Earnings per share - basic[5]	170.4c	224.1c	200.0c	169.5c	153.1c
Dividend payout ratio	82.6%	60.9%	62.6%	65.0%	67.5%
Net tangible assets	$10.72	$9.36	$8.53	$7.77	$7.51
Number of fully paid ordinary shares (M)	2,040.7	1,864.7	1,836.6	1,826.4	1,818.4
Other information					
Permanent employees (FTE)	35,423	33,004	30,644	29,471	27,383
Temporary employees (FTE)	1,502	1,349	1,612	1,505	1,372
Total employees (FTE)	36,925	34,353	32,256	30,976	28,755
Points of representation	1,346	1,327	1,265	1,223	1,190
Number of shareholders[5]	376,813	327,703	291,262	263,467	252,072

1. *In 2008 ANZ has classified as significant items the gain from the allocation of shares in Visa in March 2008 of $248 million after tax (tax impact: $105 million), costs associated with organisational transformation of $152 million after tax (tax impact: $66 million) including process re-engineering and ATM write-offs relating to a network upgrade, costs associated with the 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 $1 million (Sep 2008 half: $7 million loss; Mar 2008 half: $8 million gain) following the restatement of deferred tax assets consequent to the reduction in New Zealand tax rate. In 2007 ANZ classified as significant items the gain on sale of Esanda Fleetpartners of $195 million after tax (tax impact: $nil 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 announced change in the New Zealand company tax rate which takes effect from 1 October 2008. ANZ excludes significant items to eliminate the distorting effect of one-off transactions on the results of its core business performance (refer page 26)*

   The Group enters into economic hedges to manage its interest rate and foreign exchange risk. In 2008 ANZ has classified a gain of $243 million after tax (2007 full year: $69 million; Sep 2008 half: $176 million; Mar 2008 half: $67 million) relating to economic hedging as a non-core item (tax impact $107 million (2007 full year: $31 million; Sep 2008 half: $78 million; March 2008 half: $29 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 $26 million (2007 full year: $16 million gain; Sep 2008 half: $16 million loss; Mar 2008 half: $10 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 $13 million credit (2007 full year: $7 million expense; Sep 2008 half: $9 million credit; Mar 2008 half: $4 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 27)
2. *Average ordinary shareholders' equity excludes minority interest and preference share dividend*
3. *2008 numbers calculated using Basel II methodology; prior period numbers reflect Basel I methodology*
4. *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 IFRS goodwill is not amortised and therefore was not recognised from 2005 onwards*
5. *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 INFORMATION AND OTHER DISCLOSURES

Full year ended
30 September 2008

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Australia and New Zealand Banking Group Limited

	Note	Half year Sep 08 $M	Half year Mar 08 $M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 $M	Full year Sep 07 $M	Movt Sep 08 v. Sep 07 %
Total income	2	18,943	17,970	5%	**36,913**	30,248	22%
Interest income		16,992	15,612	9%	**32,604**	26,210	24%
Interest expense		(12,922)	(11,832)	9%	**(24,754)**	(18,908)	31%
Net interest income	2	4,070	3,780	8%	**7,850**	7,302	8%
Other operating income	2	1,809	2,139	-15%	**3,948**	3,779	4%
Share of joint venture profit from ING Australia and ING New Zealand		58	85	-32%	**143**	172	-17%
Share of associates' profit		84	134	-37%	**218**	87	large
Operating income		6,021	6,138	-2%	**12,159**	11,340	7%
Operating expenses	3	(2,995)	(2,701)	11%	**(5,696)**	(4,953)	15%
Profit before credit impairment and income tax		3,026	3,437	-12%	**6,463**	6,387	1%
Provision for credit impairment	9	(1,267)	(681)	86%	**(1,948)**	(522)	large
Profit before income tax		1,759	2,756	-36%	**4,515**	5,865	-23%
Income tax expense	4	(398)	(790)	-50%	**(1,188)**	(1,678)	-29%
Profit for the period		1,361	1,966	-31%	**3,327**	4,187	-21%
Comprising:							
Profit attributable to minority interest		5	3	67%	**8**	7	14%
Profit attributable to shareholders of the Company		1,356	1,963	-31%	**3,319**	4,180	-21%
Earnings per ordinary share (cents)							
Basic	6	68.3	102.4	-33%	**170.4**	224.1	-24%
Diluted	6	65.9	98.6	-33%	**162.2**	218.3	-26%
Dividend per ordinary share (cents)	5	74.0	62.0		**136**	136	0%

The notes appearing on pages 73 to 98 form an integral part of these financial statements

Australia and New Zealand Banking Group Limited

Assets	Note	As at Sep 08 $M	As at Mar 08[5] $M	As at Sep 07[5] $M	Movt Sep 08 v. Mar 08 %	Movt Sep 08 v. Sep 07 %
Liquid assets		**25,030**	17,803	16,987	41%	47%
Due from other financial institutions		**9,862**	11,850	8,040	-17%	23%
Trading securities[1]		**15,177**	14,870	15,167	2%	0%
Derivative financial instruments		**36,941**	29,217	22,204	26%	66%
Current tax assets		**809**	290	160	large	large
Available-for-sale assets		**17,480**	16,333	14,006	7%	25%
Net loans and advances	7	**335,187**	318,010	288,879	5%	16%
Customers' liability for acceptances		**15,297**	15,756	14,536	-3%	5%
Shares in associates and joint venture entities		**4,375**	3,869	3,430	13%	28%
Deferred tax assets		**455**	203	113	large	large
Goodwill and other intangible assets[2]		**3,741**	3,716	3,677	1%	2%
Other assets[3]		**5,078**	5,011	4,081	1%	24%
Premises and equipment		**1,592**	1,427	1,493	12%	7%
Total assets		**471,024**	438,355	392,773	7%	20%
Liabilities						
Due to other financial institutions		**20,092**	19,134	19,116	5%	5%
Deposits and other borrowings	10	**283,966**	264,996	233,743	7%	21%
Derivative financial instruments		**31,927**	27,831	24,180	15%	32%
Liability for acceptances		**15,297**	15,756	14,536	-3%	5%
Current tax liabilities		**61**	61	468	0%	-87%
Deferred tax liabilities		**247**	259	135	-5%	83%
Payables and other liabilities		**10,076**	8,917	10,667	13%	-6%
Provisions		**1,217**	957	1,021	27%	19%
Bonds and notes		**67,323**	63,549	54,075	6%	24%
Loan capital[4]	11	**14,266**	12,931	12,784	10%	12%
Total liabilities		**444,472**	414,391	370,725	7%	20%
Net assets		**26,552**	23,964	22,048	11%	20%
Shareholders' equity						
Ordinary share capital	12,13	**12,589**	10,381	8,946	21%	41%
Preference share capital	12,13	**871**	871	871	0%	0%
Reserves	13	**(742)**	(1,012)	(889)	-27%	-17%
Retained earnings	13	**13,772**	13,673	13,082	1%	5%
Share capital and reserves attributable to shareholders of the Company		**26,490**	23,913	22,010	11%	20%
Minority interest		**62**	51	38	22%	63%
Total equity		**26,552**	23,964	22,048	11%	20%

1. *Includes bills held $3,736 million (Mar 2008:$2,621 million; Sep 2007: $2,305 million)*
2. *Excludes notional goodwill in equity accounted entities*
3. *Includes interest revenue receivable $1,819 million (Mar 2008: $1,700 million; Sep 2007: $1,571 million)*
4. *Includes $4,071 million (Mar 2008: $3,182 million; Sep 2007: $3,281 million) hybrid loan capital that qualifies for Tier 1 capital as defined by APRA*
5. *Prior period balances are reclassified in certain instances to aid comparability with current disclosures*

The notes appearing on pages 73 to 98 form an integral part of these financial statements

Australia and New Zealand Banking Group Limited

	Half year Sep 08 $M	Half year Mar 08 $M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 $M	Full year Sep 07 $M	Movt Sep 08 v. Sep 07 %
Items recognised directly in equity[1]						
Currency translation adjustments						
Exchange differences taken to equity	319	74	large	**393**	(563)	large
Available-for-sale assets						
Valuation gain (loss) taken to equity	(116)	(189)	-39%	**(305)**	109	large
Cumulative (gain) loss transferred to the income statement	65	(5)	large	**60**	(14)	large
Transfer on step acquisition of associate	60	-	n/a	**60**	-	n/a
Cash flow hedges						
Valuation gain (loss) taken to equity	(25)	(14)	79%	**(39)**	74	large
Transferred to income statement for the period	(41)	6	large	**(35)**	(7)	large
Actuarial gain (loss) on defined benefit plans	(74)	(5)	large	**(79)**	77	large
Adjustment on step acquisition of associate	1	-	n/a	**1**	-	n/a
Income/(expense) recognised directly in equity	189	(133)	large	**56**	(324)	large
Profit for the period	1,361	1,966	-31%	**3,327**	4,187	-21%
Total recognised income and expense for the period	1,550	1,833	-15%	**3,383**	3,863	-12%
Comprising:						
Total recognised income and expense attributable to minority interest	5	3	67%	**8**	7	14%
Total recognised income and expense attributable to shareholders of the company	1,545	1,830	-16%	**3,375**	3,856	-12%

1. *These items are disclosed net of tax*

The notes appearing on pages 73 to 98 form an integral part of these financial statements

Australia and New Zealand Banking Group Limited

	Note	Half year Sep 08 Inflows (Outflows) $M	Half year Mar 08 Inflows (Outflows) $M	Full year Sep 08 Inflows (Outflows) $M	Full year Sep 07 Inflows (Outflows) $M
Cash flows from operating activities					
Interest received		16,785	15,404	**32,189**	26,088
Dividends received		19	65	**84**	99
Fee income received		1,345	1,351	**2,696**	2,327
Other income received		497	195	**692**	136
Interest paid		(12,367)	(11,819)	**(24,186)**	(18,444)
Personnel expenses paid		(1,584)	(1,572)	**(3,156)**	(2,980)
Premises expenses paid		(239)	(226)	**(465)**	(418)
Other operating expenses paid		(575)	(709)	**(1,284)**	(1,174)
Net cash paid from settlement of derivatives		1,377	(3,005)	**(1,628)**	(2,154)
Income taxes paid					
Australia		(971)	(1,035)	**(2,006)**	(1,381)
Overseas		(149)	(315)	**(464)**	(500)
Goods and Services Tax paid		(7)	(3)	**(10)**	(11)
(Increase)/decrease in operating assets:					
Liquid assets - greater than three months		(2,773)	(1,919)	**(4,692)**	(1,642)
Due from other financial institutions - greater than three months		74	(813)	**(739)**	(410)
Trading securities		(242)	273	**31**	(5,913)
Regulatory deposits		(144)	(88)	**(232)**	(54)
Loans and advances		(17,328)	(29,527)	**(46,855)**	(36,943)
Increase/(decrease) in operating liabilities					
Deposits and other borrowings		19,588	30,208	**49,796**	33,964
Due to other financial institutions		(221)	1,197	**976**	4,326
Payables and other liabilities		435	(1,624)	**(1,189)**	23
Net cash provided by/(used in) operating activities	15(a)	3,520	(3,962)	**(442)**	(5,061)
Cash flows from investing activities					
Net decrease/(increase)					
Available-for-sale assets					
Purchases		(13,270)	(16,958)	**(30,228)**	(13,215)
Proceeds from sale or maturity		12,470	14,444	**26,914**	9,701
Controlled entities and associates					
Purchased (net of cash acquired)		(277)	(173)	**(450)**	(1,450)
Proceeds from sale (net of cash disposed)		30	98	**128**	444
Premises and equipment				**-**	
Purchases		(299)	(260)	**(559)**	(409)
Proceeds from sale		20	78	**98**	79
Other assets		(852)	(249)	**(1,101)**	41
Net cash provided by/(used in) investing activities		(2,178)	(3,020)	**(5,198)**	(4,809)
Cash flows from financing activities					
Net (decrease)/increase					
Bonds and notes					
Issue proceeds		13,375	15,825	**29,200**	16,443
Redemptions		(14,538)	(6,553)	**(21,091)**	(7,622)
Loan capital					
Issue proceeds		2,858	965	**3,823**	3,013
Redemptions		(979)	(996)	**(1,975)**	(980)
Net dividends paid		(23)	(23)	**(46)**	(1,958)
Share capital issues		8	59	**67**	132
Net cash provided by financing activities		701	9,277	**9,978**	9,028
Net cash provided by/(used in) operating activities		3,520	(3,962)	**(442)**	(5,061)
Net cash provided by/(used in) investing activities		(2,178)	(3,020)	**(5,198)**	(4,809)
Net cash provided by financing activities		701	9,277	**9,978**	9,028
Net increase/(decrease) in cash and cash equivalents		2,043	2,295	**4,338**	(842)
Cash and cash equivalents at beginning of period		21,158	19,074	**19,074**	20,344
Foreign currency translation		286	(211)	**75**	(428)
Cash and cash equivalents at end of period	15(b)	23,487	21,158	**23,487**	19,074

