AUSTRALIA & NEW ZEALAND BANKING GROUP LTD
Form 6-K
April 28, 2005

# SECURITIES AND EXCHANGE COMMISSION

**WASHINGTON, D.C. 20549**

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# FORM 6-K

**REPORT OF FOREIGN ISSUER**
**PURSUANT TO RULE 13A-16 OR 15D-16 OF**
**THE SECURITIES EXCHANGE ACT OF 1934**

# Australia and New Zealand Banking Group Limited

**ACN 005 357 522**

(Translation of registrant s name into English)

**Level 6, 100 Queen Street Melbourne Victoria 3000 Australia**

(Address of principal executive offices)

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

Form 20-F: ý Form 40-F o

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

Yes o No: ý

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

This Report on Form 6-K shall be deemed to be incorporated by reference in the prospectus included in the Registration Statement on Form F-3 (No. 333 - 113524) of Australia and New Zealand Banking Group Limited and to be part thereof from the date on which this Report is filed, to the extent not superseded by documents or reports subsequently filed or furnished.

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

Signatures

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

Australia and New Zealand
Banking Group Limited
(Registrant)

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

Date 27 April 2005

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

**Australia and New Zealand Banking Group Limited**

**ABN 11 005 357 522**

***Consolidated Financial Report Dividend Announcement and Appendix 4D***

**Half Year 31 March 2005**

This Financial Report on the consolidated Group constitutes the Appendix 4D required by the Australian Stock Exchange, and should be read in conjunction with the September 2004 Annual and Financial Reports and is lodged with the Australian Stock Exchange under listing rule 4.2A

***AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED***

ABN 11 005 357 522

**CONSOLIDATED FINANCIAL REPORT, DIVIDEND ANNOUNCEMENT and APPENDIX 4D**

Half year ended 31 March 2005

***CONTENTS***

All amounts are in Australian dollars unless otherwise stated. The information on which this announcement is based has been reviewed by the Group s auditors, KPMG. The Company has a formally constituted Audit Committee of the Board of Directors. This report was approved by resolution of a Committee of the Board of Directors on 26 April, 2005.

When used in this Results Announcement the words estimate , project , intend , anticipate , believe , expect , should and similar expressio relate to the ANZ Group 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. The ANZ Group 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.

*FINANCIAL HIGHLIGHTS*

**Net Profit**

| | Half year Mar 05 $M | Half year Sep 04 $M | Half year Mar 04 $M | Movt Mar 05 v. Sep 04 % | Movt Mar 05 v. Mar 04 % |
|---|---|---|---|---|---|
| Net interest income | **2,853** | 2,745 | 2,509 | 4% | 14% |
| Other operating income | **1,704** | 1,708 | 1,683 | 0% | 1% |
| Operating income | **4,557** | 4,453 | 4,192 | 2% | 9% |
| Operating expenses | **(2,200)** | (2,124) | (1,902) | 4% | 16% |
| Profit before debt provision | **2,357** | 2,329 | 2,290 | 1% | 3% |
| Provision for doubtful debts | **(284)** | (319) | (313) | -11% | -9% |
| **Profit before income tax** | **2,073** | 2,010 | 1,977 | 3% | 5% |
| Income tax expense | **(597)** | (590) | (578) | 1% | 3% |
| Outside equity interests | **(1)** | (1) | (3) | 0% | -67% |
| **Net profit attributable to shareholders of the Company** | **1,475** | 1,419 | 1,396 | 4% | 6% |

**Significant items(1) and NBNZ incremental integration costs(2) in the profit and loss**

| | Half year Mar 05 $M | Half year Sep 04 $M | Half year Mar 04 $M | Movt Mar 05 v. Sep 04 % | Movt Mar 05 v. Mar 04 % |
|---|---|---|---|---|---|
| **Significant items** | | | | | |
| TrUEPrS | | | | | |
| Swap income | | | 110 | n/a | -100% |
| Interest | | | 2 | n/a | -100% |
| Income tax expense | | | (28) | n/a | -100% |
| Cash dividends(3) | | | | n/a | n/a |
| Gain on finalising INGA completion accounts after tax(1),(4) | | 14 | | -100% | n/a |
| **Total significant items** | | 14 | 84 | -100% | -100% |
| **NBNZ incremental integration costs after tax(2),(5)** | **(17)** | (14) | | 21% | n/a |
| | **(17)** | | 84 | n/a | large |

**Profit excluding significant items(1) and NBNZ incremental integration costs(2) in the profit and loss**

| | Half year Mar 05 $M | Half year Sep 04 $M | Half year Mar 04 $M | Movt Mar 05 v. Sep 04 % | Movt Mar 05 v. Mar 04 % |
|---|---|---|---|---|---|
| Net interest income | **2,853** | 2,745 | 2,507 | 4% | 14% |
| Other operating income | **1,704** | 1,694 | 1,573 | 1% | 8% |

| | | | | | |
|---|---|---|---|---|---|
| Operating income | **4,557** | 4,439 | 4,080 | 3% | 12% |
| Operating expenses | **(2,175)** | (2,103) | (1,902) | 3% | 14% |
| Profit before debt provision | **2,382** | 2,336 | 2,178 | 2% | 9% |
| Provision for doubtful debts | **(284)** | (319) | (313) | -11% | -9% |
| **Profit before income tax** | **2,098** | 2,017 | 1,865 | 4% | 12% |
| Income tax expense | **(605)** | (597) | (550) | 1% | 10% |
| Outside equity interests | **(1)** | (1) | (3) | 0% | -67% |
| **Net profit excluding significant items and NBNZ incremental integration costs** | **1,492** | 1,419 | 1,312 | 5% | 14% |

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*(1) In the September 2004 half ANZ has classified the $14 million profit after tax on settlement of the INGA completion accounts as significant items. In the March 2004 half $84 million net profit after tax arising from the TrUEPrS transaction has been classified 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 12)*

*(2) In the March 2005 half ANZ has incurred $17 million after tax NBNZ incremental integration costs (Sep 2004: $14 million). NBNZ incremental integration costs are excluded to enable analysis of the cost base following completion of the integration (refer page 12)*

*(3) Dividends on TrUEPrS preference shares treated as significant items (Mar 2005: $nil; Sep 2004: $1 million; Mar 2004: $35 million) do not impact net profit, but do impact earnings per share*

*(4) Tax on gain on INGA completion accounts: $nil*

*(5) Tax on incremental NBNZ integration costs: $8 million (Sep 2004: $7 million)*

**Earnings per share(3)**

| | Half year Mar 05 $M | Half year Sep 04 $M | Half year Mar 04 $M | Movt Mar 05 v. Sep 04 % | Movt Mar 05 v. Mar 04 % |
|---|---|---|---|---|---|
| **Earnings per ordinary share (cents)** | | | | | |
| Earnings per ordinary share (basic) | 78.8 | 76.4 | 76.8 | 3% | 3% |
| Earnings per ordinary share (diluted) | 76.9 | 74.4 | 75.3 | 3% | 2% |
| Earnings per ordinary share (basic) excluding significant items(1) and NBNZ incremental integration costs(2) | 79.8 | 76.4 | 74.0 | 4% | 8% |
| Earnings per ordinary share (basic) excluding significant items(1) and NBNZ incremental integration costs(2) and goodwill amortisation | 85.9 | 82.1 | 78.9 | 5% | 9% |

