



AUSTRALIA AND NEW ZEALAND  
BANKING GROUP LIMITED

# 2009 Half Year Results

29 April 2009

**Mike Smith, CEO - overview**

Peter Marriott, CFO – financial overview

Mike Smith, CEO - summary

## Strong underlying result delivered in challenging conditions

		1H09 v. 2H08 (HoH)		1H09 v. 1H08 (PCP)	
<b>Net Profit after Tax</b>	\$1,417m	up	4%	down	28%
<b>Underlying Profit<sup>^</sup></b>	\$1,908m	up	20%	up	4%
<b>Revenue<sup>^</sup></b>	\$7,040m	up	11%	up	18%
<b>Expenses<sup>^</sup></b>	\$2,944m	up	7%	up	11%
<b>Provisions<sup>^</sup></b>	\$1,435m	up	5%	up	98%
<b>EPS<sup>^</sup></b>	89.7 cents	up	12%	down	6%
<b>Interim dividend</b>	46 cents			down	26%

<sup>^</sup> All figures other than NPAT, provisions and dividend are underlying

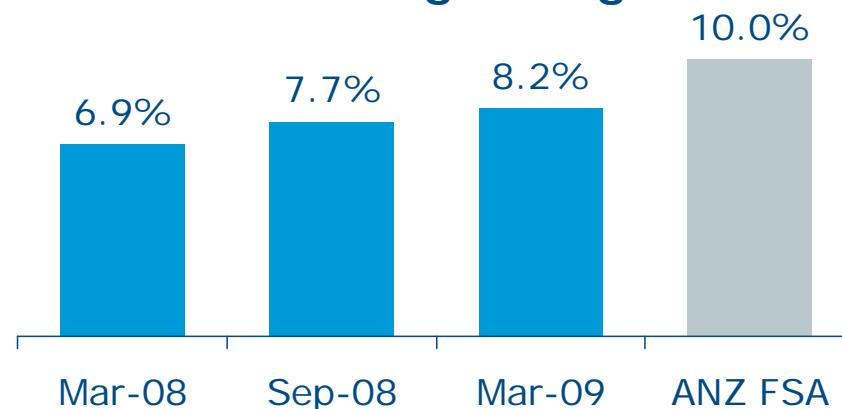
## Balance Sheet Strength a priority

- Tier 1 Capital ratio increased to 8.2% (10.0% on an FSA basis)
- Tier 1 Capital target range 7.5% to 8%
- Collective Provision coverage over 1% of Credit RWAs
- Improved funding composition
- Term funding program well advanced (2009 YTD 87% complete)
- Reduced reliance on short term funding
- Liquidity portfolio now \$60bn

### Total provision coverage

Category	Tier 1 plus CP plus IP balance (Mar 09)
ANZ	9.3%
ANZ FSA	10.9%

### Tier 1 Capital ratio comfortably above target range



### Funding composition improved

Category	Funding composition		Volume change AUD bn
	Sep 08	Mar 09	
Customer	50%	54% ✓	21
Short term w'sale	22%	18% ✓	(12)
Term w'sale	21%	21% ✓	-
Equity & hybrids	7%	7% ✓	2

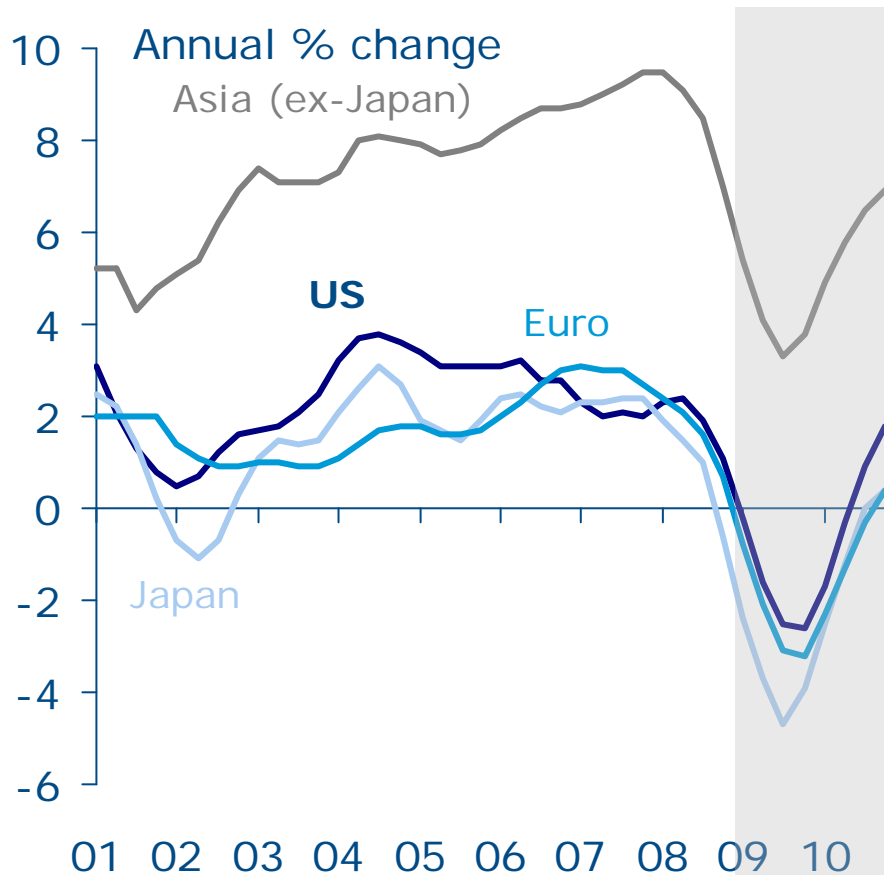
✓ Improved funding position

## Diverse set of businesses continuing to perform well

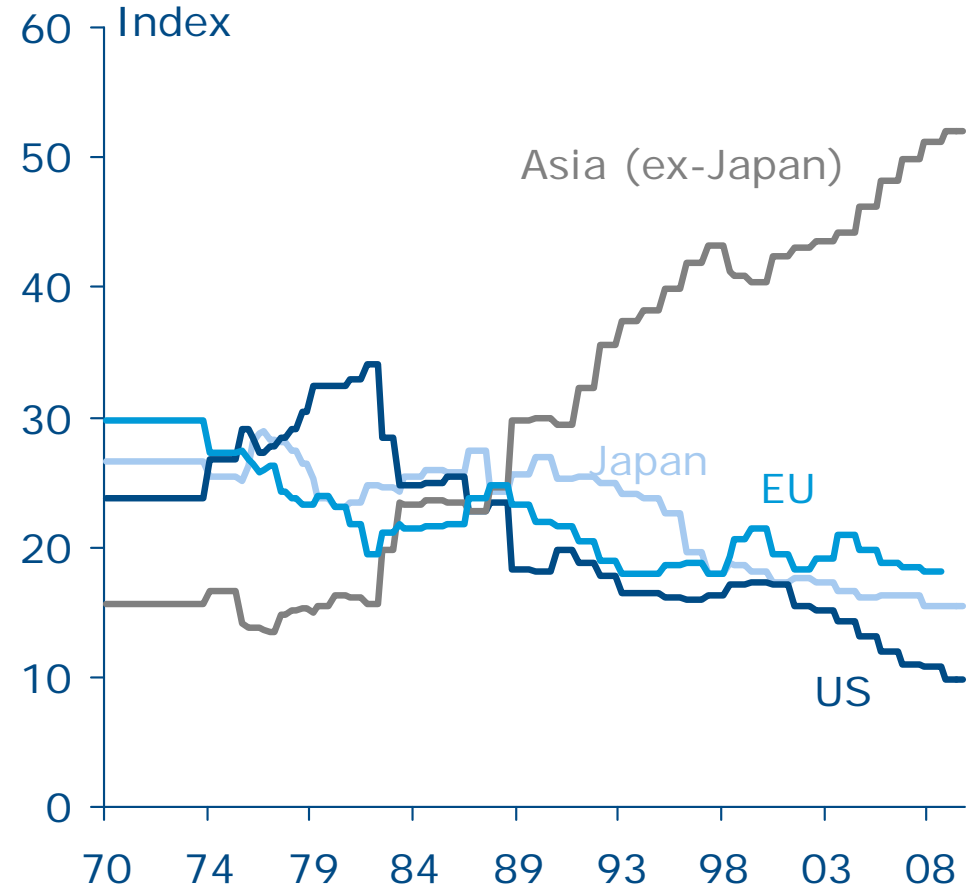
<b>AUSTRALIA</b>	<ul style="list-style-type: none"><li>• Underlying pre provision profit up 5% HOH</li><li>• Strong income and deposit growth coupled with market share gains and increased customer satisfaction.</li></ul>
<b>NEW ZEALAND</b>	<ul style="list-style-type: none"><li>• Mixed performance, tougher economic conditions particularly impacting the retail sector.</li><li>• Rural and Institutional good performances.</li></ul>
<b>ASIA PACIFIC</b>	<ul style="list-style-type: none"><li>• Outstanding result doubling underlying profit.</li><li>• Deposit growth in line with lending</li></ul>
<b>INSTITUTIONAL</b>	<ul style="list-style-type: none"><li>• Underlying profit up substantially.</li><li>• Remediation action program underway some early encouraging signs</li></ul>

# Australia and New Zealand's trade and economic future more closely tied to Asia

## Global economic growth



## Australian two-way trade weights

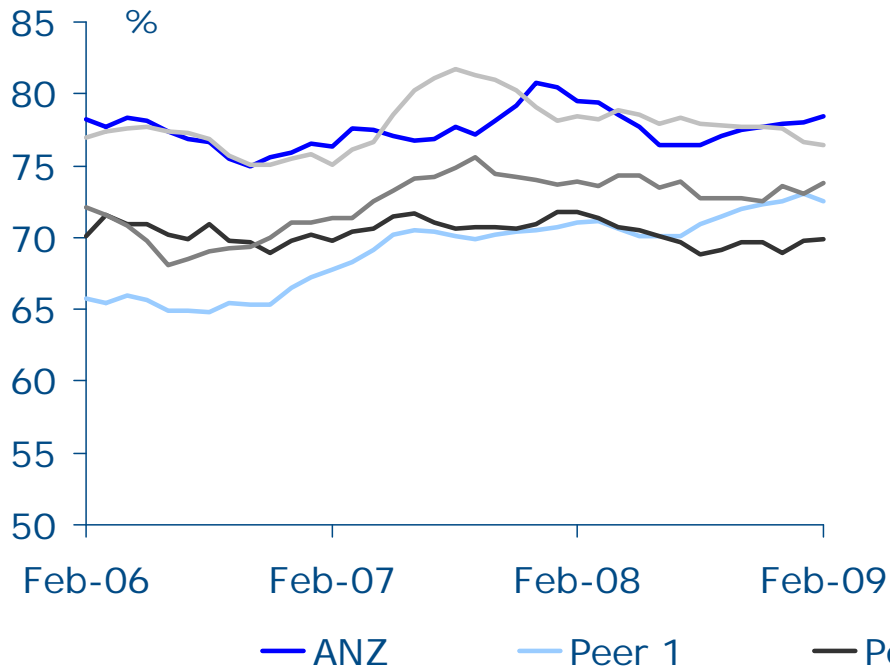


# Australian divisions strong focus on customers

**Australia Division footprint: 819 Branches; 2,545 ATMs; 14,408 FTE staff**

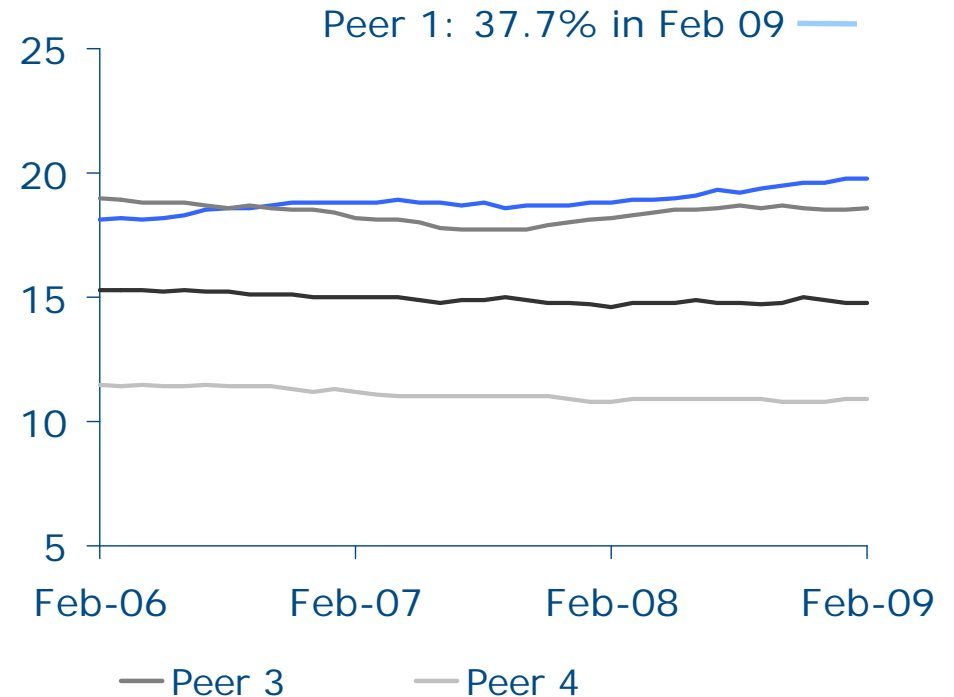
## A leader in customer satisfaction

Retail MFI Customer Satisfaction<sup>^</sup>



## Growing share of retail customers

(traditional Banking customer share)\*



<sup>^</sup> Roy Morgan Research – Aust Main Financial Institution Pop'n aged 14+, % Satisfied (Very or Fairly Satisfied), rolling 6 months \*Roy Morgan Research – Aust Traditional Banking Pop'n aged 14+, rolling 12 months;

# On track with scorecard for Super Regional Strategy outlined in late 2007





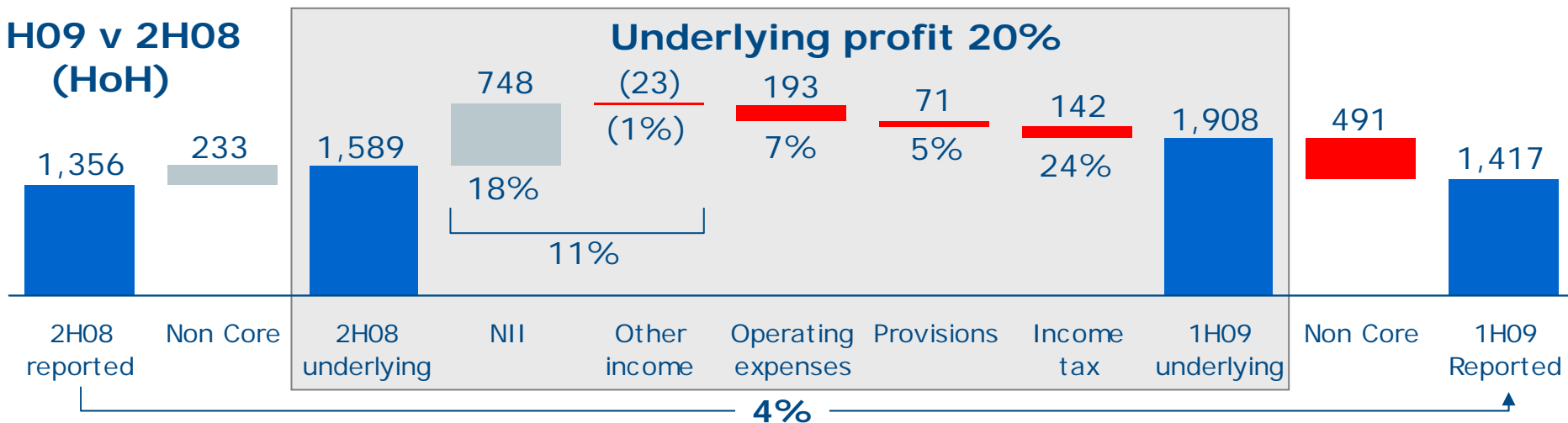
Mike Smith, CEO - overview

**Peter Marriott, CFO – financial overview**

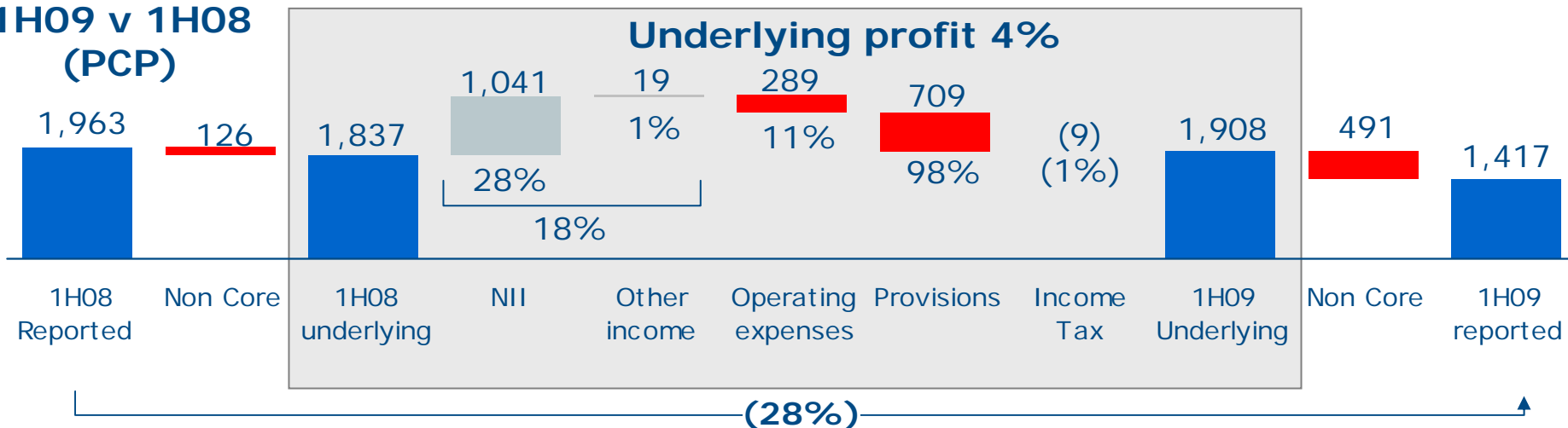
Mike Smith, CEO - summary

# Solid underlying performance offset by non continuing business impacts

## 1H09 v 2H08 (HoH)



## 1H09 v 1H08 (PCP)

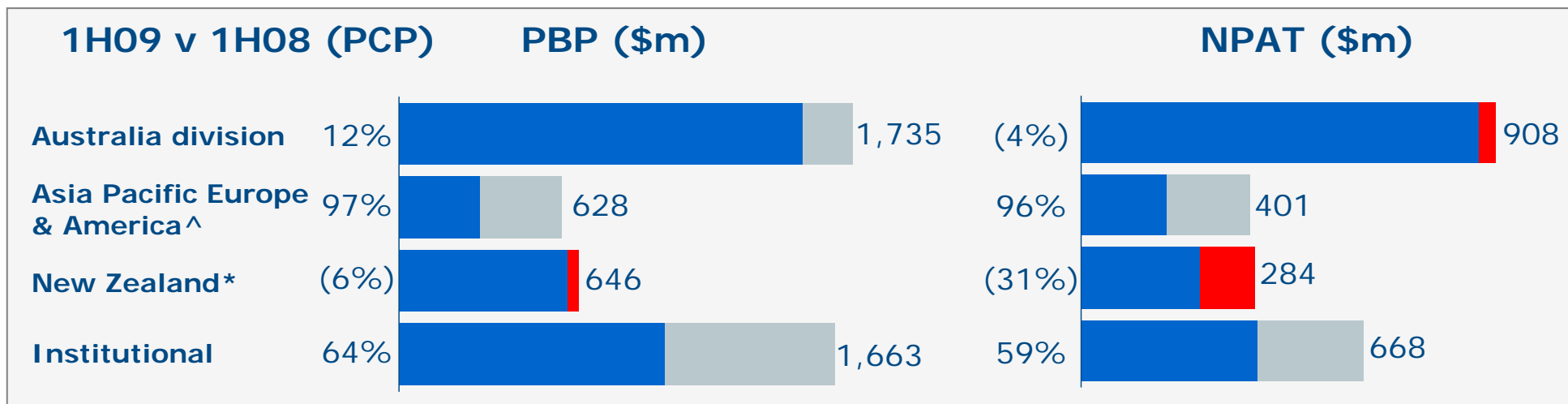
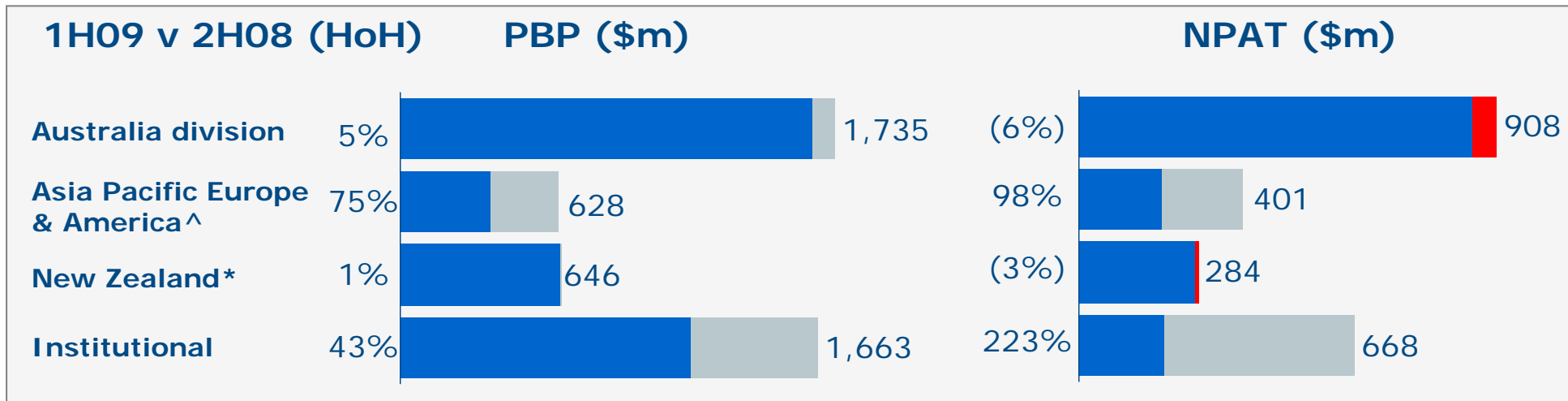


# Reconciling underlying profit with statutory profit

Profit		\$m	1H09	
			1,417	
Adjustments	<b>Adjustments to Statutory Profit</b>			
	- Organisational transformation costs		(17)	
	- Economic hedging – fair value gains/losses		461	
	- NZD and USD revenue hedge – mark-to-market		19	
	<b>Cash Profit</b>			<b>954</b>
	<b>Other Non Core Items</b>			
	- One ANZ restructuring costs		(79)	
	- ANZ share of INGNZ investor settlement		(97)	
	- Non continuing businesses Credit Intermediation Trades		(664)	
	- Non continuing businesses Private Equity/Alternative Assets		(114)	
<b>Underlying Profit</b>			<b>1,908</b>	

Both driven by spreads

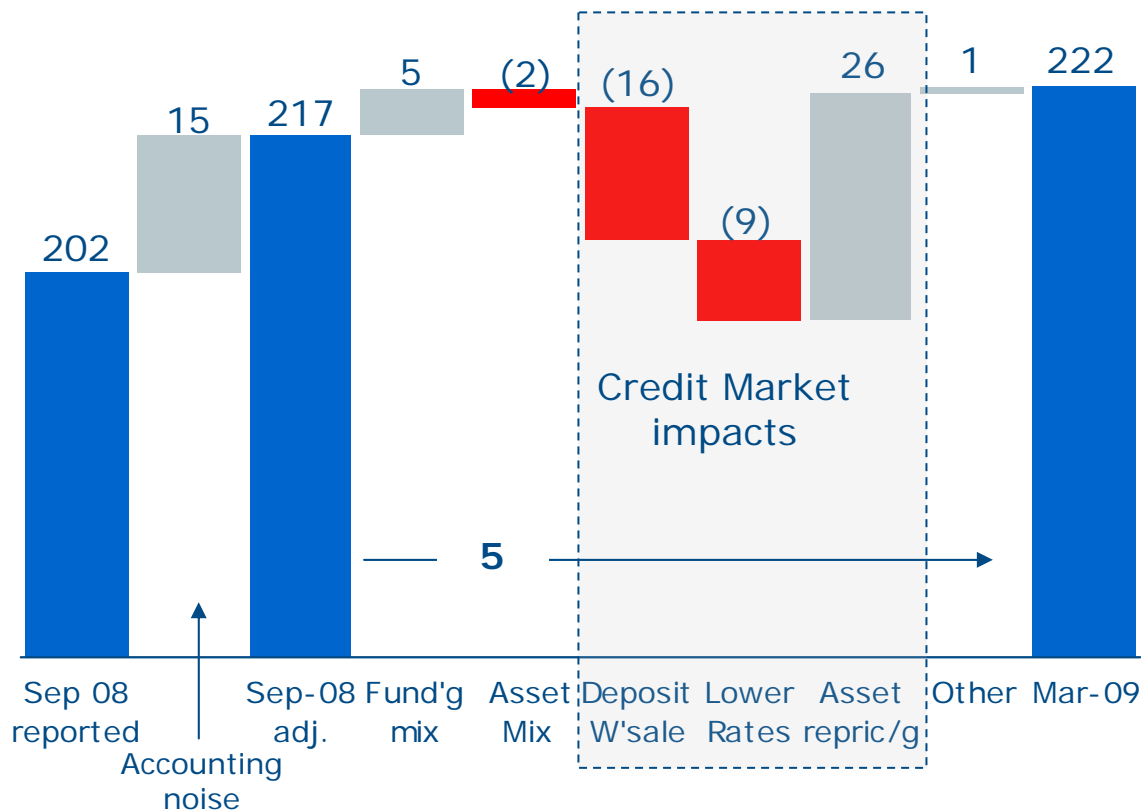
# Pre-provision profit growth across businesses



Note: all figures shown are on underlying profit basis; <sup>^</sup> Asia Pacific, Europe and America includes Institutional; \* New Zealand businesses in NZD

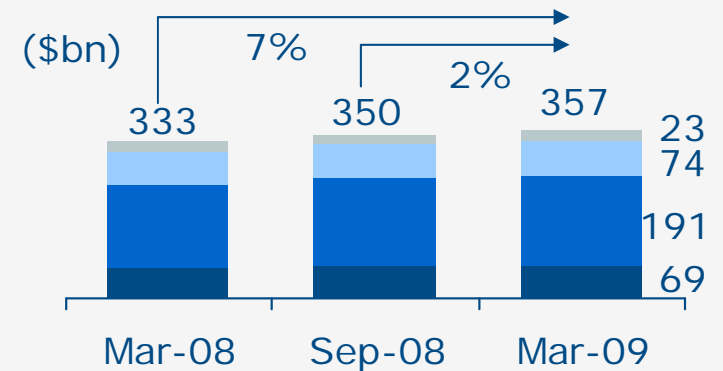
# Strong growth in Net Interest income from improvement in NIM and balance sheet growth

## NIM improvement from mix shift and re-pricing Net Interest Margin (bp)

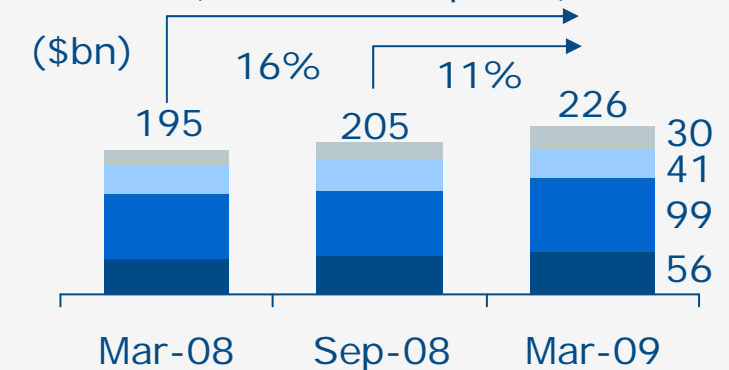


Note: all figures shown are on underlying profit basis. Average Interest earning assets up 8%  
\*excluding Institutional Asia Pacific Europe & America, included in Asia Pacific Europe & America (AP E&A)

## Self funding lending growth... (Net Loans and Advances)



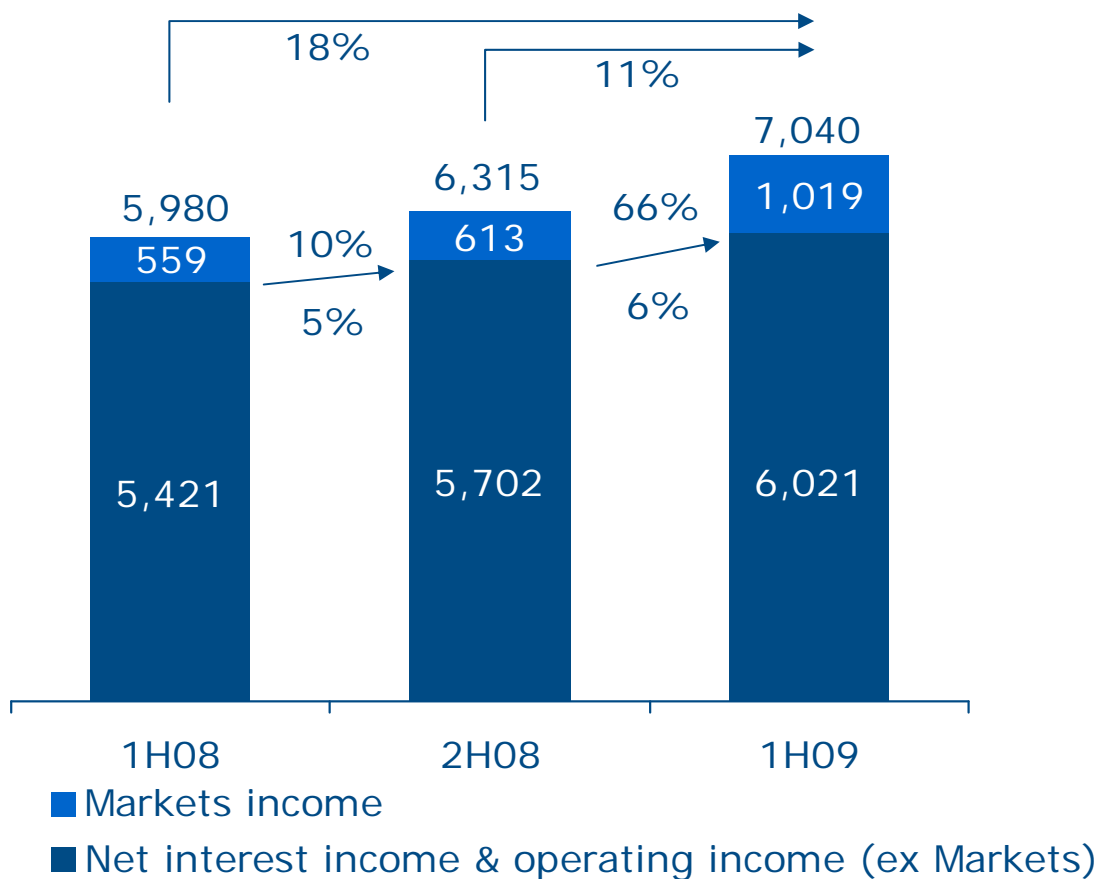
## ...from strong deposit growth (Customer Deposits)



■ Institutional\*      ■ Australia  
■ NZ Businesses      ■ AP, E & A^  
■ Group Centre

# Total income benefiting from very strong Global Markets performance

## Markets drove 56% of total income growth (\$m)

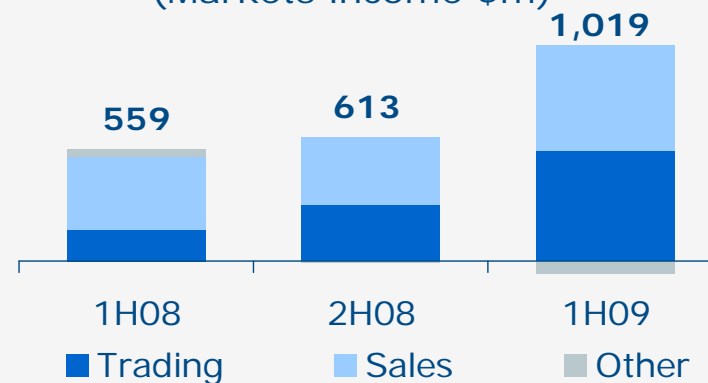


Note: all figures shown are on underlying profit basis

\*Other includes IFRS accounting adjustments and Mark to Market op options

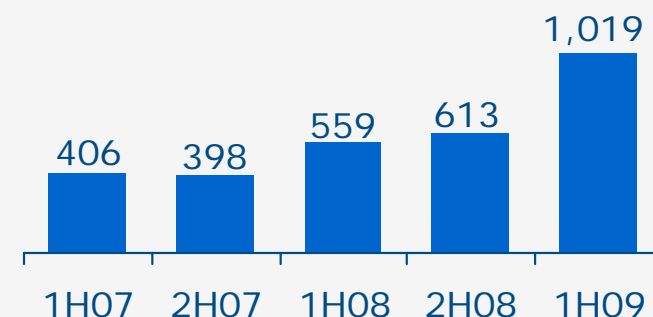
## Sales and trading income growth both strong\*

(Markets income \$m)