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

The notes appearing on pages 73 to 98 form an integral part of these financial statements

1. Significant accounting policies

(a) Basis of preparation

The information set out in the Condensed Consolidated Financial Information and Other Disclosures:

- should be read in conjunction with the ANZ Annual Report for the year ended 30 September 2008 when released and any public announcements made by the Parent Entity and its controlled entities (the Group) for the year ended 30 September 2008 in accordance with the continuous disclosure obligations under the Corporations Act 2001 (as amended) and the ASX Listing Rules;
- summarises the key accounting policies that have been applied in preparing and presenting this financial information, which are consistent with the policies applied in preparing and presenting the financial report of the Group for the year ended 30 September 2008;
- does not include all notes of the type normally included in the annual financial report;
- is presented in Australian dollars unless otherwise stated; and
- was approved by the Board of Directors on 22 October, 2008.

i) Statement of compliance

The Condensed Consolidated Financial Information and Other Disclosures have been prepared in accordance with the accounts provisions of the Banking Act 1959 (as amended), Australian Accounting Standards (AASs), AASB Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and the Corporations Act 2001.

ii) Use of estimates and assumptions

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

iii) Basis of measurement

The financial information has been prepared in accordance with the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, including in the case of fair value hedging 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.

iv) Changes in accounting policy and early adoptions

There has been no material change in accounting policies or early adoption of AAS's in the preparation or presentation of the financial report.

This is the first financial year that AASB 7 Financial Instruments: Disclosures will be applied in the Group's full financial statements (not included in the Condensed Consolidated Financial Information). This standard requires disclosures about the significance of financial instruments to the Group's financial position and result, and the nature and extent of credit, market and liquidity risks arising from financial instruments, including how they are managed. This Standard has no impact on the recognition or measurement of financial instruments, and therefore does not impact the Group's financial position or results.

v) Rounding

The Parent entity is an entity of the kind referred to in Australian Securities and Investments Commission class order 98/100 dated 10 July 1998 (as amended). Consequently, amounts in the financial information have been rounded to the nearest million dollars, except where otherwise indicated.

vi) Comparatives

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

vii) Principles of consolidation

The financial statements consolidate the financial statements of the Australia and New Zealand Banking Group Limited (the Company) and all its subsidiaries 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.

1. Significant accounting policies, cont'd

(a) Basis of preparation, cont'd

vii) Principles of consolidation, cont'd

In relation to special purpose entities, 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 decision making powers so as to obtain the majority of the risks and rewards from their activities.

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

(b) Income recognition

i) Interest income

Interest income is recognised as it accrues using the effective interest rate method.

The effective interest method calculates the amortised cost of a financial asset or financial liability and allocates the interest income or interest expense over the expected life of the financial asset or financial liability so as to achieve a constant yield on the financial asset or liability.

For assets subject to prepayment, expected life is determined on the basis of the historical behaviour of the particular asset portfolio, taking into account contractual obligations and prepayment experience assessed on a regular basis.

ii) Fee and commission income

Fees and commissions received that are integral to the effective interest rate of a financial asset are recognised using the effective interest method as summarised in note 1(b) i). For example, loan commitment fees, together with related direct costs, are deferred and recognised as an adjustment to the effective interest rate on a loan once drawn. Commitment fees to originate a loan which is unlikely to be drawn down are recognised as fee income as the service is provided.

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.

(c) Expense recognition

i) Interest expense

Interest expense on financial liabilities measured at amortised cost is recognised in the income statement as it accrues using the effective interest method as described in note 1 (b) i).

ii) Loan origination expenses

Certain loan origination expenses are an integral part of the effective interest rate of a financial asset measured at amortised cost. These loan origination expenses include:

- fees and commissions payable to brokers in respect of originating lending business; and
- other expenses of originating lending business, such as external legal costs and valuation fees, provided these are direct and incremental costs related to the issue of a financial asset.

Such loan origination expenses are initially recognised as part of the cost of acquiring the financial asset and amortised as part of the expected yield of the financial asset over its expected life using the effective interest method.

iii) Share-based compensation expense

The Group has various equity settled share-based compensation plans. These are described in the ANZ Annual Report when released and largely comprise 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 is 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.

1. Significant accounting policies, cont'd

(c) Expense recognition, cont'd

- 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 options 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.

(d) Income tax

i) Income tax expense

Income tax on earnings for the year 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 when it arises from the initial accounting for a business combination, in which case it is included in the determination of goodwill.

ii) Current tax

Current tax is the expected tax payable on taxable income for the year, based on tax rates (and tax laws) which are enacted at 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).

iii) Deferred tax

Deferred tax is accounted for using the comprehensive 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, 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.

Deferred tax liabilities are recognised for all taxable temporary differences, other than those in relation to taxable temporary differences arising from goodwill. They are also 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 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.

iv) 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.

1. Significant accounting policies, cont'd

(e) Assets

i) Financial assets

- Financial assets and liabilities 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 a 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 neither financial guarantee contracts nor effective 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 and liabilities, or recognising the gains or losses thereon, on different bases;
  - a group of financial assets or 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 these financial instruments are recognised in the income statement in the period in which they occur.

- 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 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).

  Derivatives are recognised initially at fair value with gains or losses from subsequent measurement at fair value recognised in the income statement. Included in the determination of the fair value of derivatives is a credit valuation adjustment (CVA). CVA reflects the credit worthiness of the counterparty and is modelled using the counterparty's credit spreads. The quantum of CVA is influenced by the mark-to-market of the derivative trades and by movements in credit spreads.

  Where the derivative is designated and is 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 through 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.

  - 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.

1. Significant accounting policies, cont'd

(e) Assets, cont'd

i) Financial assets, cont'd

- Derivative financial instruments, cont'd

  - 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 the foreign currency translation reserve in equity and the ineffective portion is recognised immediately in the income statement.

  - Derivatives that do not qualify for hedge accounting

    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 accrued interest is included in net interest income. The remainder of the fair value movement is included in other income.

  - Set-off arrangements

    Fair value gains/losses arising from trading derivatives are not offset against fair value gains/losses on the balance sheet unless a legal right of set-off exists and there is an intention to settle net.

    For contracts subject to master netting agreements that create a legal right of set-off for which only the net revaluation amount is recognised in the income statement, net unrealised gains on derivatives are recognised as part of other assets and net unrealised losses are recognised as part of other liabilities.

- Available-for-sale financial 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 quoted debt 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, in the 'available-for-sale revaluation reserve'. When the 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, as an impairment expense for debt instruments or as non-interest income for equity instruments. 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 through the impairment expense line.

  Purchases and sales of available-for-sale financial assets are recognised on trade date as with all regular way assets, being the date on which the Group commits to purchase or sell the asset.

- Net loans and advances

  Net loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money to a debtor with no intention of trading the loans and advances. The loans and advances are initially recognised at fair value plus transaction costs that are directly attributable to the issue of the loan or advance. They are subsequently measured at amortised cost using the effective interest rate method (refer note 1 (b) i)), unless specifically designated on initial recognition at fair value through profit or loss.

  All loans are graded according to the level of credit risk.

  Net loans and advances includes direct finance provided to customers such as bank overdrafts, credit cards, term loans, finance lease receivables and commercial bills.

- 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.

1. Significant accounting policies, cont'd

(e) Assets, cont'd

i) Financial assets, cont'd

- Impairment of loans and advances, cont'd

  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 such as changed economic conditions. The provision also takes account of the impact of inherent risk of large concentrated losses within the portfolio.

  The estimated impairment losses are measured as the difference between the assets' 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.

  Impairment of capitalised expenses is assessed through comparing the actual behaviour of the portfolio against initial expected life assumptions.

  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, either partially or in full, it is written-off against the related provision for loan impairment. Unsecured facilities are normally written-off when they become 180 days past due or earlier in the event of the customer's bankruptcy or similar legal release from the obligation. However a certain level of recoveries is expected after the write-off, which is reflected in the amount of the provision for credit losses. In the case of secured facilities, remaining balances are written-off if there is a shortfall after proceeds from the realisation of collateral have been received.

  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.

ii) Non-financial assets

- Goodwill

  Goodwill represents 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. Goodwill is recognised as an asset and not amortised, but assessed for impairment at least annually or more frequently if there is an indication that the goodwill may be impaired. This involves using the discounted cash flow (DCF) or the capitalisation of earnings methodology (CEM) to determine the expected future benefits of the cash-generating units. 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 may not be 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 certain core infrastructure projects where the useful life has been determined to be 7 years.

  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.

- Premises and equipment

  Premises and equipment are carried at cost less accumulated depreciation and impairment.

  Borrowing costs incurred for the construction of qualifying assets (principally the new office building in Docklands, Melbourne Australia) are capitalised during the period of time that is required to complete and prepare the asset for its intended use. The calculation of borrowing costs is based upon the Group's internal cost of capital.

  Assets other than freehold land are depreciated at rates based upon their expected useful lives to the Group, using the straight-line method.

1. Significant accounting policies, cont'd

(e) Assets, cont'd

ii) Non-financial assets, cont'd

- Premises and equipment, cont'd

  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.

(f) Liabilities

i) Financial Liabilities

- Deposits and other borrowings

  Deposits and other borrowings include certificates of deposit, interest bearing deposits, debentures and other related interest bearing financial instruments. They are measured at amortised cost. The interest expense is recognised using the effective interest method as explained in note 1 (b) i).

- Acceptances

  Commercial bills accepted but not held in portfolio are accounted for as a liability with a corresponding contra asset. The liability is disclosed as liability for acceptances, and the asset is disclosed as Customer's liability for acceptances.

  The Group's own acceptances discounted are held as part of the trading securities portfolio.

- Bonds, notes and loan capital

  Bonds, notes and loan capital are accounted for in the same way as deposits and other borrowings, except for those bonds and notes which are stated designated at fair value through profit or loss on initial recognition, with fair value movements recorded in the income statement.

- Financial guarantee contracts

  Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due. Financial guarantees are issued in the ordinary course of business, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given; typically this is the premium received. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of their amortised amount and the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date. These estimates are determined based on experience of similar transactions and history of past losses.

ii) Non-financial Liabilities

- Employee benefits

  - Leave benefits

    The amounts expected to be paid in respect of employees' entitlements to annual leave are accrued at expected salary rates including on-costs. Expected future payments for long service leave are discounted using market yields at the reporting date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows. Liability for long service leave is calculated and accrued for in respect of all applicable employees (including on-costs) using an actuarial valuation.