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*(1) In the September 2004 half ANZ has classified the $14 million profit after tax on settlement of the INGA completion accounts and $1 million dividends arising from the TrUEPrS transaction as significant items. In the March 2004 half $84 million net profit after tax and $35 million dividends arising from the TrUEPrS transaction has been classified 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 12)*

*(2) In the March 2005 half ANZ has incurred $17 million after tax NBNZ incremental integration costs (Sep 2004: $14 million). NBNZ incremental integration costs are excluded to enable analysis of the cost base following completion of the integration*

*(3) Refer page 69 for details of calculation*

**Net profit by business unit**

| | Half year Mar 05 $M | Half year Sep 04 $M | Half year Mar 04 $M | Movt Mar 05 v. Sep 04 % | Movt Mar 05 v. Mar 04 % |
|---|---|---|---|---|---|
| **Net profit after income tax** | | | | | |
| Personal Banking Australia | 442 | 417 | 384 | 6% | 15% |
| Institutional | 455 | 436 | 427 | 4% | 7% |
| New Zealand Businesses | 306 | 291 | 219 | 5% | 40% |
| Corporate Australia | 182 | 172 | 164 | 6% | 11% |
| Esanda and UDC | 77 | 74 | 69 | 4% | 12% |
| Asia Pacific | 48 | 60 | 51 | -20% | -6% |
| ING Australia | 63 | 61 | 47 | 3% | 34% |
| Group Centre(1) | (81) | (92) | (49) | -12% | 65% |
| **Net profit (excl significant items(2) and NBNZ incremental integration costs(3)** | 1,492 | 1,419 | 1,312 | 5% | 14% |
| | (17) | | 84 | n/a | large |

| | | | | | |
|---|---|---|---|---|---|
| Significant items(2) and NBNZ incremental integration costs(3) | | | | | |
| **Net profit** | 1,475 | 1,419 | 1,396 | 4% | 6% |

**Net profit by geography**

| | **Half year Mar 05 $M** | **Half year Sep 04 $M** | **Half year Mar 04 $M** | **Movt Mar 05 v. Sep 04 %** | **Movt Mar 05 v. Mar 04 %** |
|---|---|---|---|---|---|
| Australia(2) | 1,051 | 970 | 916 | 8% | 15% |
| New Zealand(3) | 286 | 282 | 227 | 1% | 26% |
| Asia Pacific | 84 | 99 | 92 | -15% | -9% |
| Other | 71 | 68 | 77 | 4% | -8% |
| Net profit excluding significant items(2) and NBNZ incremental integration costs(3) | 1,492 | 1,419 | 1,312 | 5% | 14% |
| Significant items(2) and NBNZ incremental integration costs(3) | (17) | | 84 | n/a | large |
| Net profit | 1,475 | 1,419 | 1,396 | 4% | 6% |

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*(1) Group Centre includes the operations of Treasury*

*(2) In the September 2004 half ANZ has classified the $14 million profit after tax on settlement of the INGA completion accounts as significant items. In the March 2004 half $84 million net profit after tax arising from the TrUEPrS transaction has been classified 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 12)*

*(3) In the March 2005 half ANZ has incurred $17 million after tax NBNZ incremental integration costs (Sep 2004: $14 million). NBNZ incremental integration costs are excluded to enable analysis of the cost base following completion of the integration*

**Statement of Financial Position**

| | As at Mar 05 $M | As at Sep 04 $M | As at Mar 04 $M | Movt Mar 05 v. Sep 04 % | Movt Mar 05 v. Mar 04 % |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Liquid assets | **8,855** | 6,363 | 5,732 | 39% | 54% |
| Due from other financial institutions | **6,428** | 4,781 | 7,093 | 34% | -9% |
| Trading and investment securities | **12,853** | 13,224 | 13,062 | -3% | -2% |
| Net loans and advances including acceptances | **231,480** | 217,428 | 202,216 | 6% | 14% |
| Other | **18,233** | 17,549 | 19,185 | 4% | -5% |
| **Total assets** | **277,849** | 259,345 | 247,288 | 7% | 12% |
| **Liabilities** | | | | | |
| Due to other financial institutions | **10,056** | 7,349 | 7,143 | 37% | 41% |
| Deposits and other borrowings | **180,410** | 168,557 | 163,208 | 7% | 11% |
| Liability for acceptances | **12,922** | 12,466 | 13,358 | 4% | -3% |
| Bonds and notes | **32,321** | 27,602 | 21,245 | 17% | 52% |
| Other | **23,132** | 25,446 | 25,586 | -9% | -10% |
| **Total liabilities** | **258,841** | 241,420 | 230,540 | 7% | 12% |
| **Total shareholders equity** | **19,008** | 17,925 | 16,748 | 6% | 13% |

**Net loans and advances including acceptances by business unit**

| | As at Mar 05 $M | As at Sep 04 $M | As at Mar 04 $M | Movt Mar 05 v. Sep 04 % | Movt Mar 05 v. Mar 04 % |
|---|---|---|---|---|---|
| Personal Banking Australia | 97,807 | 91,183 | 84,886 | 7% | 15% |
| Institutional | 46,697 | 42,525 | 40,906 | 10% | 14% |
| New Zealand Businesses | 51,996 | 49,892 | 44,489 | 4% | 17% |
| Corporate Australia | 19,318 | 18,450 | 17,215 | 5% | 12% |
| Esanda and UDC | 13,813 | 13,588 | 13,043 | 2% | 6% |
| Asia Pacific | 1,644 | 1,557 | 1,373 | 6% | 20% |
| Other | 205 | 233 | 304 | -12% | -33% |
| **Net advances** | 231,480 | 217,428 | 202,216 | 6% | 14% |

**Financial Ratios**

| | Half year Mar 05 $M | Half year Sep 04 $M | Half year Mar 04 $M |
|---|---|---|---|
| **EVA TM(1)** | **926** | 880 | 870 |
| **Profitability ratios** | | | |
| Return on: | | | |
| Average ordinary shareholders equity(2),(3) | **17.2%** | 17.3% | 19.1% |
| Average ordinary shareholders equity(2),(3) (excluding significant items(4) and NBNZ incremental integration costs(5)) | **17.4%** | 17.3% | 18.4% |
| Average ordinary shareholders equity(2),(3) (excluding goodwill amortisation, notional goodwill, significant items(4) and NBNZ incremental integration costs(5)) | **18.7%** | 18.6% | 19.6% |
| Average assets | **1.10%** | 1.11% | 1.21% |
| Average risk weighted assets | **1.46%** | 1.48% | 1.60% |
| Total income(3) | **14.4%** | 14.9% | 16.2% |
| Net interest average margin | **2.40%** | 2.45% | 2.53% |
| Profit per average FTE ($) | **50,426** | 49,844 | 53,226 |
| **Efficiency ratios(6)** | | | |
| Operating expenses to operating income (excluding significant items(4) and NBNZ incremental integration costs(5)) | **45.8%** | 45.5% | 45.1% |
| Operating expenses to operating income | **46.3%** | 45.8% | 43.9% |
| Operating expenses (excluding significant items(4) and NBNZ incremental integration costs(5)) to average assets | **1.55%** | 1.58% | 1.60% |
| Operating expenses to average assets | **1.57%** | 1.59% | 1.60% |
| **Debt provisioning** | | | |
| Economic loss provisioning ($M) | **284** | 319 | 313 |
| Net specific provisions ($M) | **151** | 247 | 196 |
| **Ordinary share dividends (cents)** | | | |
| Interim - 100% franked (Mar 04: 100% franked) | **51** | n/a | 47 |
| Final - 100% franked (Sep 04: 100% franked) | **n/a** | 54 | n/a |
| Ordinary share dividend payout ratio(7) | **64.7%** | 71.0% | 63.8% |
| Ordinary share dividend payout ratio(7) excluding goodwill, significant items(4) and NBNZ incremental integration costs(5) | **59.4%** | 66.0% | 62.1% |
| **Preference share dividend** | | | |
| Dividend paid ($M) | **38** | 34 | 64 |