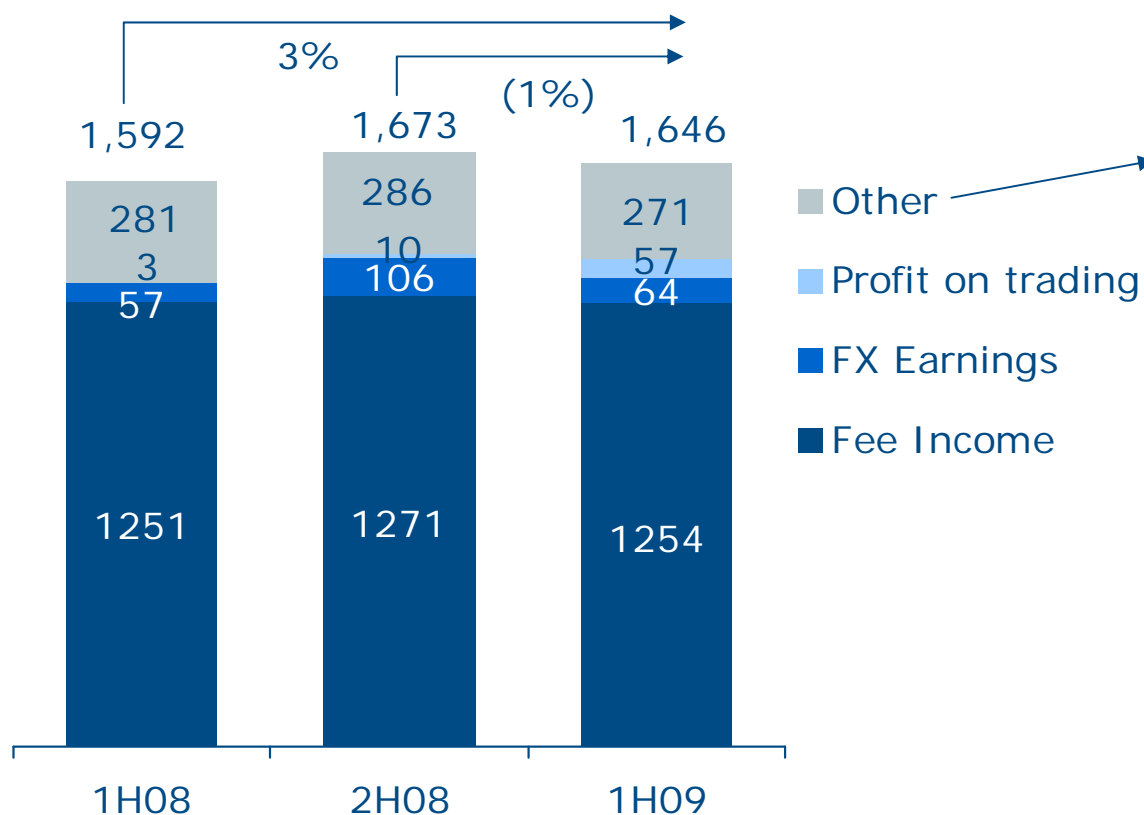
## Volatility driving well above average markets income

(Markets income \$m)

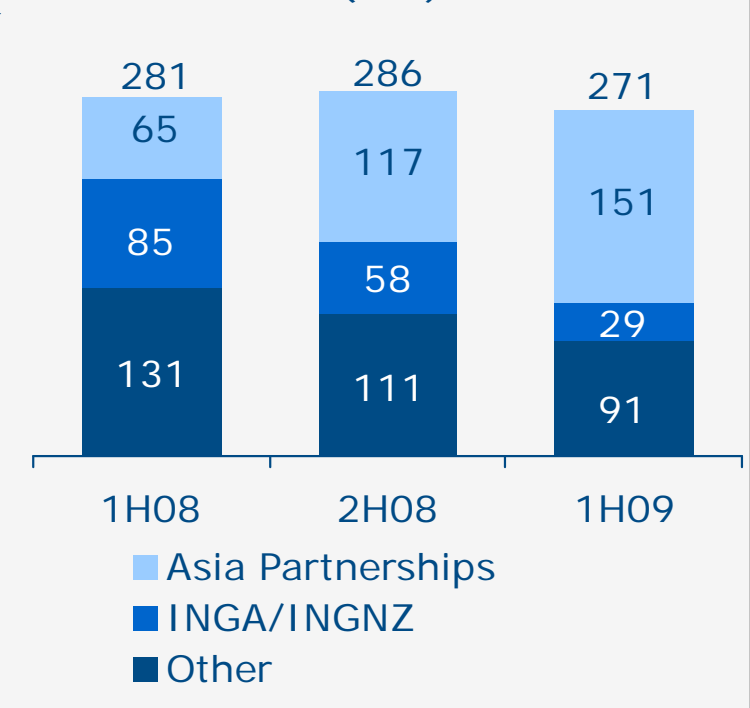


# Excluding Markets, Other Income boosted by Asian Partnerships but offset by wealth and a flat economy

Other income excluding markets (\$m)



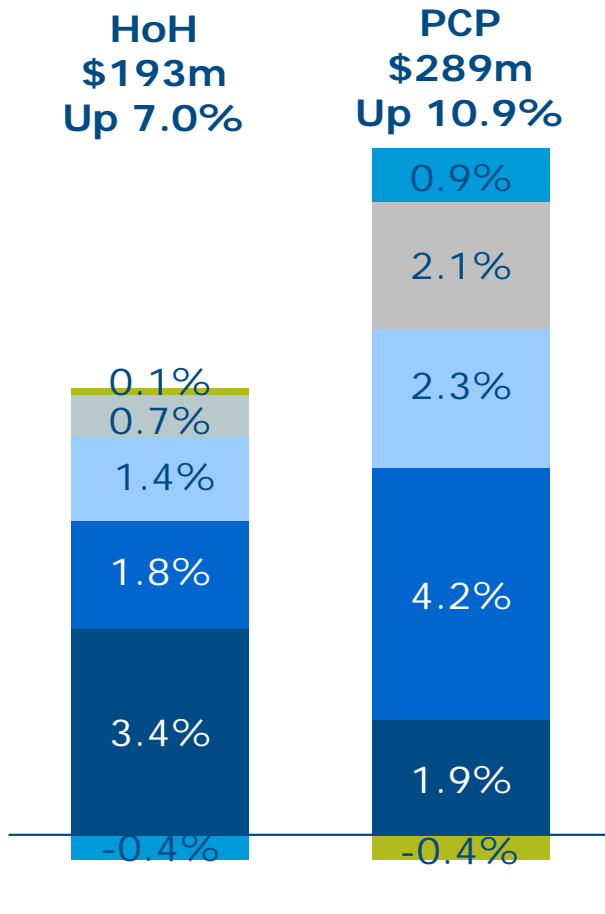
Strong Asian partnership business offsetting impacts of Wealth and a flat economy (\$m)



Note: all figures shown are on underlying profit basis

# Core expense growth well contained, investment directed towards growth markets

## Expense growth



## Underlying cost growth well contained, investing in Super Regional strategy across Asia

Australia and New Zealand costs well contained

Institutional (ex Asia Pacific): Growth largely FTE, remediation costs and technology investment

Asia Pacific, Europe and America:

Investing for growth including;

- physical locations
- platforms
- FTE (frontline and leadership)

While maintaining positive "Revenue / Expense" "Jaws"

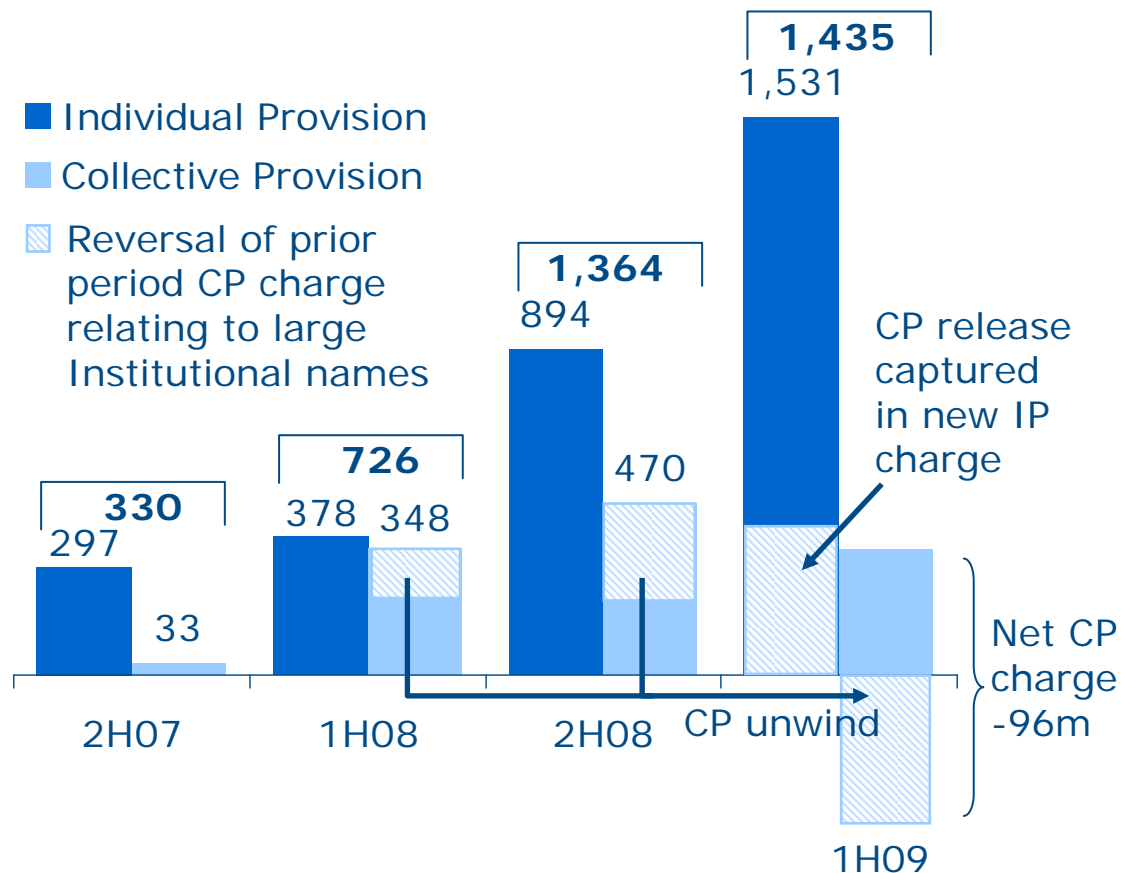


Note: all figures shown are on underlying profit basis. <sup>^</sup>Excluding Asia Pacific, included in Asia Pacific division



# Higher provision charge impacted by large single names and further Corporate stresses

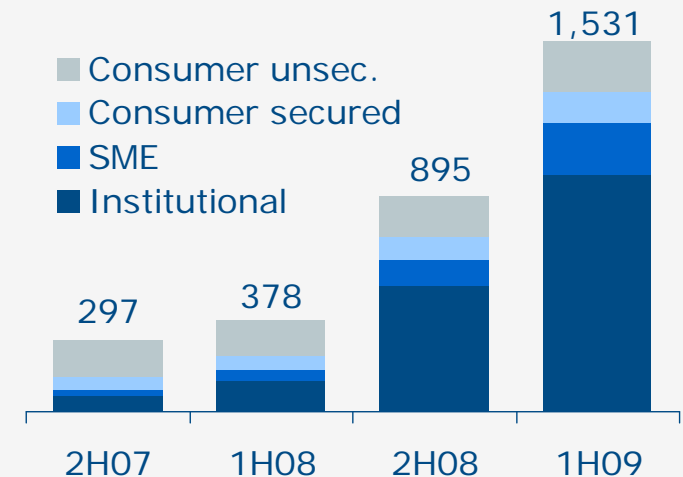
## Provision charge up on prior half with migration from Collective Provision



Note: all figures shown are on underlying profit basis.

## IP charge largely from Institutional and middle market stresses

### IP charge by type (\$m)

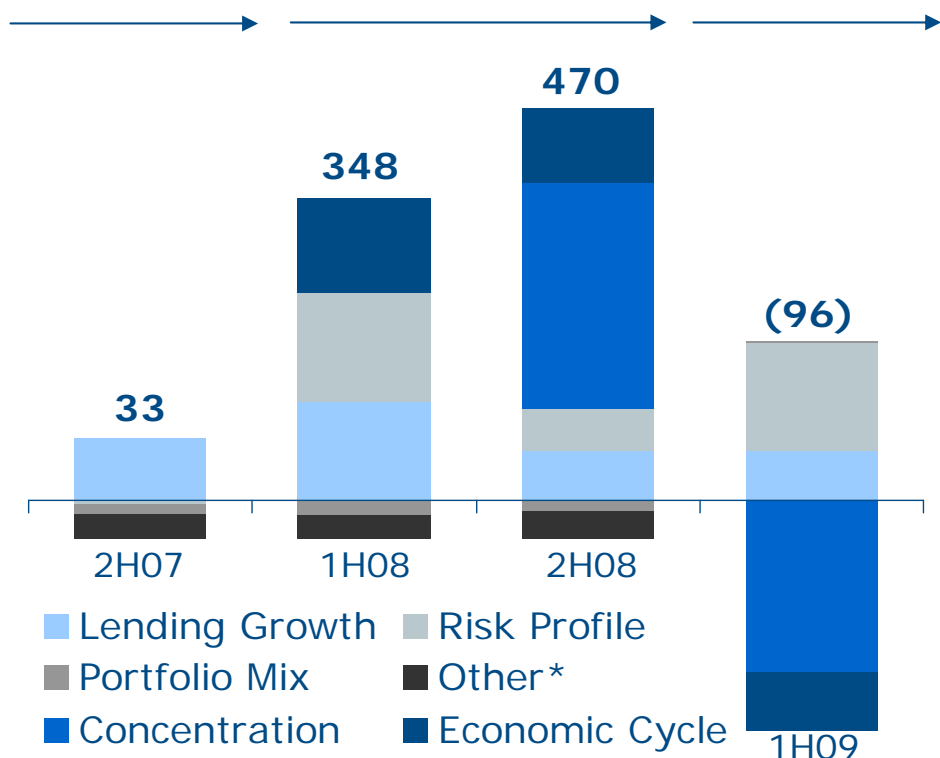


### IP charge by size (\$m)



# Collective Provision charge moving through the cycle

Collective provision charge reflects progression of the economic downturn (\$m)



## Risk Profile

- Primarily in Institutional and New Zealand. Net of downgrades

## Volume Growth

- Growth in Australia and Asia Pacific

## Concentration risk

- \$228m of \$300m raised in 2H08 released with migration to Non Performing / IP

## Economic cycle adjustment

- \$78m released with migration to non performing, impacted by economic conditions

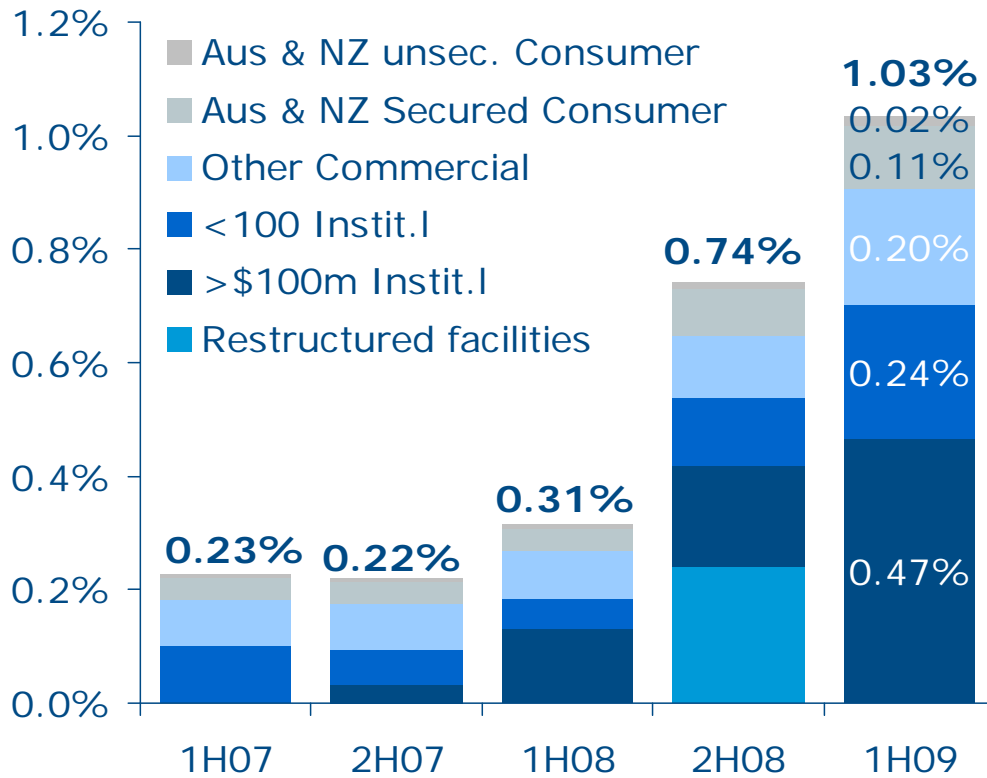
**Cover 1.06% of Credit RWA**

Note: all figures shown are on underlying profit basis ; \* Other comprises Group Items, scenario impact including the modelled unwind of the oil price shock provision (raised in 2005) and non continuing businesses;

# Higher Impaired Loans represent current market pressures and actively working with customers in difficulty

## Increase in impaired loans predominantly from Institutional / Middle market portfolios

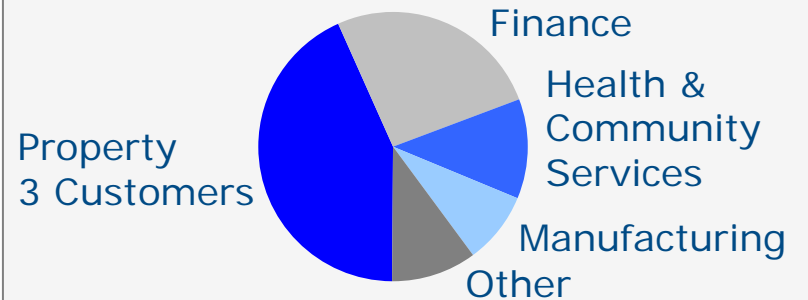
(Gross Impaired Loans\* / Net Lending Assets)



\* Including restructured facilities ^Retail portfolio

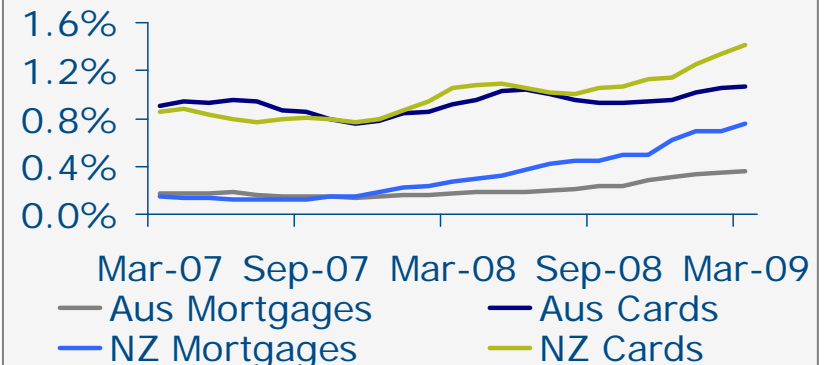
## Institutional Non Performing loans concentrated by industry

(\$m)



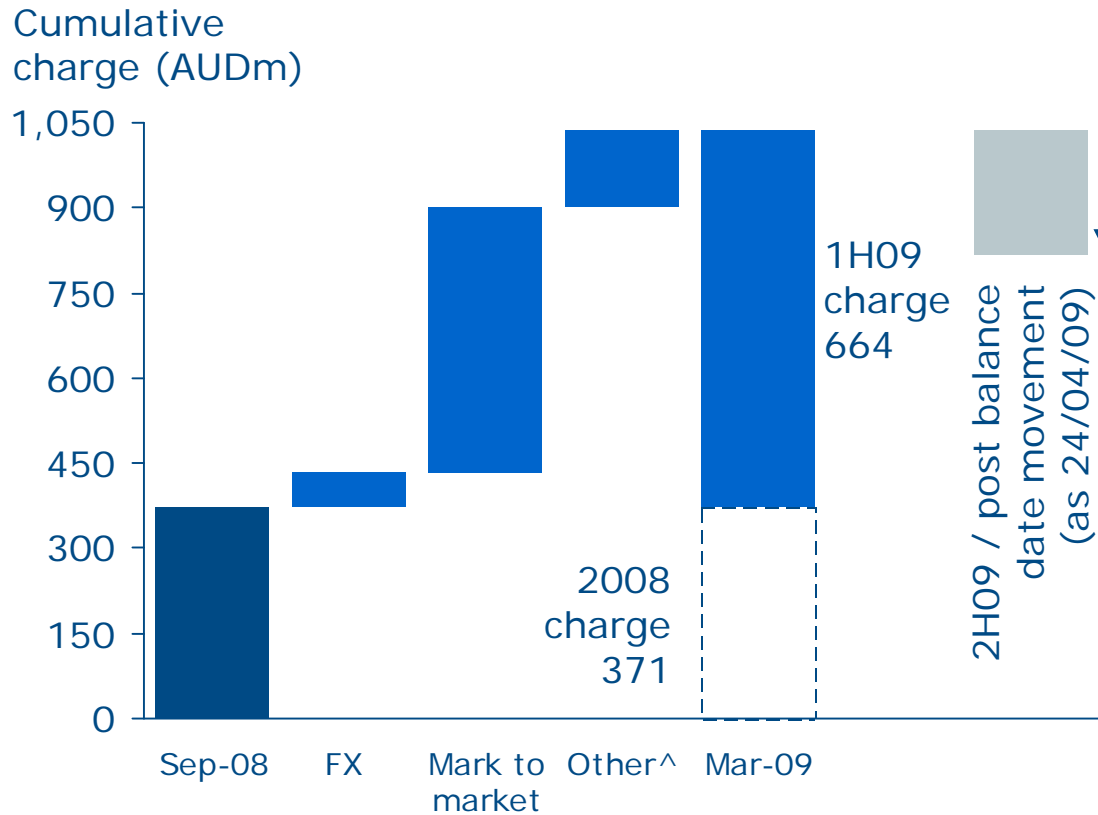
## Consumer portfolio trending in line with expectations

(90+ day arrears^as % of portfolio)



# Credit Intermediation Trades charge remains volatile

## Credit charge on Credit Intermediation Trades (Post tax charge)

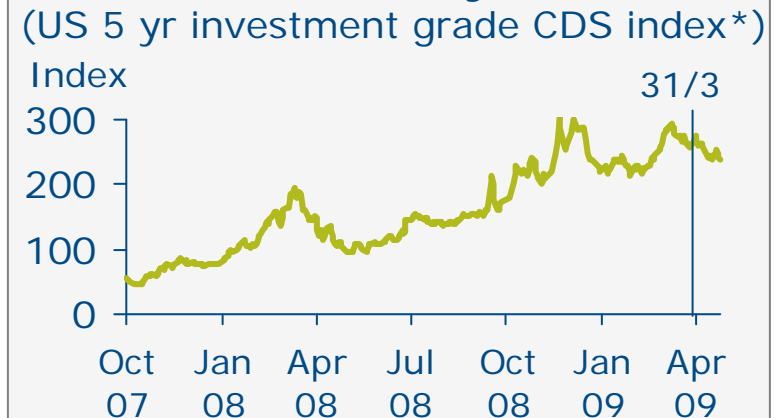


^including change in credit rating of the counterparty and other factors \*CDX.NA.IG.S9.5Y for illustrative purposes only. Credit Intermediation Trades impacted by individual CDS spreads of underlying reference entities)

## Majority of FX impacts from AUD/USD movements

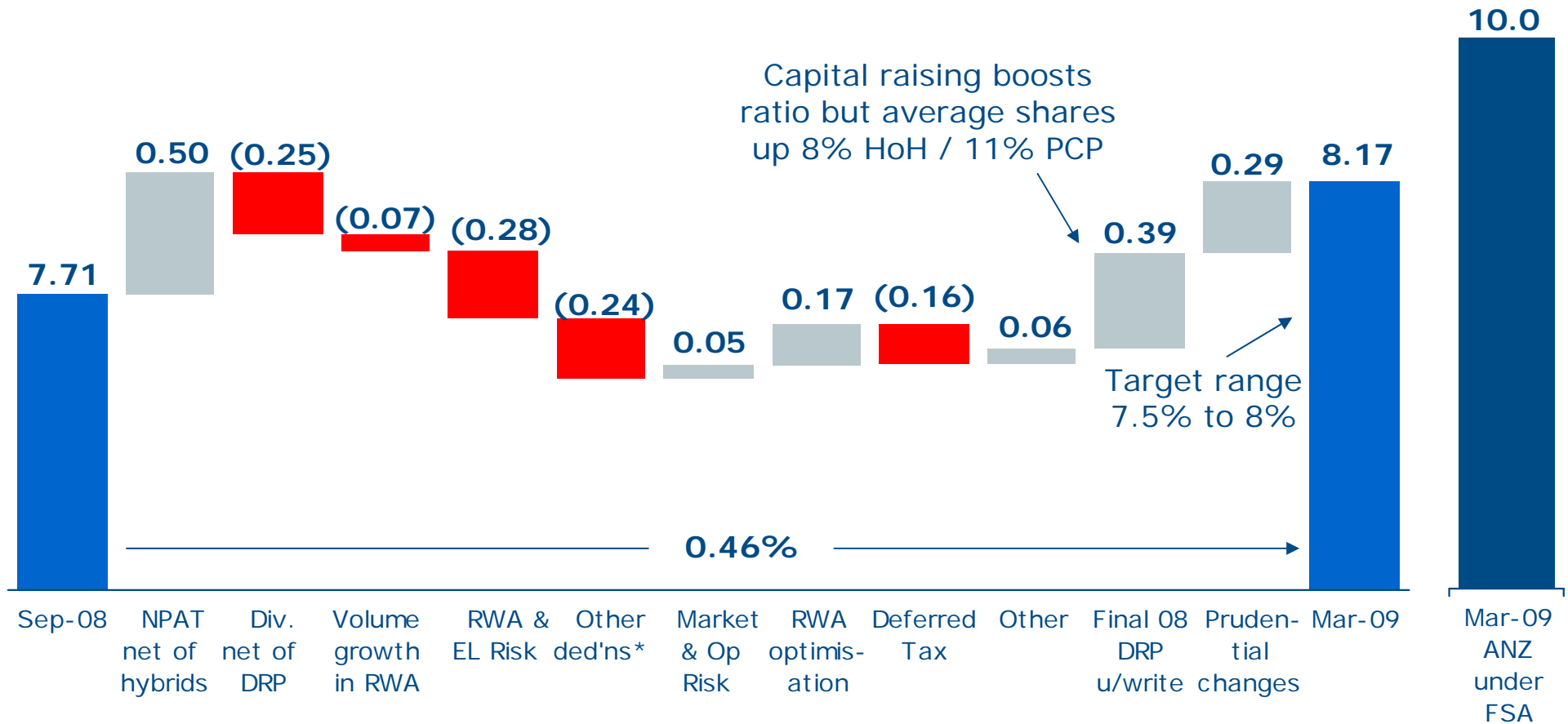


## Pronounced CDS spread volatility



# Capital position strengthened during the half

## Basel II Capital Position (Tier 1 ratio)



\* includes Associates, Pensions, Capitalised Costs, MTM gains on own name included in profit, AFS reserve

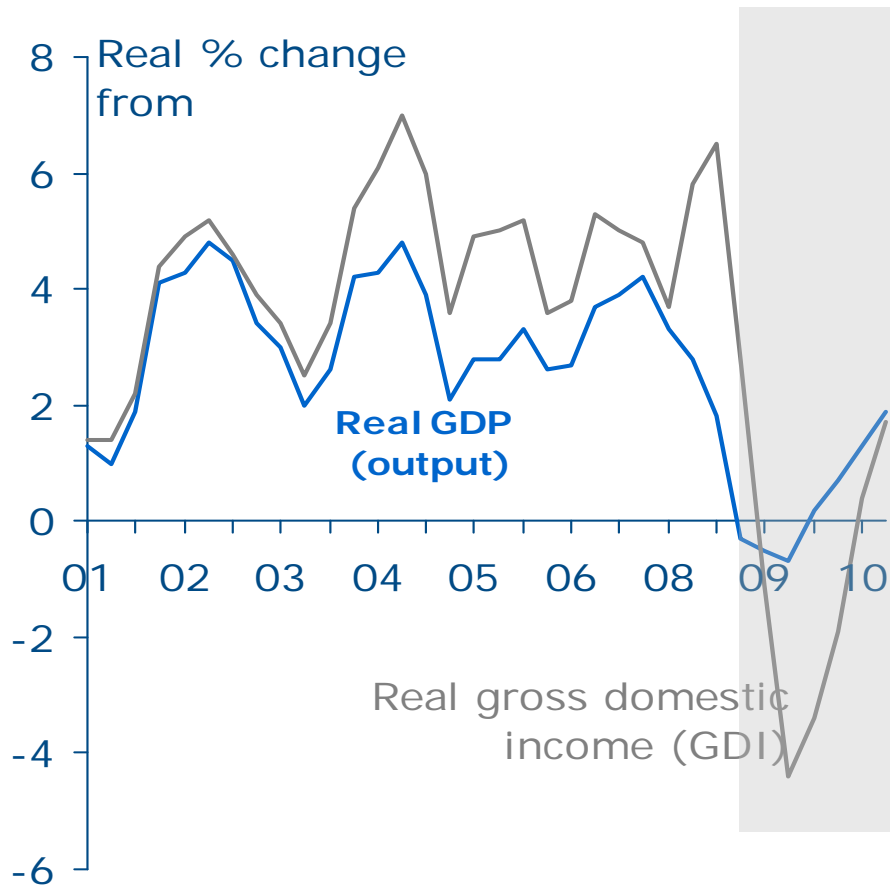
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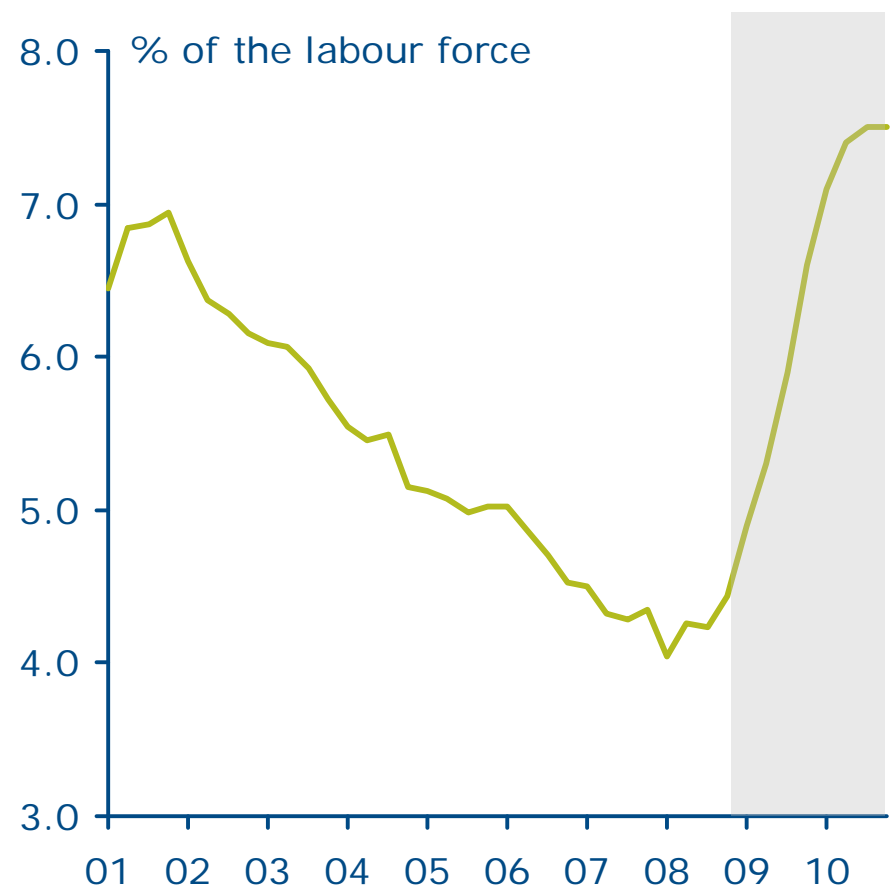
**Mike Smith, CEO - summary**

# Australia is now experiencing a recession

## Gross domestic product and income



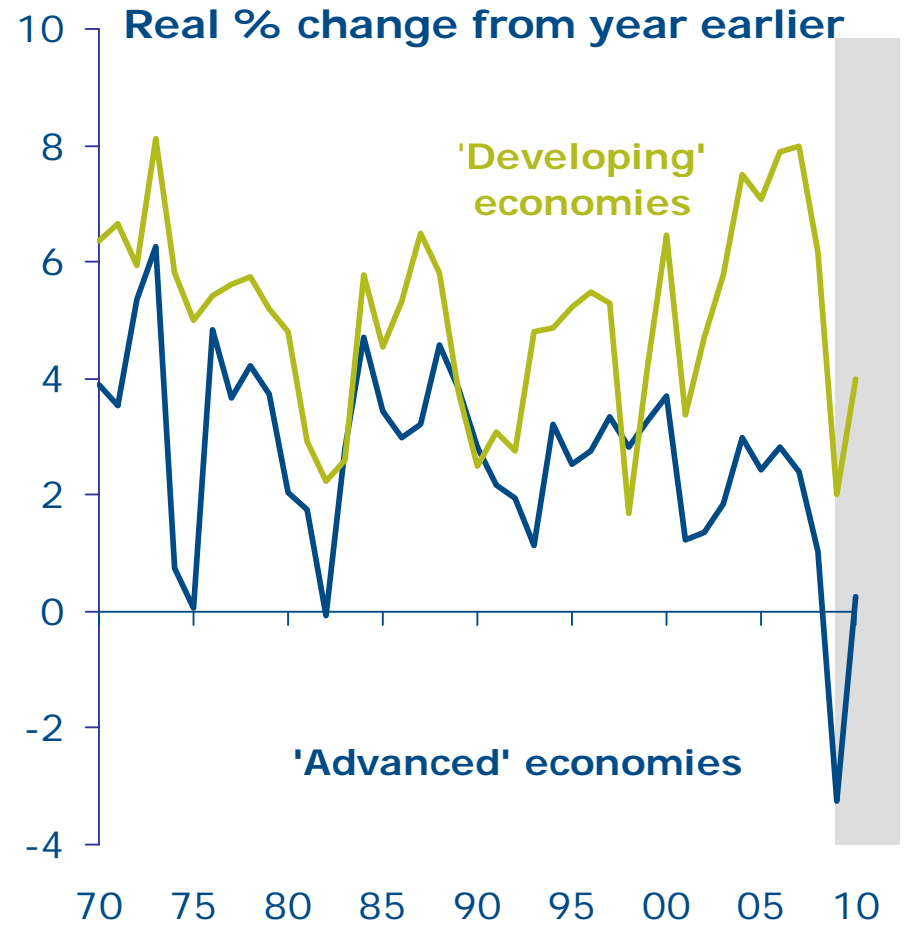
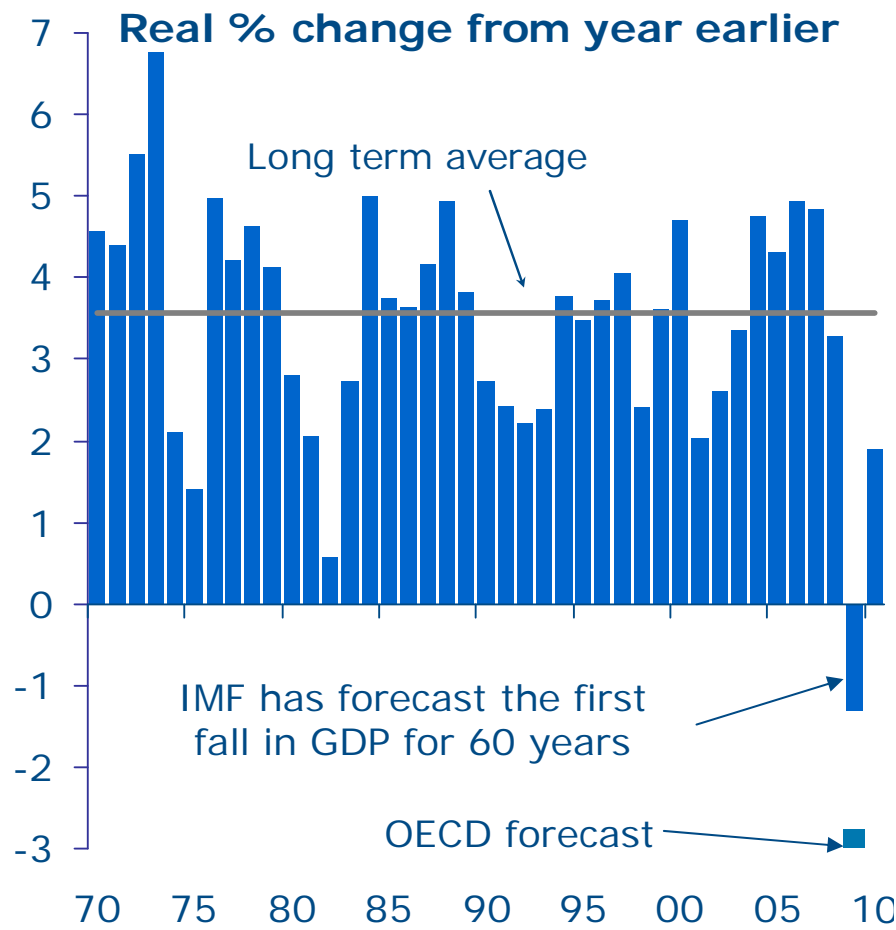
## Unemployment



Note: real gross domestic income (GDI) is real GDP adjusted for changes in the terms of trade; it measures the 'purchasing power' of the income associated with producing the GDP. Sources: ABS; ANZ.

