

Media Release

For Release: 26 October 2006

ANZ 2006 Annual Results

Profit after tax	
Statutory profit \$3,688 million	up 16.2%
Cash* profit \$3,587 million	up 13.8%
Cash* profit before provisions	up 10.4%

Earnings per share	
Statutory EPS 200.0 cents	up 18.0%
Cash* EPS 194.5 cents	up 13.2%

Shareholder return	
Full year dividend 125 cents	up 13.6%
Total Shareholder Return 17.1%	
Return on equity 20.7% (18.3%)	

Business highlights
Strong result in Personal - revenue up 13%, profit up 22%
Improved results and momentum in New Zealand and Institutional
Accelerated investment spend with 1,280 new FTEs
Credit environment benign, credit quality strong, credit costs at historic lows
Achieved targeted revenue and productivity targets. Revenue target range expanded, now 7-10%
Revenue growth 8.4%* (9.1% FX adjusted)
Cost-Income ratio 45.6%* (1.0% improvement, medium-term target 40%)
Adjusted common equity ratio stable at 4.7% (restated for new APRA capital deductions)

* Adjusted for AIFRS 2005 adjustments and non-core items (including significant items, ANZ National Bank incremental integration costs and AIFRS mark to market of certain hedge gains/losses)

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Australia and New Zealand Banking Group Limited (ANZ) today announced a record profit after tax of \$3,688 million for the year ended 30 September 2006, up 16.2%.

The headline result included a number of one-off gains including the National Housing Bank (NHB) insurance settlement. Adjusting for these, cash* profit was up 13.8% and cash* EPS were up 13.2%.

A final dividend of 69 cents brought the full year dividend to 125 cents, an increase of 13.6%.

ANZ CEO Mr John McFarlane said: "This is a good result based on a strong business performance.

"The real highlight was our strong revenue growth, at the top of our target range, reflecting the substantial investment over recent years and the resultant strong momentum. This enabled us to lower the Cost Income ratio by 1% while at the same time accelerating our investment program.

"Net interest margin fell 9 basis points over the year, moderating in the second half. Provisioning was unusually low, and partly reflects cyclically strong credit quality and the result of substantial de-risking that has taken place at ANZ over the past few years.

"When we said that we would invest to create a real difference that others would find hard to replicate, and to accelerate revenue growth to 7%-9%, it was seen as stretching. It's now evident this is the right approach.

"To be a great organisation we need to stand for something. For us it is to become a very different bank by reshaping the way banking is done. We are making it compelling for a customer to deal with us and not others, why the community should trust us, why shareholders should invest in us, and why our people should devote their working lives to us.

"Our vision, our investment program, our strong foundation, and our track record, all underpin the future that I am personally very excited to be part of," Mr McFarlane said.

Outlook

Commenting on the outlook for ANZ, Mr McFarlane said: "As the benefits of our investment program come through, we are confident to extend our future revenue target range to 7-10%.

"We will continue to invest to underpin revenue growth, and work towards leadership in our major businesses over time. We believe this will build superior and sustainable value for shareholders over the medium to long term. In consequence, expense growth in 2007 is likely to be similar to that in 2006.

"The adoption of AIFRS will require the \$141 million gain from New Zealand dollar hedges to be taken directly to retained earnings in 2007. We have taken out additional hedges to mitigate the negative impact of a weaker New Zealand dollar on earnings, which is expected to mitigate the 2007 EPS impact to less than 1%.

"The impact of credit losses for the industry as a whole under IFRS is less predictable, though it is unlikely we will see current provisioning levels sustained at such low levels. Otherwise, with our strong momentum going into 2007, we are confident about the year ahead," Mr McFarlane said.

* Adjusted for AIFRS 2005 adjustments and non-core items (including significant items, ANZ National Bank incremental integration costs and AIFRS mark to market of certain hedge gains/losses)

Divisional Performance

Personal has had an outstanding year, with revenue growth of 13% driving earnings growth of 22%. All Personal businesses recorded double-digit earnings growth, with the highlights being Pacific (up 67%), Investment and Insurance Products (up 48%), Consumer Finance (up 25%), and Mortgages (up 21%). Expenses were up 9%, as investment in future growth continued, with the addition of 714 full time equivalent staff, 25 new branches, and 330 ATMs over the year.