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*(1) EVA$^{TM}$ refers to Economic Value Added, a measure of shareholder value. See page 20 for a reconciliation of EVA$^{TM}$ to reported net profit and a discussion of EVA$^{TM}$ and an explanation of its usefulness as a performance measure*

*(2) Average ordinary shareholders equity excludes outside equity interests*

*(3) Excludes preference share dividend*

*(4) In the September 2004 half ANZ has classified the $14 million profit after tax on settlement of the INGA completion accounts and $1 million dividends arising from the TrUEPrS transaction as significant items. In the March 2004 half $84 million net profit after tax and $35 million dividends arising from the TrUEPrS transaction has been classified as significant items. ANZ excludes significant items to eliminate the distorting effect of one-off*

*transactions on the results of its core business*

*(5) In the March 2005 half ANZ has incurred $17 million after tax NBNZ incremental integration costs (Sep 2004: $14 million). NBNZ incremental integration costs are excluded to enable analysis of the cost base following completion of the integration*

*(6) Excludes goodwill amortisation*

*(7) Dividend payout ratio is calculated using the proposed dividend as at 31 March 2005 and the 30 September 2004 and 31 March 2004 dividends*

| | As at Mar 05 | As at Sep 04 | As at Mar 04 | Movt Mar 05 v. Sep 04 % | Movt Mar 05 v. Mar 04 % |
|---|---|---|---|---|---|
| **Net Assets** | | | | | |
| Net tangible assets(1) per ordinary share ($) | **7.69** | 7.51 | 6.94 | 2% | 11% |
| Net tangible assets(1) attributable to ordinary shareholders ($M) | **14,014** | 13,651 | 12,542 | 3% | 12% |
| Total number of ordinary shares (M) | **1,822.7** | 1,818.4 | 1,808.2 | 0% | 1% |
| | | | | | |
| **Capital adequacy ratio (%)** | | | | | |
| Tier 1 | **7.0%** | 6.9% | 7.0% | | |
| Tier 2 | **3.6%** | 4.0% | 3.7% | | |
| Total capital ratio | **10.3%** | 10.4% | 10.2% | | |
| Adjusted common equity ratio(2) | **5.1%** | 5.1% | 5.2% | | |
| | | | | | |
| **Impaired assets** | | | | | |
| General provision ($M) | **2,080** | 1,992 | 1,828 | 4% | 14% |
| General provision as a % of risk weighted assets | **0.99%** | 1.01% | 0.98% | | |
| Gross non-accrual loans ($M) | **640** | 829 | 931 | -23% | -31% |
| Specific provisions on non-accrual loans(3) ($M) | **(314)** | (378) | (414) | -17% | -24% |
| Net non-accrual loans | **326** | 451 | 517 | -28% | -37% |
| Specific provision(3) as a % of total non-accrual loans | **49.1%** | 45.6% | 44.5% | | |
| Gross non-accrual loans as % of net advances | **0.28%** | 0.38% | 0.46% | | |
| Net non-accrual loans as a % of net advances | **0.14%** | 0.21% | 0.26% | | |
| Net non-accrual loans as a % of shareholders equity(4) | **1.7%** | 2.5% | 3.1% | | |
| | | | | | |
| **Other information** | | | | | |
| Full time equivalent staff (FTE s) | **29,832** | 28,755 | 27,971 | 4% | 7% |
| Assets per FTE ($M) | **9.3** | 9.0 | 8.8 | 3% | 6% |
| Market capitalisation of ordinary shares ($M) | **37,584** | 34,586 | 34,284 | 9% | 10% |

(1) *Equals Shareholders equity less preference share capital, outside equity interest and unamortised goodwill*

(2) *Adjusted common equity is calculated as Tier 1 capital less preference shares at current rates and deductions from total capital. This measure is commonly used to assess the adequacy of common equity held. See page 26 for a reconciliation to Tier 1 capital*

(3) *Excludes specific provision on unproductive facilities*

(4) *Includes outside equity interest*

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***RESULTS COMMENTARY***

**March 2005 half year compared to September 2004 half year**

Australia and New Zealand Banking Group Limited (ANZ, or the Group) recorded a profit after tax of $1,475 million for the half year ended 31 March 2005, an increase of 4% over the September 2004 half year. After excluding the significant items and National Bank of New Zealand (NBNZ) incremental integration costs referred to on page 12, profit increased 5% to $1,492 million.

**Earnings per share**

Basic earnings per share (EPS) increased 3.1% (2.4 cents) to 78.8 cents, whilst EPS excluding significant items and NBNZ incremental integration costs and goodwill amortisation increased 4.6% (3.8 cents) to 85.9 cents as a result of:

Profit growth (+4.1 cents).

The issuance of shares under the dividend reinvestment and bonus option plans and employee share option schemes net of shares bought back (-0.3 cents).

**Profit growth**

Profit in Australia increased 7% with pleasing growth in Personal Banking Australia (6%), Corporate Australia (6%), Esanda (11%), the Australian component of Institutional (4%) and a lower charge for doubtful debts. Profit in New Zealand was flat including a 3% appreciation in the average NZD exchange rate. Growth in the New Zealand Retail, Corporate and Rural businesses was offset by reduced profit in UDC and the New Zealand Institutional businesses and higher capital funding costs. Profit in Asia Pacific reduced 15% reflecting the cost of building partner relationships in Asia and lower Treasury earnings in Singapore.

**Profit drivers**

Significant influences on the result include:

Net interest increased by 4% with 6% lending growth, particularly in Mortgages (7%), and deposit growth in Personal Banking Australia (4%) and Corporate Australia (6%). Volume growth was offset by a 5 basis point decline in margin. The investment of the proceeds from the December 2004 Euro hybrid issue increased net interest by $7 million ($5 million after tax) but is EPS neutral.

Other income was flat with volume driven growth in fees, higher foreign exchange income and increased private equity earnings offset by fee discounting in Institutional Banking and New Zealand Mortgages, the impact of the sale of the London headquartered project finance business and reduced profit on trading securities with a higher proportion of profit booked as interest.

Operating expenses increased 4% driven by a 4% increase in staff numbers with investment in growth initiatives, an increasing compliance spend and increased non-lending losses.

Income tax expense increased 1%. The effective tax rate was moderately lower, principally due to higher non-taxable income and employee share issues.