# Global growth downturn – led by the developed economies

## GDP growth



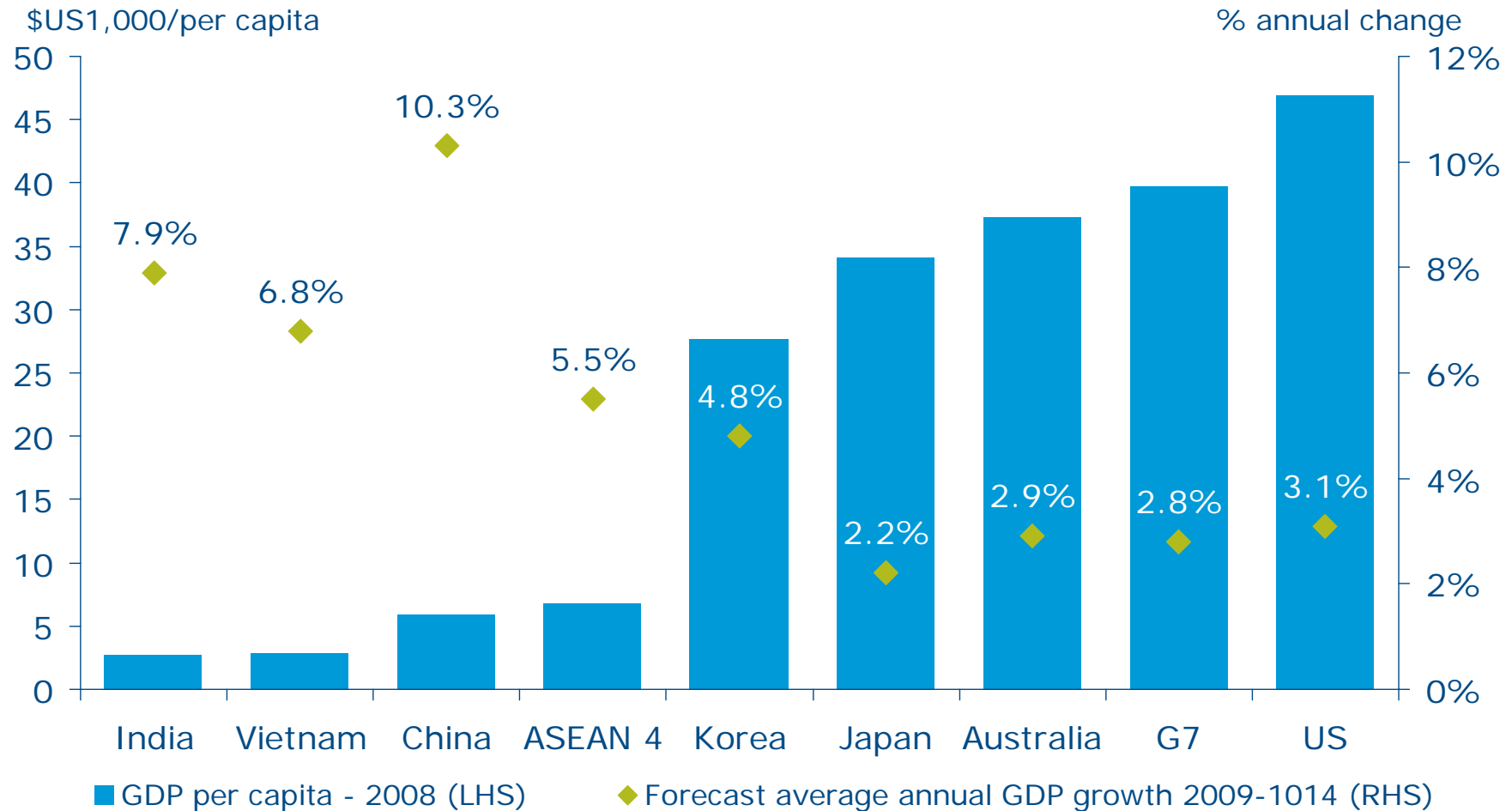
Note: GDP is measured in US\$ at purchasing power parities.

Source: IMF World Economic Outlook October 2008; ANZ Economics & Markets Research.



# The development of emerging Asian economies still has considerable upside potential

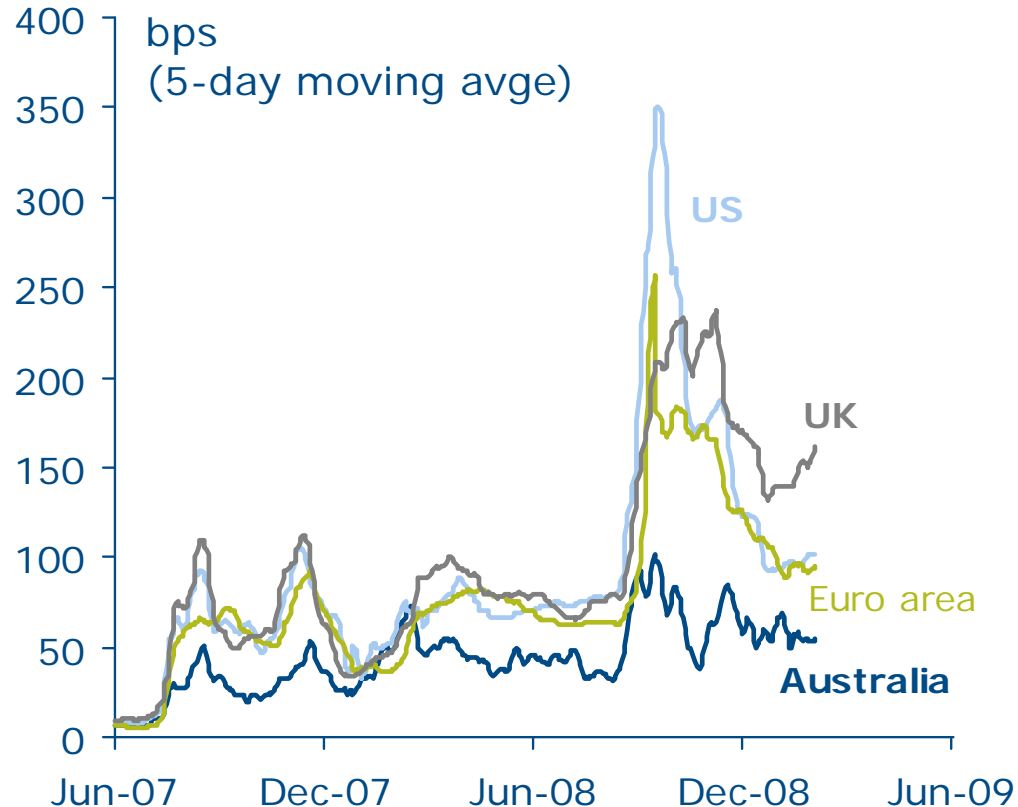
## Living standards vs forecast GDP growth



Source IMF, ANZ ASEAN4 – Thailand, Indonesia, Malaysia & Philippines

# Australian banks have been affected by the global financial crisis, but much less than their US or European peers

## Spreads between 3-month bank wholesale funding cost and official cash rates\*



- Strength of the Australian banking system versus much of the world evident in the past 12 months.
- NO Australian bank has required capital injection from the government
- Each of the major Australian banks were listed in the recent Global Finance “20 Safest Banks” study

\* The spread between the 3-month Libor (or in Australia bank bill swap rate) and the 3-month overnight index swap (OIS) rate which measures market expectations of future changes in the official cash rate.  
Sources: Bloomberg; Thomson Financial Datastream.

\*Source: Global Finance (25 February 2009). List based on “a comparison of the long-term credit ratings and total assets of the 500 largest banks around the world. Ratings from Moody’s, Standard & Poor’s and Fitch”.

# ANZ's focus on customers, community engagement and sustainable shareholder returns is driving business momentum



**Focus on Innovation** –CANSTAR CANNEX innovation excellence award for the ANZ Online Investment Account.

**Customer Service** – Best Retail Bank in Vietnam award, inaugural winner of the CANSTAR CANNEX *Most Satisfied Customers in Australia* award

**Community engagement** and sponsorship programs including FRRR Seeds of Renewal program, Victorian bushfire relief appeal, reconciliation action plan.

**Customer assistance programs** – Small business support service, hardship assistance programs, assistance packages for those impacted by NSW and QLD floods , Victorian bushfires.

**Financial Markets**– Asian WSJ Asia 200 survey recognised as ANZ ranked #1 for financial reputation



# 2009 Half Year Results

## Additional Information

# Statutory profit reconciliation – 1H09

	Statutory profit	Visa 1	OTC 2	Origin 3	NZ tax 4	Eco hedging 5	Rev hedging 6	Cash Profit	One ANZ 7	ING NZ 8	CIT 9	Other 10	Underlying profit
Net Interest income	4,822		0			1	0	4,821	0	0	0	(1)	4,822
Other income	1,745		0			655	27	1,063	0	(138)	(812)	(205)	2,218
Total income	6,567		0			656	27	5,884	0	(138)	(812)	(206)	7,040
Total expenses	3,090		24			0	0	3,066	113	0	0	9	2,944
Profit before provisions	3,477		(24)			656	27	2,818	(113)	(138)	(812)	(215)	4,096
Provisions	1,373		0			0	0	1,373	0	0	0	(62)	1,435
Profit before income tax	2,104		(24)			656	27	1,445	(113)	(138)	(812)	(153)	2,661
Income tax expense	683		(7)			195	8	487	(34)	(41)	(148)	(39)	749
Minority interest	4		0			0	0	4	0	0	0		4
Profit	1,417		(17)			461	19	954	(79)	(97)	(664)	(114)	1,908
EPS – Basic	66.3												89.7

1. Gain on Visa Shares; 2. Organisational transformation costs; 3. Impairment of intangible – Origin Australia; 4. Restatement of deferred tax balances for announced New Zealand tax rate changes; 5. Economic hedging – fair value gains/losses; 6. NZD and USD revenue hedge – mark-to-market; 7. One ANZ restructuring cost; 8. ANZ share of ING NZ investor settlement; 9. Non continuing businesses – Credit intermediation trades; 10. Non continuing businesses - other

# Statutory profit reconciliation – 2H08

	Statutory profit	Visa 1	OTC 2	Origin 3	NZ tax 4	Eco hedging 5	Rev hedging 6	Cash Profit	One ANZ 7	ING NZ 8	CIT 9	Other 10	Underlying profit
Net Interest income	4,070		0			0	0	4,070			0	(4)	4,074
Other income	1,951		0			252	(23)	1,722			(305)	(214)	2,241
Total income	6,021		0			252	(23)	5,792			(305)	(218)	6,315
Total expenses	2,995		218			0	0	2,777			0	26	2,751
Profit before provisions	3,026		(218)			252	(23)	3,015			(305)	(244)	3,564
Provisions	1,267		0			0	0	1,267			0	(97)	1,364
Profit before income tax	1,759		(218)			252	(23)	1,748			(305)	(147)	2,200
Income tax expense	398		(66)		7	76	(7)	388			(92)	(126)	606
Minority interest	5		0			0	0	5			0		5
Profit	1,356		(152)		(7)	176	(16)	1,355			(213)	(21)	1,589
EPS – Basic	68.3												80.3

1. Gain on Visa Shares; 2. Organisational transformation costs; 3. Impairment of intangible – Origin Australia; 4. Restatement of deferred tax balances for announced New Zealand tax rate changes; 5. Economic hedging – fair value gains/losses; 6. NZD and USD revenue hedge – mark-to-market; 7. One ANZ restructuring cost; 8. ANZ share of ING NZ investor settlement; 9. Non continuing businesses – Credit intermediation trades; 10. Non continuing businesses - other

# Statutory profit reconciliation – 1H08

	Statutory profit	Visa 1	OTC 2	Origin 3	NZ tax 4	Eco hedging 5	Rev hedging 6	Cash Profit	One ANZ 7	ING NZ 8	CIT 9	Other 10	Underlying profit
Net Interest income	3,780	0		0		0	0	3,780			0	(1)	3,781
Other income	2,358	353		0		96	(14)	1,923			(226)	(50)	2,199
Total income	6,138	353		0		96	(14)	5,703			(226)	(51)	5,979
Total expenses	2,701	0		34		0	0	2,667			0	12	2,655
Profit before provisions	3,437	353		(34)		96	(14)	3,036			(226)	(63)	3,324
Provisions	681	0		0		0	0	681			0	(45)	726
Profit before income tax	2,756	353		(34)		96	(14)	2,355			(226)	(18)	2,598
Income tax expense	790	105		(10)	(8)	29	(4)	678			(68)	(13)	758
Minority interest	3	0		0		0	0	3			0		3
Profit	1,963	248		(24)	8	67	(10)	1,674			(158)	(5)	1,837
EPS – Basic	102.4												95.7

1. Gain on Visa Shares; 2. Organisational transformation costs; 3. Impairment of intangible – Origin Australia; 4. Restatement of deferred tax balances for announced New Zealand tax rate changes; 5. Economic hedging – fair value gains/losses; 6. NZD and USD revenue hedge – mark-to-market; 7. One ANZ restructuring cost; 8. ANZ share of ING NZ investor settlement; 9. Non continuing businesses – Credit intermediation trades; 10. Non continuing businesses - other

# Structured Credit intermediation trades

Counterparty rating	No.	Notional Principal Amount (USD m)	Mark to Market (USD m)	Credit Risk on Derivatives <sup>^</sup> (USD m)
AAA/Aa2, Aa3	3	5,796	848	476
AAA*/Baa1	1	3,100	883	
BBB-/Ba1	1	86	18	
BB/Ba3	1	397	58	
CC/Ca	1	308	64	
Defaulted monoline	1	1,333	369	439
<b>Position 31 March 2009</b>	<b>8</b>	<b>11,020#</b>	<b>2,240</b>	<b>915</b>
<b>Position 30 Sept. 2008</b>	<b>8</b>	<b>11,241</b>	<b>1,353</b>	<b>425</b>

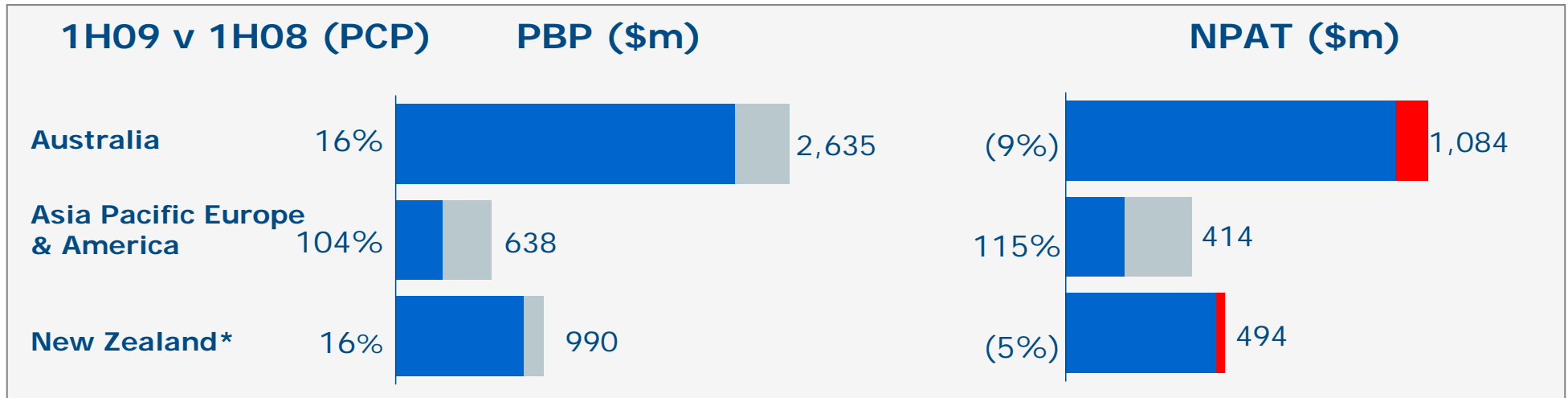
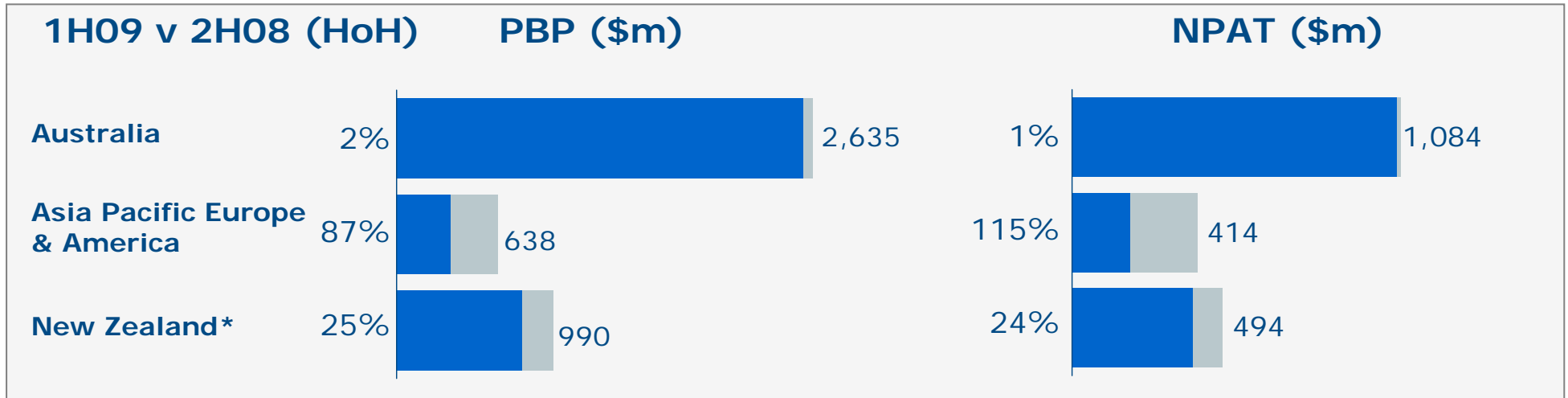
Excess of Credit Risk on Derivatives over MTM reflects FX hedging and costs associated with increase in attachment points (ANZ restructured some of the trades for which the defaulted monoline was a financial guarantor during the first half of the 2009 financial year in order to ensure levels of subordination were maintained broadly in line with that present at the inception of the trades)

**For further detail on ANZ Credit Intermediation Trades, visit:  
<http://www.anz.com/aus/shares/toolkit/default.asp>**

<sup>^</sup>Credit Risk on derivatives on the Credit Intermediation Trades (CVA) is an adjustment to the MTM of derivatives, to reflect the credit rating of the counterparty, credit spreads and other factors. \*downgraded to AA post balance date. #reduction of \$600m since 30 September from currency movement (non USD positions).

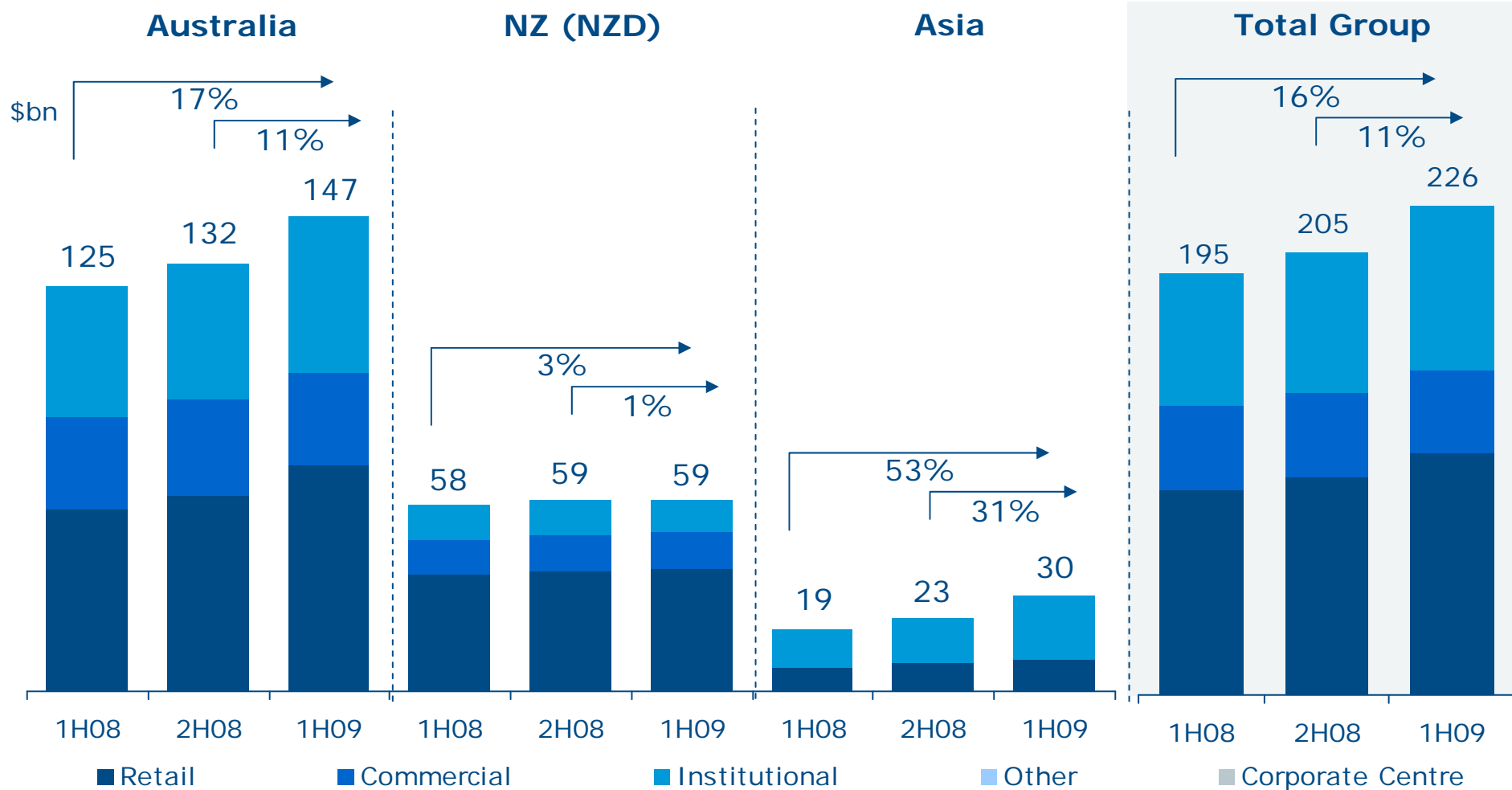


# Pre-provision profit growth across geographies

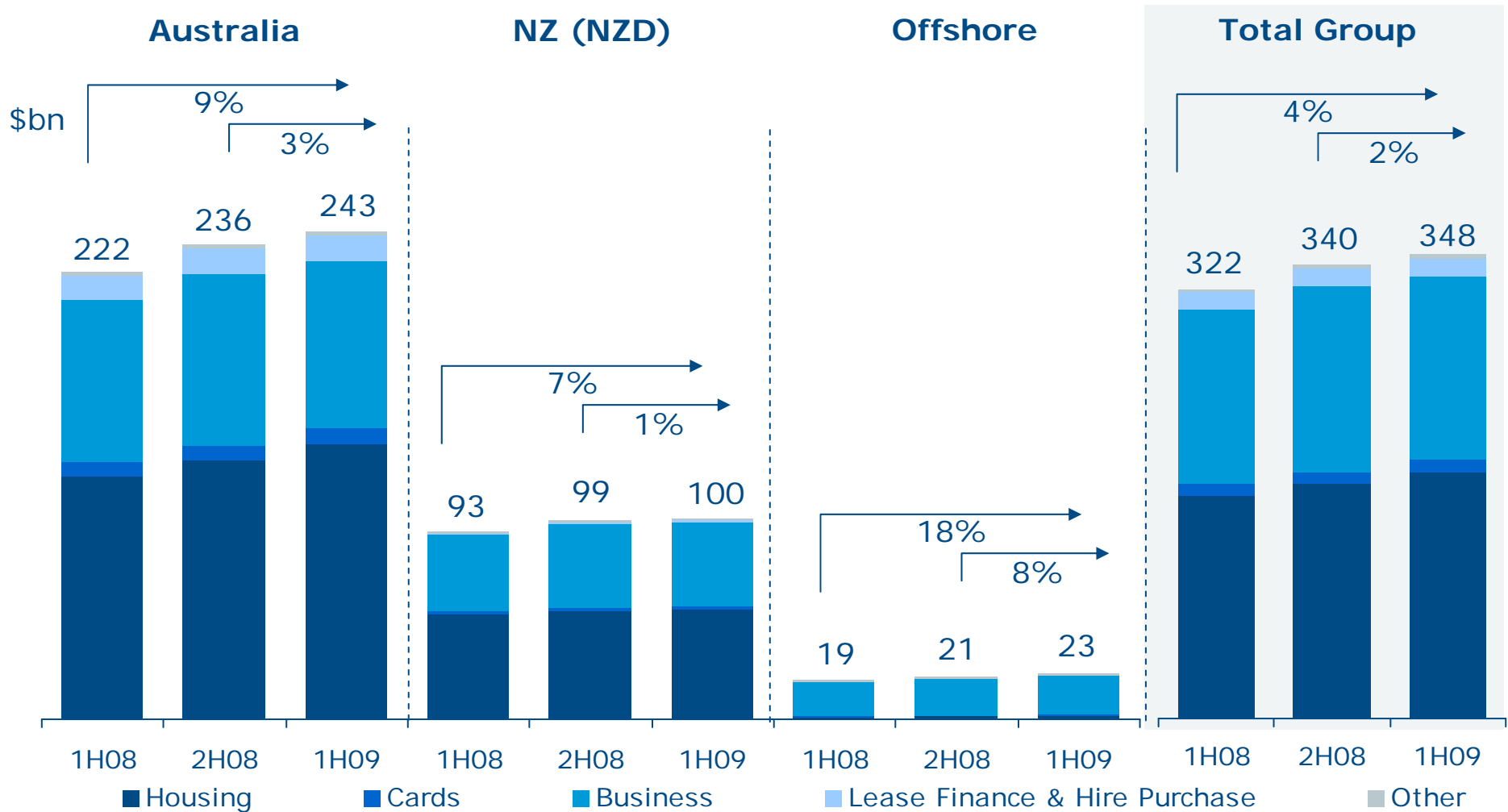


Note: all figures shown are on underlying profit basis; \* New Zealand in NZD

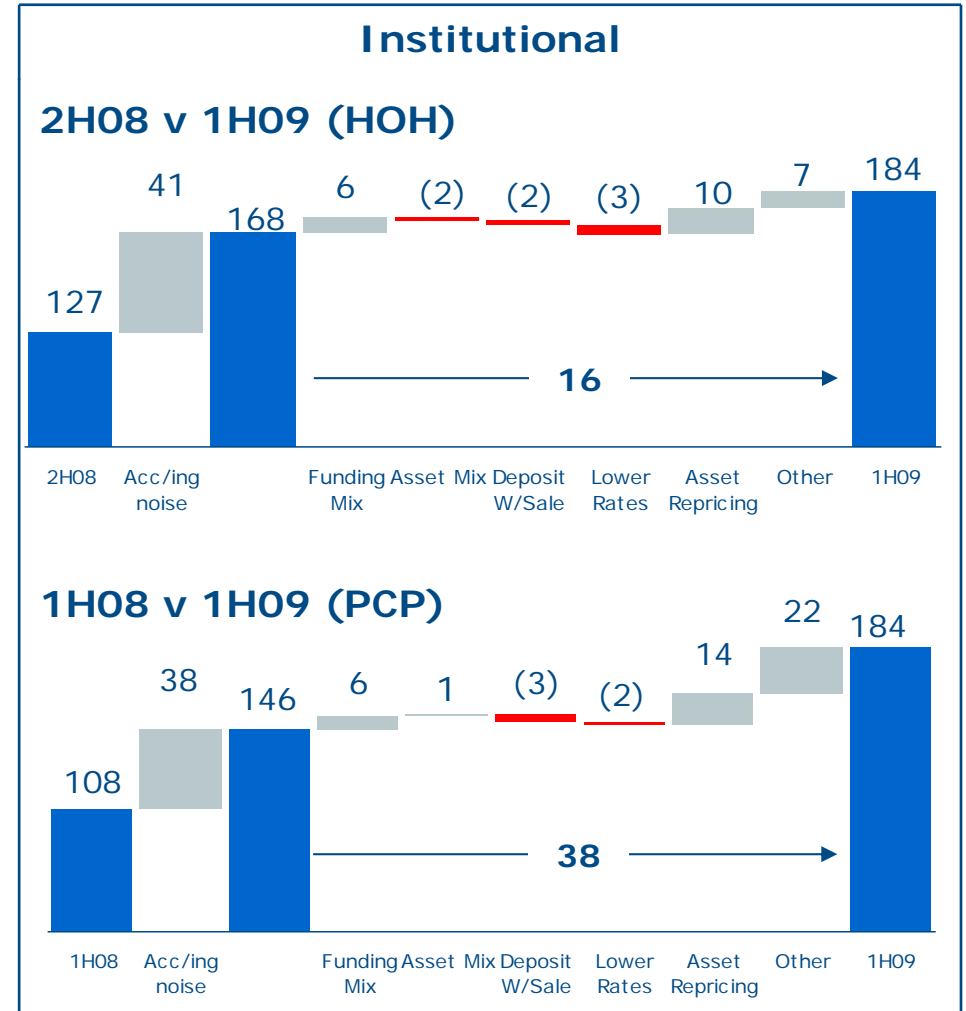
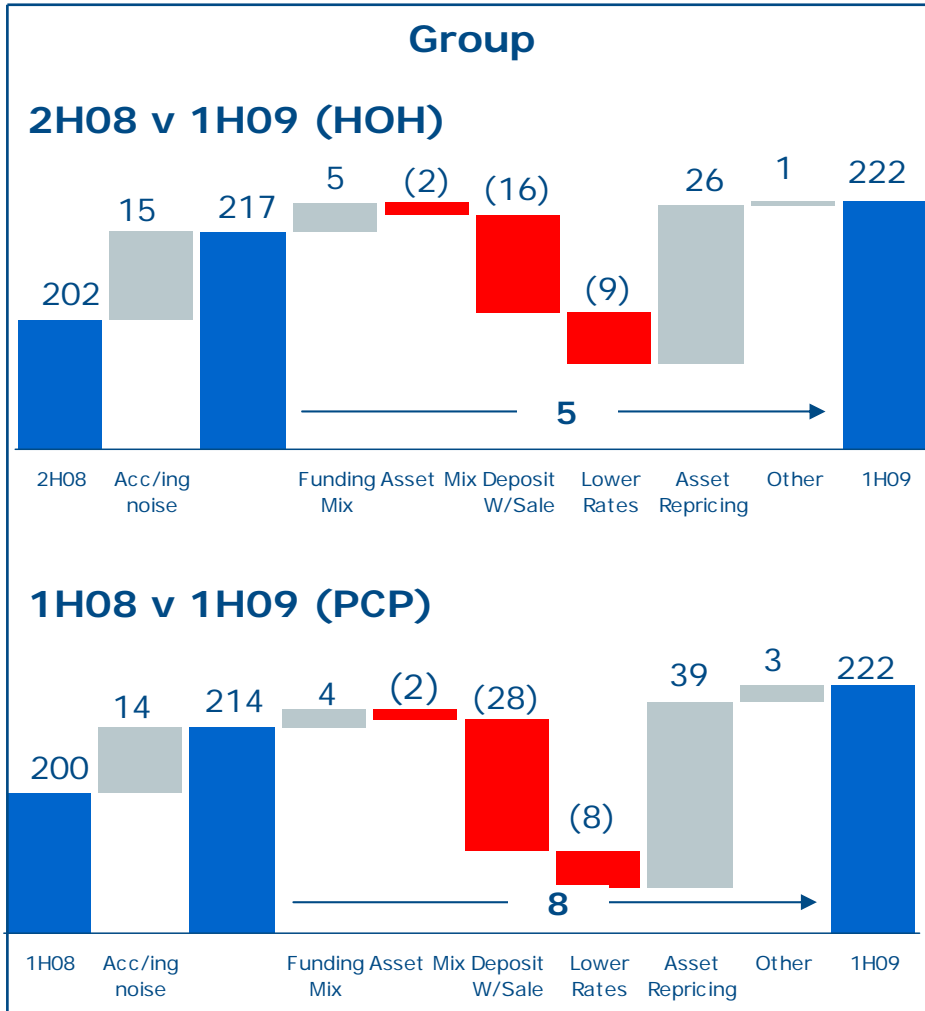
# Customer Deposits by Geography