  - 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 contributions to these schemes are recognised as an expense in the income statement when incurred.

1. Significant accounting policies, cont'd

(f) Liabilities, cont'd

ii) Non-financial Liabilities, cont'd

- Employee benefits, cont'd

  - Defined benefit superannuation schemes

    The Group operates a small 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; and
    - contributions incurred are recognised directly against the net defined benefit position.

- Provisions

  The Group recognises provisions when there is a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

  The amount recognised is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation at reporting date. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(g) Equity

i) Ordinary shares

Ordinary shares in the Company are recognised at the amount paid per ordinary share net of directly attributable issue costs.

ii) Treasury shares

Shares in the Company which are purchased on-market by the ANZ Employee Share Acquisition Plan or issued by the Company to 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.

iii) Reserves

- Foreign currency translation reserve

  Exchange differences arising on translation of the assets and liabilities of all Group entities are reflected in the foreign currency translation reserve. Any offsetting gains or losses on hedging these balances, together with any tax effect, are also reflected in this reserve.

- Available-for-sale revaluation reserve

  This reserve includes changes in the fair value of available-for-sale financial assets, net of tax. These changes are transferred to the income statement in non-interest income when the asset is derecognised. Where the asset is impaired, the changes are transferred to impairment expense line in the Income Statement for debt instruments and in the case of equity instruments to non-interest income.

- Cash flow hedging reserve

  This reserve includes the fair value gains and losses associated with the effective portion of designated cash flow hedging instruments.

- Share-based payment reserves

  Share-based payment reserves include the share options reserve and other equity reserves which arise on the recognition of share-based compensation expense (see note 1 (c) iii)).

1. Significant accounting policies, cont'd

(h) Presentation

i) 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; or
- Where costs are incurred on behalf of customers from whom the Group is reimbursed.

ii) Offsetting 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; and
- an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(i) Other

i) 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 and, where practicable, an estimate of its financial effect. Alternatively, where no disclosure is made of its financial effect because it is not practicable to do so, a statement to that effect.

2. Income

	Half year Sep 08 $M	Half year Mar 08 $M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 $M	Full year Sep 07 $M	Movt Sep 08 v. Sep 07 %
Interest income	16,992	15,612	9%	**32,604**	26,210	24%
Interest expense	(12,922)	(11,832)	9%	**(24,754)**	(18,908)	31%
Net interest income	4,070	3,780	8%	**7,850**	7,302	8%
i) Fee and commission income						
Lending fees	310	285	9%	**595**	491	21%
Non-lending fees and commissions	1,161	1,156	0%	**2,317**	2,126	9%
Total fee and commission income	1,471	1,441	2%	**2,912**	2,617	11%
Fee and commission expense[1]	(124)	(132)	-6%	**(256)**	(237)	8%
Net fee and commission income	1,347	1,309	3%	**2,656**	2,380	12%
ii) Other income						
Foreign exchange earnings[2]	383	325	18%	**708**	518	37%
Net gains/(losses) from trading securities	9	(9)	large	**-**	(47)	-100%
Net gains from trading derivatives	86	258	-67%	**344**	405	-15%
Credit risk on derivatives	(422)	(299)	41%	**(721)**	(45)	large
Movement on financial instruments measured at fair value through profit & loss[3]	252	96	large	**348**	100	large
Brokerage income	31	47	-34%	**78**	55	42%
Gain on Visa shares[4]	-	281	-100%	**281**	-	n/a
Gain from the sale of Fleetpartners	-	-	n/a	**-**	195	-100%
Profit on sale of premises	22	35	-37%	**57**	38	50%
Stadium Australia income[5]	-	19	-100%	**19**	38	-50%
Other	101	77	31%	**178**	142	25%
Total other income	462	830	-44%	**1,292**	1,399	-8%
Total other operating income	1,809	2,139	-15%	**3,948**	3,779	4%
Share of joint venture and associates' profit[6] (refer page 97)	142	219	-35%	**361**	259	39%
Total income	18,943	17,970	5%	**36,913**	30,248	22%
Profit before income tax as a % of total income	9.29%	15.34%		**12.23%**	19.39%	

1. *Includes interchange fees paid*
2. *2008 comprises core foreign exchange earnings $745 million and $37 million non-core NZD and USD revenue hedge volatility loss (2007 full year: $495 million core and $23 million non-core profit; Sep 2008 half: $406 million core and $23 million non-core loss; Mar 2008 half: $339 million core and $14 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 6 below), bringing the total benefit to the Group on the Visa Inc. share allocation in the half year to $353 million*
5. *Deconsolidated after March 2008*
6. *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 Sep 08 $M	Half year Mar 08 $M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 $M	Full year Sep 07 $M	Movt Sep 08 v. Sep 07 %
Personnel						
Employee entitlements and taxes	134	122	10%	**256**	236	8%
Salaries and wages	1,035	1,032	0%	**2,067**	1,892	9%
Superannuation costs - defined benefit plans	3	2	50%	**5**	11	-55%
Superannuation costs - defined contribution plans	108	100	8%	**208**	180	16%
Equity-settled share-based payments	40	44	-9%	**84**	62	35%
Temporary staff	84	64	31%	**148**	131	13%
Other	243	250	-3%	**493**	455	8%
Total personnel expenses	1,647	1,614	2%	**3,261**	2,967	10%
Premises						
Depreciation and amortisation	23	26	-12%	**49**	44	11%
Rent	160	145	10%	**305**	254	20%
Utilities and other outgoings	65	71	-8%	**136**	138	-1%
Other	14	10	40%	**24**	26	-8%
Total premises expenses	262	252	4%	**514**	462	11%
Computer						
Computer contractors	38	35	9%	**73**	50	46%
Data communications	35	34	3%	**69**	71	-3%
Depreciation and amortisation	105	103	2%	**208**	208	0%
Rentals and repairs	41	40	3%	**81**	73	11%
Software purchased	65	66	-2%	**131**	134	-2%
Software written-off	-	2	-100%	**2**	16	-88%
Other	26	19	37%	**45**	41	10%
Total computer expenses	310	299	4%	**609**	593	3%
Other						
Advertising and public relations	93	89	4%	**182**	157	16%
Audit fees	5	4	25%	**9**	10	-10%
Depreciation of furniture and equipment	34	32	6%	**66**	57	16%
Impairment of intangible - Origin Australia	-	34	-100%	**34**	-	n/a
Freight and cartage	26	28	-7%	**54**	53	2%
Non-lending losses, frauds and forgeries	48	24	100%	**72**	43	67%
Postage and stationery	62	60	3%	**122**	115	6%
Professional fees	118	67	76%	**185**	130	42%
Telephone	30	28	7%	**58**	55	5%
Travel	89	80	11%	**169**	152	11%
Other	101	79	28%	**180**	136	32%
Total other expenses	606	525	15%	**1,131**	908	25%
Restructuring	170	11	large	**181**	23	large
Operating expenses[1]	2,995	2,701	11%	**5,696**	4,953	15%

1. *Includes organisational transformation costs $218 million (2007 full year: $nil; Sep 2008 half: $218 million; Mar 2008 half: $nil)*

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 Sep 08 $M	Half year Mar 08 $M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 $M	Full year Sep 07 $M	Movt Sep 08 v. Sep 07 %
Profit before income tax	1,759	2,756	-36%	**4,515**	5,865	-23%
Prima facie income tax expense at 30%	528	827	-36%	**1,355**	1,760	-23%
Tax effect of permanent differences:						
Overseas tax rate differential	5	18	-72%	**23**	30	-23%
Rebateable and non-assessable dividends	(5)	(4)	25%	**(9)**	(10)	-10%
Other non-assessable income	-	-	n/a	**-**	(3)	-100%
Profit from associates and joint venture entities	(48)	(64)	-25%	**(112)**	(75)	49%
Recognition of previously unrecognised tax losses on sale of Esanda Fleetpartners	-	-	n/a	**-**	(54)	-100%
Restatement of deferred tax balances for announced New Zealand tax rate change	7	(8)	large	**(1)**	24	large
Structured transaction	(82)	(8)	large	**(90)**	-	n/a
Other[1]	(8)	29	large	**21**	8	large
	397	790	-50%	**1,187**	1,680	-29%
Income tax (over) provided in previous years	1	-	n/a	**1**	(2)	large
Total income tax expense charged in the income statement	398	790	-50%	**1,188**	1,678	-29%
Australia	210	523	-60%	**733**	1,073	-32%
Overseas	188	267	-30%	**455**	605	-25%
	398	790	-50%	**1,188**	1,678	-29%
Effective Tax Rate - Group	22.6%	28.7%		**26.3%**	28.6%	

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

	Half year Sep 08	Half year Mar 08	Movt Sep 08 v. Mar 08	Full year Sep 08	Full year Sep 07	Movt Sep 08 v. Sep 07
Dividend per ordinary share (cents)						
Interim (fully franked)	n/a	62	n/a	**62**	62	0%
Final (fully franked)	74	n/a	n/a	**74**	74	0%
Total				**136**	136	0%

	Half year Sep 08	Half year Mar 08	Movt Sep 08 v. Mar 08	Full year Sep 08	Full year Sep 07	Movt Sep 08 v. Sep 07
Ordinary share dividend	**$M**	**$M**	**%**	**$M**	**$M**	**%**
Interim dividend	1,192	-	n/a	**1,192**	1,144	4%
Final dividend	-	1,381	n/a	**1,381**	1,267	9%
Bonus option plan adjustment	(30)	(37)	-19%	**(67)**	(48)	40%
Total[1]	1,162	1,344	-14%	**2,506**	2,363	6%
Ordinary share dividend payout ratio[2] (%)	113.4%	61.4%		**82.6%**	60.9%	

1. *Dividends recorded when paid*
2. *Dividend payout ratio calculated using proposed final dividend of $1,511 million not included in the above table. The proposed final dividend of $1,511 million is based on the forecast number of ordinary shares on issue at the dividend record date. Dividend payout ratios for the March 2008 half year and September 2007 half year calculated using $1,192 million and $1,381 million respectively*

A discount of 1.5% will be applied when calculating the "Acquisition Price" used in determining the number of shares to be provided under ANZ's Dividend Reinvestment Plan (DRP) and Bonus Option Plan (BOP) terms and conditions. This discount will apply in respect of the 2008 final dividend and will continue to apply to future dividends until such time as ANZ announces any removal or amendment of the discount. For the 2008 final dividend only, the "Pricing Period" under the DRP and BOP terms and conditions will be the fifteen trading days commencing on and including 14 November 2008.

For the 2008 final dividend, it is intended that the issue of a specified number of shares in respect of the balance of the 2008 final dividend which has not been reinvested by shareholders under the DRP or foregone by shareholders under the BOP will be underwritten by UBS AG, Australia Branch.