The appreciation of the AUD has resulted in a $10 million reduction in the contribution from earnings denominated in foreign currencies (net of a $14 million reduction in profit after tax income on contracts put in place to hedge USD and NZD revenues).

Total assets increased $18.5 billion (7%) to $277.8 billion. Net advances grew by $14.1 billion (6%) to $231.5 billion with growth in Personal Banking Australia of 7% (principally mortgages), Institutional (10%), Corporate Australia (5%) and New Zealand businesses (4%).

**Asset quality**

Asset quality continued to improve:

Net specific provisions reduced 39% to $151 million with the reduction principally in Institutional.

Net non-accrual loans reduced 28% to $326 million with lower levels of new non-accrual loans and the realisation of two large power exposures in the US.

The ELP rate reduced 5 basis points driven by the growth in low risk domestic assets, continued de-risking offshore facilitating a reduction in the Group Centre charge (2 basis points) and a revision of loss factors of the former NBNZ businesses following further analysis of loss history.

**March 2005 half year compared to March 2004 half year**

Australia and New Zealand Banking Group Limited recorded a profit after tax of $1,475 million for the half year ended 31 March 2005, an increase of 6% over the March 2004 half. Profit excluding significant items and NBNZ incremental integration costs increased 14% to $1,492 million.

Basic earnings per share increased 2.6% (2.0 cents) to 78.8 cents. Earnings per share excluding significant items and NBNZ incremental integration costs and goodwill amortisation increased 8.9% (7.0 cents) to 85.9 cents.

Profit in Australia increased 5%, or 15% after excluding significant items driven by 15% growth in Personal Banking Australia and Esanda and 11% growth in Corporate Australia. Profit in New Zealand increased 19%, or 26% after excluding NBNZ incremental integration costs, due largely to the additional two months contribution from the NBNZ which was purchased on 1 December 2003. Profit in the Asia Pacific geographies reduced 9% and other geographies reduced 8%.

After adjusting the March 2004 half for an additional two months contribution from NBNZ ($38 million, refer page 28), profit excluding significant items and NBNZ incremental integration costs increased 10% driven by the following:

Net interest increased by 8% with solid lending growth particularly in Mortgages and deposit growth in Personal Banking Australia and Corporate Australia suppressed by a 11 basis point reduction in margin.

Other operating income increased 5% driven by volume growth in fees, growth in private equity earnings and an increased contribution from INGA.

Operating expenses increased 8% driven by a 7% increase in staff numbers, largely in the front-line.

Asset quality improved with gross non-accrual loans reducing 31% to $640 million, net specific provisions reducing 23% to $151 million and ELP reducing 8 basis points to 25 basis points driven by growth in low risk domestic assets, continued de-risking offshore facilitating a reduction in the Group Centre charge (2 basis points).

**Significant items and NBNZ incremental integration costs**

**Significant items**

Significant items in the profit and loss are those items that management believe do not form part of the core business, and as such, should be removed from profit when analysing the core business performance. The following are considered significant items:

### INGA completion account profit (September 2004 half year)

In the September 2004 half ANZ finalised the completion accounts on the sale of ANZ funds management and insurance businesses to INGA. This sale occurred in 2002. The final settlement of this transaction resulted in a $14 million after tax profit.

### TrUEPrS (March 2004 half year)

During the March 2004 half, the Group bought back TrUEPrS, a hybrid Tier 1 instrument. Previously deferred income that was earned on close out of interest rate swaps that had been hedging the TrUEPrS distributions was recognised in profit. The impact of TrUEPrS, being the release of deferred swap income of $108 million before tax and $2 million other swap income in the March 2004 half year, the periodic and final cash dividends paid to holders of TrUEPrS (Sep 2004: $1 million; Mar 2004: $35 million), and the funding benefit from holding TrUEPrS for part of the March 2004 half year, have been classified as significant items.

### NBNZ incremental integration costs

Expenditure on the integration of ANZ National Bank includes both the reallocation of existing resources to integration and incremental integration costs. Incremental costs are those costs that will not recur once integration is complete, and thus do not form part of the core ongoing cost base. During the March 2005 half $17 million (Sep 2004: $14 million; Mar 2004: $nil) after tax of incremental integration costs were incurred.

**Income and expenses**

**Net Interest**

| | Half year Mar 05 | Half year Sep 04 | Half year Mar 04 | Movt Mar 05 v. Sep 04 % | Movt Mar 05 v. Mar 04 % |
|---|---|---|---|---|---|
| Net interest income ($M) | 2,853 | 2,745 | 2,509 | 4% | 14% |
| Net interest average margin (%) | 2.40 | 2.45 | 2.53 | n/a | n/a |
| Average interest earning assets ($M) | 239,959 | 225,220 | 199,086 | 7% | 21% |

## March 2005 half year compared to September 2004 half year

Net interest income at $2,853 million was 4% ($108 million) higher than the September 2004 half year.

*Volume*

Average net loans and advances grew by $15.3 billion (8%) with growth attributable to Personal Banking Australia ($6.3 billion or 7% with $5.5 billion in Mortgages), Institutional Australia ($3.9 billion or 18%), Corporate Australia ($1.1 billion or 8%) and New Zealand ($4.2 billion or 8%) including exchange rate impacts from a stronger New Zealand dollar ($1.6 billion). Average net loans and advances reduced by $0.6 billion (6%) in overseas markets as a result of the strategy to reduce higher risk exposures ($0.3 billion) and the exchange rate impact of an appreciating Australian dollar ($0.5 billion).

Average deposits and other borrowings grew $8.2 billion (5%), with growth from Treasury ($3.0 billion) to fund asset growth, Personal Banking Australia ($2.1 billion or 6%), Institutional Australia ($1.2 billion or 7%), and Corporate Australia ($1.0 billion or 6%). Average deposits and other borrowings increased in New Zealand ($2.6 billion or 5%), resulting from Treasury ($0.8 billion) and exchange rate impacts ($1.5 billion). Average deposits and other borrowings declined ($2.2 billion or 10%) in overseas markets, resulting from substitution of offshore commercial paper issuance with domestic certificates of deposit, and a $1.3 billion reduction resulting from exchange rate movements.

*Margin*

Net interest average margin contracted by 5 basis points from the September half:

Changes in the funding mix with substitution of wholesale funding for customer deposits reduced margins by 3 basis points.

Other changes in the composition of the portfolio negatively impacted the net interest margin by 1 basis point, with the positive impact of declining average liquid asset volumes (1 basis point) offset by growth in lower yielding Mortgage and Institutional assets (1 basis point) and the migration of customers to lower yielding credit cards and New Zealand fixed rate mortgages (1 basis point).

Competitive pressures reduced margins by 3 basis points with this impact arising mainly from Mortgages (particularly in New Zealand), Institutional and higher yielding customer deposits.

Wholesale rate movements increased the net interest margin by 2 basis points, with a lower basis risk in variable rate mortgages (1 basis point) and increased earnings from the investment of capital and rate insensitive deposits (3 basis points) offset by reduced mismatch earnings and lower Treasury earnings in Singapore (2 basis points).