# Gross Loans and Advances by geography



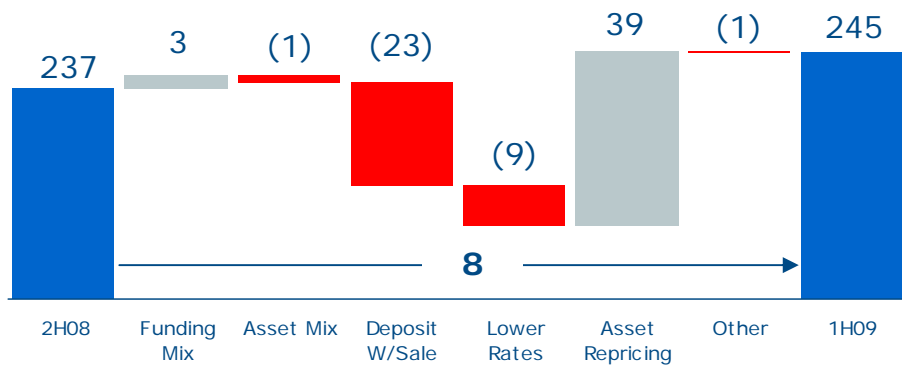
# NIM – Group & Institutional



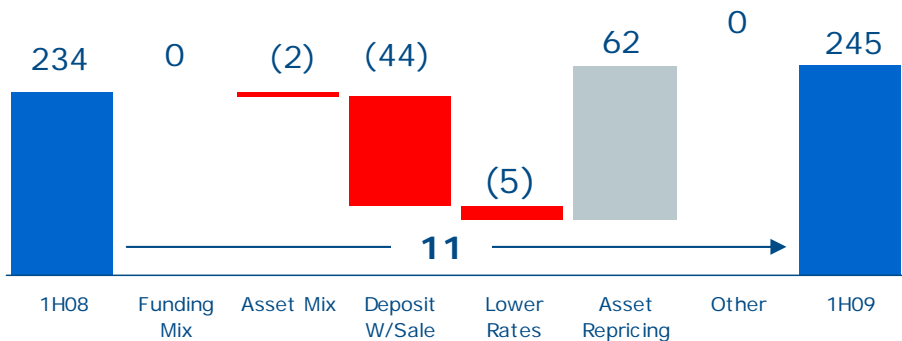
# NIM – Australia and New Zealand Divisions

## Australia

### 2H08 v 1H09 (HOH)

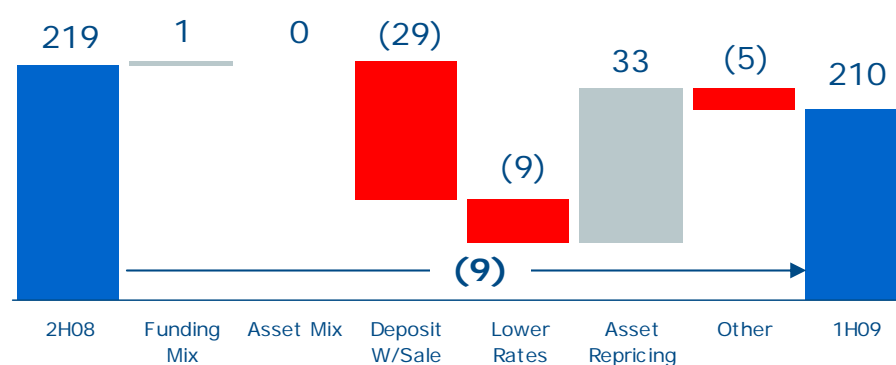


### 1H08 v 1H09 (PCP)

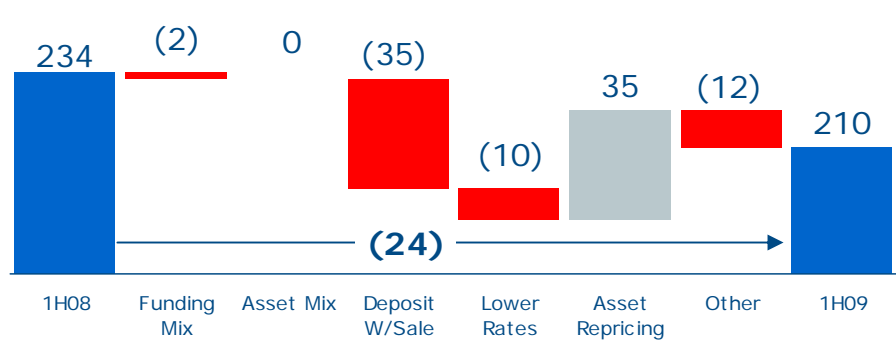


## New Zealand

### 2H08 v 1H09 (HOH)



### 1H08 v 1H09 (PCP)





# 2009 Half Year Results

29 April 2009

## Balance sheet management

# ANZ Capital Position has been strengthened throughout the year despite pro-cyclicality

	Mar 08	Sep 08	Mar 09	ANZ FSA Basel II	ANZ OSFI Basel II
<b>Core Tier 1</b>	<b>5.3%</b>	<b>5.9%</b>	<b>6.4%</b>	<b>8.0%</b>	<b>8.8%</b>
<b>Tier 1</b>	<b>6.9%</b>	<b>7.7%</b>	<b>8.2%</b>	<b>10.0%</b>	<b>10.7%</b>
<b>Total Capital</b>	<b>10.1%</b>	<b>11.1%</b>	<b>11.0%</b>	<b>&gt;13%</b>	<b>&gt;13%</b>

Capital position continues to be strengthened:

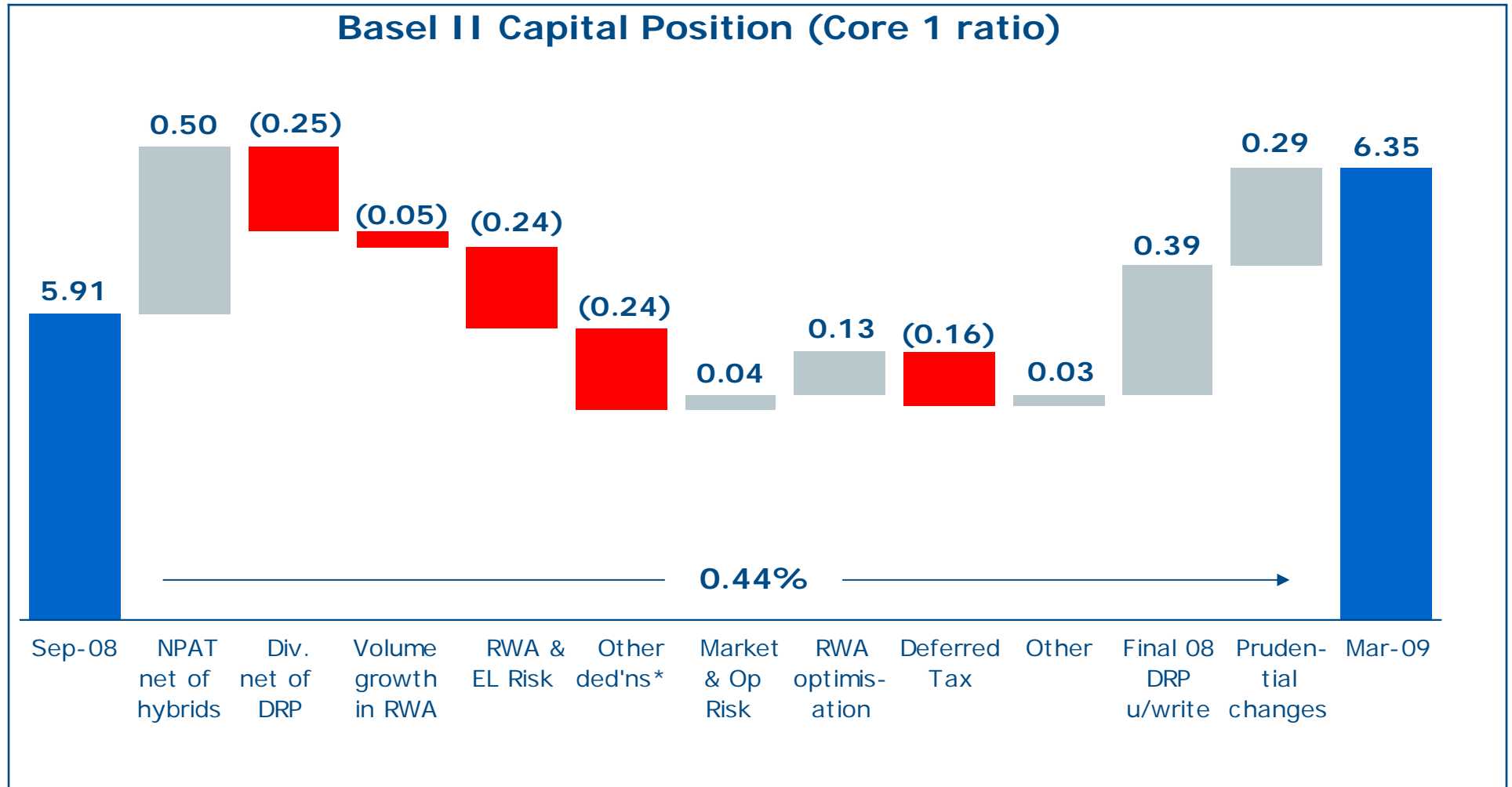
- Tier 1 ratios have increased by circa 130 bps since Mar-08, driven by:
  - Fundamental capital increase of \$3.8bn through \$2.8bn (99bps) of ordinary share raisings (2 DRP underwrites & StEPS conversion)
  - Hybrid capital increase of \$1.0bn (37bps)
- Reduction in dividend payout by 26% part of prudent capital management strategy
- Management Tier-1 target range of 7.5% to 8.0% well in excess of regulatory minimums
- Capital ratios stronger under FSA & OSFI

Capital Management Agenda:

- Continue to strengthen capital profile including maintaining a strong capital buffer
- Manage pro-cyclical impacts of Basel II through:
  - simulation of outcomes on capital ratios based on different scenarios
  - focus on risk/reward within Basel II framework
  - participation in global debate on Basel II capital requirements

\* 'Core Tier 1' = Tier 1 excluding hybrid Tier 1 instruments

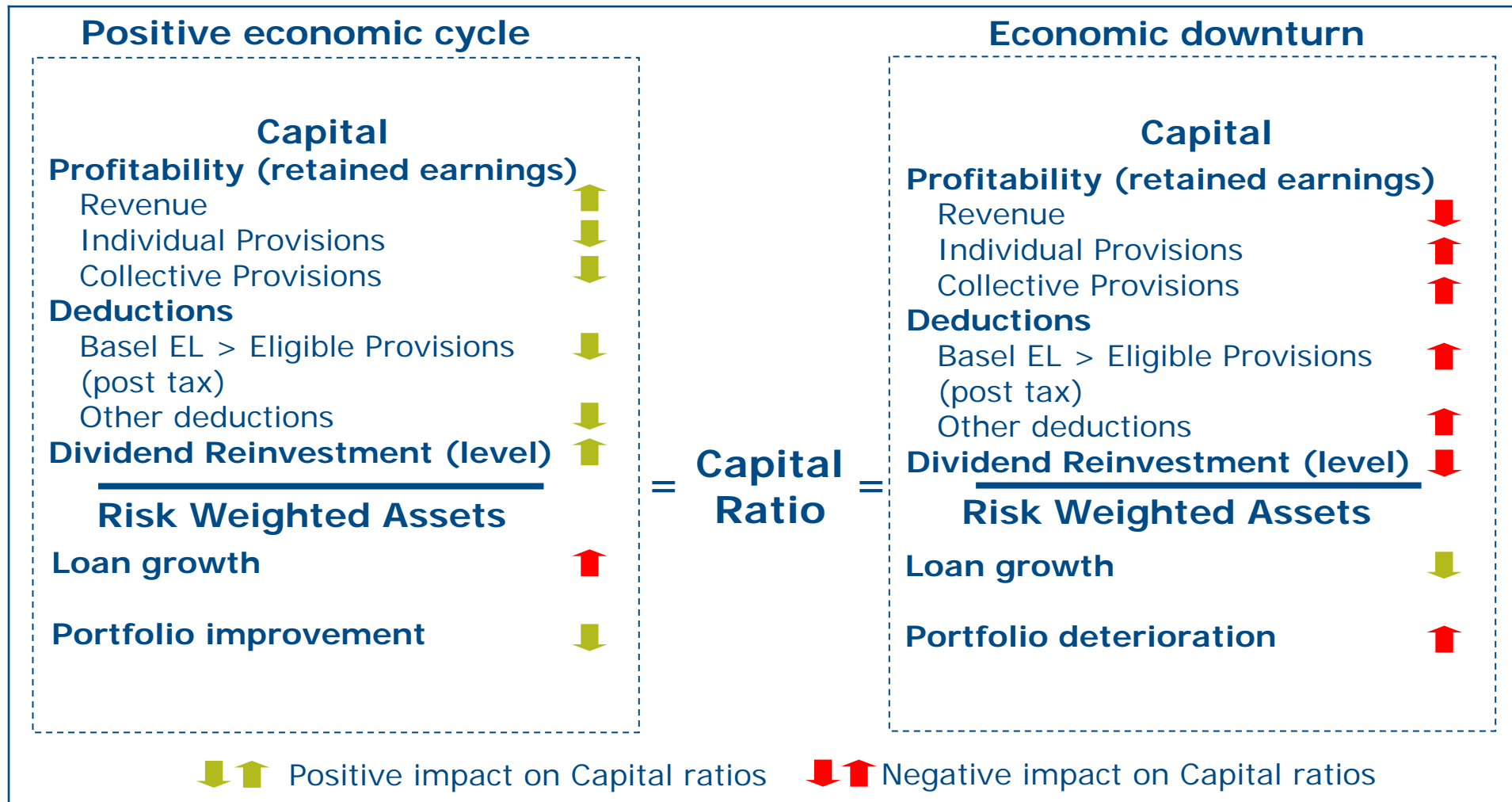
# Improvement in ANZ's capital position has flowed through to the core Tier 1 position



\* includes Associates, Pensions, Capitalised Costs, MTM gains on own name included in profit, AFS reserve

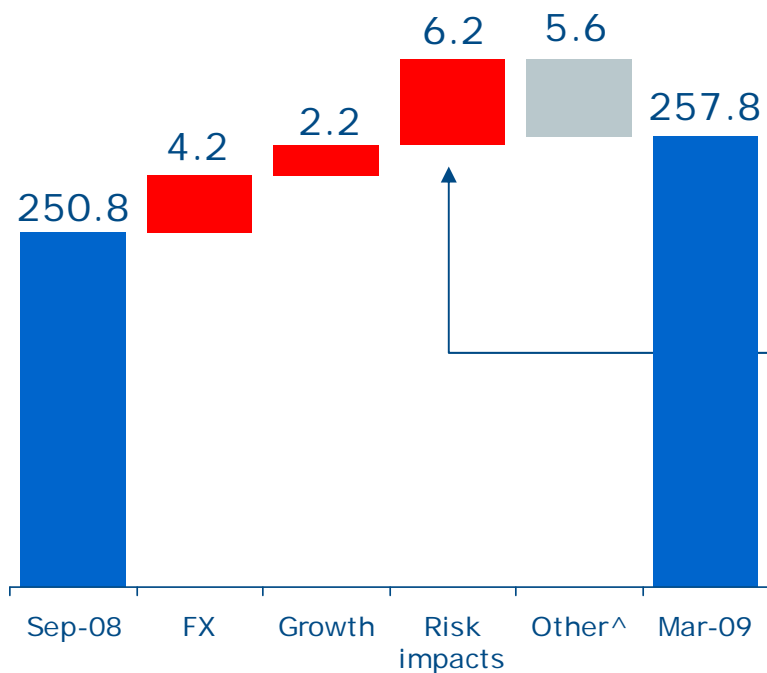


# Pro-cyclicality



# Pro-cyclicality: RWA impacts

## Credit RWA movements\* (\$bn)



## Risk Profile changes

RWAs increase significantly as Corporate and Bank loans move through Risk Grade and Security profiles

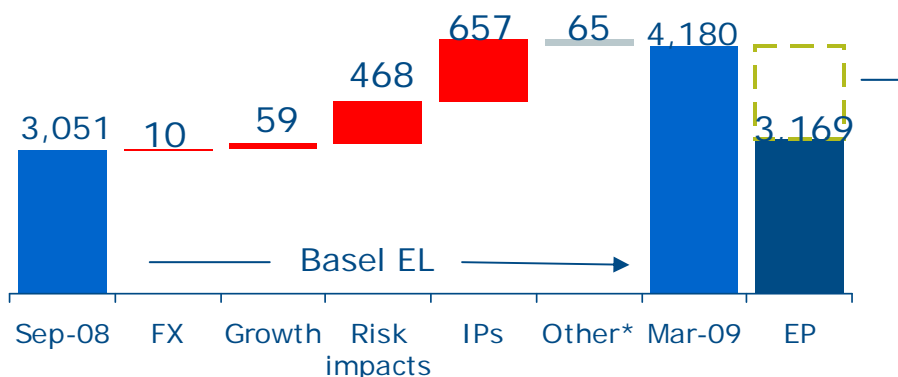
Basel II Corporate and Bank RWAs

Credit Rating	Loss Given Default						
	Well secured			Unsecured			
AA	2%	4%	6%	8%	9%	11%	12%
A	3%	6%	10%	13%	15%	19%	19%
BBB	7%	14%	23%	30%	35%	43%	45%
BBB-	11%	23%	38%	49%	58%	72%	75%
BB	17%	34%	55%	72%	85%	106%	111%
BB-	23%	47%	76%	99%	117%	145%	152%
B	30%	63%	101%	132%	156%	193%	202%
CCC	45%	93%	149%	195%	231%	287%	300%

^Other includes methodology changes across Corporate, Slotting, Sovereign, Bank and securitisation categories

# Pro-cyclicality: Capital impacts

## Regulatory expected loss v. Eligible provisions (EP) (\$m)



Differential a deduction to Capital 50/50 Tier 1 & Tier 2 (differential generally widens in downturn due to stressed LGDs used in Basel EL calculation)

	Sep 08	Mar 09	Change	%
Basel EL (incl IP)	3,051	4,180	1,129	37%
Total Eligible Provisions				
GRCL (tax effected)	1,920	1,855	(65)	(3%)
IP (incl CVA Sep 08)	801	1,314	513	64%
Surplus / (Deficit)	(330)	(1,011)	(578)	206%

^Other includes RWA optimisation

Regulatory capital standards require banks to be adequately capitalised against both expected losses (EL) and unexpected losses (UL)

**Under the IRB Approach to Basel II**, these components are split out and estimated separately as Regulatory EL and risk-weighted assets (RWA). This allows for more precise modelling of the UL functions

Adequate coverage of Regulatory EL is assessed by a comparison of estimated EL to provisions (CP & IP) relating to IRB exposures. Any surplus of provisions over EL is added to the Bank's capital base which is then used to calculate the overall capital ratio; any shortfall is deducted from the capital base (50/50 split Tier 1 and Tier 2)

**Under Basel I and the Standardised Approach for Basel II**, both of these components of loss are reflected in the overall ratio of capital to RWAs

Regulatory EL is not separately calculated on Standardised exposures under Basel II because validated measures of PD & LGD are not typically available or in some cases (for example fixed assets and lease residuals) cannot apply. RWA amount covers both components.

### Non Accrual Treatment – Slotted exposures

When slotted exposures default their entire capital requirement is reflected through the Regulatory EL charge (Risk impacts) with none through RWA. The regulatory EL charge assumes a 50% LGD rate on all slotted exposures. For "Slotting" definition refer slide 45

# Pro-cyclicality: Regulatory expected loss v. eligible provisions


## Regulatory EL is made up of two components

- (I) estimated EL on non-defaulted exposures, calculated as Probability of Default (PD) \* Loss Given Default (LGD) \* Exposure at default (EAD); and
- (II) Best Estimate of EL on defaulted exposures, represented by the Individual Provision (IP) balance

## Parts of CP & Regulatory EL moving similarly

The calculated CP and estimated EL on non-defaulted loans (except for Basel II "Slotted" loans) have relatively similar incremental movements as exposures migrate through the risk grade profile.

### Regulatory EL movement through Risk Grade and Security profiles

Credit Rating	Loss Given Default						
	Well secured						Unsecured
AA	0.002%	0.004%	0.006%	0.01%	0.01%	0.01%	0.01%
A	0.01%	0.01%	0.02%	0.03%	0.03%	0.04%	0.04%
BBB	0.02%	0.04%	0.06%	0.08%	0.10%	0.12%	0.13%
BBB-	0.04%	0.09%	0.15%	0.19%	0.23%	0.28%	0.30%
BB	0.10%	0.20%	0.32%	0.42%	0.49%	0.61%	0.64%
BB-	0.22%	0.46%	0.73%	0.96%	1.14%	1.41%	1.48%
B	0.50%	1.04%	1.66%	2.17%	2.57%	3.19%	3.34%
CCC	1.32%	2.72%	4.36%	5.70%	6.75%	8.37%	8.76%

# Pro-cyclicality: Regulatory expected loss v. eligible provisions

## Parts of CP & EL moving differently Slotting

The estimated Regulatory EL on Basel II "Slotted" loans have a very non-granular progression with only five rates.

Large risk grade moves in some parts of the property profile can cause no change in EL rate whilst CP will have increased significantly.

A change across a tipping point will cause a large increase in EL with significantly less movement in CP (for Ex. BBB- to BB+).

### Slotting definition (APS 113 Para 41 : )

"The corporate IRB asset class includes, but is not limited to, four SL sub-asset classes: project finance, object finance, commodities finance and income producing real estate. Credit exposures in each of the SL sub-asset classes possess all of the following characteristics, either in legal form or economic substance:

(a) the exposure is typically to an entity (often a special purpose vehicle) which was created specifically to finance and/or operate specific assets;

(b) apart from the income that it receives from the assets being financed, the borrowing entity has little or no other material assets or activities and therefore has little or no independent capacity to repay the obligation;

(c) the terms of the obligation give the ADI a substantial degree of control over the assets and the income that it generates; and

(d) as a result of the factors detailed in paragraphs 41(a) to 41(c) of this Prudential Standard, the primary source of repayment of the obligation is the income generated by the assets rather than the independent capacity of a broader commercial enterprise."

## Slotted exposures: Regulatory EL movement through Risk Grade profiles

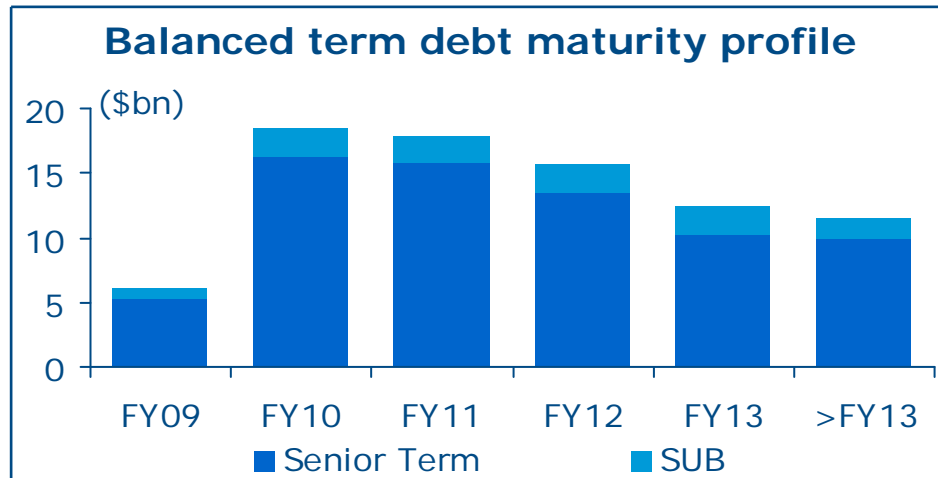
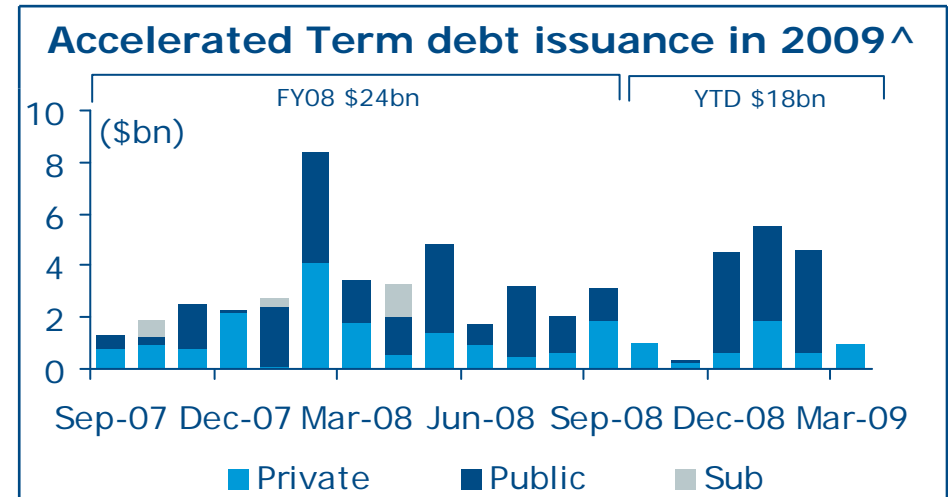
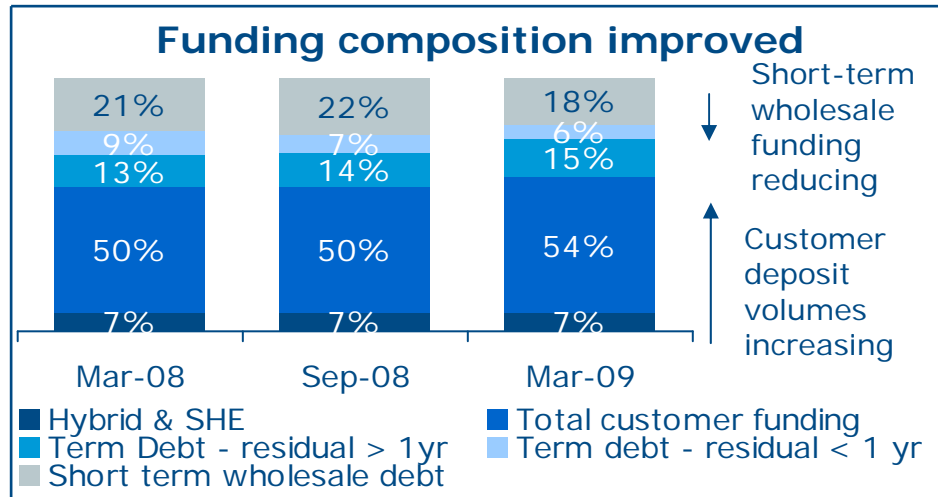
Credit Rating	EL rate	RWA rate
AA to BBB-	0.4%	70%
BB+ to BB	0.8%	90%
BB- to B+	2.8%	115%
B to CCC	8.0%	250%
Defaulted	50%	0%

### Other causes of different movements

Different movements in CP & Regulatory EL can also occur due to:

- Regulatory EL calculated on downturn LGDs, CP calculation on Spot.
- Management CP adjustments (Concentration risk and Scenario impacts)
- Methodology, with Regulatory EL an expected loss measure with a one year horizon while CP uses the emergence period of losses from portfolios as a horizon, varying across portfolios

# Strong term debt issuance in 1H09 leaves ANZ well placed from a funding perspective

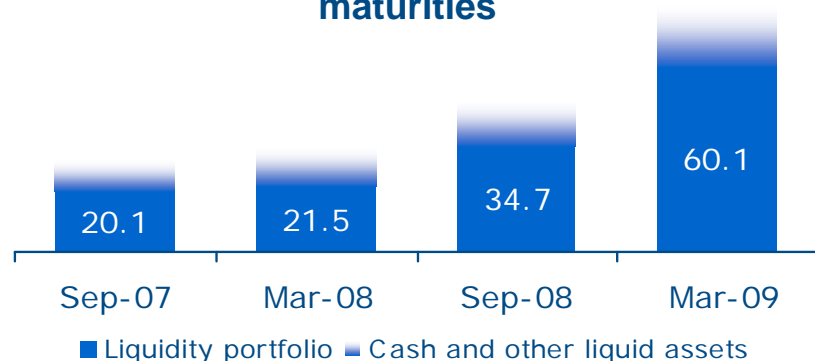


- Completed \$18bn in wholesale term funding YTD representing 87% of FY09 term funding target (Includes \$2bn issued post 31/3/09)
- Maintained access to all major global funding markets
- Lengthened average tenor of new term issuance to 4 yrs
- Funding costs remain elevated
- Forward maturities remain very manageable
- Large number of investor meetings held across Australia, Europe, US, Asia and Middle East

\* Short term wholesale funding includes commercial bills ^ \$16bn term debt issuance H109, \$2bn completed Apr-09

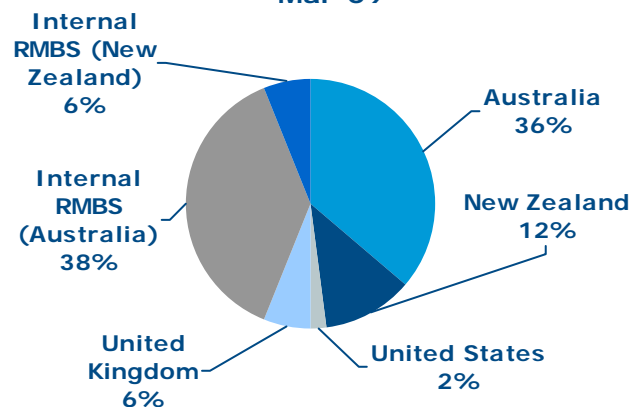
# Liquidity position strengthened

## Significant increase in liquid assets (\$bn) >12 months total offshore wholesale funding maturities



## Portfolio diversified by geography

Mar-09



## Strong liquidity portfolio credit quality

Mar-09

Long Term Counterparty Credit Rating <sup>1</sup>	Market Value (post haircut) AUD \$bn	Cumulative % of portfolio	No. of parties
AAA	39.1	65%	35
AA+	5.0	73%	4
AA	12.2	94%	11
AA-	2.1	97%	10
A+	1.7	100%	9
A	0.1	100%	3
<b>Total</b>	<b>60.1</b>		<b>72</b>

- Prime liquid asset portfolio increased to \$60bn,
- Covers >12mth offshore w'sale funding maturities
- All liquid assets eligible for repo with a major central bank
- Strong credit quality: 97% of portfolio credit rated AA- or better
- Well diversified by geography & counterparty: >70 names in portfolio
- In addition to the prime portfolio, ANZ holds additional liquid assets in the form of cash at banks, interbank lending & securities in trading and investment portfolios

1. Where available, based on Standard & Poor's long-term credit ratings

# Hedging the Kiwi dollar

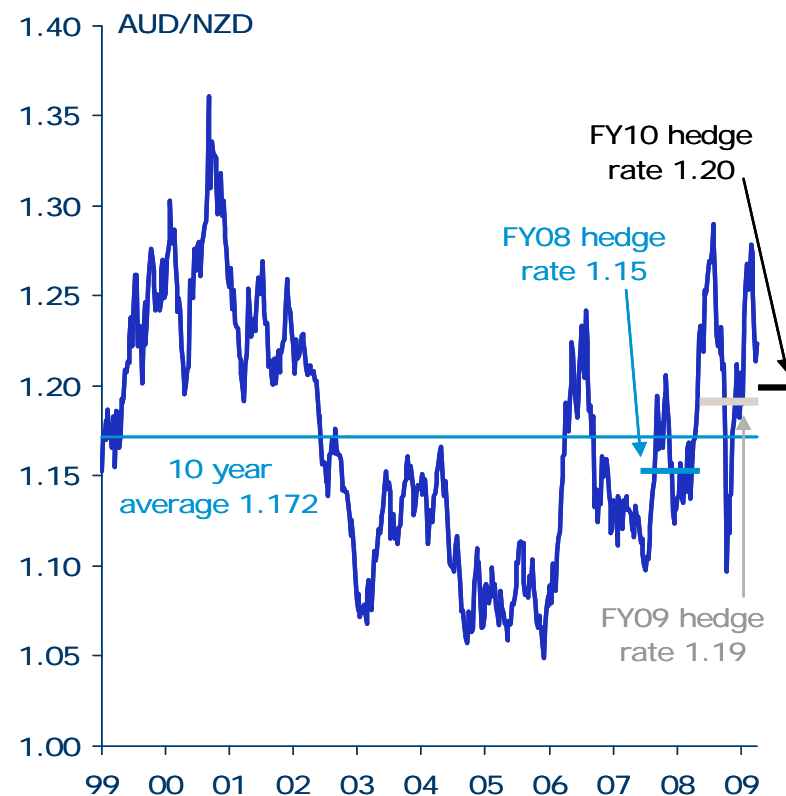
## FY09 Hedges

- 100% of the estimated FY09 NZD earnings have been effectively hedged at an average rate of 1.19
- During the first half of 2009 financial year, NZD 0.7 billion of economic hedges matured and a realised gain of \$10 million (pre-tax) was booked to P&L
- However, the first half 2009 matured hedges have an EPS reduction of ~0.4 cents (compared to 2008 effective hedged FX rate)

## FY10 Hedging Position

- Approximately 65% of the estimated FY10 and 30% of FY11 NZD earnings have been hedged at between 1.19 and 1.21