Preference Shares

	Half year Sep 08 $M	Half year Mar 08 $M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 $M	Full year Sep 07 $M	Movt Sep 08 v. Sep 07 %
Preference dividend						
Euro Trust Securities	23	23	0%	**46**	37	24%
Dividend per preference share						
Euro Trust Securities	€ 27.51	€ 27.80	-1%	**€ 55.31**	€ 45.07	23%

6. Earnings per share

	Half year Sep 08	Half year Mar 08	Movt Sep 08 v. Mar 08 %	Full year Sep 08	Full year Sep 07	Movt Sep 08 v. Sep 07 %
Number of fully paid ordinary shares on issue (M)	2,040.7	1,921.4	6%	**2,040.7**	1,864.7	9%
Basic						
Profit attributable to shareholders of the Company ($M)	1,356	1,963	-31%	**3,319**	4,180	-21%
Less Preference share dividends ($M)	(23)	(23)	0%	**(46)**	(37)	24%
Profit excluding preference share dividends ($M)	1,333	1,940	-31%	**3,273**	4,143	-21%
Weighted average number of ordinary shares (M)	1,950.7	1,895.1	3%	**1,921.1**	1,848.5	4%
Basic earnings per share (cents)	68.3	102.4	-33%	**170.4**	224.1	-24%
Diluted						
Profit excluding preference share dividends ($M)	1,333	1,940	-31%	**3,273**	4,143	-21%
Interest on US Trust securities[1] ($M)	21	20	5%	**41**	44	-7%
Interest on ANZ StEPS[2] ($M)	27	28	-4%	**55**	50	10%
Interest on UK Hybrid securities[3] ($M)	30	33	-9%	**63**	21	large
Interest on Convertible Preference Shares[4] ($M)	-	-	n/a	**-**	-	n/a
Interest on Convertible Perpetual Notes[5] ($M)	1	-	n/a	**1**	-	n/a
Profit attributable to shareholders of the Company excluding interest on US Trust securities, ANZ StEPS, UK Hybrid, Convertible Preference Shares and Convertible Perpetual Notes ($M)	1,412	2,021	-30%	**3,433**	4,258	-19%
Weighted average number of shares on issue (M)	1,950.7	1,895.1	3%	**1,921.1**	1,848.5	4%
Weighted average number of convertible options (M)	5.2	10.8	-52%	**6.7**	15.2	-56%
Weighted average number of convertible US Trust securities at current market price[1] (M)	73.4	53.3	38%	**73.4**	42.0	75%
Weighted average number of convertible ANZ StEPS[2] securities (M)	55.4	45.5	22%	**57.9**	34.5	68%
Weighted average number of convertible UK Hybrid[3] securities (M)	56.9	45.8	24%	**56.9**	10.7	large
Weighted average number of convertible preference shares[4] (M)	0.3	-	n/a	**0.2**	-	n/a
Weighted average number of convertible perpetual notes[5] (M)	0.7	-	n/a	**0.4**	-	n/a
Adjusted weighted average number of shares - diluted (M)	2,142.6	2,050.5	4%	**2,116.6**	1,950.9	8%
Diluted earnings per share (cents)	65.9	98.6	-33%	**162.2**	218.3	-26%

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 73.4 million*
2. *ANZ StEPS (issued on 23 September 2003) were converted to ordinary shares on 15 September 2008. The inclusion of this issue in EPS, for the period to conversion, increased the diluted number of shares by 57.9 million for the full year ended 30 September 2008 and 55.4 million for the half year ended 30 September 2008*
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 56.9 million*
4. *Convertible preference shares (issued on 30 September 2008) mandatorily convert to ordinary shares on the fifth anniversary of the issue date at the market price of ANZ ordinary shares less 2.5% (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 0.2 million for the full year ended 30 September 2008 and 0.3 million for the half year ended 30 September 2008*
5. *Convertible perpetual notes (issued on 26 September 2008) may be converted to a number of ordinary shares calculated at the market price of ANZ ordinary shares, plus a conversion premium of 1% if the instruments are not redeemed by ANZ. The inclusion of this issue in EPS increased the diluted number of shares by 0.4 million for the year ended 30 September 2008 and by 0.7 million for the half year ended 30 September 2008*

7. Net loans and advances

	Half year Sep 08 $M	Half year Mar 08 $M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 $M	Full year Sep 07 $M	Movt Sep 08 v. Sep 07 %
Australia						
Overdrafts	6,790	7,026	-3%	**6,790**	7,464	-9%
Credit card outstandings	7,412	7,061	5%	**7,412**	6,641	12%
Term loans - housing	128,809	120,807	7%	**128,809**	113,994	13%
Term loans - non-housing	79,149	74,465	6%	**79,149**	64,260	23%
Lease finance	1,772	1,756	1%	**1,772**	1,813	-2%
Hire purchase	10,731	10,361	4%	**10,731**	9,824	9%
Other	2,234	1,059	large	**2,234**	852	large
	236,897	222,535	6%	**236,897**	204,848	16%
New Zealand						
Overdrafts	1,636	1,938	-16%	**1,636**	1,728	-5%
Credit card outstandings	1,201	1,222	-2%	**1,201**	1,149	5%
Term loans - housing	45,307	45,401	0%	**45,307**	42,350	7%
Term loans - non-housing	33,628	31,224	8%	**33,628**	29,672	13%
Lease finance	208	215	-3%	**208**	215	-3%
Hire purchase	443	466	-5%	**443**	431	3%
Other	363	379	-4%	**363**	447	-19%
	82,786	80,845	2%	**82,786**	75,992	9%
Overseas Markets						
Overdrafts	489	593	-18%	**489**	532	-8%
Credit card outstandings	279	212	32%	**279**	201	39%
Term loans - housing	1,710	1,242	38%	**1,710**	1,040	64%
Term loans - non-housing	17,978	16,454	9%	**17,978**	9,699	85%
Lease finance	254	193	32%	**254**	186	37%
Other	290	495	-41%	**290**	350	-17%
	21,000	19,189	9%	**21,000**	12,008	75%
Total gross loans and advances	340,683	322,569	6%	**340,683**	292,848	16%
Less provisions for credit impairment (refer note 9)	(3,496)	(2,656)	32%	**(3,496)**	(2,262)	55%
Less income yet to mature[1]	(2,600)	(2,494)	4%	**(2,600)**	(2,277)	14%
Add capitalised brokerage/mortgage origination fees	600	591	2%	**600**	570	5%
	(5,496)	(4,559)	21%	**(5,496)**	(3,969)	38%
Total net loans and advances	335,187	318,010	5%	**335,187**	288,879	16%

1. *Includes fees and expenses capitalised and amortised using the effective interest method of $351 million (Mar 2008: $340 million; Sep 2007: $306 million)*

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

New Zealand	Half year Sep 08 NZD M	Half year Mar 08 NZD M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 NZD M	Full year Sep 07 NZD M	Movt Sep 08 v. Sep 07 %
Overdrafts	1,953	2,238	-13%	**1,953**	2,012	-3%
Credit card outstandings	1,434	1,412	2%	**1,434**	1,338	7%
Term loans - housing	54,070	52,438	3%	**54,070**	49,308	10%
Term loans - non-housing	40,131	36,063	11%	**40,131**	34,548	16%
Lease finance	248	248	0%	**248**	250	-1%
Hire purchase	529	538	-2%	**529**	502	5%
Other	431	439	-2%	**431**	520	-17%
	98,796	93,376	6%	**98,796**	88,478	12%

8. Impaired financial assets

Summary of impaired financial assets	As at Sep 08 $M	As at Mar 08 $M	As at Sep 07 $M	Movt Sep 08 v. Mar 08 %	Movt Sep 08 v. Sep 07 %
Non-performing loans	**1,750**	1,048	666	67%	large
Restructured items[1]	**846**	-	-	n/a	n/a
Non-performing commitments and contingencies	**77**	66	36	17%	large
Gross impaired financial assets	**2,673**	1,114	702	large	large
Less individual provisions:					
Non-performing loans	**(646)**	(295)	(260)	large	large
Non-performing commitments and contingencies	**(29)**	(20)	(9)	45%	large
Net impaired financial assets	**1,998**	799	433	large	large

1. *Represents customer facilities which for reason of financial difficulty have been re-negotiated on terms which the Bank considers as uncommercial but necessary in the circumstances, and are not considered non-performing. Includes both on and off balance sheet exposures*

Non-performing loans	As at Sep 08 $M	As at Mar 08 $M	As at Sep 07 $M	Movt Sep 08 v. Mar 08 %	Movt Sep 08 v. Sep 07 %
Australia	**1,306**	852	514	53%	large
New Zealand	**274**	138	99	99%	large
Overseas Markets	**170**	58	53	large	large
Gross non-performing loans	**1,750**	1,048	666	67%	large
Less individual provisions:					
Australia	**(487)**	(232)	(204)	large	large
New Zealand	**(111)**	(46)	(38)	large	large
Overseas Markets	**(48)**	(17)	(18)	large	large
Individual provisions	**(646)**	(295)	(260)	large	large

Non-performing commitments and contingencies	As at Sep 08 $M	As at Mar 08 $M	As at Sep 07 $M	Movt Sep 08 v. Mar 08 %	Movt Sep 08 v. Sep 07 %
Australia	**72**	50	31	44%	large
New Zealand	**5**	16	5	-69%	0%
Gross non-performing commitments and contingencies	**77**	66	36	17%	large
Less individual provisions:					
Australia	**(29)**	(20)	(9)	45%	large
Individual provisions	**(29)**	(20)	(9)	45%	large

New and increased non-performing loans	Half year Sep 08 $M	Half year Mar 08 $M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 $M	Full year Sep 07 $M	Movt Sep 08 v. Sep 07 %
Australia	1,317	893	47%	**2,210**	921	large
New Zealand	276	104	large	**380**	149	large
Overseas Markets	153	46	large	**199**	72	large
Total new and increased non-performing loans[1]	1,746	1,043	67%	**2,789**	1,142	large

1. *Includes $345 million relating to Consumer Finance (2007 full year: $311 million; Sep 2008 half: $185 million; Mar 2008 half: $160 million)*

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 88.

Accruing loans past due 90 days or more[1]	As at Sep 08 $M	As at Mar 08 $M	As at Sep 07 $M	Movt Sep 08 v. Mar 08 %	Movt Sep 08 v. Sep 07 %
Australia	**776**	489	446	59%	74%
New Zealand	**259**	196	88	32%	large
Overseas Markets	**25**	20	27	25%	-7%
	1,060	705	561	50%	89%

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 $115 million (Mar 2008: $85 million; Sep 2007: $87 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 Sep 08 $M	Half year Mar 08 $M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 $M	Full year Sep 07 $M	Movt Sep 08 v. Sep 07 %
Balance at start of period	2,340	1,992	17%	**1,992**	1,940	3%
Charge to income statement	470	348	35%	**818**	83	large
Provisions disposed	-	-	n/a	**-**	(4)	-100%
Adjustment for exchange rate fluctuations	11	-	n/a	**11**	(27)	large
Total collective provision[1]	2,821	2,340	21%	**2,821**	1,992	42%
Individual provision						
Balance at start of period	316	270	17%	**270**	286	-6%
Charge to income statement for loans and advances	699	333	large	**1,032**	439	large
Adjustment for exchange rate fluctuations	-	-	n/a	**-**	(14)	-100%
Discount unwind	(18)	(10)	80%	**(28)**	(20)	40%
Bad debts written-off	(376)	(323)	16%	**(699)**	(572)	22%
Recoveries of amounts previously written-off	54	46	17%	**100**	151	-34%
Total individual provision	675	316	large	**675**	270	large
Total provision for credit impairment	3,496	2,656	32%	**3,496**	2,262	55%

1. *The Collective Provision includes amounts for off-balance sheet credit exposures: $353 million at 30 September 2008 (Mar 2008: $343 million; Sep 2007: $261 million). The impact on the income statement for the period ended 30 September 2008 was a $86 million charge (Sep 2007 full year: $8 million charge; Sep 2008 half year: $5 million charge; Mar 2008 half year: $81 million charge)*

Provision movement analysis	Half year Sep 08 $M	Half year Mar 08 $M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 $M	Full year Sep 07 $M	Movt Sep 08 v. Sep 07 %
New and increased provisions						
Australia	535	345	55%	**880**	587	50%
New Zealand	134	53	large	**187**	81	large
Overseas Markets	140	30	large	**170**	43	large
	809	428	89%	**1,237**	711	74%
Provision releases	(56)	(49)	14%	**(105)**	(121)	-13%
	753	379	99%	**1,132**	590	92%
Recoveries of amounts previously written-off	(54)	(46)	17%	**(100)**	(151)	-34%
Individual provision charge for loans and advances	699	333	large	**1,032**	439	large
Impairment on available-for-sale assets	98	-	n/a	**98**	-	n/a
Increase to collective provision	470	348	35%	**818**	83	large
Charge to Income Statement	1,267	681	86%	**1,948**	522	large