Other items include:

increases in retail broker payments (-1 basis point).

decreases as a result of reduced earnings from foreign exchange revenue hedging (2 basis points).

funding costs associated with unrealised trading gains decreased as a result of movements in the AUD. This increase (2 basis points) is reflected in the net interest margin, however it is directly offset by an equivalent reduction in trading income.

change in Group capital from the Euro hybrid issuance of preference share capital in December 2004 partly offset by the buy-back of ordinary shares during the half increased margins by 1 basis point.

**March 2005 half year compared to March 2004 half year**

Net interest increased $344 million (14%).

*Volume*

Average net loans and advances grew by $38.1 billion (22%) with growth in Australia attributable to Personal Banking ($13.1 billion or 16% with Mortgages contributing $11.4 billion), Institutional ($5.0 billion) and Corporate Australia ($2.2 billion). New Zealand s average net loans and advances increased by $17.3 billion (42%) due mainly to the acquisition of the NBNZ and a $2.2 billion (5%) increase from an appreciation of the New Zealand dollar. Volumes in overseas markets were flat.

Average deposits and other borrowings increased $26.9 billion (18%), with growth in Australia in Treasury ($6.1 billion) to fund asset growth, Personal Banking ($3.8 billion), Institutional ($2.0 billion) and Corporate Australia ($1.6 billion). Average deposits and other borrowings increased in New Zealand ($14.8 billion or 38%) following the acquisition of the NBNZ and exchange rate benefits ($2.1 billion or 5%) from an appreciation of the New Zealand dollar. Average deposits and other borrowings decreased $2.6 billion (12%) in overseas markets as a result of reductions in time deposits and commercial paper in UK and Europe and Americas ($3.1 billion) with minimal impacts from exchange rate movements.

*Margin*

Net interest average margin contracted by 13 basis points:

Higher proportions of lower yielding assets in Mortgages and Institutional reduced the net interest margin (2 basis points).

Higher proportions of more expensive wholesale and customer liabilities within the portfolio reduced the net interest margin (4 basis points).

Wholesale rate impacts from the funding of variable rate mortgages were unchanged during the half to March 2005 due to a relatively stable short end of the yield curve.

Competitive pressures reduced margins by 4 basis points with this impact arising mainly in Mortgages (particularly in New Zealand) and Institutional assets and higher yielding customer deposits.

Lower mismatch earnings, from a flatter yield curve and limited investment opportunities in the current interest rate environment and lower Treasury earnings in Singapore impacted margins (6 basis points), with offsetting impacts on the investment of capital and rate insensitive deposits including the investment of the Euro hybrid issue (5 basis points).

The acquisition of NBNZ resulted in a 2 basis point decline in the Group s interest margin.

**Other Operating Income**

| | Half year Mar 05 $M | Half year Sep 04 $M | Half year Mar 04 $M | Movt Mar 05 v. Sep 04 % | Movt Mar 05 v. Mar 04 % |
|---|---|---|---|---|---|
| **Other operating income** | | | | | |
| Total fee income | 1,262 | 1,260 | 1,161 | 0% | 9% |
| Foreign exchange earnings | 221 | 213 | 198 | 4% | 12% |
| Profit on trading instruments | 40 | 71 | 80 | -44% | -50% |
| Other | 181 | 150 | 134 | 21% | 35% |
| Total other income excluding significant items | 1,704 | 1,694 | 1,573 | 1% | 8% |
| Significant items(1) | | 14 | 110 | -100% | -100% |
| Total other income | 1,704 | 1,708 | 1,683 | 0% | 1% |

*(1)* *Refer page 12*

**March 2005 half year compared to September 2004 half year**

Other operating income, at $1,704 million, was $4 million lower than the September 2004 half. Excluding $14 million significant items (refer page 12 for details) and the classification between net interest and other income (refer profit on trading securities below), other operating income increased $29 million (2%).

The following explanations exclude significant items (for explanation of significant items refer to page 12).

Fee income was flat.

Lending fee income increased $2 million:

New Zealand Businesses decreased $6 million (11%) with loan approval fees negatively impacted by the mortgage price war where significant fee discounting was driven by competitors and honour fees reduced with a change in price structure.

Personal Banking Australia increased $5 million (6%) with volume related increases in Consumer Finance and increased package registration and honour fees in Banking Products.

Non-lending fee income was flat:

Institutional decreased $8 million (5%). Institutional Banking reduced with increased competition in New Zealand leading to volume reductions and reduced pricing. Trade and Transaction Services reduced largely in trade finance, as a result of weaker USD and narrowing credit spreads, while Corporate and Structured Financing was impacted by the sale of project finance activities in London.

Personal Banking Australia increased $7 million (2%) primarily due to an increase in income generated by financial planners and increased income from the sale of general insurance products through the branch network.

Esanda and UDC grew $2 million (9%) with an emphasis on generating revenue through the provision of value-added fleet management services.

The impact of movements in exchange rates on fee income was immaterial.

Foreign exchange earnings increased $8 million (4%) with an increased number of customers entering into hedging transactions with increased volatility in exchange rates.

Profit on trading instruments decreased $31 million

Institutional decreased $27 million largely in Markets where a higher proportion ($19 million) of revenue was booked as interest due to lower funding costs associated with unrealised trading gains. Total income in Markets increased $14 million.

Reduced income on the hedge of capital investment earnings in INGA ($5 million) reflected stronger equity markets in 2005. This is offset in equity accounted income from INGA which is reported in other operating income.

Other operating income increased $31 million (21%)

Institutional increased $20 million with Corporate and Structuring Financing private equity and infrastructure trust earnings increasing $10 million and Markets making a $10 million gain on sale of Sydney Futures Exchange shares in the March 2005 half.

Personal Banking Australia other income increased $6 million reflecting strong performance by E*Trade, Diners Card and our Mortgage LMI business.

INGA equity accounted income increased $2 million with increased capital investment earnings, resulting from continued strong equity markets, increased insurance sales through the ANZ network and a favourable insurance claims experience.

**March 2005 half year compared to March 2004 half year**

Other operating income increased $21 million (1%) or $131 million (8%) after excluding significant items (refer page 12), with an additional two months from NBNZ in the March 2005 half contributing $53 million (refer page 28). The following explanations exclude significant items:

Fee income increased $101 million (9%) including $37 million from the additional two months contribution from NBNZ.

Lending fee income increased $12 million (2%) due to:

The additional two months contribution from NBNZ ($10 million).

Institutional decreased $16 million (7%) with a $11 million reduction in Corporate and Structured Financing following the sale of the London headquartered project finance business and a $6 million reduction in Institutional Banking reflecting lower commercial bill fees as a result of increased competition reducing volumes and margins.

Corporate Australia increased $6 million (6%) driven by increased lending volumes.

Personal increased $3 million (3%) driven by increased lending volumes being partly offset by a competition driven increase in fee discounting in Mortgages.

Non-lending fee income increased $89 million (13%):

The additional two months contribution from NBNZ was $27 million.

Personal Banking Australia increased $35 million (12%), of which $13 million was due to an increase in income generated by financial planners. Consumer Finance increased $13 million (7%) driven by volume growth. Banking Products increased $8 million with higher other bank ATM fees and dishonour fees.

Esanda and UDC increased $7 million due primarily to changes in the fee structure for business lending in February 2004 and increased fees from value-added fleet management services.

Institutional increased $12 million in Corporate and Structured Financing with increased fee income from structured leasing.