## AUD/NZD hedges established where revenues are believed to be at adverse risk





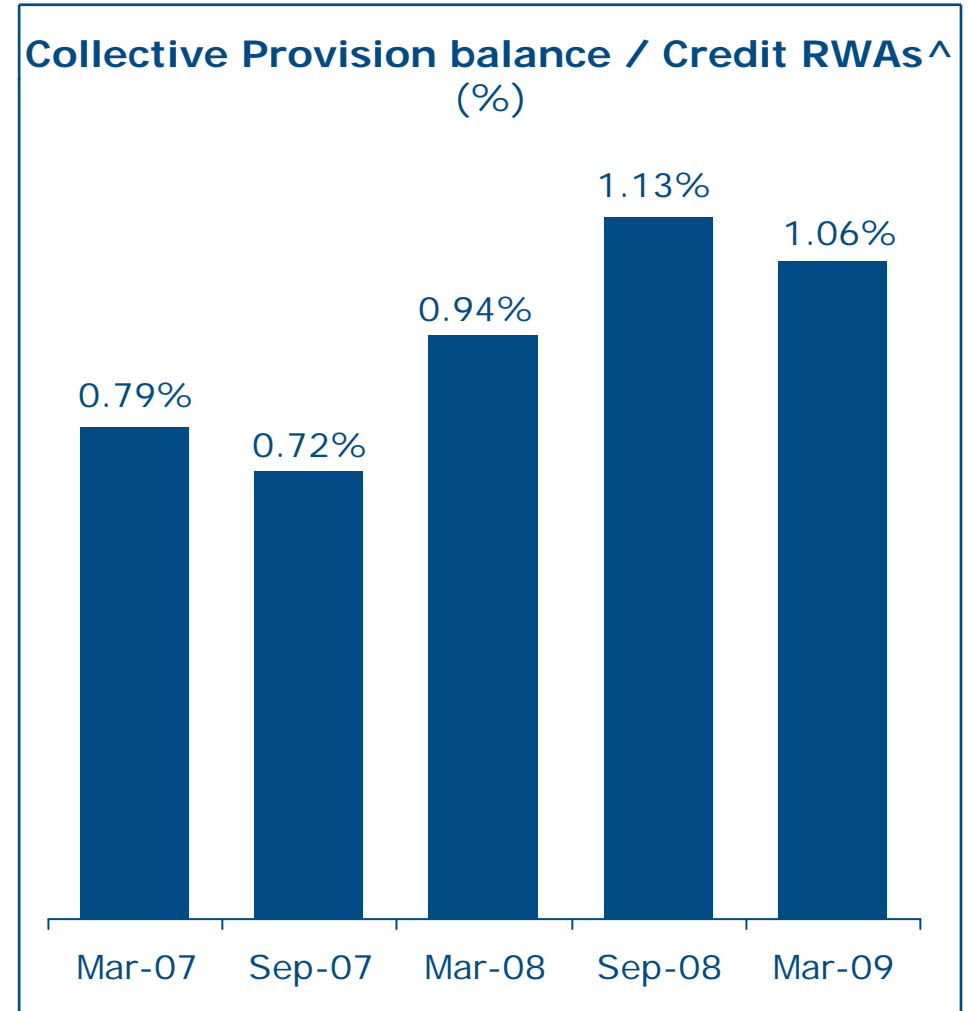
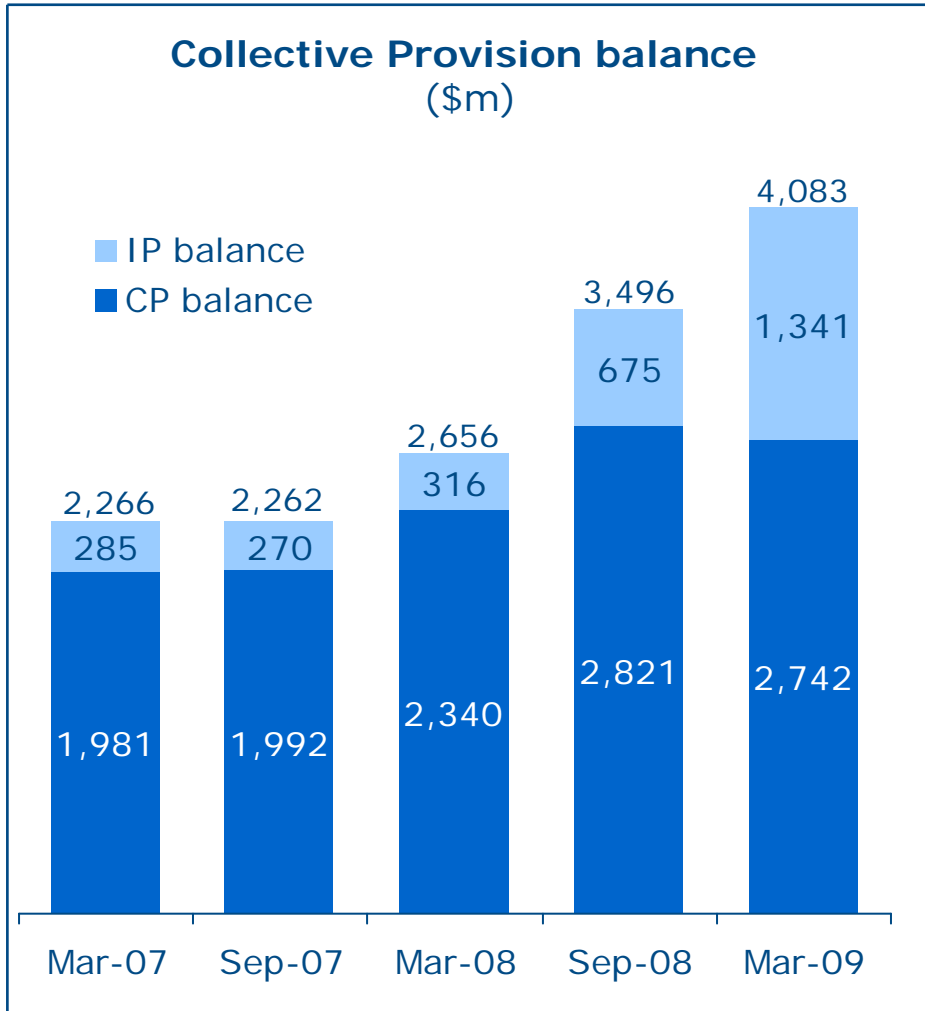


# 2009 Half Year Results

29 April 2009

## Additional Information – Credit Quality

# Remaining well provisioned with Collective Provision balance coverage above 1% of Credit RWAs



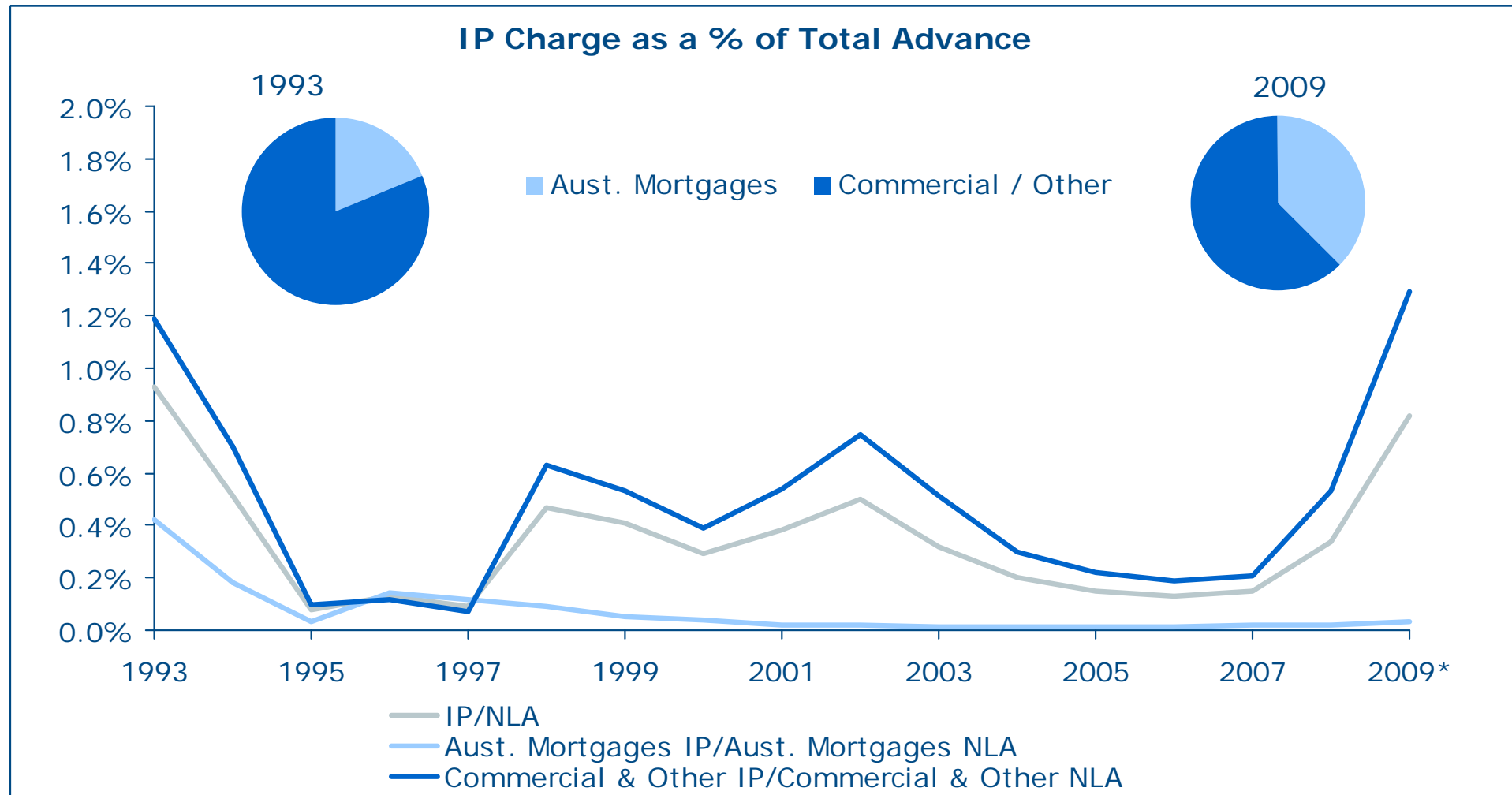
<sup>^</sup> 2008 & 2009 RWAs calculated using Basel II methodology, 2007 numbers reflect Basel I

## Breakdown of 1H09 collective provision charge

Business Unit (AUDm)	Lending Growth Impact	Risk Impact	Cycle and concentrations	Mix / Other*	Total
Group	67	141	-306	2	-96
<b>Institutional</b>	<b>13</b>	<b>22</b>	<b>-318</b>	<b>18</b>	<b>-265</b>
<b>Australia (excl CF and BB)</b>	<b>27</b>	<b>40</b>	<b>0</b>	<b>-13</b>	<b>54</b>
<b>Business Banking</b>	<b>-1</b>	<b>12</b>	<b>0</b>	<b>0</b>	<b>11</b>
<b>Consumer Finance</b>	<b>12</b>	<b>31</b>	<b>0</b>	<b>0</b>	<b>43</b>
<b>New Zealand Businesses</b>	<b>-10</b>	<b>41</b>	<b>0</b>	<b>-3</b>	<b>28</b>
<b>Asia Pacific and Other</b>	<b>26</b>	<b>-5</b>	<b>12</b>	<b>0</b>	<b>33</b>

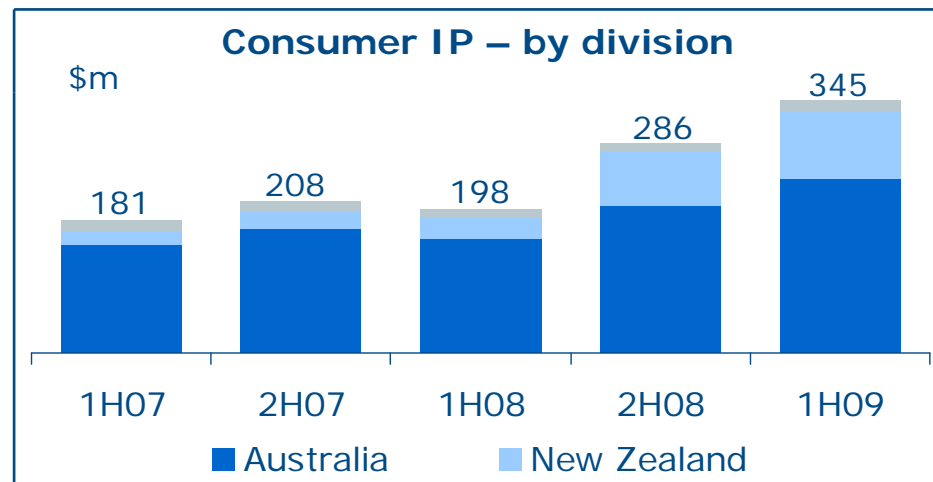
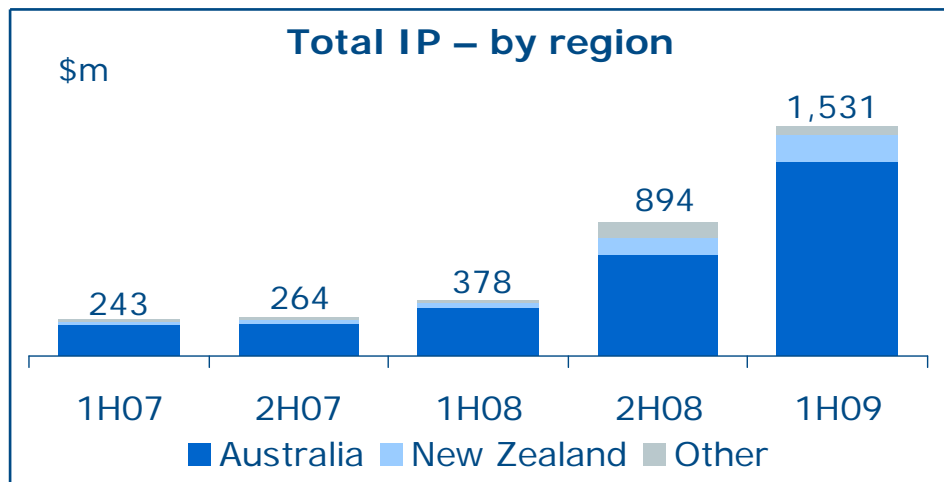
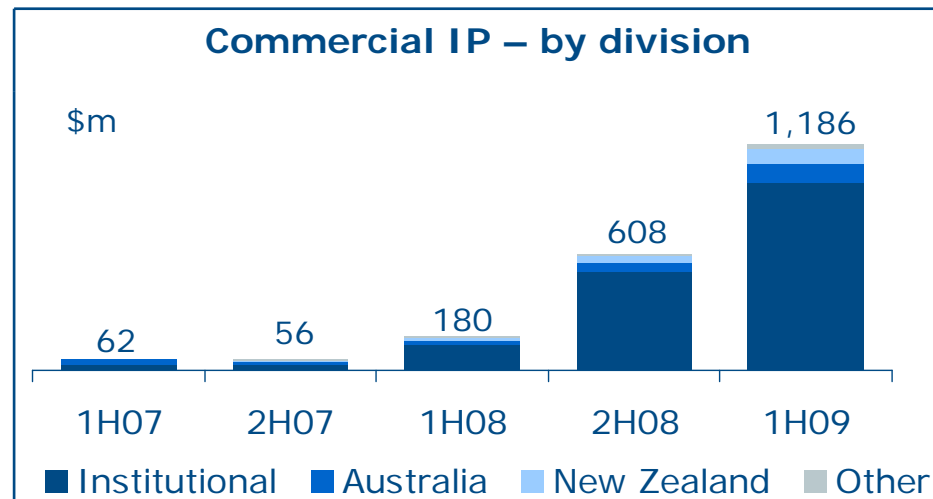
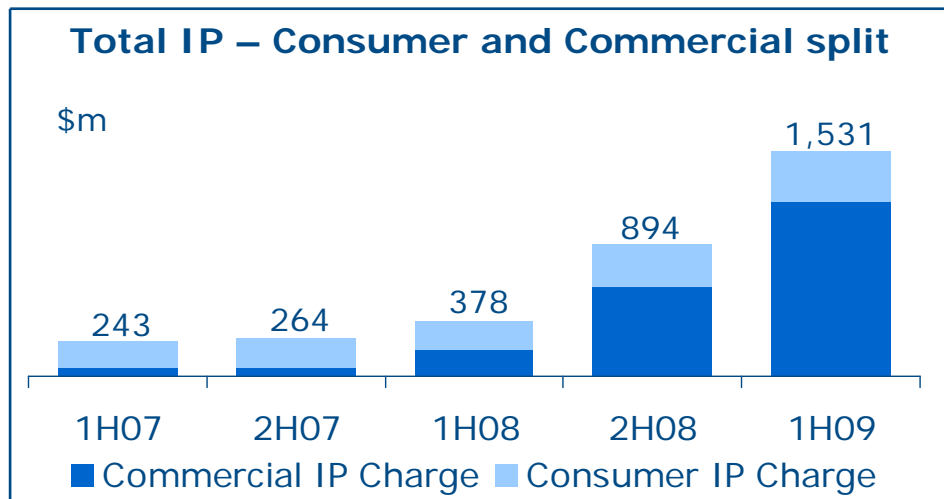
\* Comprises risk mix, scenario impact reflecting oil shock release and methodology changes.

# Portfolio rebalanced towards the consumer segment, consistently lower loss rates



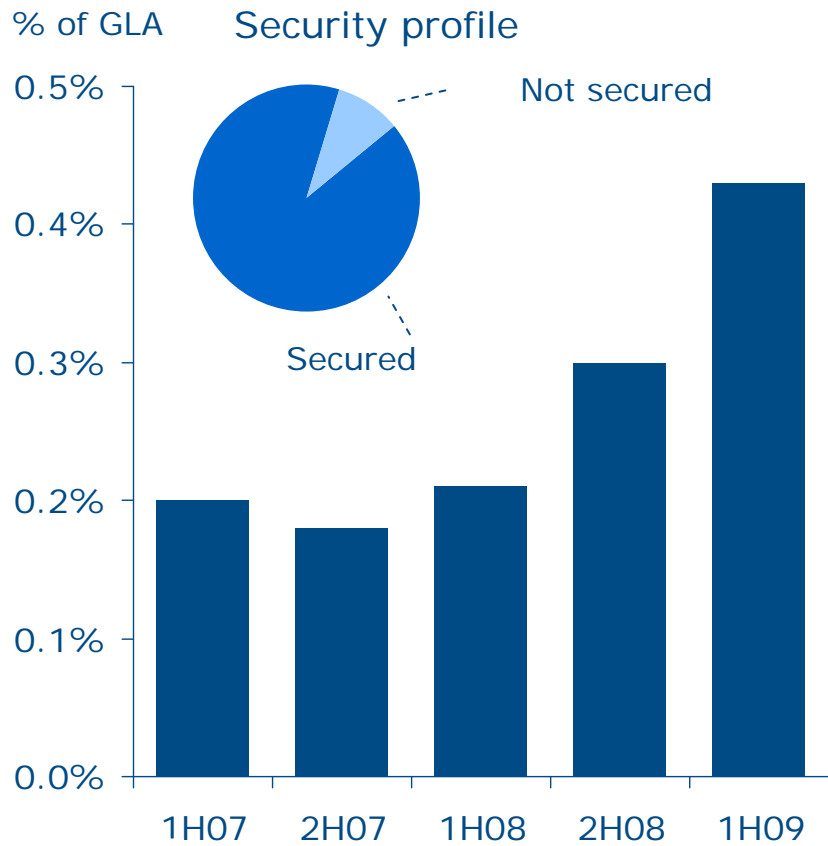
Note: 2009 figures are based on the annualised Mar-09 data

# Increase in Individual Provision charge predominantly on the Corporate portfolio in Australia, and NZ Consumer portfolio

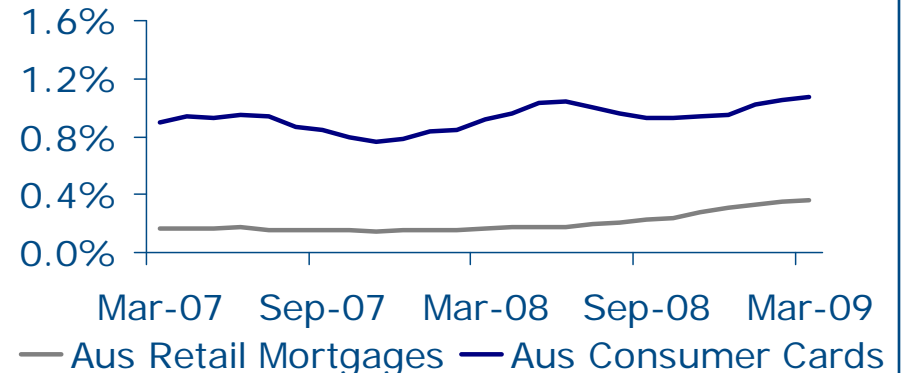


# 90 Day Past due: increased stress on the Australian Corporate and NZ Consumer Portfolios

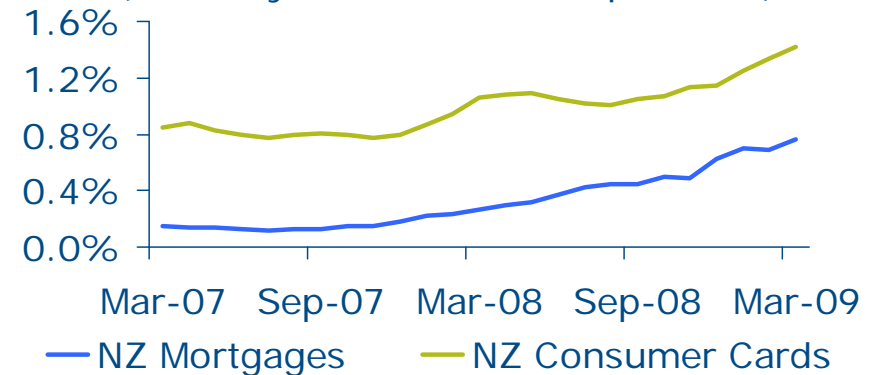
## 90 Days Past Due well up, majority on the secured book



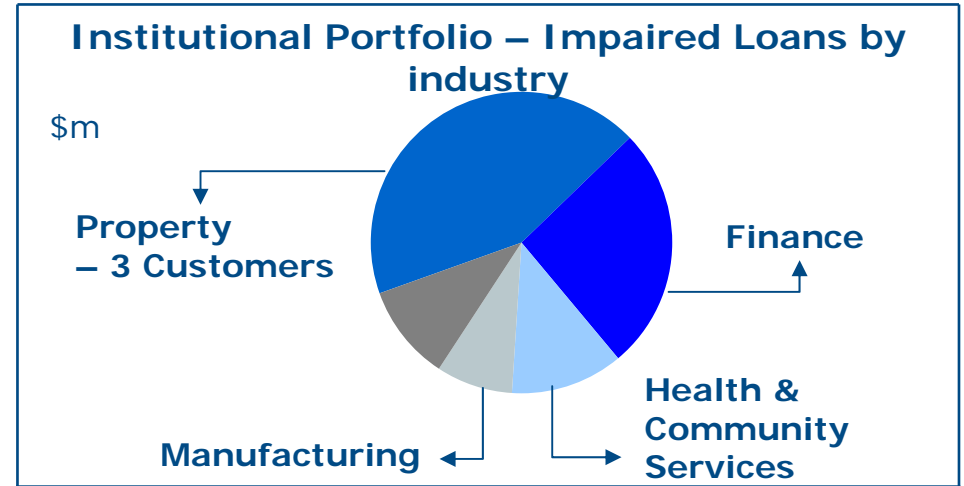
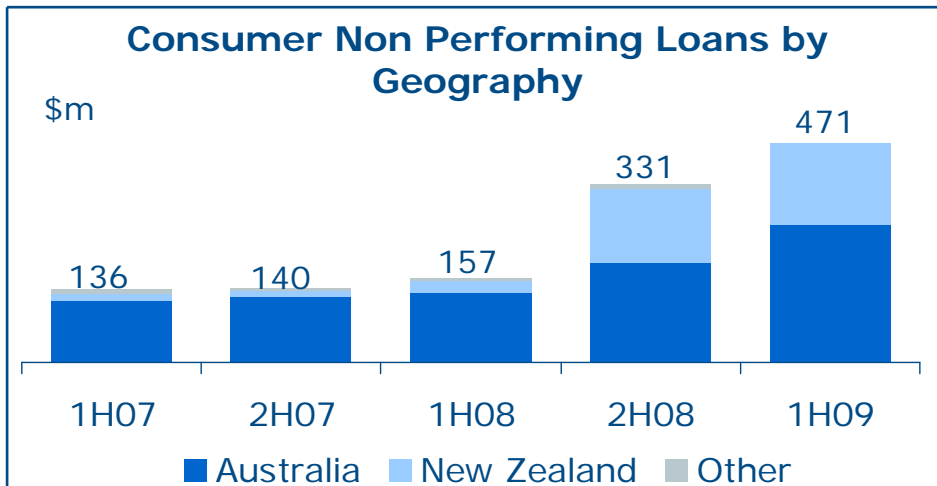
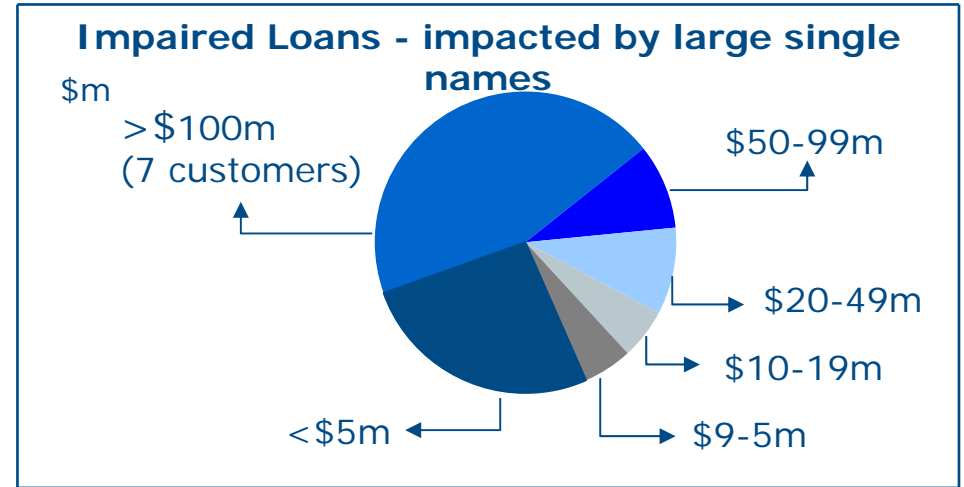
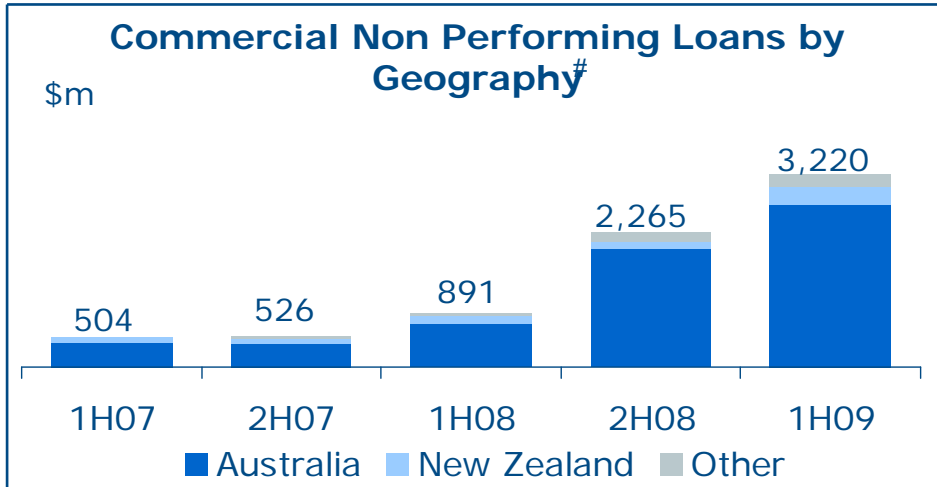
## Australian Consumer Portfolio (90+ day arrears as % of portfolio)



## New Zealand Consumer Portfolio (90+ day arrears as % of portfolio)

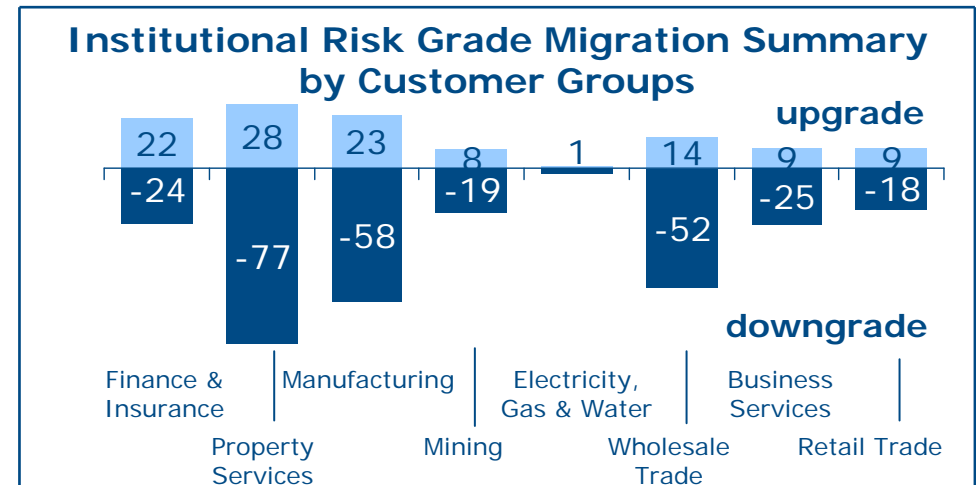
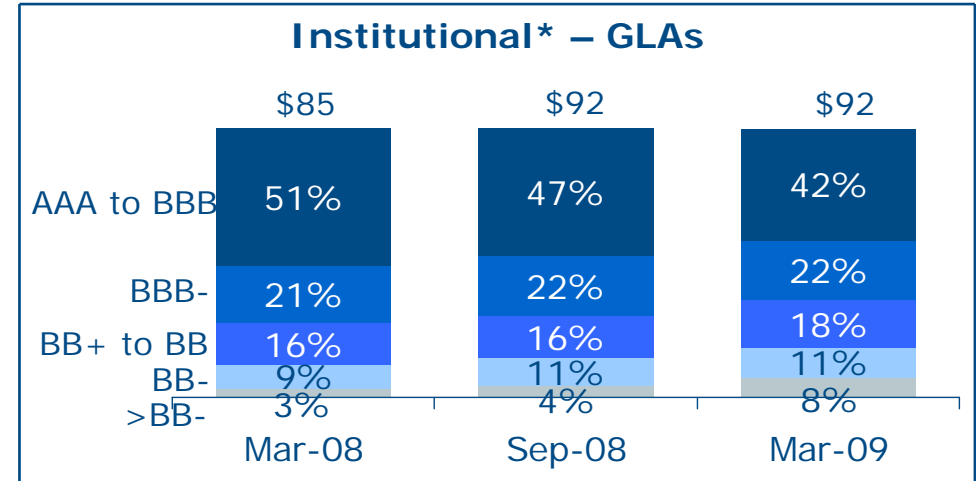
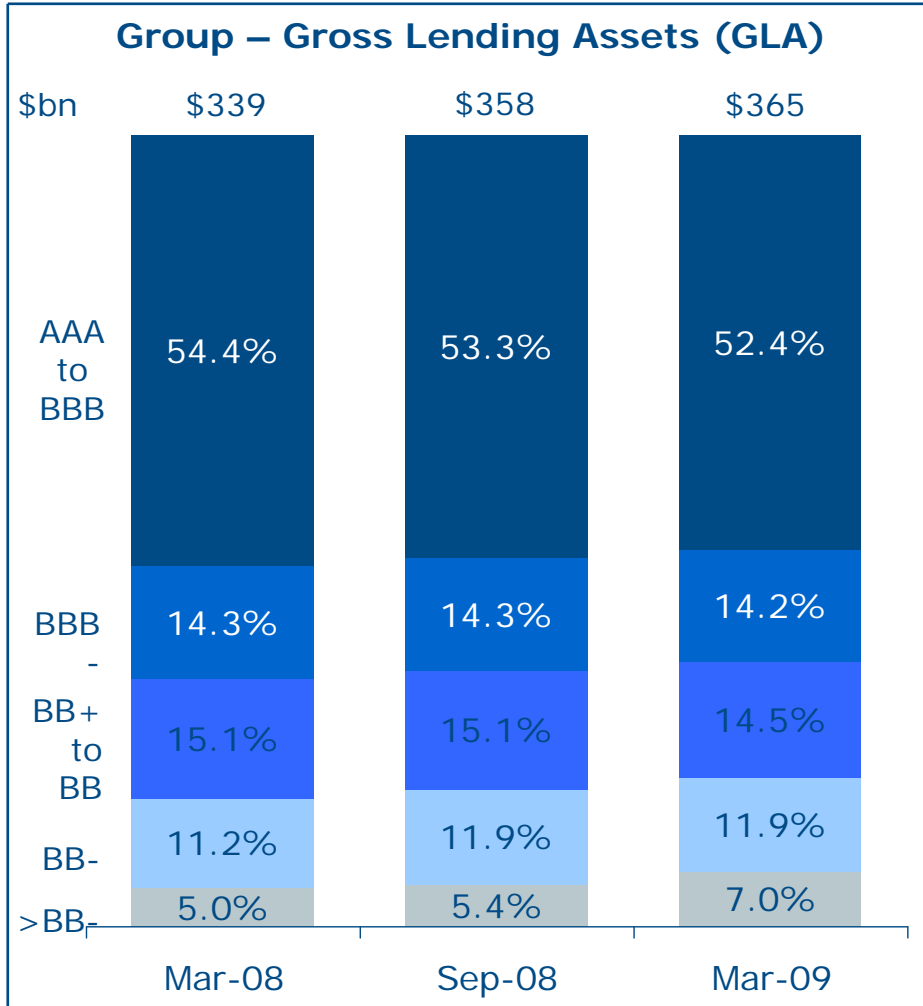


# Impaired Loans significantly impacted by large single name exposures on the Australian Institutional Portfolio



<sup>#</sup>includes restructured loans

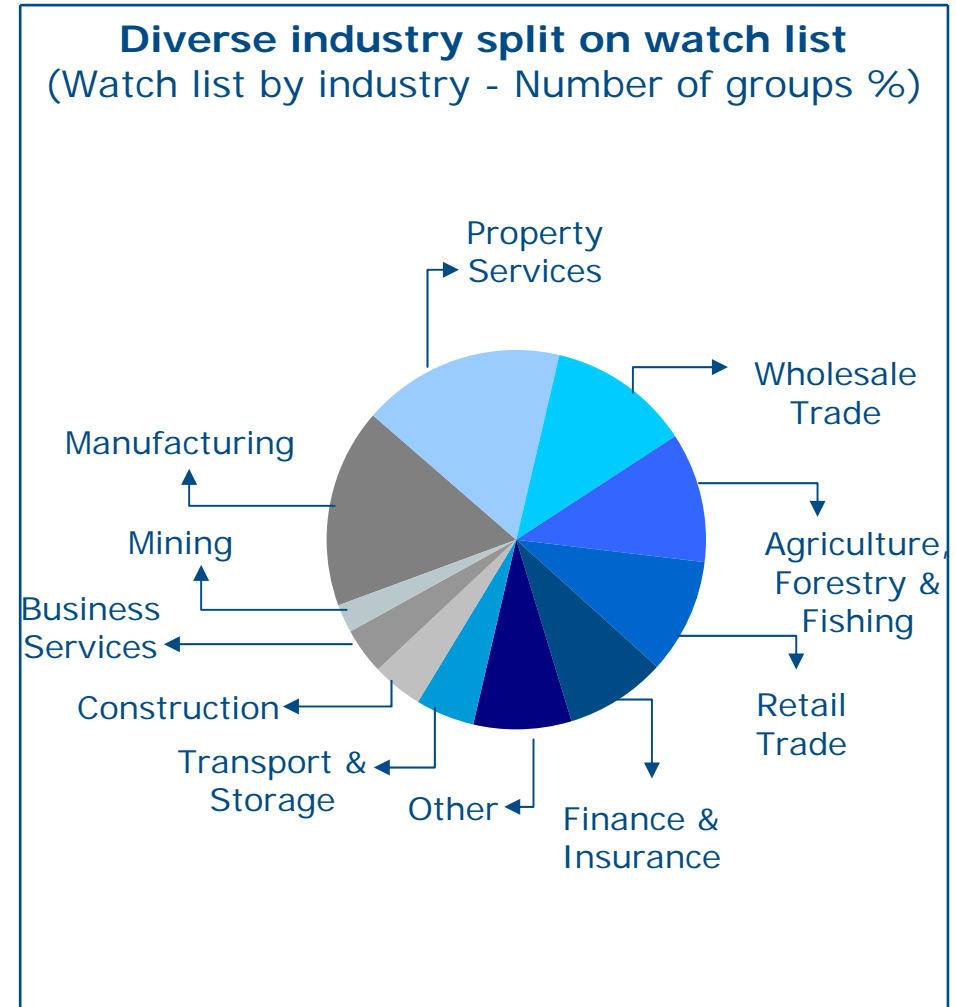
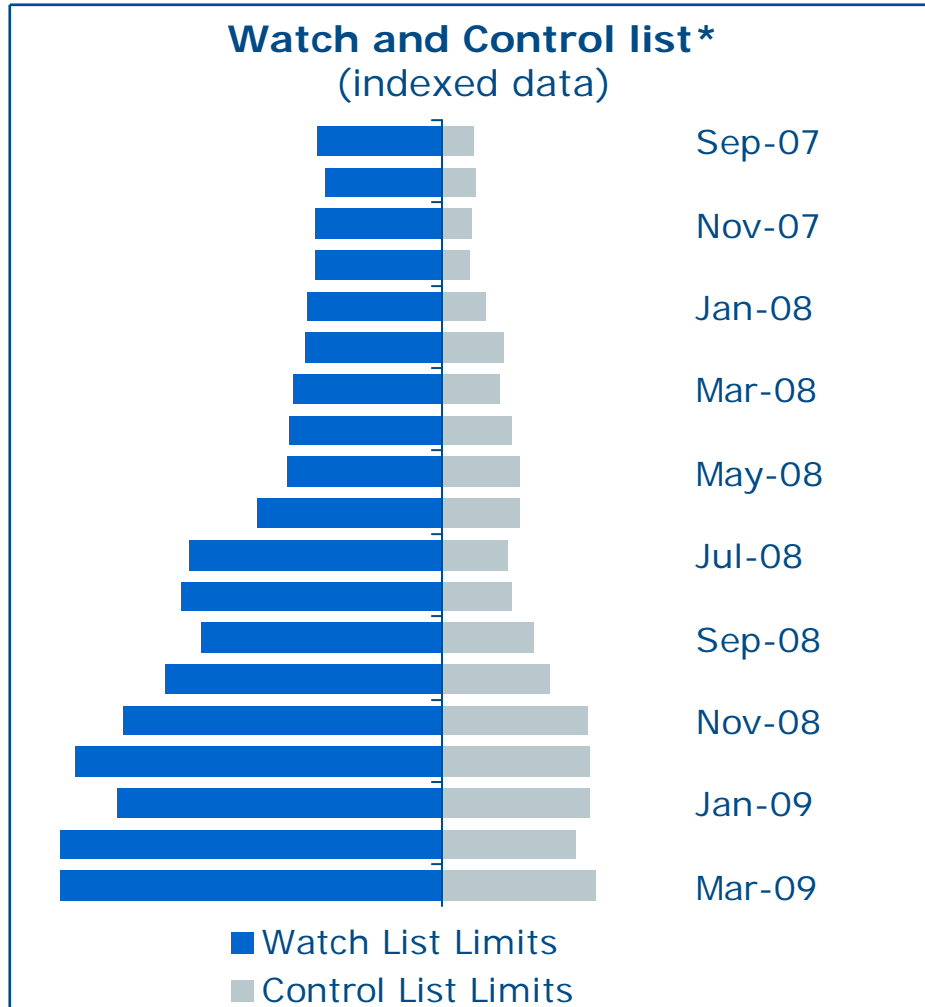
# Group and Institutional Portfolio



\* Institutional Division has been restated for movement of Business Banking from Institutional to Australia Division.