9. Provision for credit impairment, cont'd

Individual provision balance	As at Sep 08 $M	As at Mar 08 $M	As at Sep 07 $M	Movt Sep 08 v. Mar 08 %	Movt Sep 08 v. Sep 07 %
Australia	**516**	253	214	large	large
New Zealand	**111**	44	38	large	large
Domestic Markets	**627**	297	252	large	large
Overseas Markets	**48**	19	18	large	large
Total individual provision	**675**	316	270	large	large

10. Deposits and other borrowings

	Half year Sep 08 $M	Half year Mar 08 $M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 $M	Full year Sep 07 $M	Movt Sep 08 v. Sep 07 %
Certificates of deposit	52,346	46,923	12%	**52,346**	31,903	64%
Term Deposits	89,225	81,780	9%	**89,225**	69,600	28%
Other deposits bearing interest	98,566	95,938	3%	**98,566**	94,088	5%
Deposits not bearing interest	9,367	9,656	-3%	**9,367**	10,143	-8%
Commercial paper	22,422	19,230	17%	**22,422**	16,914	33%
Borrowing corporations' debt	10,031	10,245	-2%	**10,031**	10,109	-1%
Other borrowings	2,009	1,224	64%	**2,009**	986	large
Total deposits and other borrowings	283,966	264,996	7%	**283,966**	233,743	21%

11. Loan capital

	Half year Sep 08 $M	Half year Mar 08 $M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 $M	Full year Sep 07 $M	Movt Sep 08 v. Sep 07 %
Innovative hybrid loan capital						
US stapled trust security issue[1]	1,376	1,201	15%	**1,376**	1,248	10%
ANZ Stapled Exchangeable Preferred Securities (ANZ StEPS)[2]	-	1,000	-100%	**-**	1,000	-100%
Convertible Notes (ANZ CN)[3]	600	-	n/a	**600**	-	n/a
Non-innovative hybrid loan capital						
ANZ Convertible Preference Shares[4]	1,081	-	n/a	**1,081**	-	n/a
UK Hybrid[5]	1,014	981	3%	**1,014**	1,033	-2%
Perpetual subordinated notes	1,075	678	59%	**1,075**	690	56%
Subordinated notes	9,120	9,071	1%	**9,120**	8,813	3%
Total Loan Capital	14,266	12,931	10%	**14,266**	12,784	12%

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. *ANZ StEPS (issued on 23 September 2003) were converted to ordinary shares on 15 September 2008*
3. *Convertible perpetual notes (issued on 26 September 2008) may be converted to a number of ordinary shares calculated at the market price of ANZ ordinary shares, plus a conversion premium of 1% if the instruments are not redeemed by ANZ*
4. *Convertible preference shares (issued on 30 September 2008) mandatorily convert to ordinary shares on the fifth anniversary of the issue date at the market price of ANZ ordinary shares less 2.5% (subject to certain conversion conditions)*
5. *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 30 September 2008	2,040,656,484		
Issued during the year	175,977,664		
Preference shares			
As at 30 September 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 Sep 08	Half year Mar 08	Full year Sep 08	Full year Sep 07
Profit[1] as a % of shareholders' equity including preference shares at end of period (annualised)	10.2%	16.4%	**12.5%**	19.0%

1. *Profit attributable to shareholders*

13. Shareholders' equity

	Half year Sep 08 $M	Half year Mar 08 $M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 $M	Full year Sep 07 $M	Movt Sep 08 v. Sep 07 %
Share capital						
Balance at start of period	11,252	9,817	15%	**9,817**	9,142	7%
Ordinary share capital						
Dividend reinvestment plan	1,162	1,344	-14%	**2,506**	442	large
Group employee share acquisition scheme	38	42	-10%	**80**	57	40%
Treasury shares[1,2]	-	(10)	-100%	**(10)**	(55)	-82%
Group share option scheme	8	59	-86%	**67**	132	-49%
Conversion of StEPS	1,000	-	n/a	**1,000**	-	n/a
Consideration for purchase of ETrade	-	-	n/a	**-**	99	-100%
Total share capital	13,460	11,252	20%	**13,460**	9,817	37%
Foreign currency translation reserve						
Balance at start of period	(1,135)	(1,209)	-6%	**(1,209)**	(646)	87%
Currency translation adjustments net of hedges after tax	319	74	large	**393**	(563)	large
Total foreign currency translation reserve	(816)	(1,135)	-28%	**(816)**	(1,209)	-33%
Share option reserve[3]						
Balance at start of period	75	70	7%	**70**	63	11%
Share-based payments	9	5	80%	**14**	7	100%
Transfer of options lapsed to retained earnings	(1)	-	n/a	**(1)**	-	n/a
Total share option reserve	83	75	11%	**83**	70	19%

1. *On-market purchase of shares for settlement of amounts due under share-based compensation plans. In addition, 2,356,857 shares were issued during the September 2008 year to the Group's Employee Share Trust for settlement of amounts due under share-based compensation plans*
2. *As at 30 September 2008, there were 4,374,248 treasury shares outstanding (Sep 2007: 2,592,893)*
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 Sep 08 $M	Half year Mar 08 $M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 $M	Full year Sep 07 $M	Movt Sep 08 v. Sep 07 %
Available-for-sale revaluation reserve[4]						
Balance at start of period	(97)	97	large	**97**	2	large
Valuation gain (loss) recognised after tax	(116)	(189)	-39%	**(305)**	109	large
Cumulative (gain) loss transferred to the income statement	65	(5)	large	**60**	(14)	large
Transfer on step acquisition of associate	60	-	n/a	**60**	-	n/a
Total available-for-sale revaluation reserve	(88)	(97)	-9%	**(88)**	97	large
Hedging reserve[5]						
Balance at start of period	145	153	-5%	**153**	227	-33%
Adjustment on adoption of AASB 2005-1[6]	-	-	n/a	**-**	(141)	-100%
Restated balance at beginning of period	145	153	-5%	**153**	86	78%
Gain (loss) recognised after tax	(25)	(14)	79%	**(39)**	74	large
Transferred to income statement	(41)	6	large	**(35)**	(7)	large
Total hedging reserve	79	145	-46%	**79**	153	-48%
Total reserves	(742)	(1,012)	-27%	**(742)**	(889)	-17%
Retained earnings						
Balance at start of period	13,673	13,082	5%	**13,082**	11,084	18%
Adjustment on adoption of AASB 2005-1[6]	-	-	n/a	**-**	141	-100%
Restated balance at beginning of period	13,673	13,082	5%	**13,082**	11,225	17%
Profit attributable to shareholders of the Company	1,356	1,963	-31%	**3,319**	4,180	-21%
Adjustment on step acquisition of associate	1	-	n/a	**1**	-	n/a
Transfer of options lapsed from share option reserve	1	-	n/a	**1**	-	n/a
Total available for appropriation	15,031	15,045	0%	**16,403**	15,405	6%
Actuarial gain (loss) on defined benefit plans after tax[7]	(74)	(5)	large	**(79)**	77	large
Ordinary share dividends paid	(1,162)	(1,344)	-14%	**(2,506)**	(2,363)	6%
Preference share dividends paid	(23)	(23)	0%	**(46)**	(37)	24%
Retained earnings at end of period	13,772	13,673	1%	**13,772**	13,082	5%
Share capital and reserves attributable to shareholders of the Company	26,490	23,913	11%	**26,490**	22,010	20%
Minority interest	62	51	22%	**62**	38	63%
Total equity	26,552	23,964	11%	**26,552**	22,048	20%

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 and contingent assets

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.

- **Opes Prime Stockbroking Limited**

  ANZ entered into Australian Master Securities Lending Agreements (AMSLAs) with Opes Prime and a related company on 26 July 2006. Under the AMSLAs, ANZ acquired shares in various companies listed on the ASX. On 20 March 2008, there was a reorganisation of security arrangements between Opes Prime and ANZ. On 27 March 2008, ANZ appointed a receiver and manager to Opes Prime and related companies.

  In relation to Opes Prime:

  - There are outstanding court proceedings and claims against ANZ including a class action on behalf of some clients of Opes Prime.
  - ASIC is conducting an investigation into Opes Prime generally. As part of that investigation, ASIC and ANZ have had extensive correspondence concerning Opes Prime. ASIC has raised concerns about disclosure requirements in respect of interests in entities (arising under transactions entered into pursuant to the AMSLAs) and various other potential breaches of the Corporations Act. From investigations to date, ANZ believes it has in all material respects acted in accordance with the applicable laws.
  - It has been suggested that the reorganisation of security arrangements between Opes Prime and ANZ might be challenged under the Corporations Act by the liquidators of Opes Prime. In a Notice to Creditors of Opes Prime issued on 6 October 2008, the liquidators valued these potential claims in the region of $205 million to $270 million and also flagged potential claims against another financier, Merrill Lynch. They also pointed out to the creditors that there would be complexities, risks and considerable time periods involved, if these potential claims were to be pursued by litigation.

  ANZ and Merrill Lynch have engaged in a mediation process with the liquidators and ASIC.

  There are ongoing developments concerning the events surrounding Opes Prime which may continue for some time. There is a risk that further actions (court proceedings or regulatory actions) may be commenced against various parties, including ANZ. The potential impact or outcome of future claims (if any) cannot presently be ascertained. ANZ would review and defend any claim, as appropriate.

  No material impact on the Group is expected in respect of the claims currently anticipated or commenced.

- **Contingent tax liability**

  The Australian Taxation Office (ATO) is reviewing the taxation treatment of certain transactions, including 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 NZD541 million (including interest tax effected) for the period to 30 September 2008. Of that maximum potential liability, approximately NZD151 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 been terminated.

  Other audits and risk reviews are being undertaken by the ATO, 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.

14. Contingent liabilities and contingent assets, cont'd

- **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.

- **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.

- **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 full nature or quantum of any potential liability.

- **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 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, also with no material impact on the Group expected.

14. Contingent liabilities and contingent assets, cont'd

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 Taxation Department's priority, however, the order has been appealed by the Income Taxation Department to the Supreme Court of India. The appeal was heard in late August 2008 and a decision by the Supreme Court of India is now pending.