The Division is making good progress in establishing a strong proposition centered on “More Convenient Banking”, and continues to have a distinct lead over our peers in Customer Satisfaction. Giving customers a strong reason to bank with us other than price alone has resulted in minimal margin attrition. Some of these reasons included opening call centres 24 hours, 7 days a week; expanding the ATM network, including a partnership with Woolworths, extending branch opening hours including on weekends, and being first to market with new products.

Institutional earnings grew 11% over the same period last year, with revenue growth of 8%. This was offset by an 11% increase in expenses, driven primarily by higher people costs. Good results were achieved in Markets (up 13%), Corporate and Structured Finance (up 42%), Corporate Banking (up 19%), Business Banking (up 15%), and Trade/Transactions business (up 16%). This was partly offset by subdued performance from our Debt Products Group, mainly Institutional lending (down 10%), where the impact on margins from excess global liquidity continues to dampen earnings growth. Given this, the Division has sought to reduce the balance sheet intensity of this business, and this has resulted in lower risk-weighted asset growth of 10%, and 1% in the second half. While the environment at the top end of Institutional remains challenging, it is nevertheless making good progress in transforming this segment. The recent Peter Lee Associates survey confirmed ANZ regained its Number One Lead Institutional Bank position in Australia.

New Zealand Banking (in NZD) earnings were up 20% on the same period last year. The result was assisted by lower credit provision charges, with profit before provisions up 8%. There were good results from The National Bank Retail (up 21%), Corporate & Commercial (up 102%), and New Zealand Institutional (up 15%). The profit from UDC is still declining (down 25%), as the business is restructured. Overall, New Zealand Businesses is showing promising momentum, and has a clear growth strategy to build on a strong foundation. Robust credit growth and good credit quality continue.

Partnership Expansion continues with the completion of the 20% stake in Tianjin City Commercial Bank in China, and 10% stake in Sacombank in Vietnam. Discussions are proceeding satisfactorily in Shanghai and in other faster growing Asian countries. Our joint-ventures in Indonesia, the Philippines and Cambodia are performing well, and the cards businesses are showing strong organic growth with 1 million cards now on issue in Indonesia and the Philippines. INGA remediation program is nearing completion and the overall foundation of the business has improved substantially. We can now look forward to normal operation and growth in the years ahead.

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HIGHLIGHTS (continued)

		Group		Personal	Institutional Continuing	New Zealand Banking (NZD)
		2006	Change	Change	Change	Change
Key Business Drivers¹						
Total Assets (EOP)	\$m	335,771	12%	12%	13%	11%
Deposits & other borrowings (EOP)	\$m	204,794	8%	11%	20%	5%
Average Interest Earning Assets	\$m	300,179	13%	12%	21%	18%
Net Interest Margin	bps	2.31	(9bps)	(1bps)	(19bps)	(21bps)
Net Interest Income	\$m	6,943	9%	12%	10%	8%
Other Operating Income	\$m	3,146	7%	16%	5%	6%
Total Income	\$m	10,089	8%	13%	8%	7%
FTE	No.	32,256	4%	6%	7%	1%
Operating Expenses	\$m	4,605	6%	9%	11%	6%
Profit Before Provisions ²	\$m	5,484	10%	17%	6%	8%
Individual Provision Charge	\$m	338	-5%	17%	-21%	-74%
Collective Provision Charge	\$m	69	-67%	-38%	-88%	large
Total Credit Provision	\$m	407	-28%	-3%	-57%	-87%
Net Profit after tax	\$m	3,587	14%	22%	11%	20%
EVA	\$m	2,082	9%			
Other Measures¹				Actual	Actual	Actual
Individual Provisions as a % of average net advances	%	0.13	(2bps)	0.21	0.07	0.04
Return on Average Assets	%	1.11	-	0.97	1.19	1.13
Return on Average RWA's	%	1.55	4bps	1.65	1.34	1.54
Cost to Income Ratio	%	45.6	(100bps)	49.3	38.5	45.5
Cost to Average Assets	%	1.42	(11bps)	1.60	1.09	1.41

^{1.} All numbers adjusted for AIFRS 2005 adjustments and non-core items (including significant items, ANZ National Bank incremental integration costs and AIFRS mark to market of certain hedge gains/losses)

^{2.} Profit before credit impairment and income tax