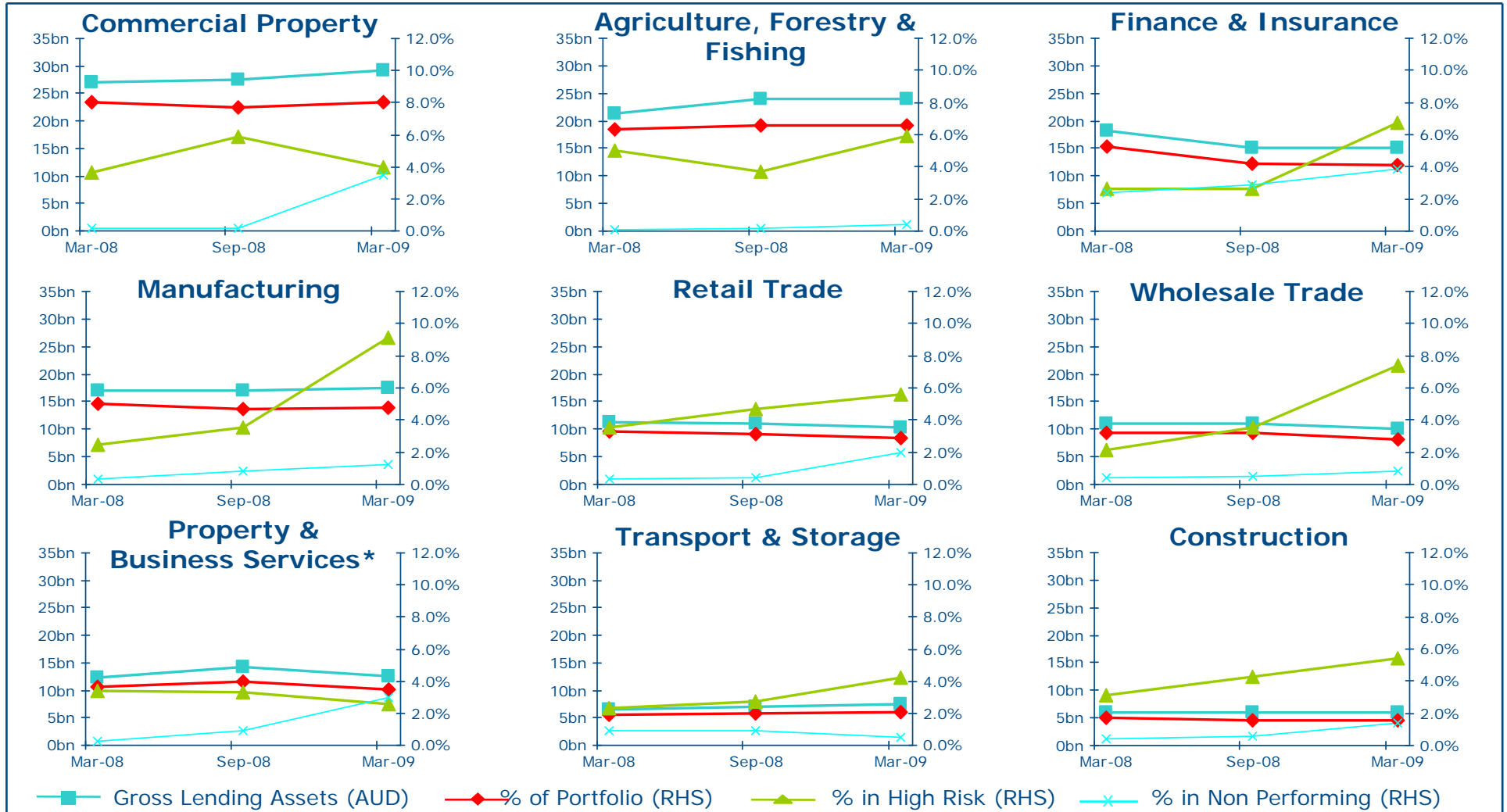


# Increase in watch & control lists reflecting increased credit vigilance and impacts of a weakening environment



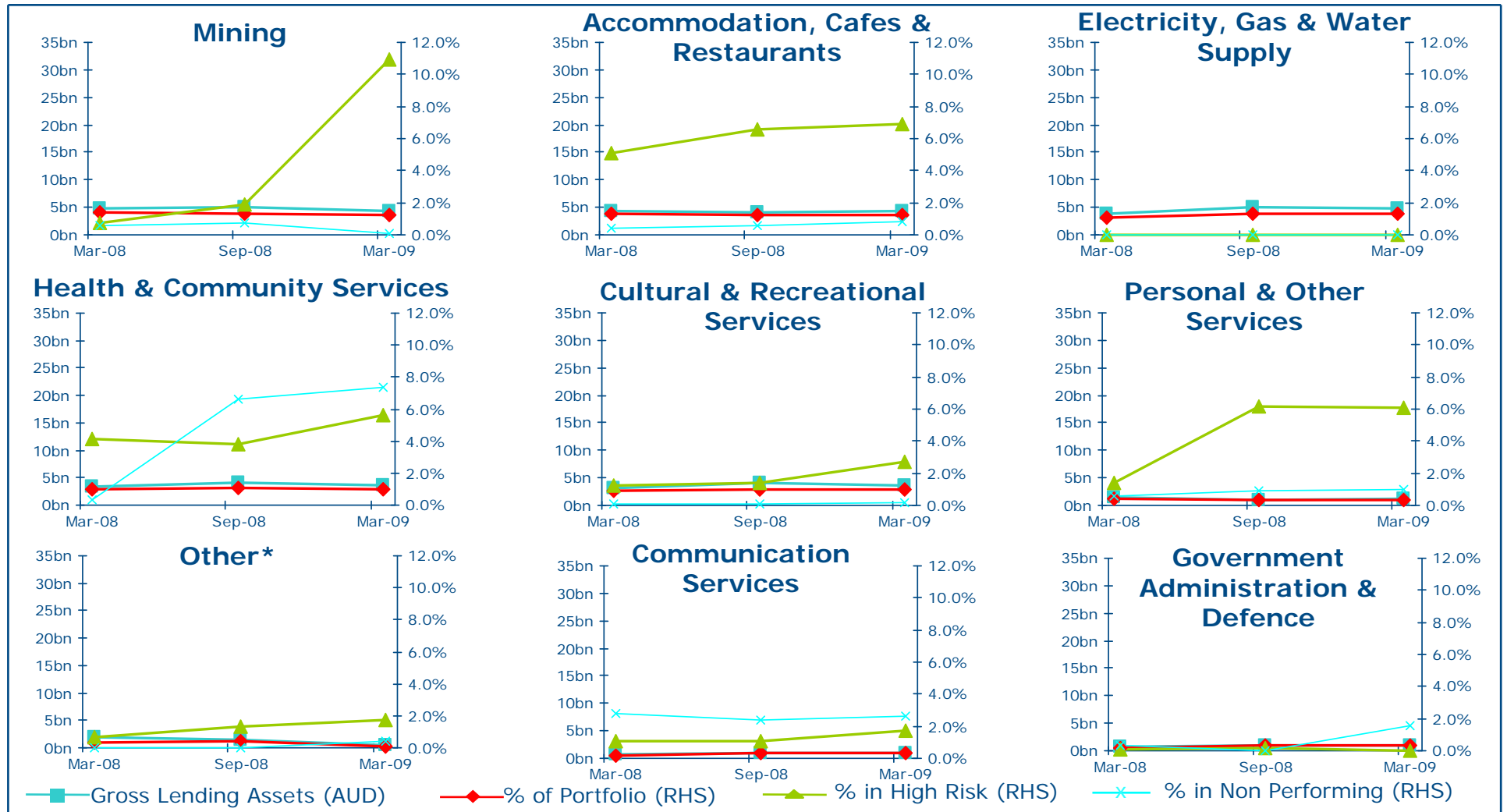
\* Watch List: an alert report of customers with characteristics identified which could result in requirement for closer credit attention;  
Control list: a report of high risk accounts which have or may defaulted

# Commercial Industry exposures – Group



\* Excludes Commercial Property

# Commercial Industry exposures – Group

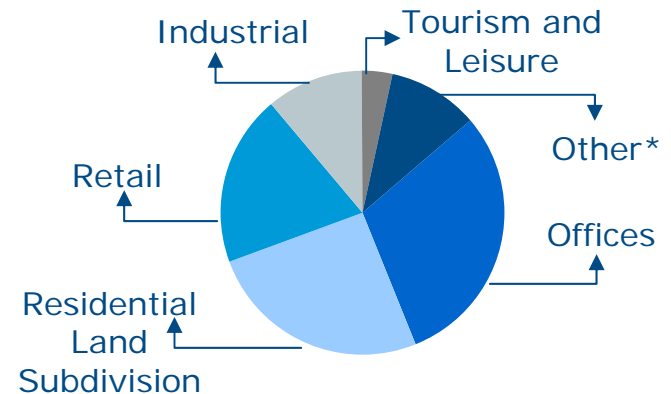


\* Other includes Non Classified & Education industry.

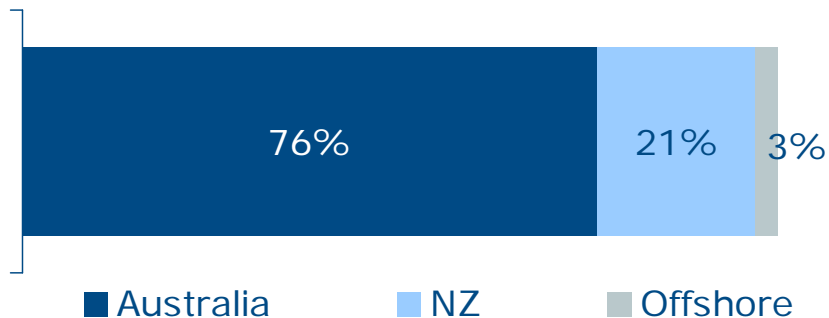
# Commercial Property exposure

- Commercial property exposure of \$29bn, an increase of 3% from Sep 08 almost entirely from existing facility draw-downs
- Portfolio remains at 8% of total Gross Lending Assets
- Commercial property lending cap of 10% of Gross Lending Assets is in place on Australian, New Zealand and combined books
- Australian LPTs make up less than 25% of Commercial property exposures
- Overall gearing to LPT sector is typically sub 50%

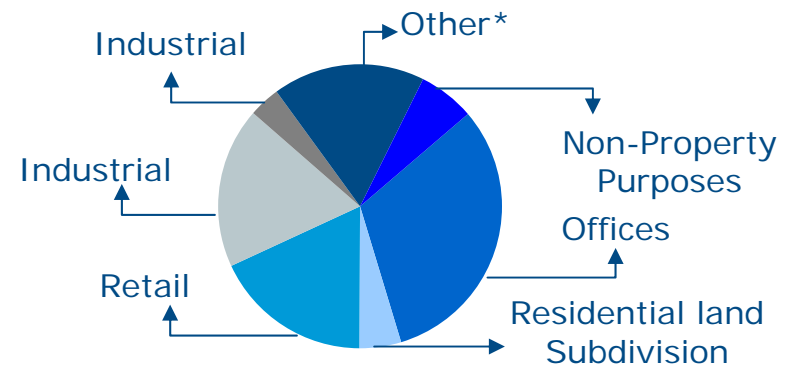
## Australian Property Portfolio by Sector



## Geography Split of Commercial Portfolio

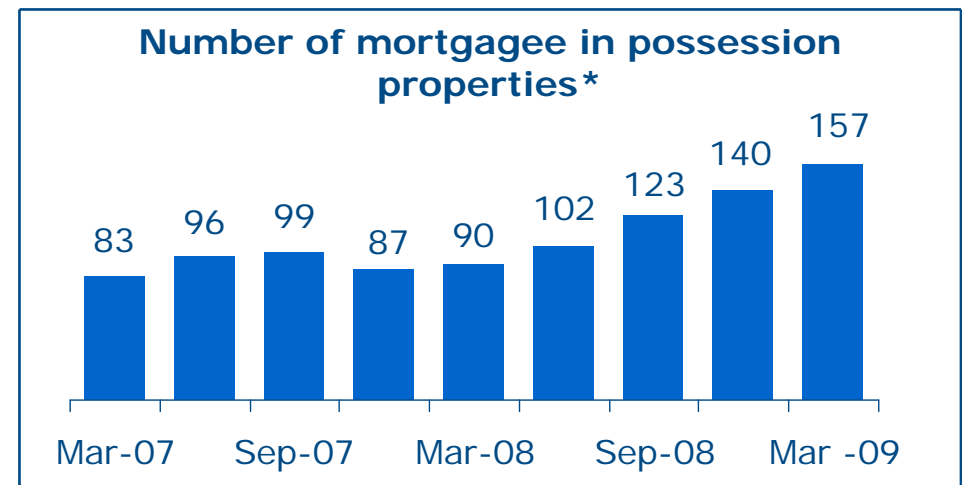
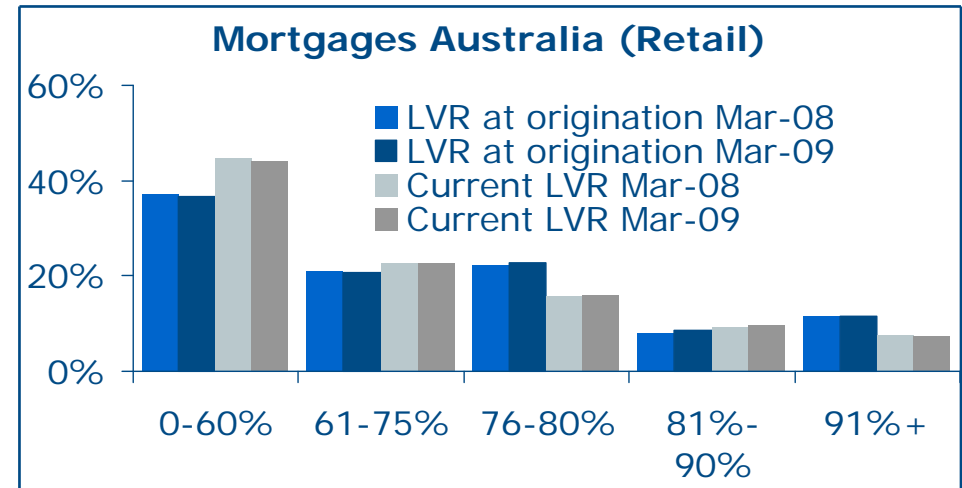
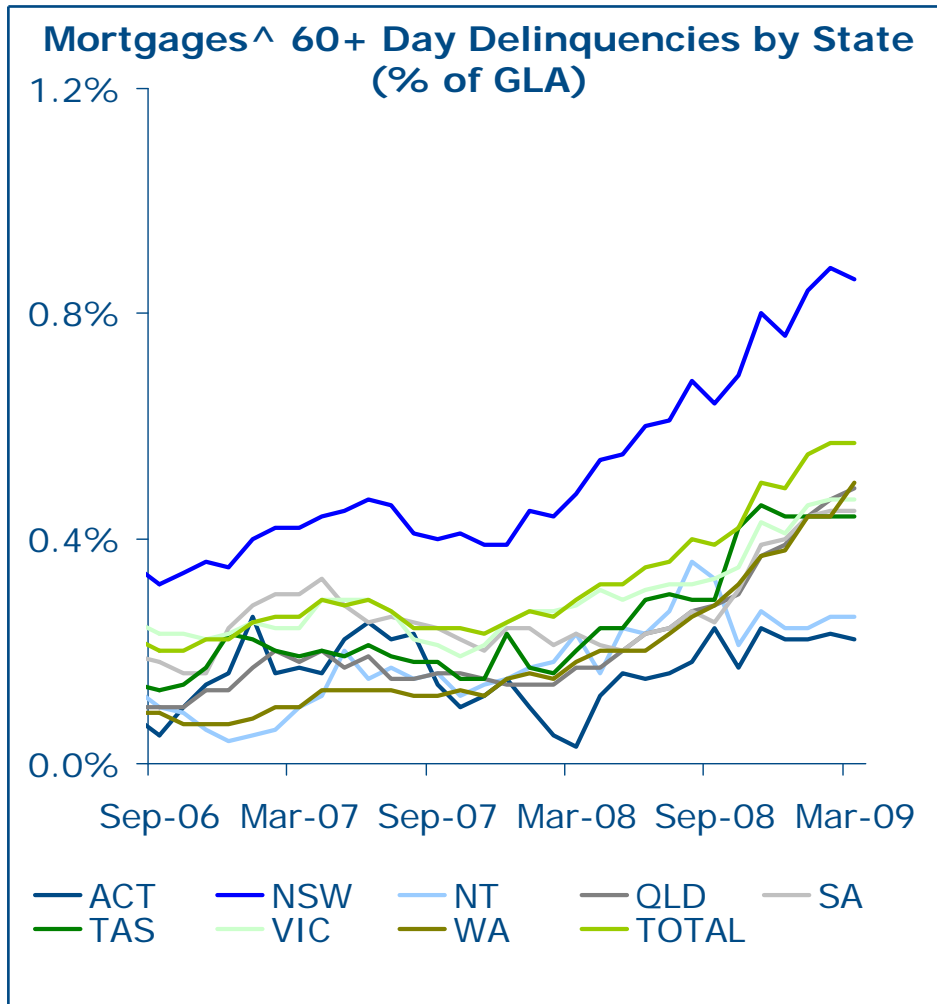


## New Zealand Property Portfolio by Sector



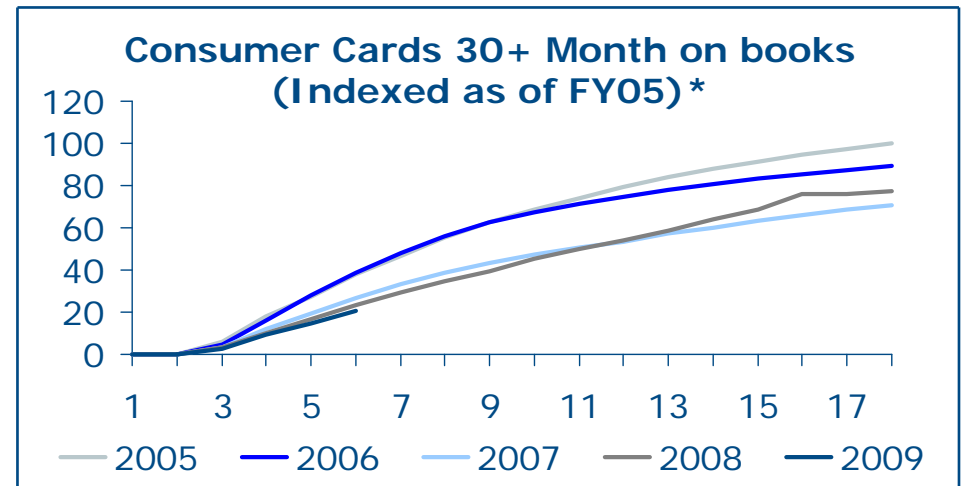
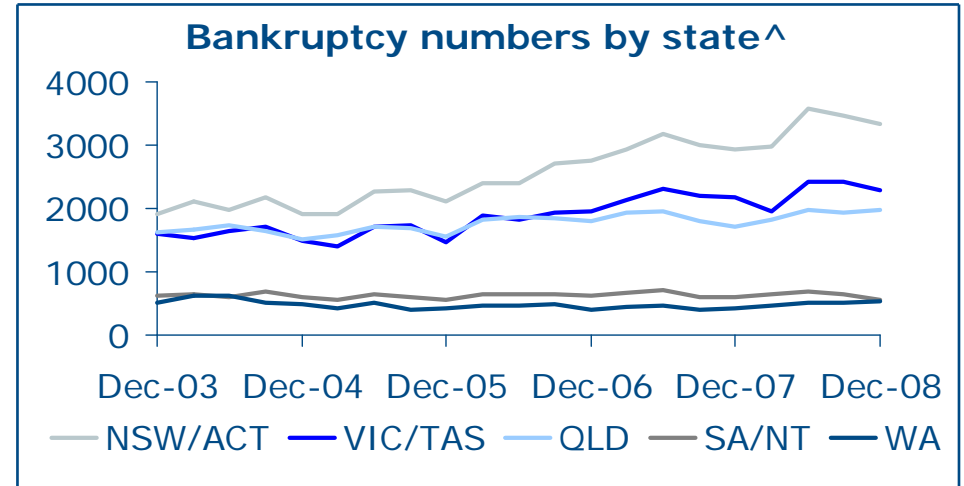
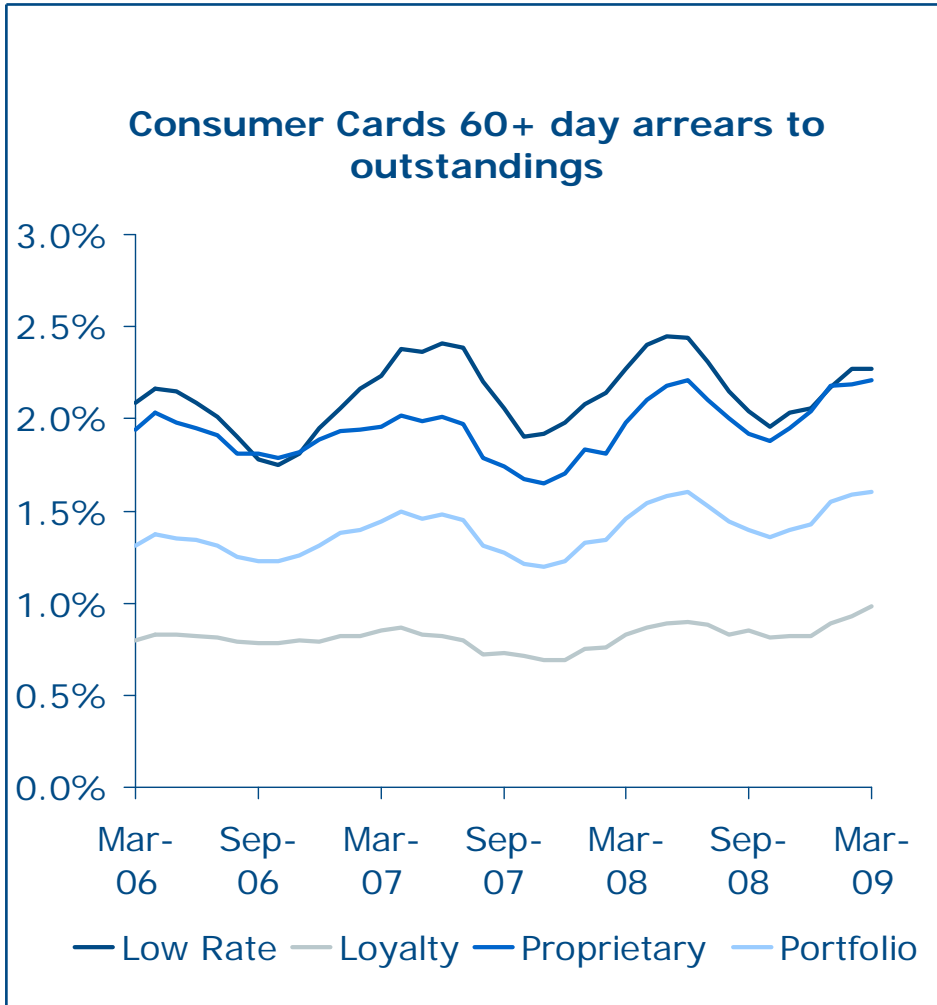
\* Major categories of "other" includes high rise, retirement villages, vacant land, other residential.

# Australia secured consumer portfolio



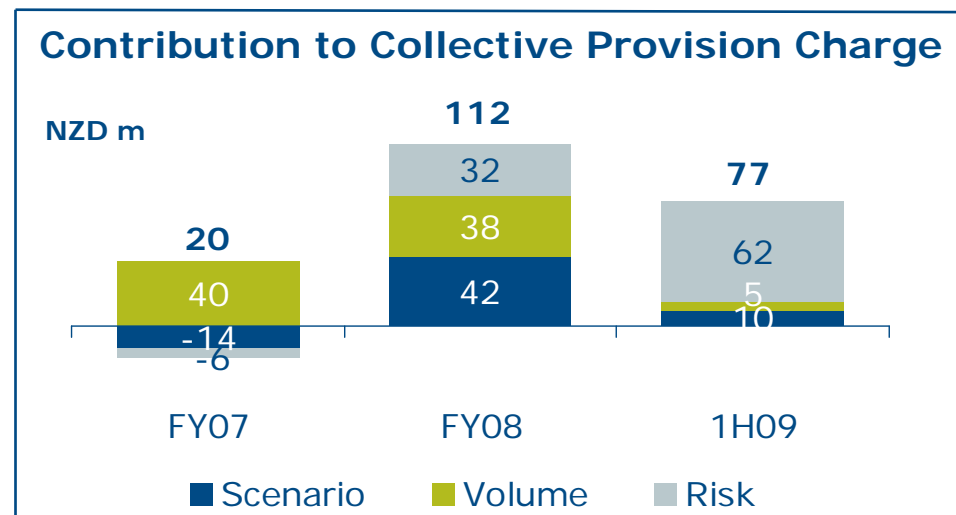
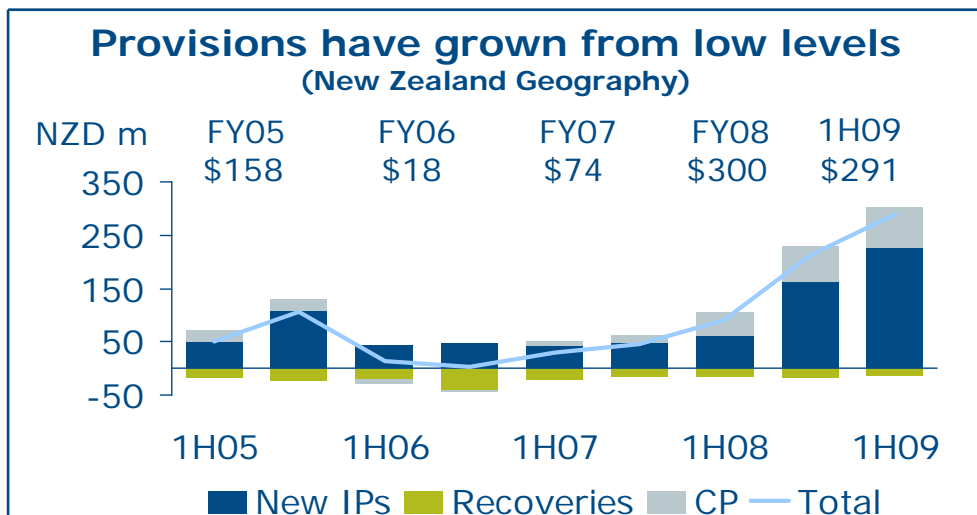
^ANZ Retail excludes Wholesale \*includes wholesale

# Australia unsecured portfolio



<sup>^</sup>ITSA \*Excludes Aussie Mastercard MOB data. MOB based on ANZ financial year. e.g. 2008 = Oct07 to Sep08

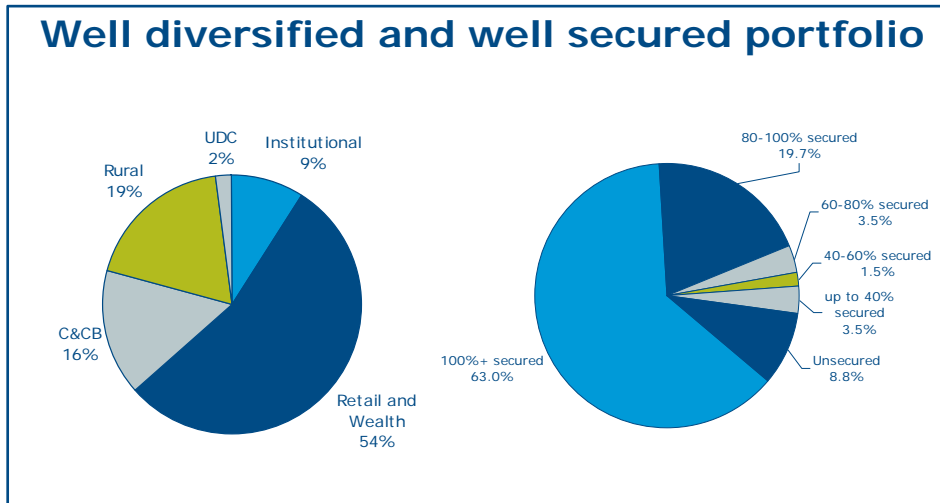
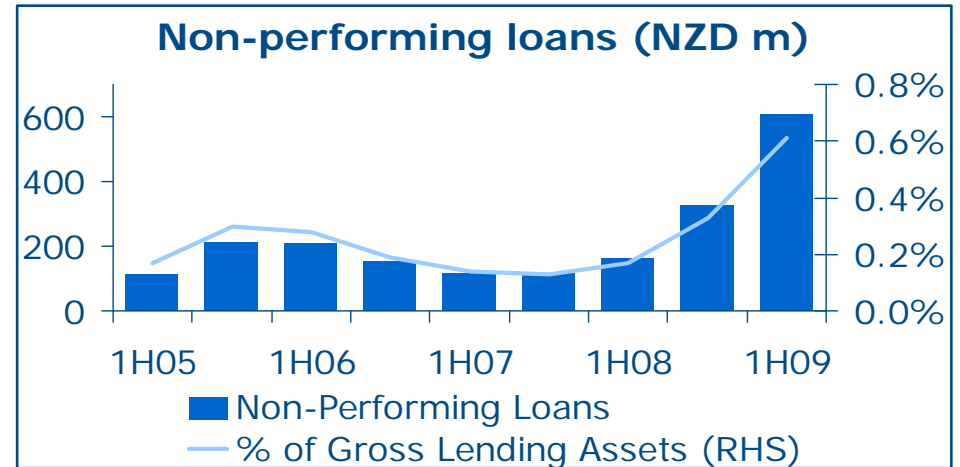
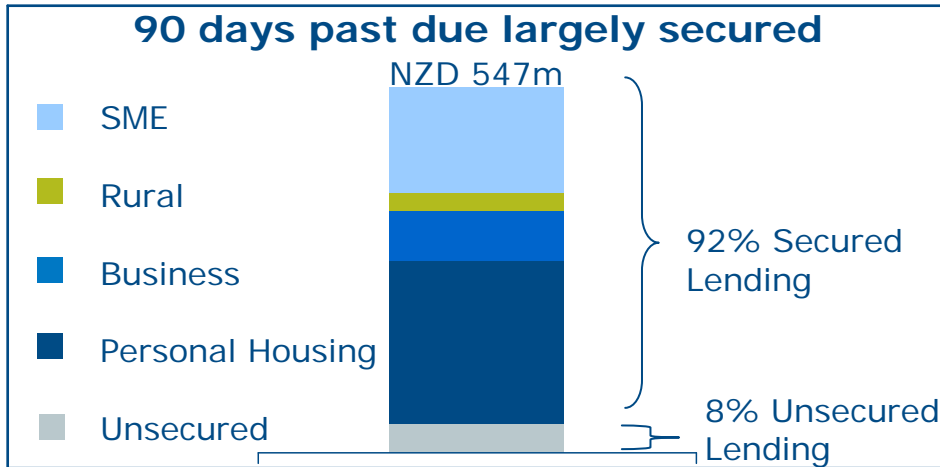
# New Zealand: Provisioning levels increasing as the recession deepens, particularly in the Commercial businesses



- Domestic recession continues through 1H09; signs of stress are now evident across all segments of the economy
- IP charge increase of NZD73m (by 13bp to 43bp) reflects impact of reduced consumer activity on business market
- While provisioning has risen, write-offs remain relatively low to date
- CP charge increase of NZD11m from 2H08 largely from introduction of new Basel II models across the portfolios, with economic cycle adjustment in 2H08

Category	IP Charge		Net Write-Off	
	NZDm	bps	NZDm	bps
Personal Housing	37	21	5	3
SME	28	35	12	15
Rural	13	14	0	0
Business	95	70	12	9
Unsecured	41	353	39	340
<b>Total</b>	<b>214</b>	<b>43</b>	<b>68</b>	<b>14</b>

# New Zealand: Increase in arrears and impaired assets is now being experienced across all segments



- Arrears and non-performing loans increased across all portfolios; personal mortgage and business loan arrears have shown the biggest rise.
- Higher cost of living and increased interest repayments drove much of the lift in 2H08; the latest rise in Retail is mostly due to reduced incomes. The slowing economy and lower commodity prices are impacting non-retail customers.
- Rising unemployment and a tougher global economic environment will continue to affect credit quality over the coming half.