Foreign exchange earnings increased $23 million (12%) due to the additional two months contribution from NBNZ ($11 million) and improved volumes and spreads in Trade and Transaction Services.

Profit on trading instruments decreased $40 million (50%), with the additional two months contribution from NBNZ ($2 million). Institutional decreased $30 million where a higher proportion of revenue was booked as interest ($17 million) due to lower funding costs associated with unrealised trading gains in Markets. The loss on the hedge of capital investment earnings in INGA increased $7 million, reflecting stronger equity markets in 2005.

Other operating income increased $47 million (35%), including the additional two months contribution from NBNZ ($3 million).

Institutional other operating income increased $19 million driven by increased private equity and infrastructure trust earnings and a $10 million gain on sale of Sydney Futures Exchange shares in the March 2005 half.

Profit from INGA increased $19 million reflecting stronger equity markets, growth in funds under management, increased insurance sales through the ANZ network and a favourable claims experience.

Corporate Australia increased $4 million due to earnings from private equity investments reflecting the success of the Wall St to Main St strategy.

Movements in the AUD exchange rate over the first half of 2004 increased total other income growth by $15 million.

**Expenses**

| | Half year Mar 05 $M | Half year Sep 04 $M | Half year Mar 04 $M | Movt Mar 05 v. Sep 04 % | Movt Mar 05 v. Mar 04 % |
|---|---|---|---|---|---|
| **Operating expenses** | | | | | |
| Personnel expenses | 1,167 | 1,110 | 1,012 | 5% | 15% |
| Premises expenses | 193 | 186 | 167 | 4% | 16% |
| Computer expenses | 260 | 278 | 274 | -6% | -5% |
| Goodwill amortisation | 89 | 83 | 63 | 7% | 41% |
| Other expenses | 439 | 417 | 355 | 5% | 24% |
| Restructuring costs | 27 | 29 | 31 | -7% | -13% |
| NBNZ incremental integration costs(1) | 25 | 21 | | 19% | n/a |
| **Total operating expenses** | 2,200 | 2,124 | 1,902 | 4% | 16% |
| Total employees | 29,832 | 28,755 | 27,971 | 4% | 7% |

*(1) These costs are personnel costs of $13 million (Sep 2004 half: $9 million), computers costs of $2 million (Sep 2004 half: $1 million), and other costs of $10 million (Sep 2004 half: $11 million). Refer page 12 for details*

**March 2005 half year compared to September 2004 half year**

Operating expenses increased $76 million (4%) over the September 2004 half year.

Personnel expenses increased $57 million (5%) as a result of annual salary increases together with a 4% increase in staff mainly in the following business units:

Personal Banking Australia increased by 4% with 3% due to increased front line staff. Consumer Finance increased by 14% to deal with increased volumes and cross sell activity and higher staffing levels reflecting higher card acquisition activity, including white labelled card initiatives. Regional Commercial and Agribusiness increased 4% to support the take a fresh look campaign and deal with increased volumes in the back office.

New Zealand Businesses increased by 5% due to increased investment in front-line staff. The cost of these additional staff was partly offset by seasonally lower staff leave costs.

Corporate Australia increased 7% driven by a significant investment in frontline staff in Small Business Banking and continued investment in Corporate and Business Banking.

Group Centre up 4% with Operations, Technology and Shared Services increasing 2% due to technology project related activity. Central Functions staff number increases were driven principally by the escalating focus on risk management and compliance, including the transition to IFRS and the US Sarbanes Oxley legislation.

Asia Pacific up 3% due largely to an increased focus on trade in Singapore, business volume related growth in Indonesian Cards, increased Risk staffing in the Pacific and rural banking initiatives in Fiji.

Premises costs increased 4% largely in rental expense reflecting additional space requirements, market increases and the sale and lease back of certain properties.

Computer costs decreased $18 million (6%):

Personal Banking Australia decreased $10 million due to lower merchant acquiring line costs, the full amortisation of some branch banking software and a higher level of project related technology spend in the September half.

Group Centre decreased $3 million as a result of savings arising from the contract re-negotiation relating to rentals and repairs of computer equipment.

Goodwill amortisation increased $6 million with the September half including an adjustment to align the amortisation term of goodwill on NBNZ s balance sheet and reduce NBNZ goodwill following the completion account settlement with Lloyds TSB.

Other expenses increased $22 million (5%):

Non-lending losses increased $15 million mainly as a result of cheque conversion losses.

Advertising spend increased $6 million including expenditure on the ANZ NOW advertising campaign.

Restructuring expenses reduced $2 million, with the main component being a $16 million write-down in the value of the Sales and Service Platform (SSP) in the branch network. The September 2004 half included the write-down of hardware and software being developed for ATM s.

NBNZ incremental integration costs increased $4 million. Refer page 27 for details on integration.

Movements in exchange rates increased cost growth by $9 million.

**March 2005 half year compared to March 2004 half year**

Operating expenses increased $298 million (16%) partly due to the inclusion of a full six month contribution from NBNZ ($111 million including additional goodwill amortisation of $26 million. Refer page 28) and $25 million NBNZ incremental integration costs booked in the March 2005 half. Excluding NBNZ incremental integration costs operating expenses increased $273 million (14%).

Personnel costs were up $155 million due largely to the additional two months contribution from NBNZ ($50 million). Adjusting for this personnel costs increased 10% due to annual salary increases and a 7% increase in staff numbers mainly in the following business units:

Personal Banking increased 6% with 5% of the increase reflecting continuing investment in our branch network including additional financial planners, an increase in Consumer Finance to service increased customer activity levels and an increase in Regional Commercial and Agribusiness due to investment in frontline staff associated with increasing business revenue generating capacity, including the take a fresh look campaign.

New Zealand Businesses increased by 8% due to an increased investment in front line staff.

Group Centre increased 7% with an additional 5% staff in Operations, Technology and Shared Services, largely due to technology project related activity. Central Functions staff numbers increased by 99 driven largely by the escalating focus on risk management and compliance.

Premises costs increased $26 million (16%) with the additional two months contribution from NBNZ ($7 million), with rent increasing $6 million as a result of increased space requirements driven by higher staffing levels and market increases and increased maintenance and security costs.

Computer costs reduced $14 million (5%) despite the additional two months contribution from NBNZ ($9 million). The reduction was mainly due to an $10 million reduction in rentals and repairs including a $5 million reduction due to savings from contract re-negotiation and a reduction in repairs to older front line telling machines.

Goodwill amortisation increased $26 million (41%) as a result of the additional two months NBNZ goodwill amortisation.

Other expenses were $84 million (24%) higher with the additional two months contribution from NBNZ ($18 million). Adjusting for this other expenses increased $66 million. The increase in other costs reflected the investment in revenue growth with a $16 million increase in advertising spend including the ANZ NOW advertising campaign, a $15 million increase in non-lending losses mainly as a result of a cheque conversion losses, as well as increased expenditure on travel and consultants. Outsource costs increased by $6 million driven by the ANZ Careers initiative which is leveraging ANZ s strong employment brand.

Movements in exchange rates increased cost growth by $23 million or 1%.