15. Note to the Cash Flow Statement

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

	Half year Sep 08 Inflows (Outflows) $M	Half year Mar 08 Inflows (Outflows) $M	Full year Sep 08 Inflows (Outflows) $M	Full year Sep 07 Inflows (Outflows) $M
Reconciliation of profit after income tax to net cash provided by operating activities				
Profit after income tax	1,356	1,963	**3,319**	4,180
Adjustments to reconcile to net cash provided by operating activities				
Provision for credit impairment	1,267	681	**1,948**	522
Credit risk on derivatives	422	299	**721**	45
Depreciation and amortisation	164	166	**330**	315
Profit on sale of businesses	-	(2)	**(2)**	(234)
Provision for employee entitlements, restructuring and other provisions	360	224	**584**	336
Payments from provisions	(145)	(257)	**(402)**	(307)
(Profit) loss on sale of premises and equipment	(2)	(30)	**(32)**	(33)
(Profit) loss on sale of available-for-sale securities[1]	(3)	(358)	**(361)**	(14)
Amortisation of discounts/premiums included in interest income	(88)	(88)	**(176)**	(80)
Share based payments reserve	9	5	**14**	7
Net foreign exchange earnings	(383)	(325)	**(708)**	(518)
Net gains/losses on trading derivatives	(86)	(258)	**(344)**	(405)
(Increase)/decrease in operating assets:				
Trading securities	(242)	273	**31**	(5,913)
Liquid assets - greater than three months	(2,773)	(1,919)	**(4,692)**	(1,642)
Due from other banks - greater than three months	74	(813)	**(739)**	(410)
Loans and advances	(17,328)	(29,527)	**(46,855)**	(36,943)
Net derivative financial instruments	1,377	(3,005)	**(1,628)**	(2,154)
Regulatory deposits	(144)	(88)	**(232)**	(54)
Interest receivable	(117)	(131)	**(248)**	(56)
Accrued income	32	8	**40**	(23)
Net tax assets	(722)	(560)	**(1,282)**	(203)
Increase/(decrease) in operating liabilities:				
Deposits and other borrowings	19,588	30,208	**49,796**	33,964
Due to other financial institutions	(221)	1,197	**976**	4,326
Payables and other liabilities	435	(1,624)	**(1,189)**	23
Interest payable	741	13	**754**	367
Accrued expenses	90	25	**115**	23
Other	(141)	(39)	**(180)**	(180)
Net cash provided by/(used in) operating activities	3,520	(3,962)	**(442)**	(5,061)

(b) Reconciliation of cash and cash equivalents

	Half year Sep 08 $M	Half year Mar 08 $M	Full year Sep 08 $M	Full year Sep 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	15,645	11,359	**15,645**	12,307
Due from other financial institutions - less than three months	7,842	9,799	**7,842**	6,767
	23,487	21,158	**23,487**	19,074
Non-cash financing activities				
Share capital issues				
Dividend reinvestment plan[2]	1,162	1,344	**2,506**	442

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

16. Changes in composition of the Group

Acquisition of material controlled entities

There were no material controlled entities acquired during the year to 30 September 2008.

During the 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

On 1 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).

17. Associates, joint venture entities and investments

	Half year Sep 08 $M	Half year Mar 08 $M	Movt Sep 08 v. Mar 08 %	Full year Sep 08 $M	Full year Sep 07 $M	Movt Sep 08 v. Sep 07 %
Profit after income tax	142	219	-35%	**361**	259	39%

Key contributions to profit[1]

	Contribution to Group profit				Ownership interest held by Group		
	Half year Sep 08	Half year Mar 08	Full year Sep 08	Full year Sep 07	As at Sep 08	As at Mar 08	As at Sep 07
Associates	$M	$M	$M	$M	%	%	%
P.T. Bank Pan Indonesia	23	13	**36**	26	30	30	30
Metrobank Card Corporation Inc	5	4	**9**	7	40	40	40
Bank of Tianjin	12	8	**20**	19	20	20	20
AMMB Holdings Berhad[2]	32	21	**53**	14	19	19	19
Shanghai Rural Commercial Bank[3]	18	11	**29**	1	20	20	20
Cards NZ Limited[4]	2	72	**74**	-	15	15	15
Joint ventures							
ING Australia Limited	49	75	**124**	152	**49**	49	49
ING (NZ) Holdings Limited	9	10	**19**	20	**49**	49	49

1. *The results may differ from the published results of these entities due to the application of IFRS, 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*

18. 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 & Loss Average			
	As at Sep 08	As at Mar 08	As at Sep 07	Half year Sep 08	Half year Mar 08	Full year Sep 08	Full year Sep 07
Euro	0.5568	0.5795	0.6223	0.5969	0.6091	0.6030	0.6072
Great British pound	0.4440	0.4589	0.4355	0.4739	0.4463	0.4601	0.4103
New Zealand dollar	1.1934	1.1550	1.1643	1.2294	1.1542	1.1918	1.1330
United States dollar	0.7995	0.9158	0.8816	0.9162	0.8976	0.9069	0.8084

19. Significant events since balance date

Since balance date, global financial and equity markets have exhibited significant volatility. The impact of this volatility on future earnings is not capable of reliable measurement.

The adjustment for credit risk on structured credit derivatives purchased has moved significantly since balance date, reflecting the depreciation of the AUD against the USD (these derivative trades are in USD) and the impact of extreme market turmoil impacting spreads and correlation, and there will continue to be substantial volatility in this adjustment. However, ANZ expects the adjustment for credit risk on these structured credit derivatives to substantially reverse as either credit spreads contract and/or the derivatives reach maturity.

The directors of Australia and New Zealand Banking Group Limited confirm that the financial information and notes of the consolidated entity set out on pages 69 to 98 are in the process of being audited.

Charles Goode
Chairman

Michael R P Smith
Director

22 October 2008

Capital management

		Basel II	Basel II	Basel I
		As at Sep 08	As at Mar 08	As at Sep 07
Qualifying Capital		**$M**	**$M**	**$M**
Tier 1				
Shareholders' equity and outside equity interests		**26,552**	23,964	22,048
Prudential adjustments to shareholders' equity	Table 1	**(2,409)**	(1,827)	(2,318)
Fundamental Tier 1 capital		**24,143**	22,137	19,730
Non-innovative Tier 1 capital instruments		**2,095**	981	1,033
Innovative Tier 1 capital instruments		**2,847**	3,072	3,119
Gross Tier 1 capital		**29,085**	26,190	23,882
Deductions	Table 2	**(7,856)**	(7,882)	(6,170)
Transitional Tier 1 capital relief		**-**	-	716
Tier 1 capital		**21,229**	18,308	18,428
Tier 2				
Upper Tier 2 capital	Table 3	**1,374**	938	2,296
Subordinated notes	Table 4	**9,170**	9,093	8,826
Deductions	Table 2	**(1,206)**	(1,354)	-
Tier 2 capital		**9,338**	8,677	11,122
Deductions	Table 5	**-**	-	(1,837)
Total qualifying capital		**30,567**	26,985	27,713
Capital adequacy ratios				
Tier 1		**7.7%**	6.9%	6.7%
Tier 2		**3.4%**	3.2%	4.1%
		11.1%	10.1%	10.8%
Deductions		**n/a**	n/a	-0.7%
Total		**11.1%**	10.1%	10.1%
Risk weighted assets	Table 6	**275,434**	267,486	275,018

Capital management, cont'd

	Basel II As at Sep 08 $M	Basel II As at Mar 08 $M	Basel I As at Sep 07 $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	**(841)**	(533)	(398)
Deferred fee revenue including fees deferred as part of loan yields	**351**	340	306
Hedging reserve	**(78)**	(145)	(153)
Available-for-sale reserve	**88**	97	(97)
Dividend not provided for	**(1,511)**	(1,192)	(1,381)
Accrual for Dividend Reinvestment Plans	**453**	477	276
Total	**(2,409)**	(1,827)	(2,318)

	Gross	Basel II As at Sep 08 $M	Basel II As at Mar 08 $M	Basel I As at Sep 07 $M
Table 2: Deductions from Tier 1 capital				
Unamortised goodwill & other intangibles		**(4,889)**	(4,972)	(4,911)
Capitalised software		**(625)**	(509)	(462)
Capitalised expenses including loan and lease origination fees, capitalised securitisation establishment costs and costs associated with debt raisings		**(642)**	(619)	(602)
Applicable deferred tax assets (excluding the component relating to the general reserve for impairment of financial assets)		**(92)**	(103)	(57)
Investment in ANZ Lenders Mortgage Insurance		**-**	-	(101)
Earnings not recognised for prudential purposes		**(117)**	(113)	-
Other deductions		**(285)**	(212)	(37)
Sub-total		**(6,650)**	(6,528)	(6,170)
Deductions taken 50% from Tier 1 and 50% from Tier 2	**Gross**	**50%**	**50%**	
Investment in ANZ Lenders Mortgage Insurance	**(131)**	**(65)**	(53)	-
Investment in Funds Management and Securitisation entities	**(68)**	**(34)**	(34)	-
Investment in joint ventures with ING in Australia and New Zealand	**(524)**	**(262)**	(263)	-
Investment in other Authorised Deposit Taking Institutions and overseas equivalents	**(1,219)**	**(610)**	(568)	-
Expected losses in excess of eligible provisions	**(334)**	**(167)**	(358)	-
Investment in other commercial operations	**(72)**	**(36)**	(27)	-
Other deductions	**(64)**	**(32)**	(51)	-
Sub-total	**(2,412)**	**(1,206)**	(1,354)	-
Total		**(7,856)**	(7,882)	(6,170)

	Basel II As at Sep 08 $M	Basel II As at Mar 08 $M	Basel I As at Sep 07 $M
Table 3: Upper Tier 2 capital			
Eligible component of post acquisition earnings and reserves in associates and joint ventures	**248**	254	197
Perpetual subordinated notes	**1,072**	678	690
General reserve for impairment of financial assets net of attributable deferred tax asset[1]	**54**	6	1,392
Transitional Upper Tier 2 capital relief	**-**	-	17
Total	**1,374**	938	2,296

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 Sep 08 $M	Basel II As at Mar 08 $M	Basel I As at Sep 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. The fair value adjustment is also excluded for prudential purposes as the prudential standard only permits inclusion of cash received and makes no allowance for hedging.			
Table 5: Deductions from Total capital[1]			
Investment in Funds Management and Securitisation entities	-	-	(85)
Investment in joint ventures with ING in Australia and New Zealand	-	-	(525)
Investment in other Authorised Deposit Taking Institutions (ADIs) and overseas equivalents	-	-	(1,025)
Investment in other commercial operations	-	-	(124)
Other	-	-	(78)
Total	-	-	(1,837)
Table 6: Risk weighted assets			
On balance sheet	**177,570**	174,117	236,883
Commitments	**47,398**	50,013	15,791
Contingents	**14,519**	14,958	12,018
Derivatives	**11,263**	10,098	8,379
Total credit risk	**250,750**	249,186	273,071
Market risk - Traded	**2,609**	1,912	1,947
Market risk - IRRBB	**4,058**	-	-
Operational risk	**18,017**	16,388	-
Total risk weighted assets	**275,434**	267,486	275,018

1. *Not applicable under Basel II*

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.