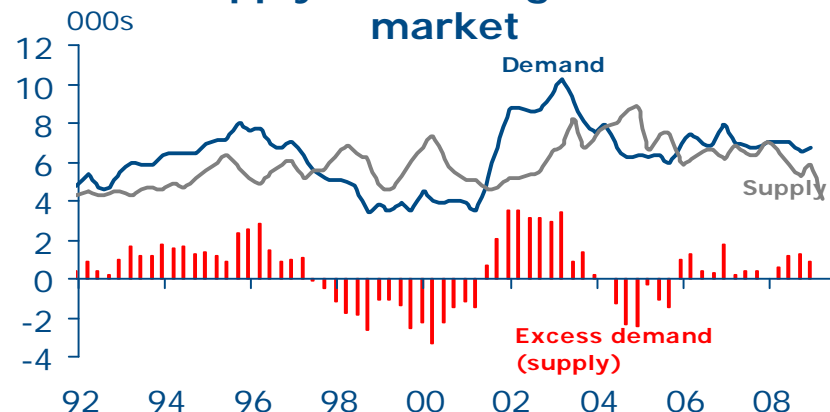


# New Zealand Retail: more household cashflow relief expected, although stress now driven by unemployment or reduced incomes

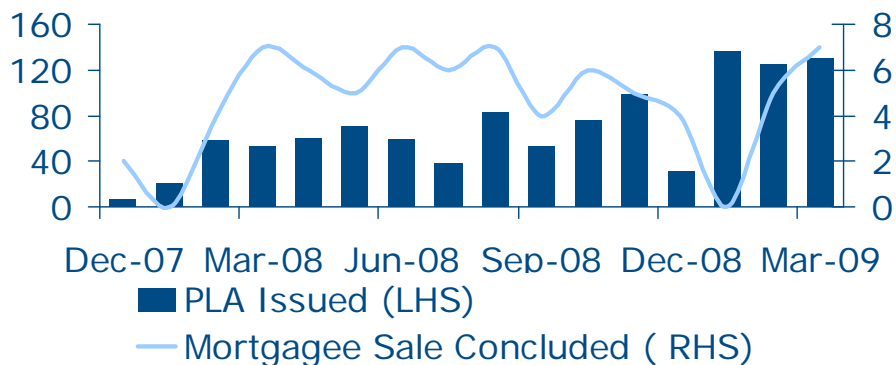
## Interest rate reductions now benefiting consumers since early 2009



## No over supply of housing in the domestic market



## Number of PLA Notices issued\* and mortgagee sales concluded



- In 2008 most mortgage stress was caused by the rapid increase in fixed interest rates and rises in the cost of living
- Over the last half reductions in income (unemployment, reduced hours and loss of bonuses or commission income) have dominated mortgage stress. Owner occupiers of standard residential properties now represent the majority of mortgage provisions and arrears

\* PLA notice = property law action notice. Customer has 45 days to repay arrears owing after which bank can proceed to mortgagee sale. NZ has no equivalent to the Australian mortgagee in possession process

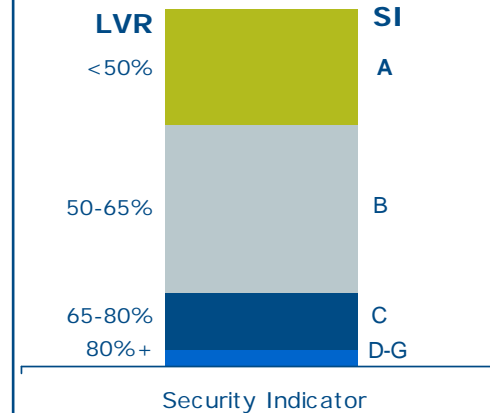
# Commercial credit quality holding up well; Rural well secured

## Overall Commercial credit quality holding up in a difficult environment

### Average Customer CCR

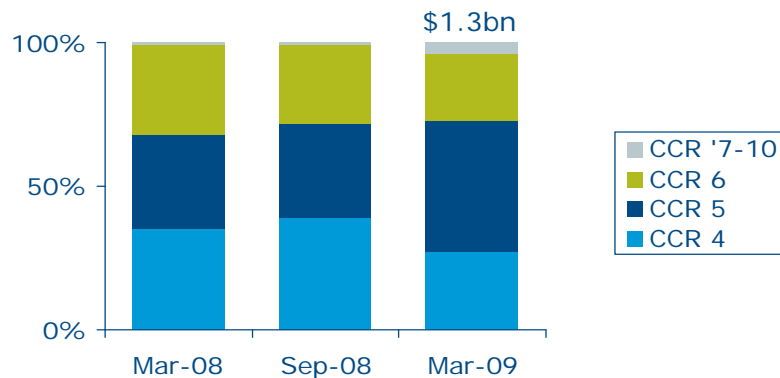
	Sep-07	Mar-08	Jun-08	Sep-08	Dec-08	Mar-09
Rural	5.17	5.26	5.17	5.10	5.11	5.22
C&CB	5.19	5.24	5.27	5.30	5.30	5.44
UDC	5.79	5.38	5.49	5.66	5.66	5.73

## Rural has a well secured portfolio



- 95% of portfolio has a security indicator (based on extended value) of C or better (LVR < 80%)
- At Fair Market Value 79% of the portfolio has an LVR of 65% or better

## Property credit quality sound (Property Construction Finance)



- Exposure to finance and property development sectors scaled back in 2006/08
- Whilst Rural credit quality has weakened in line with commodity prices it has a degree of resilience to economic shocks
  - Exchange rate acts as natural hedge to commodity prices
  - Economics of agricultural sector and ability to service debt is maintained through productivity gains on farm



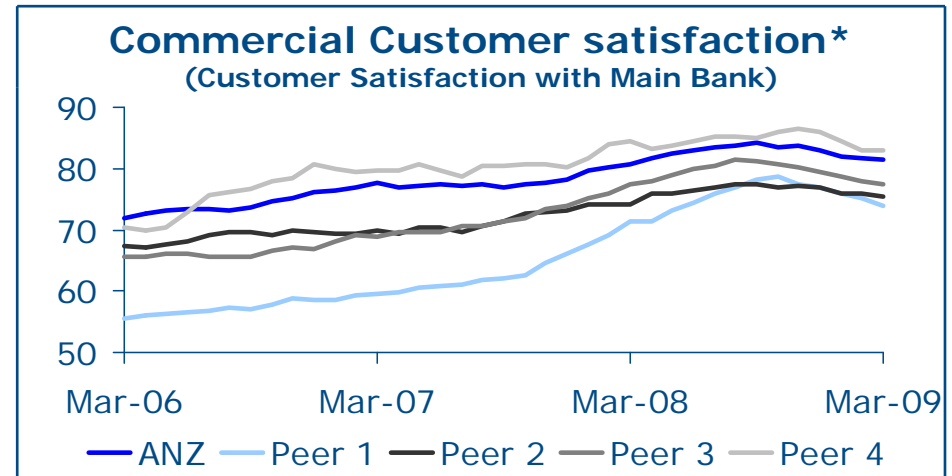
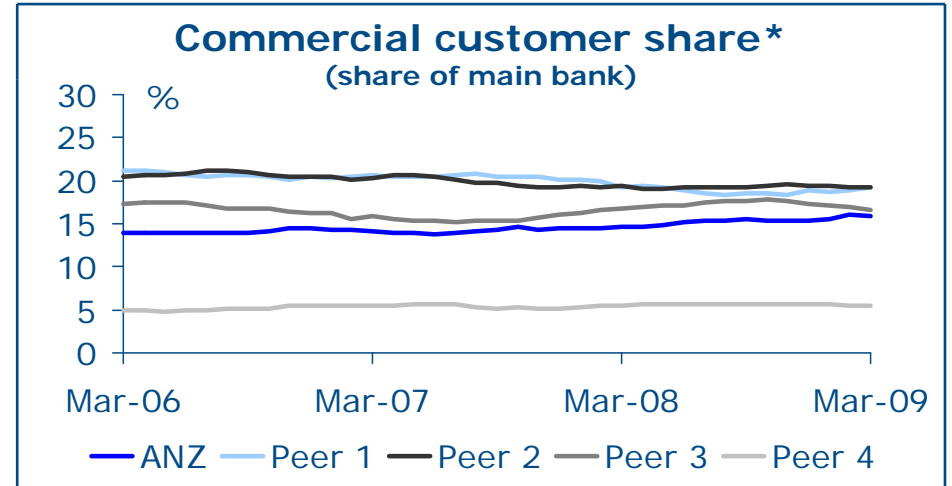
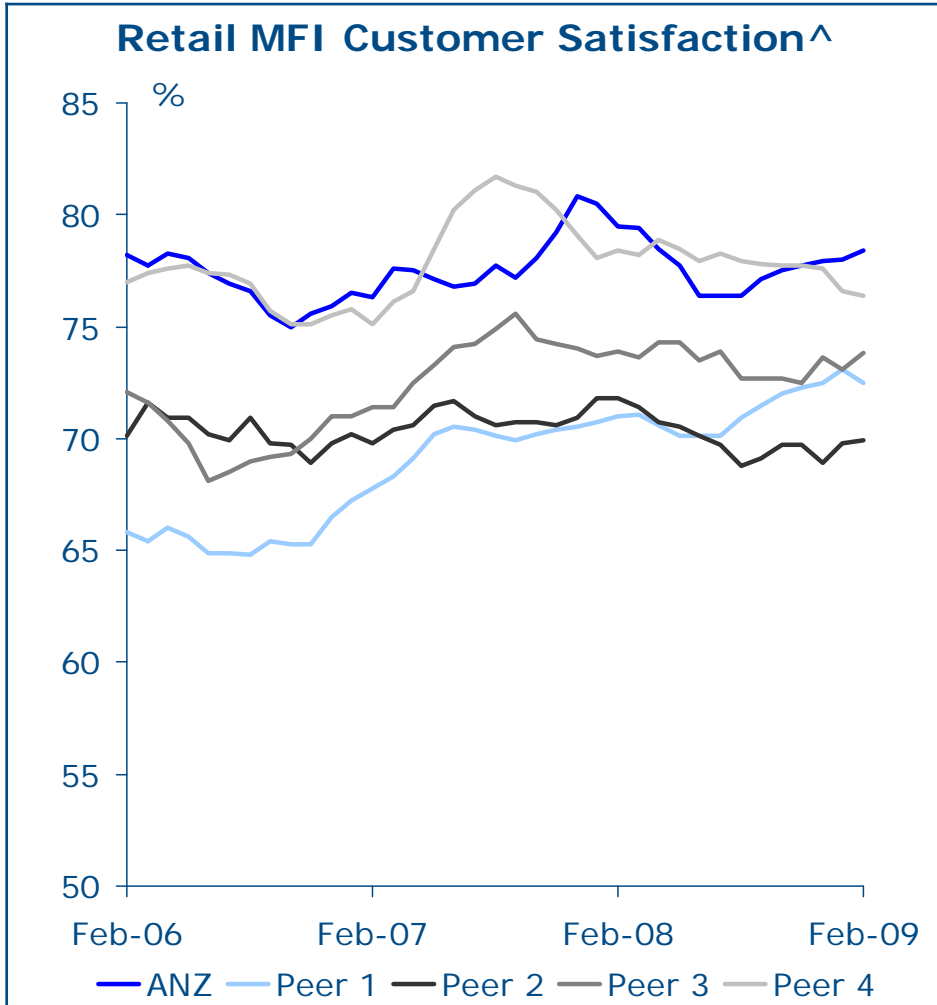
AUSTRALIA AND NEW ZEALAND  
BANKING GROUP LIMITED

# 2009 Half Year Results

## Divisional performance

29 April 2009

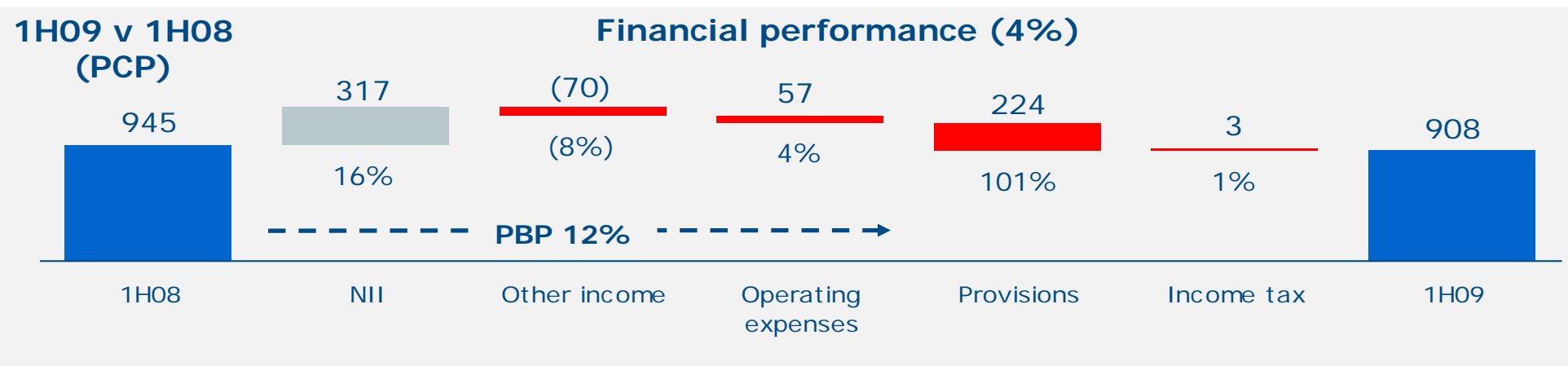
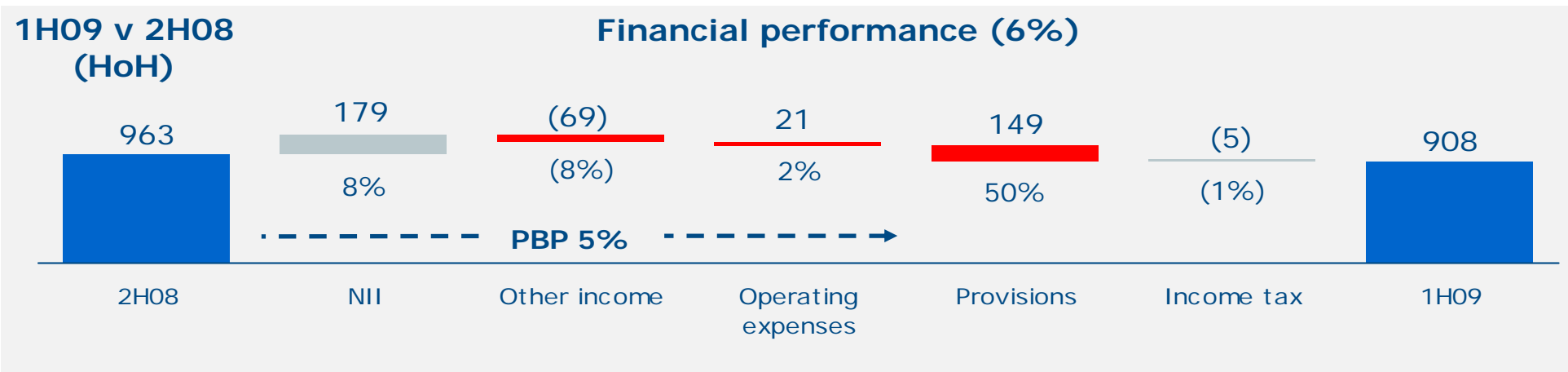
# Australia: Strong Customer Franchise



<sup>^</sup> Roy Morgan Research – Aust Main Financial Institution Pop'n aged 14+, % Satisfied (Very or Fairly Satisfied), rolling 6 months

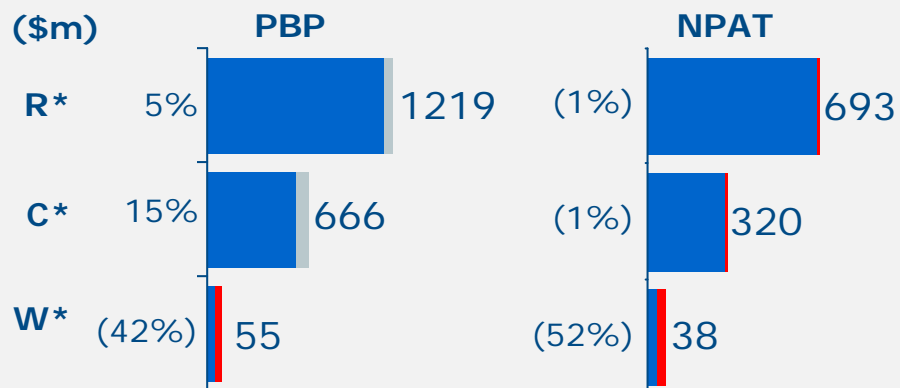
\* TNS Business Finance Monitor. Base: All businesses with annual turnover under \$40mil (excluding agribusiness) rolling 12 months

# Australia: Maintaining pre provision earnings momentum, provision levels reflecting the economic downturn

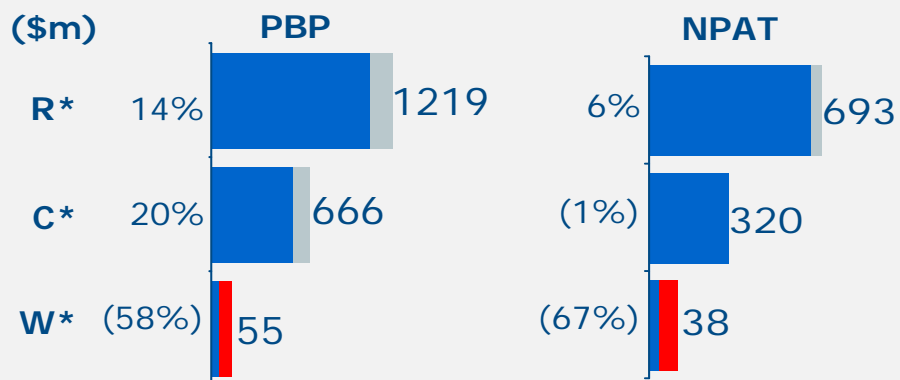


# Australia: Segment Profit and Loss Review

## 1H09 Performance (HOH) ^



## 1H09 Performance (PCP) ^

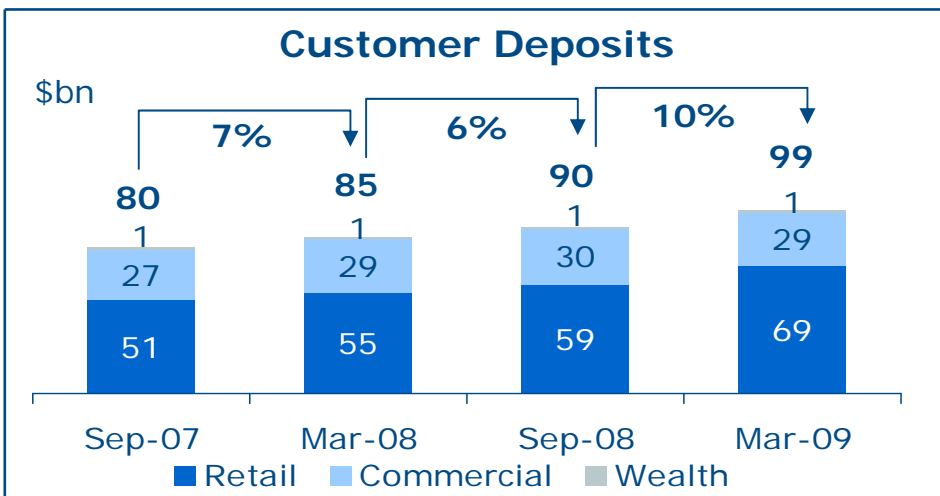
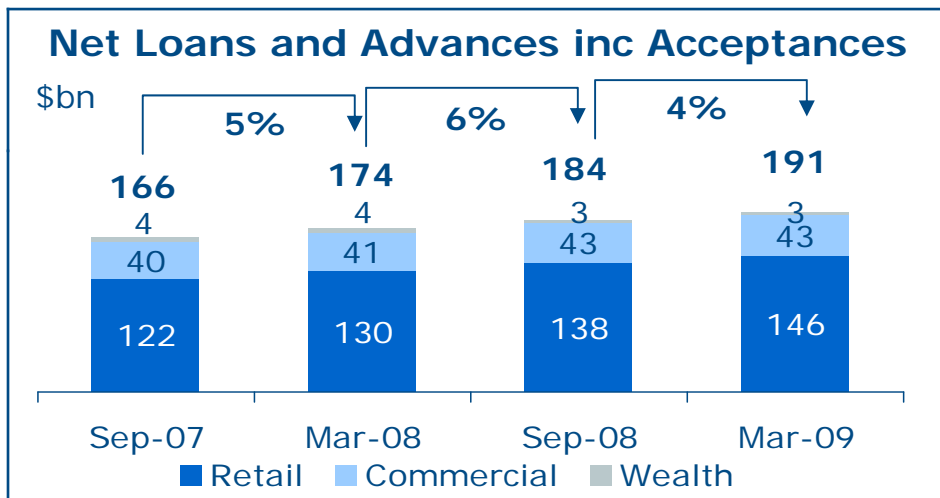


## Australia Division consists of Retail, Commercial and Wealth segments

- Good contribution from Retail and Commercial businesses, Wealth impacted by investment market conditions
- Strong overall balance sheet growth and margins increase of 11bps PCP
- Other income decreased 8% driven mainly by the decline in Wealth income, impacted by INGA capital investment earnings
- Operating expenses increased 4% PCP, due to increased volume growth, premises costs and investment in systems, primarily in Retail and Commercial
- Credit costs increased \$224m with individual provisions up \$156m and collective provisions up \$68m, reflecting increased delinquencies across Retail and Commercial due to deteriorating economic conditions

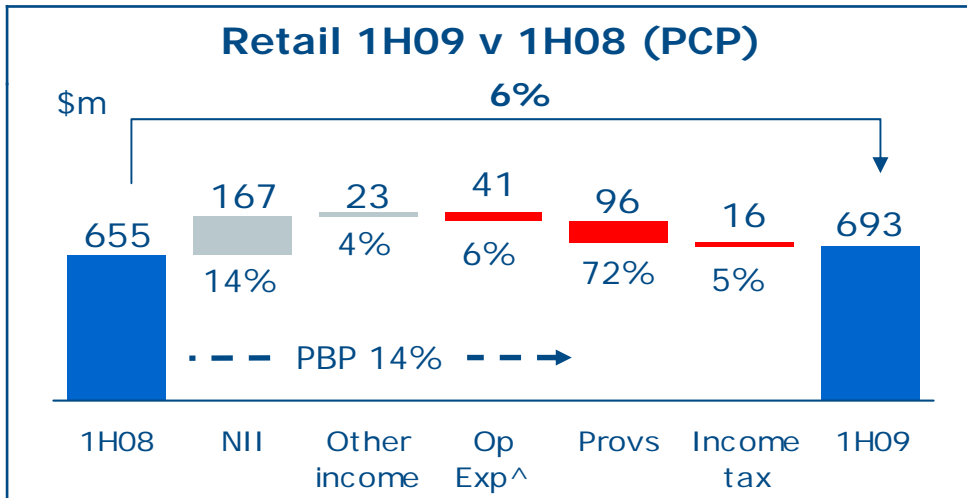
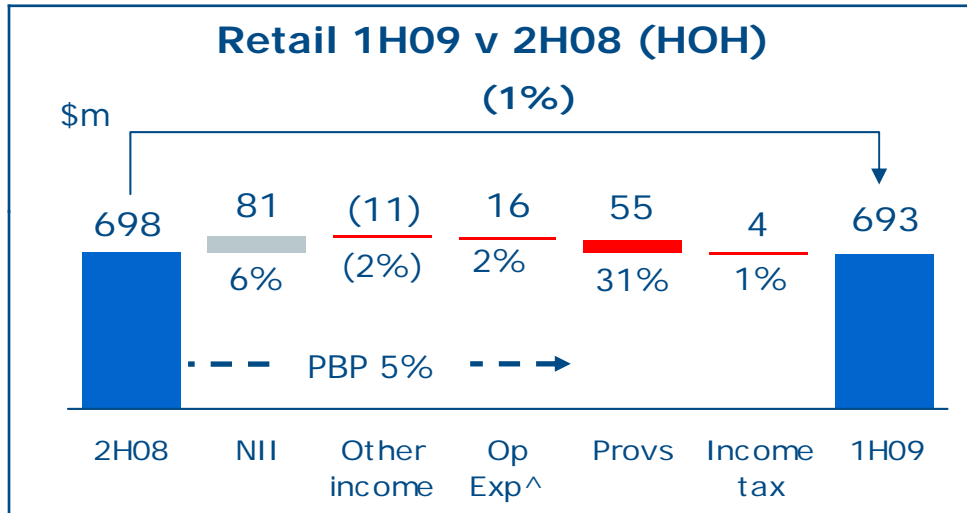
\* R = Retail, C = Commercial, W = Wealth. ^excludes operations and support costs not charged out (+5% HoH, -3% PCP)

# Australia: Balance Sheet review - strong deposit growth has funded growth in assets



- Growth of net loans & advances in 1H09 was dominated by consumer mortgages
- Customer deposits had good growth in all categories except for Esanda debentures which declined following the introduction of the federal government bank guarantee
- Strong deposit growth, particularly in consumer deposits, helped to achieve Australia Division target of self-funding 1H09 asset growth
- Following the bank guarantee, ANZ continued to gain market share

# Australia: Retail performance – solid pre provision growth



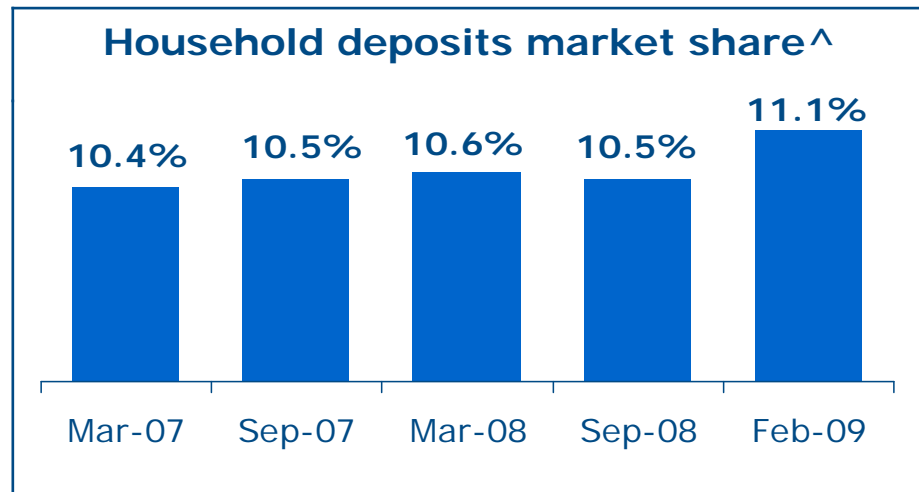
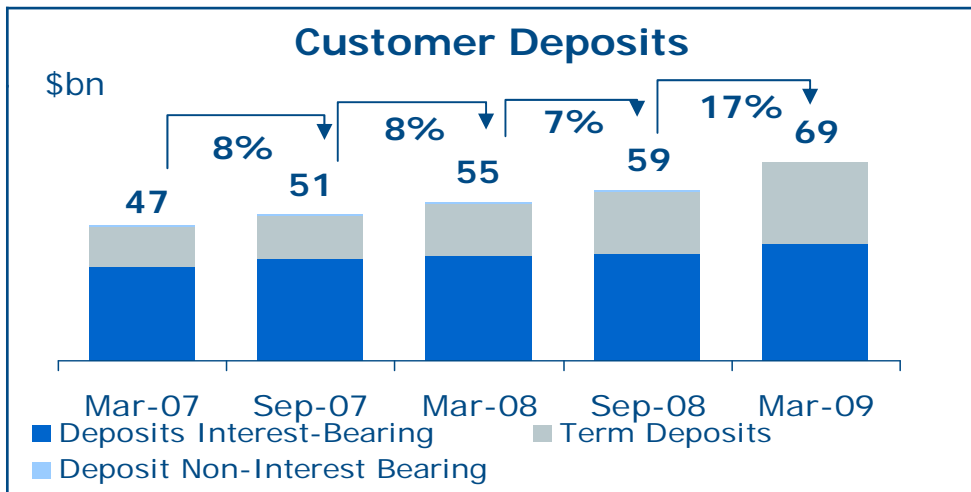
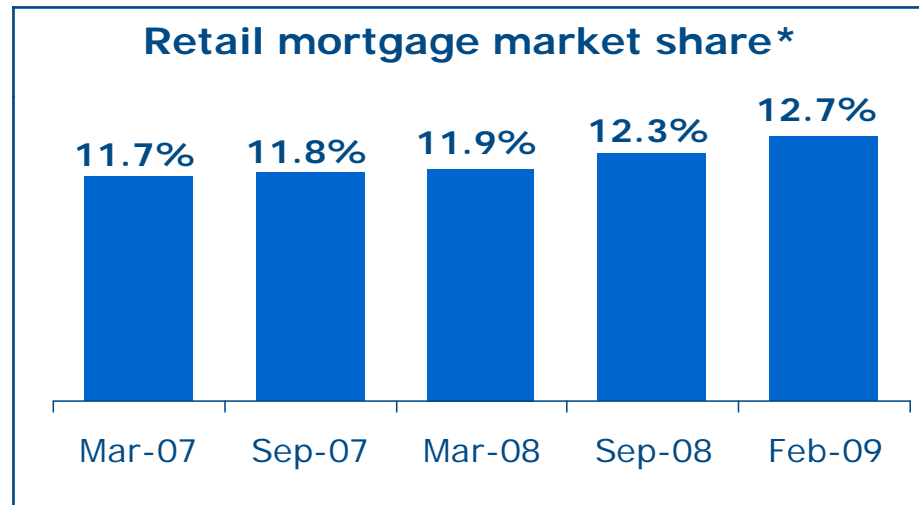
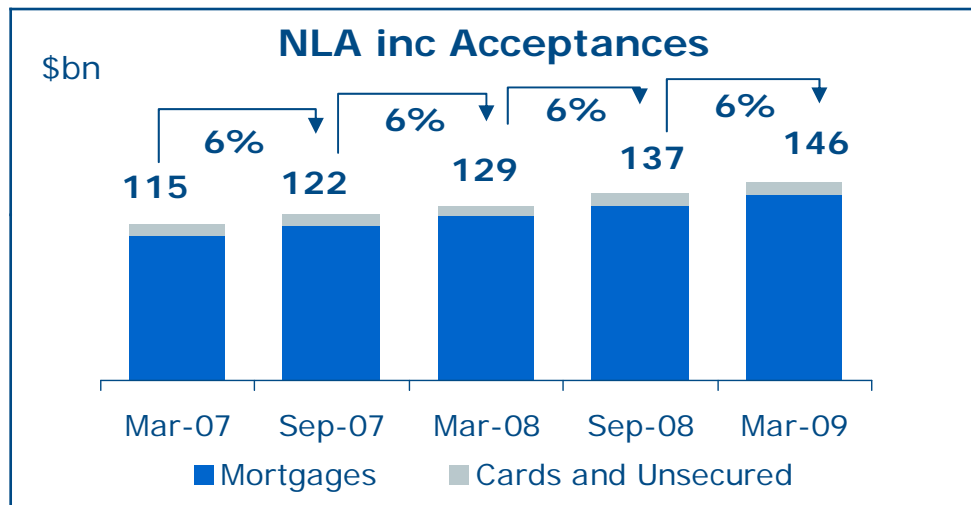
## Retail covers Products and Distribution channels for Australia, and includes Mortgages, Credit Cards and Deposits

- \$693m NPAT in 1H09, representing PCP growth of 6% in difficult year
- Strong revenue growth of 11% PCP
- 6% cost growth over 1H08, achieving Cost to income of 36.1% (down 162bps)
- Customer deposits grew 26% PCP
- Growth primarily driven by volume, with higher margins reflecting repricing to offset cost of increasing deposit volumes
- 819 branches in total, including 289 rural branches
- 198 new ATMs, totalling 2,545 ATMs
- 6,933 FTE across the segment (down 2.3% PCP)