**Income Tax Expense**

| | Half year Mar 05 $M | Half year Sep 04 $M | Half year Mar 04 $M | Movt Mar 05 v. Sep 04 % | Movt Mar 05 v. Mar 04 % |
|---|---|---|---|---|---|
| Total income tax expense on profit | 597 | 590 | 578 | 1% | 3% |
| Effective tax rate | 28.8% | 29.4% | 29.2% | | |

### March 2005 half year compared to September 2004 half year

The Group s income tax expense increased by $7 million to $597 million resulting in an effective tax rate of 28.8%, a decrease of 0.6% from the September 2004 half year. The decrease in the effective tax rate reflects the net effect of several small items including a tax benefit from the issue of shares under the employee share scheme, which occurred in the current half, and the non-taxability of profit on sale of Sydney Futures Exchange shares.

### March 2005 half year compared to March 2004 half year

The Group s effective tax rate for the half year ending 31 March 2005 reduced 0.4% from March 2004 to 28.8%. An increase in goodwill amortisation, which is non-deductible, and increased earnings in New Zealand, (which has a 33% corporate tax rate) as a result of an additional two months contribution from NBNZ were offset by the net effect of several small items including the non-taxability of profit on sale of Sydney Futures Exchange shares and an increase in non-taxable equity accounted income in the March 2005 half.

**Earnings per share**

EPS excluding goodwill, significant items and NBNZ incremental integration costs for the Group increased to 85.9 cents, up 4.6% or 3.8 cents on the September 2004 half year and increased 8.9% or 7.0 cents on the March 2004 half.

| | Half year Mar 05 $M | Half year Sep 04 $M | Half year Mar 04 $M | Movt Mar 05 v. Sep 04 % | Movt Mar 05 v. Mar 04 % |
|---|---|---|---|---|---|
| **Earnings per share** | | | | | |
| Basic | 78.8 | 76.4 | 76.8 | 3% | 3% |
| Basic (excluding goodwill, significant items(1) and NBNZ incremental integration costs(2) | 85.9 | 82.1 | 78.9 | 5% | 9% |

**Dilution effect of US Stapled Trust Security Issue**

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 1027 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 69.1 million and reduced diluted EPS by 1.6 cents.

**Dividends**

| | Half year Mar 05 | Half year Sep 04 | Half year Mar 04 | Movt Mar 05 v. Sep 04 % | Movt Mar 05 v. Mar 04 % |
|---|---|---|---|---|---|
| **Dividend per ordinary share (cents)** | | | | | |
| Interim (fully franked) | 51 | n/a | 47 | n/a | 9% |
| Final (fully franked) | n/a | 54 | n/a | n/a | n/a |
| | | | | | |
| **Ordinary share dividend payout ratio (%)** | 64.7% | 71.0% | 63.8% | | |
| **Dividend payout ratio excluding goodwill, significant Items(1) and NBNZ incremental integration costs(2) (%)** | 59.4% | 66.0% | 62.1% | | |

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*(1) In the September 2004 half ANZ has classified the $14 million profit after tax on settlement of the INGA completion accounts and $1 million dividends arising from the TrUEPrS transaction as significant items. In the March 2004 half $84 million net profit after tax and $35 million dividends arising from the TrUEPrS transaction has been classified 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 12)*

*(2) In the March 2005 half ANZ has incurred $17 million after tax NBNZ incremental integration costs (Sep 2004: $14 million). NBNZ incremental integration costs are excluded to enable analysis of the cost base following completion of the integration*

The Directors propose that an interim dividend of 51 cents be paid on each ordinary share, up 4 cents (8.5%) on the 2004 interim dividend in line with the growth in EPS excluding goodwill, significant items and NBNZ incremental integration costs of 8.9%. The proposed dividend will be fully franked.

The Group has a dividend reinvestment plan and a bonus option plan. Participation in these plans is limited to 50,000 shares in each plan. Election notices for these plans must be received by 20 May 2005. It is proposed that the interim dividend will be payable on 1 July 2005. Dividends payable to shareholders resident in the United Kingdom, Channel Islands, The Isle of Man and New Zealand will be converted to their local currency at ANZ s daily forward exchange rate at the close of business on the record date for value on the payment date.

Proposed amendments to New Zealand thin capitalisation rules from July 2005 will require some internal debt funding to that country to be replaced with equity funding. The franking impact will be limited by redirecting United Kingdom capital to New Zealand. In addition, the change in the geographic mix of the Group s earnings following the acquisition of the National Bank of New Zealand Group further limits the Group s franking capacity. However, the Group expects current timing differences will generate future franking credits and therefore the Group expects it will be able to maintain full franking for the foreseeable future.

**EVA Reconciliation**

One measure of shareholder value is EVA™ (Economic Value Added) growth relative to prior periods. EVA™ for the half year ended 31 March 2005 at $926 million was up $46 million from $880 million from the September 2004 half year and up $56 million from $870 million in the March 2004 half.

| | Half year Mar 05 $M | Half year Sep 04 $M | Half year Mar 04 $M | Movt Mar 05 v. Sep 04 % | Movt Mar 05 v. Mar 04 % |
|---|---|---|---|---|---|
| **EVA™** | | | | | |
| Net profit after tax | 1,475 | 1,419 | 1,396 | 4% | 6% |
| Goodwill amortisation NBNZ | 81 | 75 | 54 | 8% | 50% |
| Goodwill amortisation (excluding NBNZ)(1) | 30 | 29 | 31 | 3% | 3% |
| Significant items(2) and NBNZ incremental integration costs(3) | 17 | | (84) | n/a | large |
| Imputation credits | 281 | 271 | 269 | 4% | 4% |
| Risk adjusted profit | 1,884 | 1,794 | 1,666 | 5% | 13% |
| Cost of ordinary capital | (920) | (881) | (767) | 4% | 20% |
| Cost of preference share capital | (38) | (33) | (29) | 15% | 31% |
| **EVA™** | 926 | 880 | 870 | 5% | 6% |

*(1) Includes notional amortisation of goodwill relating to INGA*

*(2) In the September 2004 half ANZ has classified the $14 million profit after tax on settlement of the INGA completion accounts and $1 million dividends arising from the TrUEPrS transaction as significant items. In the March 2004 half $84 million net profit after tax and $35 million dividends arising from the TrUEPrS transaction has been classified 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 12)*

*(3) In the March 2005 half ANZ has incurred $17 million after tax NBNZ incremental integration costs (Sep 2004: $14 million). NBNZ incremental integration costs are excluded to enable analysis of the cost base following completion of the integration*

EVA™ is a measure of risk adjusted accounting profit. It is based on operating profit after tax, adjusted for significant items, the cost of capital, and imputation credits (measured at 70% of Australian tax). Of these, the major component is the cost of capital, which is calculated on the risk adjusted or economic capital at a rate of 11%. At the Group level, total capital is used so the cost of capital reflects the full resources provided by shareholders.

At ANZ, economic capital is the equity allocated according to a business unit s inherent risk profile. It is allocated for several risk categories including: credit risk, operating risk, interest rate risk, basis risk, mismatch risk, investment risk, trading risk and other risk. The methodology used to allocate capital to business units for risk is designed to help drive appropriate risk management and business strategies.

At ANZ, EVA$^{TM}$ is a key measure for evaluating business unit performance and correspondingly is a key factor in determining the variable component of remuneration packages. Business unit results are equity standardised by eliminating the impact of earnings on each business unit s book capital and attributing earnings on the business unit s risk adjusted or economic capital.