	Full year Sep 08			Full year Sep 07		
	Ave bal $M	Int $M	Rate %	Ave bal $M	Int $M	Rate %
Interest earning assets						
Due from other financial institutions						
Australia	3,002	193	6.4%	2,011	113	5.6%
New Zealand	1,390	92	6.6%	1,598	111	6.9%
Overseas Markets	6,171	250	4.1%	4,987	264	5.3%
Trading and available-for-sale assets						
Australia	22,733	1,633	7.2%	18,164	1,157	6.4%
New Zealand	2,316	187	8.1%	2,701	212	7.8%
Overseas Markets	6,223	313	5.0%	3,904	215	5.5%
Loans and advances						
Australia	221,006	18,884	8.5%	188,582	14,752	7.8%
New Zealand	78,103	7,491	9.6%	73,426	6,536	8.9%
Overseas Markets	17,299	1,042	6.0%	10,387	761	7.3%
Customers' liability for acceptances						
Australia	15,397	1,347	8.7%	13,852	1,054	7.6%
Overseas Markets	463	23	5.0%	293	18	6.1%
Other assets						
Australia	4,512	366	8.1%	4,794	355	7.4%
New Zealand	5,152	401	7.8%	5,054	404	8.0%
Overseas Markets	7,647	382	5.0%	3,608	258	7.2%
Intragroup assets						
Australia	4,753	344	7.2%	2,910	232	8.0%
Overseas Markets	1,476	92	6.2%	4,043	228	5.6%
	397,643	33,040		340,314	26,670	
Intragroup elimination	(6,229)	(436)		(6,953)	(460)	
	391,414	32,604	8.3%	333,361	26,210	7.9%
Non-interest earning assets						
Derivatives						
Australia	24,656			12,708		
New Zealand	4,358			3,227		
Overseas Markets	1,889			667		
Premises and equipment	1,513			1,318		
Other assets	15,136			14,319		
Provisions for credit impairment						
Australia	(2,040)			(1,688)		
New Zealand	(442)			(412)		
Overseas Markets	(193)			(167)		
	44,877			29,972		
Total average assets	436,291			363,333		

Average balance sheet and related interest, cont'd

	Full year Sep 08			Full year Sep 07		
	Ave bal $M	Int $M	Rate %	Ave bal $M	Int $M	Rate %
Interest bearing liabilities						
Time deposits						
Australia	71,698	5,224	7.3%	49,000	3,071	6.3%
New Zealand	29,653	2,444	8.2%	28,279	2,096	7.4%
Overseas Markets	25,274	1,016	4.0%	15,122	781	5.2%
Savings deposits						
Australia	18,062	778	4.3%	16,536	597	3.6%
New Zealand	1,819	60	3.3%	2,520	82	3.3%
Overseas Markets	584	8	1.4%	504	4	0.8%
Other demand deposits						
Australia	54,900	3,193	5.8%	46,429	2,376	5.1%
New Zealand	15,720	1,063	6.8%	15,938	997	6.3%
Overseas Markets	1,273	19	1.5%	1,166	29	2.5%
Due to other financial institutions						
Australia	6,234	412	6.6%	8,186	500	6.1%
New Zealand	1,746	106	6.1%	1,838	105	5.7%
Overseas Markets	10,804	447	4.1%	6,724	357	5.3%
Commercial paper						
Australia	11,293	834	7.4%	9,981	636	6.4%
New Zealand	9,282	819	8.8%	6,566	525	8.0%
Overseas Markets	-	-	0.0%	926	49	5.3%
Borrowing corporations' debt						
Australia	8,637	618	7.2%	8,752	544	6.2%
New Zealand	1,484	123	8.3%	1,722	127	7.4%
Liability for acceptances						
Australia	15,397	1,160	7.5%	13,852	898	6.5%
Overseas Markets	463	23	5.0%	293	17	5.8%
Loan capital, bonds and notes						
Australia	62,458	4,653	7.4%	55,577	3,651	6.6%
New Zealand	14,848	1,322	8.9%	11,841	958	8.1%
Overseas Markets	359	25	7.0%	311	19	6.1%
Other liabilities[1]						
Australia	4,495	280	n/a	5,243	355	n/a
New Zealand	87	95	n/a	132	96	n/a
Overseas Markets	38	32	n/a	421	38	n/a
Intragroup liabilities						
New Zealand	6,229	436	7.0%	6,953	460	6.6%
	372,837	25,190		314,812	19,368	
Intragroup elimination	(6,229)	(436)		(6,953)	(460)	
	366,608	24,754	6.8%	307,859	18,908	6.1%
Non-interest bearing liabilities						
Deposits						
Australia	4,787			4,734		
New Zealand	3,432			3,829		
Overseas Markets	1,200			1,220		
Derivatives						
Australia	22,841			11,719		
New Zealand	3,542			2,882		
Overseas Markets	(884)			(494)		
Other liabilities	11,242			10,855		
	46,160			34,745		
Total average liabilities	412,768			342,604		

1. *Includes foreign exchange swap costs*

Average balance sheet and related interest, cont'd

	Half year Sep 08			Half year Mar 08		
	Ave bal $M	Int $M	Rate %	Ave bal $M	Int $M	Rate %
Interest earning assets						
Due from other financial institutions						
Australia	3,124	103	6.6%	2,880	90	6.3%
New Zealand	1,477	44	6.0%	1,304	48	7.4%
Overseas Markets	6,604	121	3.7%	5,738	128	4.5%
Trading and available-for-sale assets						
Australia	23,122	873	7.6%	22,345	760	6.8%
New Zealand	2,387	95	8.0%	2,246	91	8.1%
Overseas Markets	6,533	159	4.9%	5,913	153	5.2%
Loans and advances						
Australia	228,930	10,071	8.8%	213,079	8,814	8.3%
New Zealand	77,738	3,737	9.6%	78,468	3,754	9.6%
Overseas Markets	18,109	510	5.6%	16,489	530	6.4%
Customers' liability for acceptances						
Australia	15,767	706	9.0%	15,027	642	8.5%
Overseas Markets	539	12	4.5%	387	11	5.7%
Other assets						
Australia	5,051	205	8.1%	3,973	161	8.1%
New Zealand	4,887	176	7.2%	5,417	225	8.3%
Overseas Markets	9,120	180	3.9%	6,174	205	6.6%
Intragroup assets						
Australia	4,518	157	6.9%	4,984	186	7.5%
Overseas Markets	1,425	45	6.3%	1,527	48	6.3%
	409,331	17,194		385,951	15,846	
Intragroup elimination	(5,943)	(202)		(6,511)	(234)	
	403,388	16,992	8.4%	379,440	15,612	8.2%
Non-interest earning assets						
Derivatives						
Australia	24,603			24,709		
New Zealand	2,679			6,037		
Overseas Markets	2,172			1,605		
Premises and equipment	1,467			1,559		
Other assets	14,656			15,617		
Provisions for credit impairment						
Australia	(2,295)			(1,785)		
New Zealand	(457)			(427)		
Overseas Markets	(201)			(184)		
	42,624			47,131		
Total average assets	446,012			426,571		

Average balance sheet and related interest, cont'd

	Half year Sep 08			Half year Mar 08		
	Ave bal $M	Int $M	Rate %	Ave bal $M	Int $M	Rate %
Interest bearing liabilities						
Time deposits						
Australia	76,562	2,914	7.6%	66,833	2,310	6.9%
New Zealand	29,515	1,230	8.3%	29,791	1,214	8.2%
Overseas Markets	28,213	492	3.5%	22,336	524	4.7%
Savings deposits						
Australia	18,150	412	4.5%	17,975	366	4.1%
New Zealand	1,681	28	3.3%	1,958	31	3.2%
Overseas Markets	579	4	1.4%	590	4	1.4%
Other demand deposits						
Australia	55,348	1,662	6.0%	54,452	1,532	5.6%
New Zealand	15,446	516	6.7%	15,995	546	6.8%
Overseas Markets	1,231	8	1.3%	1,315	11	1.7%
Due to other financial institutions						
Australia	5,647	193	6.8%	6,822	219	6.4%
New Zealand	1,618	49	6.0%	1,875	58	6.2%
Overseas Markets	10,508	187	3.6%	11,100	260	4.7%
Commercial paper						
Australia	13,015	496	7.6%	9,572	338	7.1%
New Zealand	8,838	392	8.9%	9,726	427	8.8%
Borrowing corporations' debt						
Australia	8,638	325	7.5%	8,636	293	6.8%
New Zealand	1,437	61	8.5%	1,532	63	8.2%
Liability for acceptances						
Australia	15,767	604	7.7%	15,027	555	7.4%
Overseas Markets	539	12	4.5%	387	11	5.7%
Loan capital, bonds and notes						
Australia	63,958	2,465	7.7%	60,958	2,188	7.2%
New Zealand	15,774	707	9.0%	13,922	615	8.8%
Overseas Markets	290	12	8.3%	429	13	6.1%
Other liabilities[1]						
Australia	4,565	92	n/a	4,427	187	n/a
New Zealand	97	41	n/a	77	54	n/a
Overseas Markets	25	20	n/a	52	13	n/a
Intragroup liabilities						
New Zealand	5,943	202	6.8%	6,511	234	7.2%
	383,384	13,124		362,298	12,066	
Intragroup elimination	(5,943)	(202)		(6,511)	(234)	
	377,441	12,922	6.8%	355,787	11,832	6.7%
Non-interest bearing liabilities						
Deposits						
Australia	4,669			4,904		
New Zealand	3,091			3,772		
Overseas Markets	1,214			1,187		
Derivatives						
Australia	22,365			23,317		
New Zealand	2,609			4,476		
Overseas Markets	(765)			(1,002)		
Other liabilities	11,154			11,330		
	44,337			47,984		
Total average liabilities	421,778			403,771		

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

Average balance sheet and related interest, cont'd

	Half year Sep 08 $M	Half year Mar 08 $M	Full year Sep 08 $M	Full year Sep 07 $M
Total average assets				
Australia	312,291	294,216	303,257	249,686
New Zealand	92,766	96,768	94,765	89,969
Overseas Markets	46,899	42,098	44,498	30,631
less intragroup elimination	(5,943)	(6,511)	(6,229)	(6,953)
	446,013	426,571	436,291	363,333
% of total average assets attributable to overseas activities	31.0%	32.2%	31.6%	32.1%
Average interest earning assets				
Australia	280,512	262,288	271,403	230,313
New Zealand	86,489	87,435	86,961	82,779
Overseas Markets	42,330	36,228	39,279	27,222
less intragroup elimination	(5,943)	(6,511)	(6,229)	(6,953)
	403,388	379,440	391,414	333,361
Total average liabilities				
Australia	297,628	280,957	289,291	237,762
New Zealand	87,042	91,001	89,022	84,176
Overseas Markets	43,051	38,324	40,684	27,619
less intragroup elimination	(5,943)	(6,511)	(6,229)	(6,953)
	421,778	403,771	412,768	342,604
% of total average liabilities attributable to overseas activities	29.4%	30.4%	29.9%	30.6%
Total average shareholders' equity				
Ordinary share capital, reserves and retained earnings	23,364	21,929	22,652	19,858
Preference share capital	871	871	871	871
	24,235	22,800	23,523	20,729
Total average liabilities and shareholders' equity	446,013	426,571	436,291	363,333

Average balance sheet and related interest, cont'd

	Half year Sep 08 %	Half year Mar 08 %	Full year Sep 08 %	Full year Sep 07 %
Gross earnings rate[1]				
Australia	8.64	8.12	8.39	7.67
New Zealand	9.37	9.42	9.40	8.77
Overseas Markets	4.85	5.94	5.35	6.41
Total Group	8.42	8.23	8.33	7.86

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

	Half year Sep 08 %	Half year Mar 08 %	Full year Sep 08 %	Full year Sep 07 %
Australia				
Gross interest spread	1.64	1.60	1.62	1.77
Interest foregone on impaired assets	(0.01)	(0.01)	(0.01)	(0.01)
Net interest spread	1.63	1.59	1.61	1.76
Interest attributable to net non-interest bearing items	0.47	0.44	0.46	0.43
Net interest margin - Australia	2.10	2.03	2.07	2.19
New Zealand				
Gross interest spread	1.37	1.46	1.42	1.60
Interest foregone on impaired assets	(0.03)	(0.01)	(0.02)	(0.01)
Net interest spread	1.34	1.45	1.40	1.59
Interest attributable to net non-interest bearing items	0.57	0.55	0.56	0.61
Net interest margin - New Zealand	1.91	2.00	1.96	2.20
Overseas Markets				
Gross interest spread	1.32	1.35	1.33	1.35
Interest foregone on impaired assets	(0.02)	(0.02)	(0.02)	(0.03)
Net interest spread	1.30	1.33	1.31	1.32
Interest attributable to net non-interest bearing items	0.08	0.00	0.05	0.33
Net interest margin - Overseas Markets	1.38	1.33	1.36	1.65
Group				
Gross interest spread	1.59	1.58	1.59	1.73
Interest foregone on impaired assets	(0.01)	(0.01)	(0.01)	(0.01)
Net interest spread	1.58	1.57	1.58	1.72
Interest attributable to net non-interest bearing items	0.44	0.42	0.43	0.47
Net interest margin	2.02	1.99	2.01	2.19

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 30 September 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	222,003	7,740	(7,956)	278,479	4,637	(6,570)
Swap agreements	205,894	16,667	(8,635)	141,881	6,699	(6,907)
Futures contracts	134	72	(17)	144	7	(6)
Options purchased	8,929	899	-	6,476	1,047	-
Options sold	17,761	-	(942)	9,718	-	(1,001)
Collateral[1]	-	(4,400)	2,607	-	(1,875)	1,612
	454,721	20,978	(14,943)	436,698	10,515	(12,872)
Commodity Contracts						
Derivative contracts	27,349	1,609	(1,692)	15,429	1,664	(1,600)
Interest rate contracts						
Forward rate agreements	150,302	33	(32)	137,039	15	(15)
Swap agreements	1,087,769	10,837	(11,408)	944,079	8,582	(8,300)
Futures contracts	92,841	1,798	(1,705)	96,815	979	(996)
Options purchased	23,156	225	-	26,621	142	-
Options sold	22,743	-	(115)	22,711	-	(115)
	1,376,811	12,893	(13,260)	1,227,265	9,718	(9,426)
Credit default swaps						
Structured credit derivatives purchased[2]	12,455	1,212	-	10,976	152	-
Other credit derivatives purchased[3]	14,414	201	(32)	10,970	71	(84)
Total credit derivatives purchased[4]	26,869	1,413	(32)	21,946	223	(84)
Structured credit derivatives sold[2]	14,060	-	(1,704)	10,976	-	(119)
Other credit derivatives sold[3]	11,256	48	(296)	7,689	84	(79)
Total credit derivatives sold[4]	25,316	48	(2,000)	18,665	84	(198)
	52,185	1,461	(2,032)	40,611	307	(282)
Total	1,911,066	36,941	(31,927)	1,720,003	22,204	(24,180)

1. *Collateral relates predominantly to Foreign Exchange contracts*
2. *Refer page 21 for further information*
3. *The notional amounts comprise vanilla credit default swap transactions including credit indices such a Itraxx (Europe and Australia) and CDX. In the case of back-to-back deals, where a risk position from one counterparty is "closed out" with another counterparty, the notional amounts are not netted down in the above table. For example, ANZ may sell credit protection over a particular corporate bond (or reference asset) to a counterparty and simultaneously offset that credit exposure by buying credit protection over the same corporate bond (or reference asset) from another counterparty. Netting may only occur where there is an offsetting deal with the same counterparty*
4. *These credit default swap trades are transacted in conjunction with other financial instruments by reference to the traded market risk limit framework which includes VaR, name and rating specific concentration limits, sensitivity limits and stress testing limits. VaR exposures are disclosed on page 28*

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(a) vii) on page 73. As it can sometimes be difficult to determine whether the Group has control of an SPE, it makes judgements 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 with which the Group is involved, the reason for their establishment, and the control factors associated with ANZ's interest in them. Although there may be some indicators of control ANZ does not bear the majority of residual risks and rewards of the SPEs which are not consolidated. The disclosures do not include every transaction that the Group has entered into with an SPE. This note is designed to reflect the nature of the Group's main exposures to SPEs.

Type of SPE	Reason for establishment	Control factors
Securitisation vehicles	Securitisation is a financing technique whereby assets are transferred to an SPE which funds the purchase by issuing securities. This enables ANZ (in the case where transferred assets originate within ANZ) or customers to increase diversity of funding sources.	ANZ may manage these securitisation vehicles, service assets in the vehicle or provide liquidity or other support. ANZ retains the risks associated with the provision of these services.
Structured finance entities	These entities are set up to assist the Group's Corporate Finance function with the structuring of client financing. The resulting lending arrangements are at arms length and ANZ typically has limited ongoing involvement with the entity.	ANZ may manage these vehicles, hold minor amounts of capital, provide financing or provide derivatives.
Credit protection	There is one SPE in this category which was created to allow ANZ to purchase credit protection. The entity is not consolidated but has issued credit linked notes to the external market. This SPE is a collateralised debt obligation (CDO).	ANZ manages this vehicle and holds a small proportion of the most senior notes.

The following tables include all significant SPEs which ANZ has established or currently manages.

Special purpose and off-balance sheet entities, cont'd

Below is an analysis of the assets of consolidated and non-consolidated SPEs which ANZ has established or managed. This excludes vehicles that are used in connection with stock-based compensation programs.

	Non-consolidated SPEs		Consolidated SPEs	
Total assets of SPEs	**Sep 08 $M**	**Sep 07 $M**	**Sep 08 $M**	**Sep 07 $M**
Securitisation vehicles	8,021	7,786	11,884	2,328
Structured finance entities[1]	n/a	n/a	147	95
Credit Protection	2,145	2,145	-	-
Total	10,166	9,931	12,031	2,423

1. *ANZ's net investment in non-consolidated Structured Finance entities is $166 million at 30 September 2008 (30 September 2007: $229 million)*

- **Total assets of SPEs**

	Australia		New Zealand		Other		Total	
	Sep 08 $M	**Sep 07 $M**	**Sep 08 $M**	**Sep 07 $M**	**Sep 08 $M**	**Sep 07 $M**	**Sep 08 $M**	**Sep 07 $M**
Non-consolidated SPEs which ANZ established or manage								
Corporate Loans[1]	2,145	2,145	-	-	-	-	2,145	2,145
Rural loans	2,064	1,737	-	-	-	-	2,064	1,737
Trade receivables	2,096	2,166	-	-	-	-	2,096	2,166
Residential mortgages	1,442	1,520	-	215	-	-	1,442	1,735
Credit cards and other personal loans	13	34	557	557	-	-	570	591
Car loans and equipment finance	577	621	-	-	-	-	577	621
Other[2]	1,018	658	254	278	-	-	1,272	936
Total	9,355	8,881	811	1,050	-	-	10,166	9,931
Consolidated SPEs								
Corporate Loans	-	-	-	-	410	415	410	415
Trade receivables	185	162	-	-	-	-	185	162
Residential mortgages	10,731	1,019	-	-	-	-	10,731	1,019
Car loans and equipment finance	69	182	-	-	77	83	146	265
Other	559	529	-	-	-	33	559	562
Total	11,544	1,892	-	-	487	531	12,031	2,423

1. *Exposures to corporate loans created through derivatives and a deposit with ANZ*
2. *Includes investment loans and insurance premiums*

- **Maximum exposure to SPEs**

	Non-consolidated SPEs	
Maximum exposures to Non-consolidated SPEs[1]	**Sep 08 $M**	**Sep 07 $M**
Liquidity support facilities (drawn)[2]	1,237	1,976
Liquidity support facilities (undrawn)	3,290	2,753
Credit default swaps (net fair value)	33	3
Other facilities (drawn)	1,768	872
Other facilities (undrawn)	958	315
Notes held in credit protection entities	393	-
Other derivatives (net fair value)	21	(4)
Total	7,700	5,915

1. *Excluding structured finance entities*
2. *Facilities amounting to $0.9 billion were drawn on consolidated special purpose entities as at September 2007*

Leveraged finance

The Group has a dedicated Leveraged & Acquisition Finance team, which provides secured financing for the acquisition of companies through the use of debt.

Leveraged & Acquisition Finance provides acquisition finance for private equity firms and other corporations with operations in Australia and New Zealand and concentrates on company cash flows. Target businesses are those with stable and established earnings and the ability to reduce borrowing levels.

The tables below provide an analysis of the credit exposures arising from the provision of leverage finance. This excludes all public company acquisition finance which may be undertaken by the Leveraged & Acquisition Finance team because it has a different risk profile.

	Unfunded commitments		Funded exposure		Total gross expenditure		Individual provision		Net Exposure	
Exposure by industry	**Sep 08 $M**	**Sep 07 $M**	**Sep 08 $M**	**Sep 07 $M**	**Sep 08 $M**	**Sep 07 $M**	**Sep 08 $M**	**Sep 07 $M**	**Sep 08 $M**	**Sep 07 $M**
Manufacturing	141	270	744	548	885	818	(9)	(10)	876	808
Business Service	139	145	628	436	767	581	(13)	-	754	581
Healthcare	46	55	131	133	177	188		-	177	188
Retail	103	83	532	330	635	413		-	635	413
Media	34	89	146	47	180	136		-	180	136
Other	50	110	666	293	716	403		-	716	403
Total	513	752	2,847	1,787	3,360	2,539	(22)	(10)	3,338	2,529
Exposure by geography										
Australia	271	588	1,507	977	1,778	1,565	(22)	(10)	1,756	1,555
New Zealand	175	164	1,156	771	1,331	935		-	1,331	935
Other	67	-	184	39	251	39		-	251	39
Total	513	752	2,847	1,787	3,360	2,539	(22)	(10)	3,338	2,529

Movements in individual provision	**Sep 08 $M**	**Sep 07 $M**
Balance at start of year	10	3
Charge to income statement	30	16
Bad debts written-off	(18)	(9)
Total individual provision	22	10

Asset-backed securities

The Group may acquire asset-backed securities primarily as part of the trading activities (classified as trading securities), liquidity management (classified as available-for-sale assets) or through investments in special purpose vehicles. Asset-backed securities are debt instruments that are based on pools of assets or are collateralised by the cash flows from a specified pool of underlying assets. All asset-backed securities held by the Group are carried at fair value on the balance sheet.

Summary of asset-backed securities

	Face Value		Carrying amount	
	Sep 08 $M	Sep 07 $M	Sep 08 $M	Sep 07 $M
Collateralised debt obligations[1]	395	33	393	28
Commercial mortgage backed securities	140	156	138	154
Residential mortgage backed securities	892	1,118	655	1,070
Other asset-backed securities	461	549	453	543
Total	1,888	1,856	1,639	1,795

Asset-backed securities by underlying asset

	Trading portfolio		Liquidity portfolio		Other		Total	
	Sep 08 $M	Sep 07 $M	Sep 08 $M	Sep 07 $M	Sep 08 $M	Sep 07 $M	Sep 08 $M	Sep 07 $M
Sub-prime	-	-	-	-	-	-	-	-
Alt-A	-	-	318	530	-	-	318	530
A rated (mortgage) paper and other assets	161	174	211	243	949	848	1,321	1,265
Total	161	174	529	773	949	848	1,639	1,795

Asset-backed securities by credit rating and geography

	AAA & AA		A		BBB		BB and below inc not rated		Total	
	Sep 08 $M	Sep 07 $M	Sep 08 $M	Sep 07 $M	Sep 08 $M	Sep 07 $M	Sep 08 $M	Sep 07 $M	Sep 08 $M	Sep 07 $M
Australia and New Zealand	552	158	557	821	1	1	-	14	1,110	994
USA	412	801	117	-	-	-	-	-	529	801
Total	964	959	674	821	1	1	-	14	1,639	1,795

1. *September 2008 comprises notes held in a credit protection SPE, refer page 110*

AAS - Australian Accounting Standards

AASB - Australian Accounting Standards Board.

AIFRS - Australian Equivalents to International Financial Reporting Standards.

Alt-A – Alternative A-paper, US mortgages underwritten with lower or alternative documentation than a full documentation mortgage loan or with higher loan to valuation ratios than mortgages guaranteed by US Government sponsored enterprises. Alt-A mortgages have a stronger risk profile than sub-prime mortgages.

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), Private Bank, Group Human Resources, 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.

IFRS – International Financial Reporting Standards

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 goodwill and software).

Non-performing commitments and contingencies comprises undrawn facilities 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.

Repo discount is a discount applicable on the repurchase by a central bank of an eligible security pursuant to a repurchase agreement.

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.

Sub-prime represents mortgages granted to borrowers with a poor or limited credit history. Sub-prime loans carry higher interest rates to compensate for potential losses from default.