**Credit Risk**

**Economic loss provisions (ELP)**

The Group economic loss provision charge (ELP) was $284 million in the March 2005 half, a reduction of $35 million (11%) over the September 2004 half. This improvement is due largely to the cessation of the Group Centre charge (September 2004 half $20 million) following de-risking of the offshore portfolios and lower risk in the operating segments, which decreased $15 million (5%).

The ELP rate decreased 5 basis points over the September 2004 half year in line with the Group s improving risk profile:

Personal Banking Australia reduced 1 basis point with growth in low risk mortgage lending and lower credit card losses.

Institutional reduced 4 basis points reflecting de-risking offshore and strong growth in investment grade lending.

New Zealand businesses reduced 4 basis points with growth in low risk assets and the revision of loss factors of the former NBNZ businesses following further analysis of loss history.

Group Centre reduced following the de-risking of the offshore portfolios.

| | % of Group Net Advances | Half year Mar 05 | Half year Sep 04 | Half year Mar 04 |
|---|---|---|---|---|
| **ELP rates by segment**(1) | | | | |
| Personal Banking Australia | 42% | 0.20% | 0.21% | 0.22% |
| Institutional | 20% | 0.30% | 0.34% | 0.41% |
| New Zealand Businesses | 23% | 0.18% | 0.22% | 0.26% |
| Corporate Australia | 8% | 0.33% | 0.34% | 0.33% |
| Esanda and UDC | 6% | 0.44% | 0.51% | 0.52% |
| Asia Pacific | 1% | 1.39% | 1.65% | 1.55% |
| **Operating segments total** | 100% | 0.25% | 0.28% | 0.31% |
| Group Centre | 0% | 0.00% | 0.02% | 0.02% |
| **Total** | 100% | 0.25% | 0.30% | 0.33% |
| **ELP charge ($million)** | | 284 | 319 | 313 |

*(1) ELP rate = Annualised economic loss provisioning divided by average net lending assets*

**Net specific provisions**

Net specific provisions were $151 million, down $96 million from the half year to September 2004. The reduction is primarily the result of lower losses in Australia, principally Reach which was booked in the September 2004 half, and strong recoveries in the Institutional portfolio in the Americas. On a geographic basis net specific provisions reduced in Australia by 48% and 23% in Overseas Markets and were up by 16% in New Zealand. As a percentage of average net lending assets, net specific provisions reduced from 23 basis points (annualised) in September 2004 half to 13 basis points in the March 2005 half.

| | **Half year Mar 05 $M** | **Half year Sep 04 $M** | **Half year Mar 04 $M** | **Movt Mar 05 v. Sep 04 %** | **Movt Mar 05 v. Mar 04 %** |
|---|---|---|---|---|---|
| **Net specific provisions** | | | | | |
| Personal Banking Australia | 60 | 65 | 71 | -8% | -15% |
| Institutional | 1 | 106 | 61 | -99% | -98% |
| New Zealand Businesses | 26 | 22 | 13 | 18% | 100% |
| Corporate Australia | 23 | 24 | 20 | -4% | 15% |
| Esanda and UDC | 24 | 23 | 24 | 4% | 0% |
| Asia Pacific | 17 | 7 | 7 | large | large |
| **Total net specific provisions** | 151 | 247 | 196 | -39% | -23% |

**General provision balance**

The general provision balance at 31 March 2005 was $2,080 million (0.99% of risk weighted assets) an increase of $88 million from $1,992 million (1.01% of risk weighted assets) at 30 September 2004. This represents a surplus of $512 million over the APRA minimum guideline.

**Gross non-accrual loans**

Gross non-accrual loans decreased to $640 million, down from $829 million as at 30 September 2004. The reduction is primarily due to the realisation of two large power exposures in the Americas and lower levels of new non-accruals in the March 2005 half.

The default rate (new non accruals/average gross lending assets) has decreased by 11 basis points since the September 2004 half to 34 basis points. This improvement is largely the result of lower new non-accrual loans in the Institutional and New Zealand businesses.

| | As at Mar 05 $M | As at Sep 04 $M | As at Mar 04 $M | Movt Mar 05 v. Sep 04 % | Movt Mar 05 v. Mar 04 % |
|---|---|---|---|---|---|
| **Gross non-accrual loans** | | | | | |
| Personal Banking Australia | 37 | 40 | 43 | -8% | -14% |
| Institutional | 288 | 479 | 575 | -40% | -50% |
| New Zealand Businesses | 81 | 86 | 80 | -6% | 1% |
| Corporate Australia | 119 | 112 | 94 | 6% | 27% |
| Esanda and UDC | 78 | 73 | 93 | 7% | -16% |
| Asia Pacific | 37 | 39 | 44 | -5% | -16% |
| **Operating segments total** | 640 | 829 | 929 | -23% | -31% |
| Group Centre | | | 2 | n/a | -100% |
| **Total gross non-accrual loans** | 640 | 829 | 931 | -23% | -31% |

**Net non-accrual loans**

Net non-accruals are $326 million (Sep 2004: $451 million; Mar 2004: $517 million) representing 1.7% of shareholders equity as at March 2005 (Sep 2004: 2.5%; Mar 2004: 3.1%). The Group has a specific provision coverage ratio of 49%.

| | As at Mar 05 $M | As at Sep 04 $M | As at Mar 04 $M | Movt Mar 05 v. Sep 04 % | Movt Mar 05 v. Mar 04 % |
|---|---|---|---|---|---|
| **Net non-accrual loans** | | | | | |
| Personal Banking Australia | 15 | 17 | 14 | -12% | 7% |
| Institutional | 169 | 299 | 359 | -43% | -53% |
| New Zealand Businesses | 28 | 30 | 26 | -7% | 8% |
| Corporate Australia | 56 | 51 | 42 | 10% | 33% |
| Esanda and UDC | 43 | 37 | 59 | 16% | -27% |
| Asia Pacific | 15 | 17 | 17 | -12% | -12% |
| **Operating segments total** | 326 | 451 | 517 | -28% | -37% |
| Group Centre | | | | n/a | n/a |
| **Total net non-accrual loans** | 326 | 451 | 517 | -28% | -37% |
| **Specific provision coverage** | 49% | 46% | 44% | 7% | 11% |

**Market Risk**

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

**97.5% confidence level 1 day holding period**

| | As at Mar 05 $M | High for period Mar 05 $M | Low for period Mar 05 $M | Ave for period Mar 05 $M | As at Sep 04(1) $M | High for period Sep 04(1) $M | Low for period Sep 04(1) $M | Ave for period Sep 04(1) $M |
|---|---|---|---|---|---|---|---|---|
| Value at risk at 97.5% confidence | | | | | | | | |
| Foreign exchange | 0.8 | 1.6 | 0.4 | 0.8 | 0.5 | 1.4 | 0.4 | 0.7 |
| Interest rate | 2.0 | 2.5 | 0.7 | 1.4 | 1.5 | 2.1 | 0.6 | 1.1 |
| Diversification benefit | (1.3) | n/a | n/a | (0.7) | (0.7) | n/a | n/a | (0.4) |
| **Total VaR** | **1.5** | | | | | | | |