<sup>^</sup>excludes operations and support costs charged out

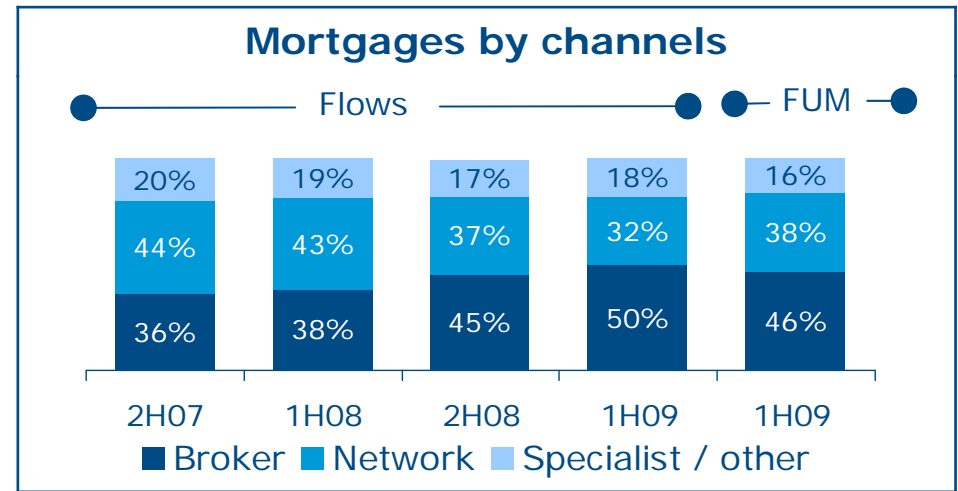
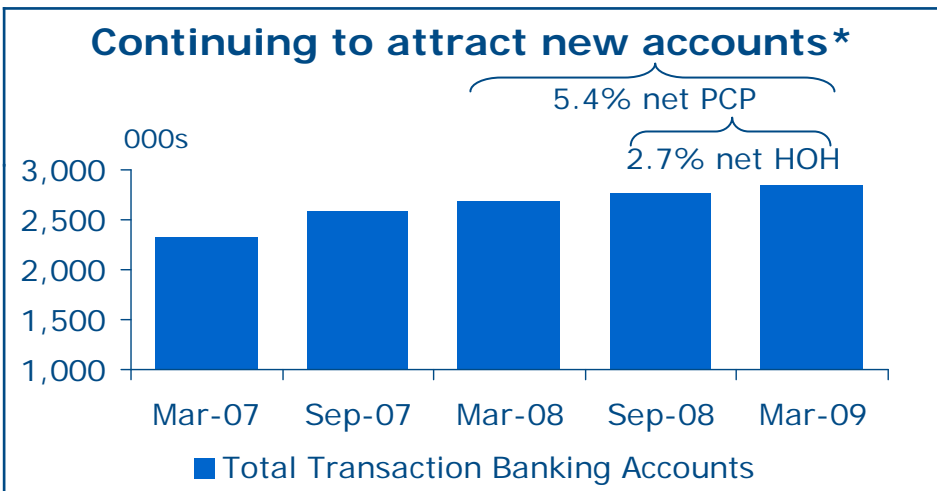
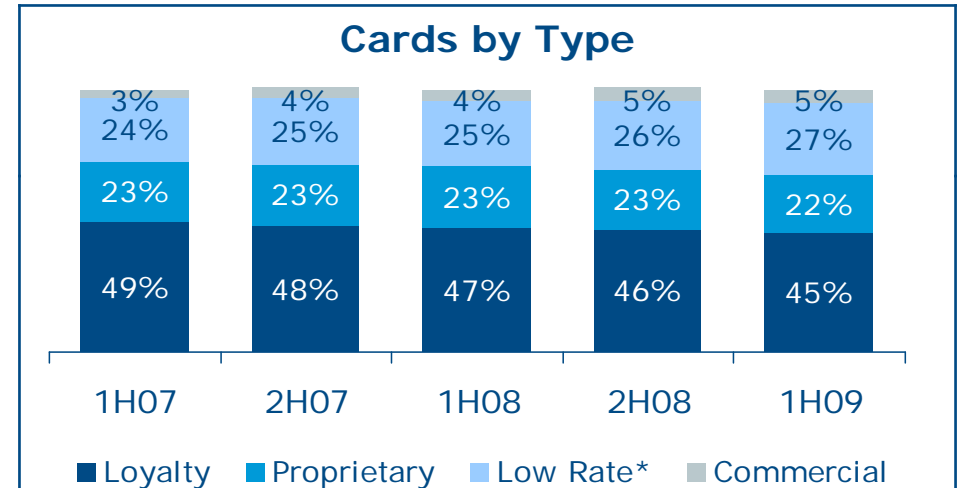
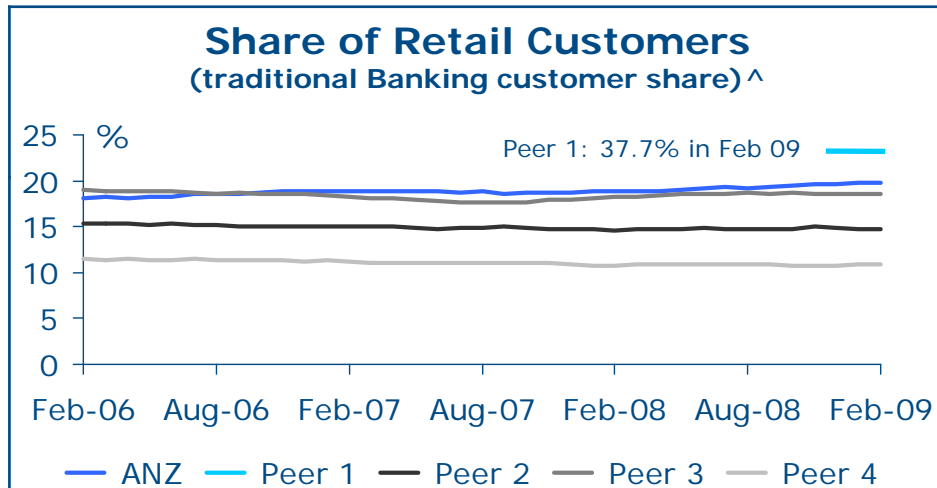


# Australia: Retail Balance Sheet - self funding balance sheet growth, achieving market share gains



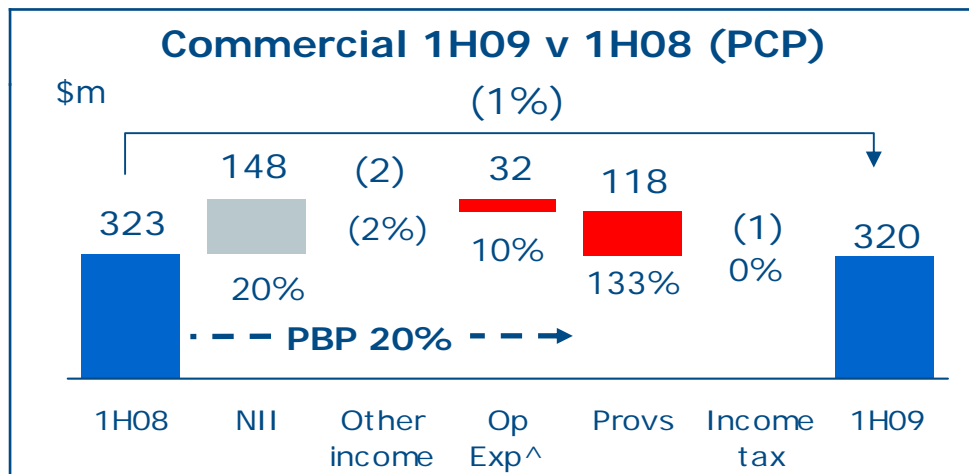
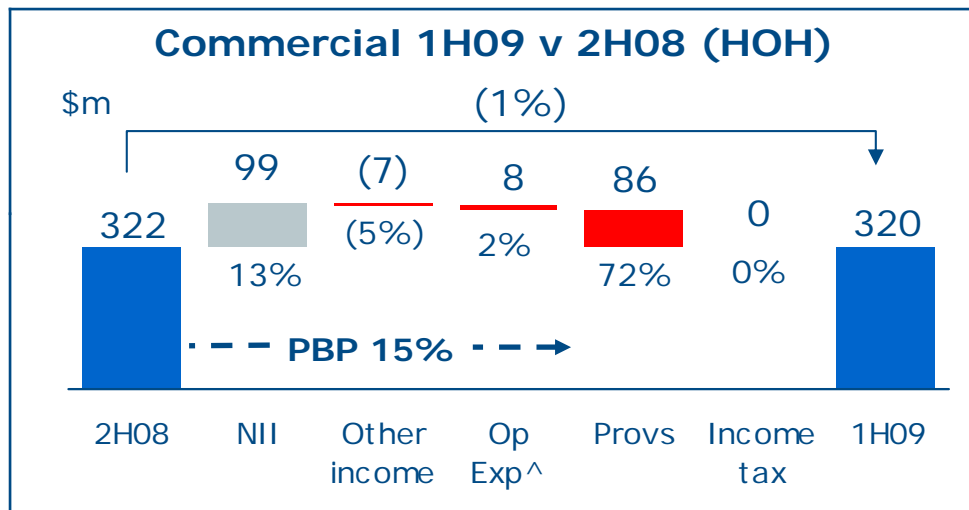
\* Source: RBA; ^APRA incl. CMT adjustment. Market share base includes credit unions and building societies.

# Australia: Retail continuing to grow customer relationships, managing a well diversified portfolio



^Roy Morgan Research – Aust Traditional Banking Pop'n aged 14+, rolling 12 months;  
\* Includes White Label

# Australia: Strong commercial revenue growth supporting investment, partially offsetting higher credit costs

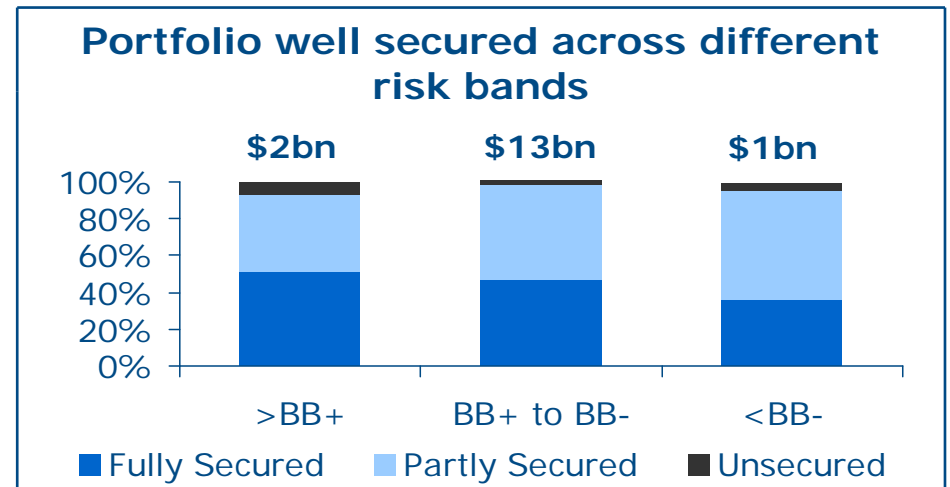
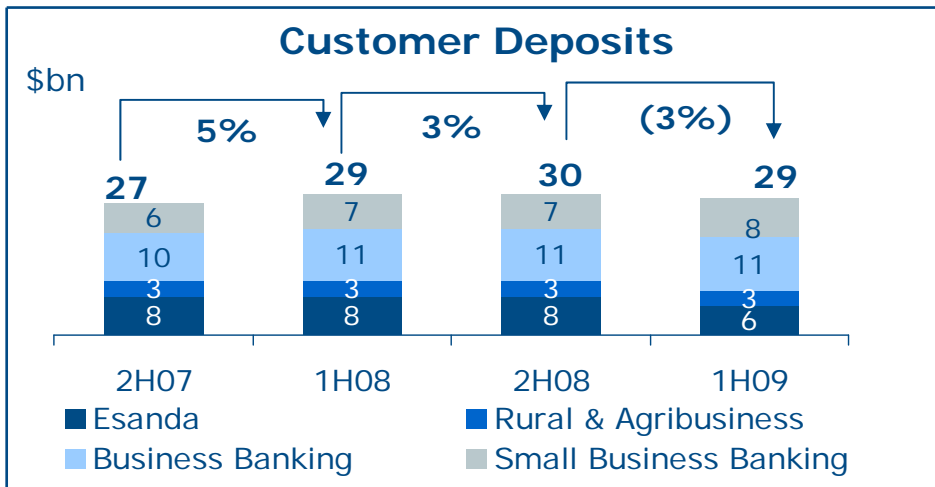
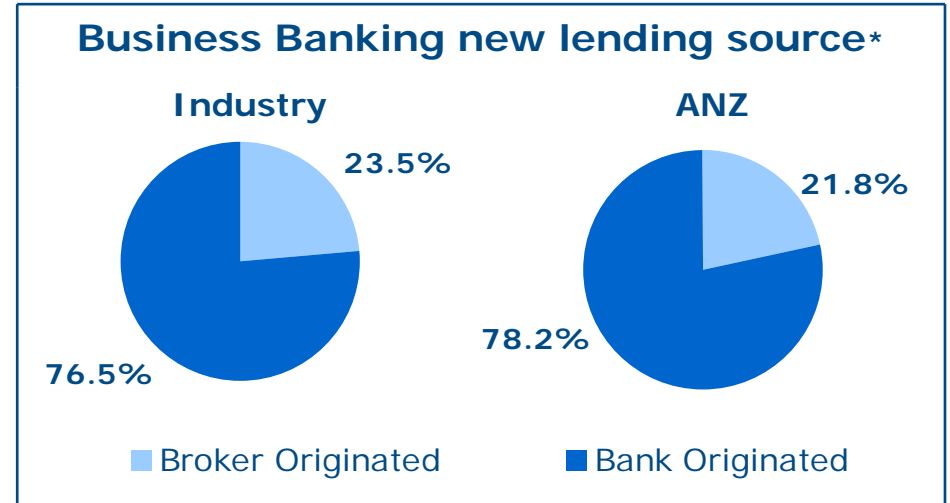
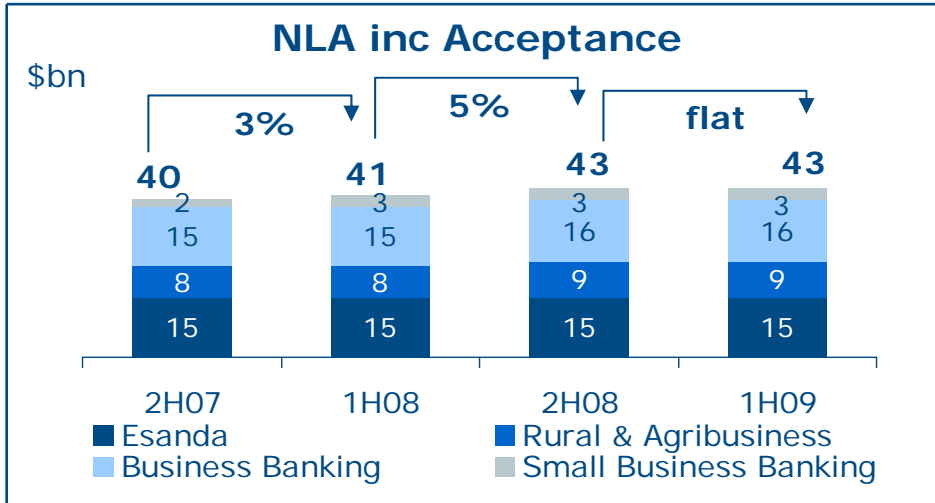


## Commercial comprises Business Banking, Small Business Banking, Regional Commercial & Agri and Esanda

- \$320m NPAT in 1H09, representing PCP decrease of 1% in difficult year
- PBP of \$666m, representing increase of 20% PCP
- Strong revenue growth of 17% PCP
- 10% cost growth over 1H08, includes costs associated with the closure of Esanda legal entity
- Achieving Cost to income ratio of 34.3% (down 205bps)
- Strong performance in all businesses following stronger lending volume growth (except Esanda) and favourable margins from pricing for risk, reducing the impact of higher credit costs
- 2,299 FTE across Commercial (up 3.7%)

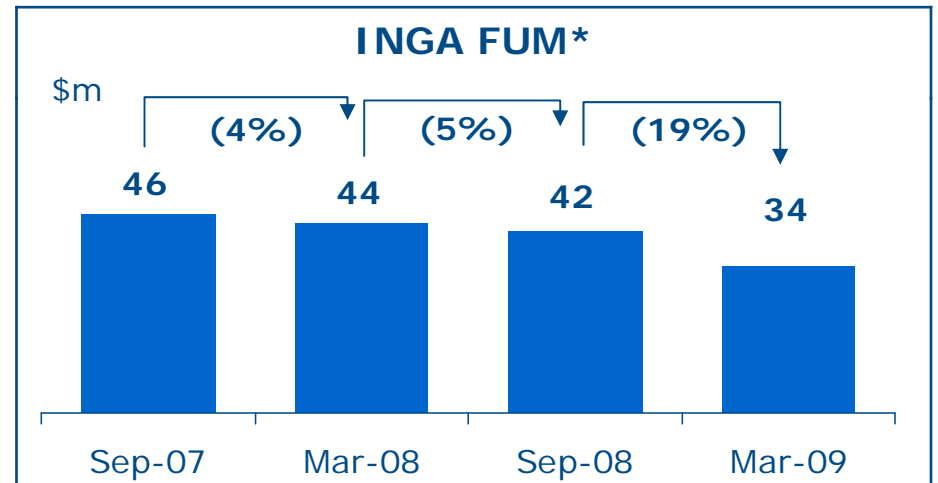
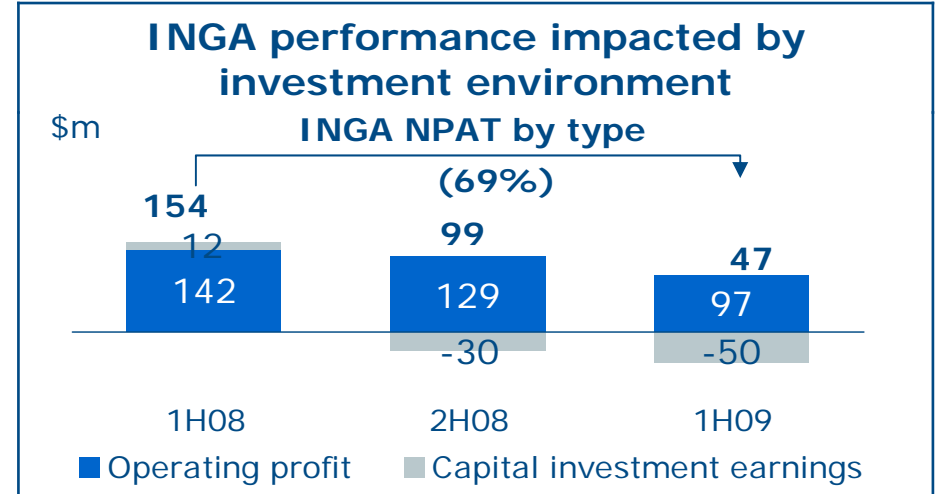
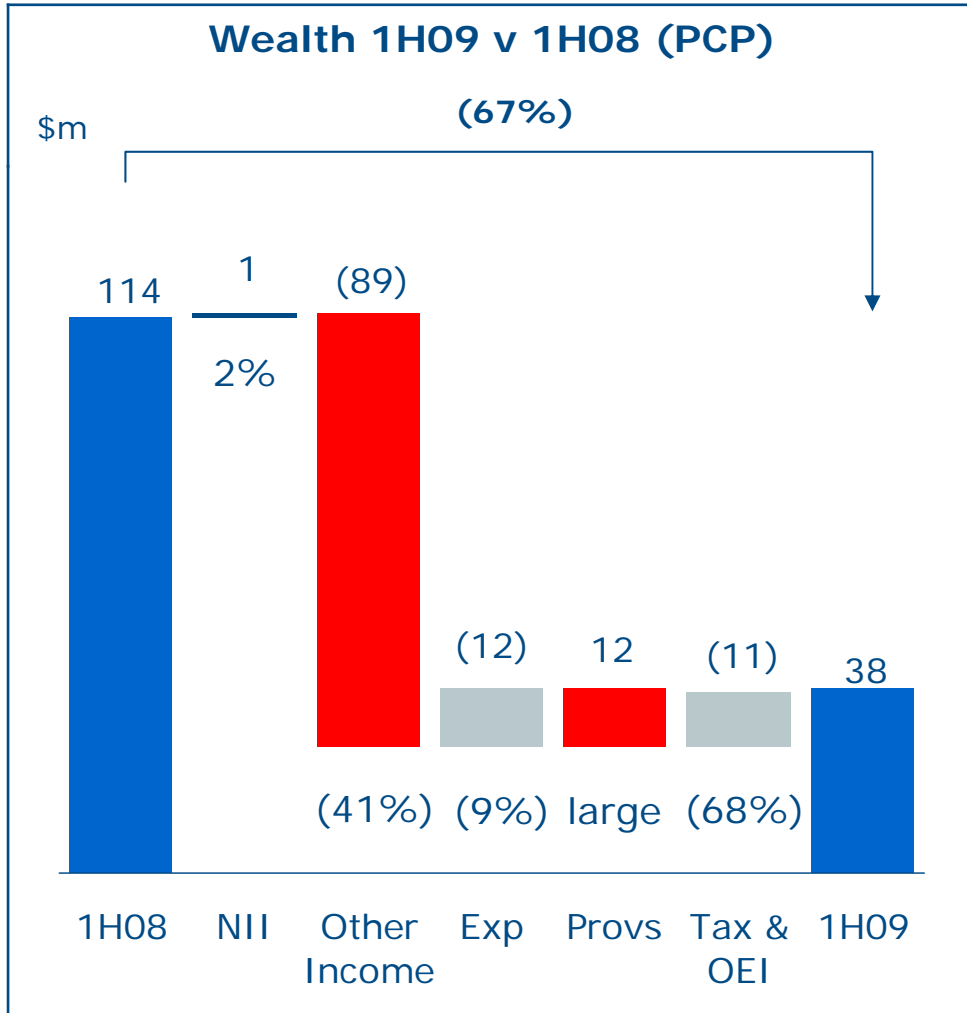
^ excludes operations and support costs not charged out

# Australia: Commercial Balance Sheet



\* Industry figures sourced from TNS Business Finance Monitor. Both Industry and ANZ refer to new business loans from January 08 to December 08

# Australia: Wealth earnings impacted by current economic and investment conditions



\*Retail & Mezzanine (excl cash)

# Asia Pacific, Europe & America (APEA): Strong overall performance amidst deteriorating economic conditions

## Highlights

### NPAT

- >95% HOH & PCP NPAT growth in Asia Pacific, Europe & America
- Increased contribution to overall Group profit from 15% in 2H08 to 21% in 1H09

### Net Interest Income

- NII growth driven by 46% increase in lending assets funded through increase of 63% in deposits. NIM improved from 1.38% to 1.78%

### Other Income

- Increased contribution from Asia Partnerships with higher equity accounted earnings particularly AMMB, SRCB and BoT
- Institutional contributed to the growth with higher Markets earnings in both sales & trading coupled with volatility in global markets

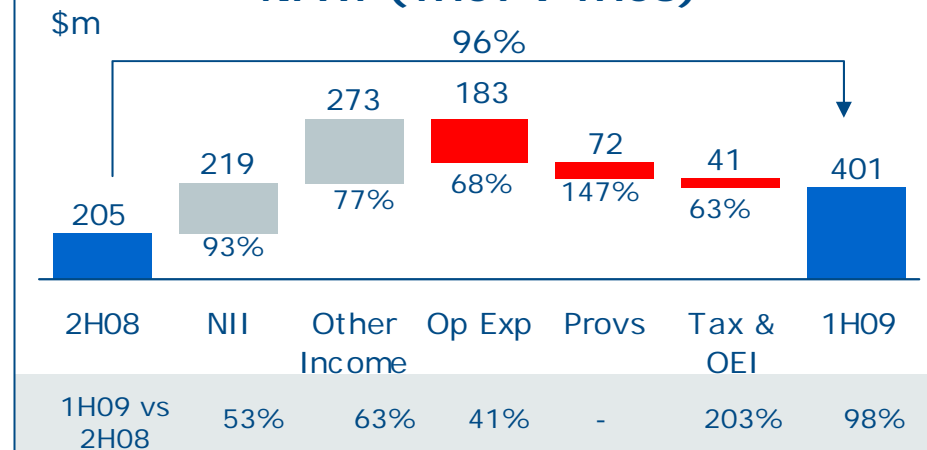
### Expenses

- Continued investment in key strategic markets across both the retail network and institutional

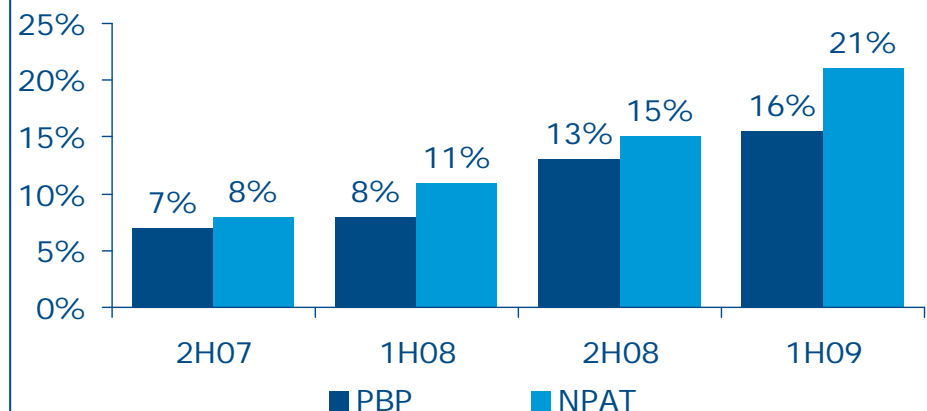
### Provisions

- Provisions up +\$72m in line with global credit market turmoil

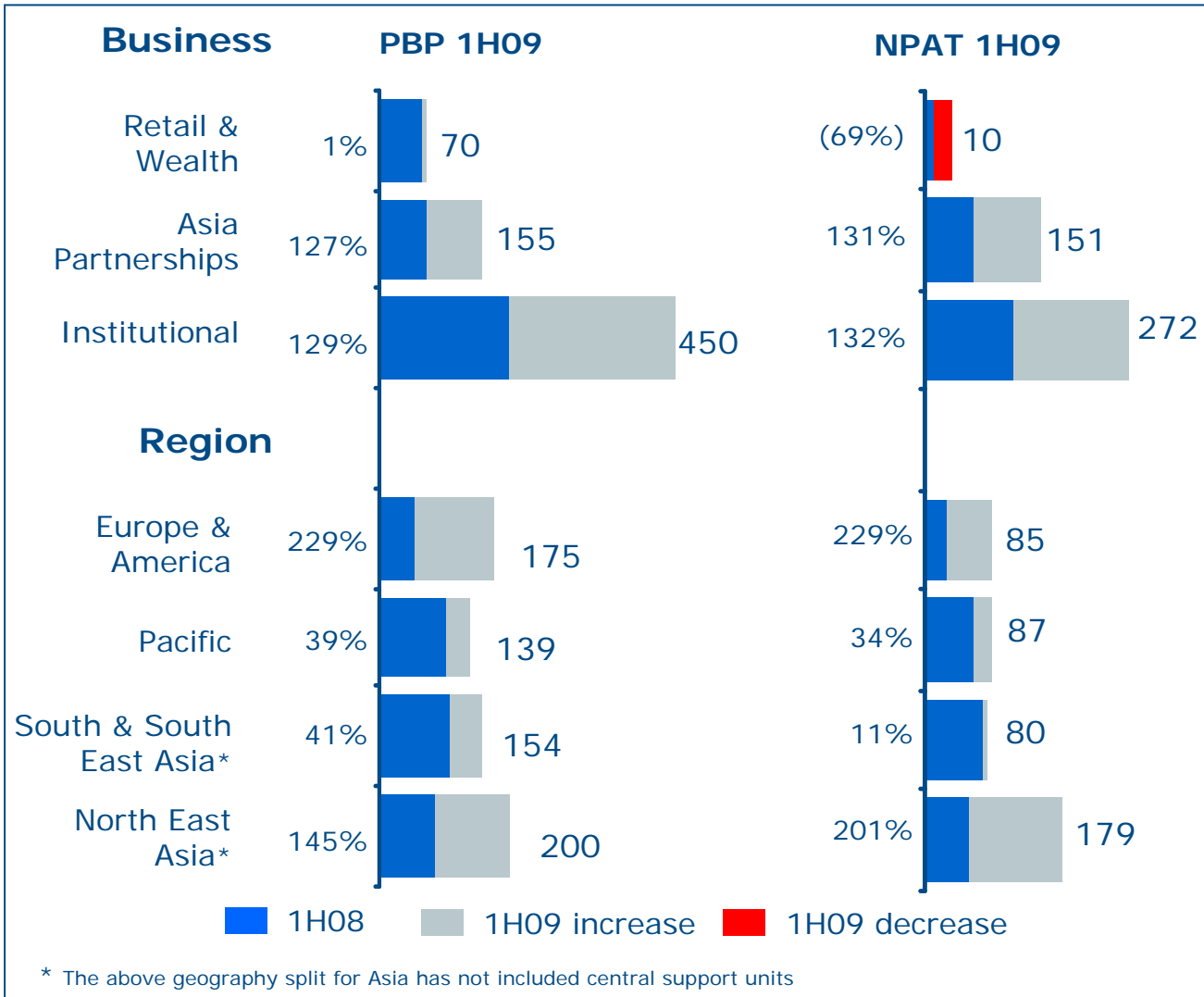
## NPAT (1H09 v 1H08)



## Contribution to Group profit



# APEA: Continued strategic investments in Retail and Wealth funded by strong Institutional & Asia Partnerships performance



## Executing growth strategy Retail & Wealth

- Investment focused on franchise expansion in key strategic markets of Indonesia & Vietnam

## Asia Partnerships

- Increased contribution from Asia Partnerships with higher equity accounted earnings particularly AMMB, SRCB and BoT

## Institutional

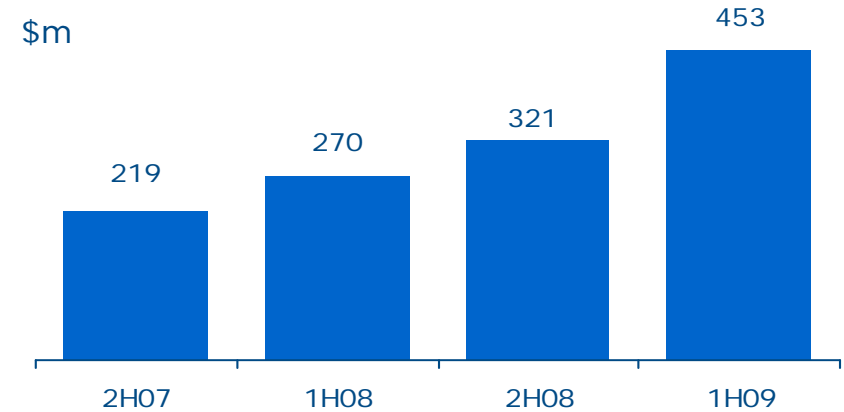
- Higher volumes & improved margins helped drive NII growth
- Growth also fuelled by higher Markets earnings in both sales & trading coupled with volatility in global markets
- Increased credit provisions reflecting global credit market turmoil & resulting in some credit downgrades even after de-risking of lending portfolio to ensure balanced risk exposure

# APEA: Continued investments in strategic markets and regional support capability while maintaining positive “jaws”

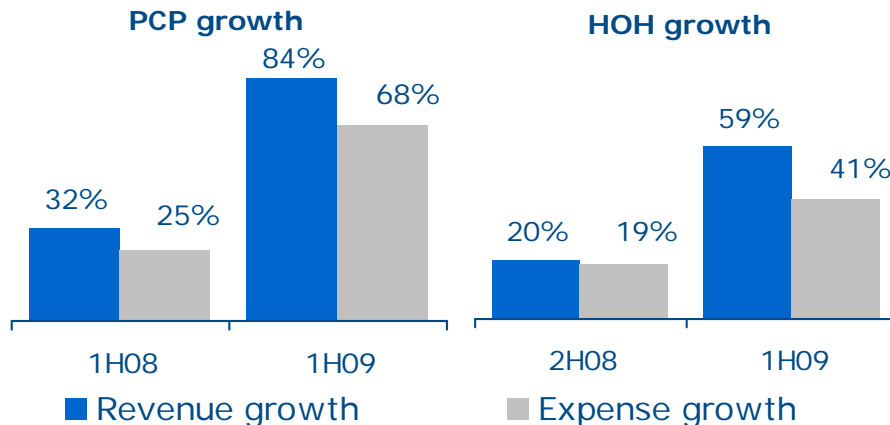
## Positive “jaws” while still investing

- Positive “jaws” with PCP +16%, HOH +11%
- FTE increases mainly in Vietnam & Indonesia with the expansion of the Retail branch network, new customer-facing Institutional roles & build-up in support areas in line with the growth in scale and business complexity
- 7 new branches, 14 ATMs added in Asia with core banking platform rollout in Indonesia

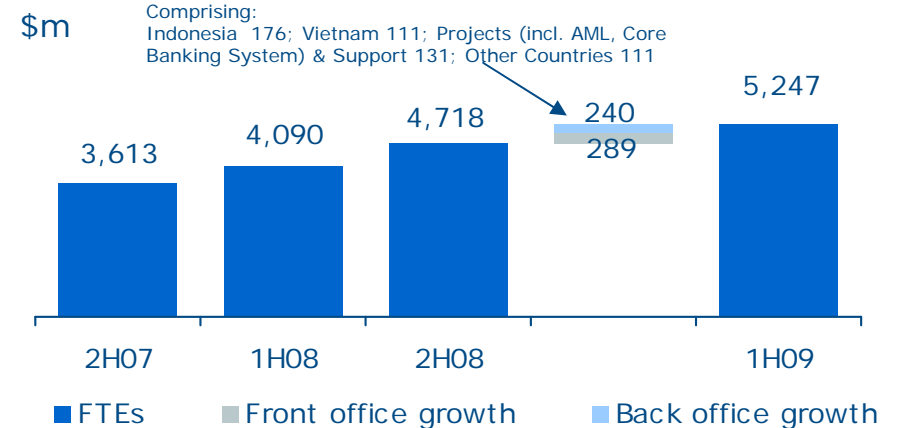
## Expense growth



## Managing to Rev/Exp growth “jaws”

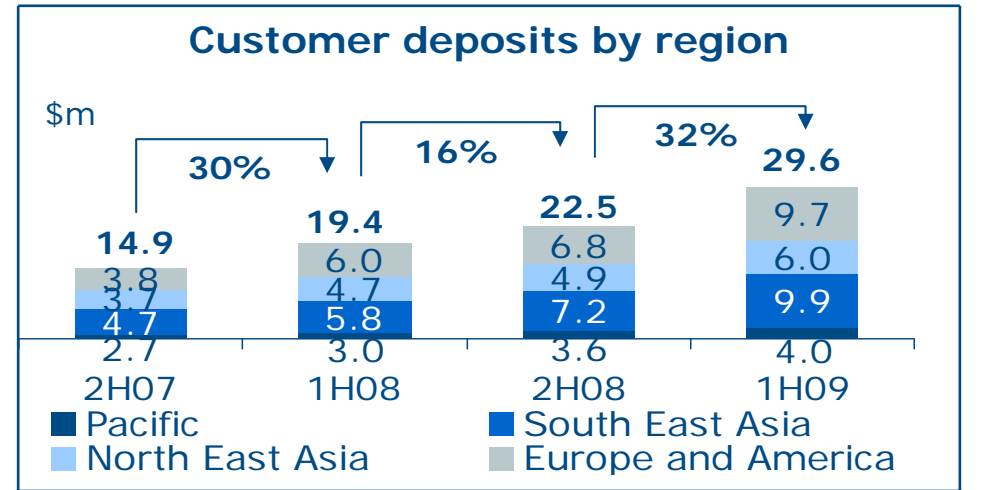
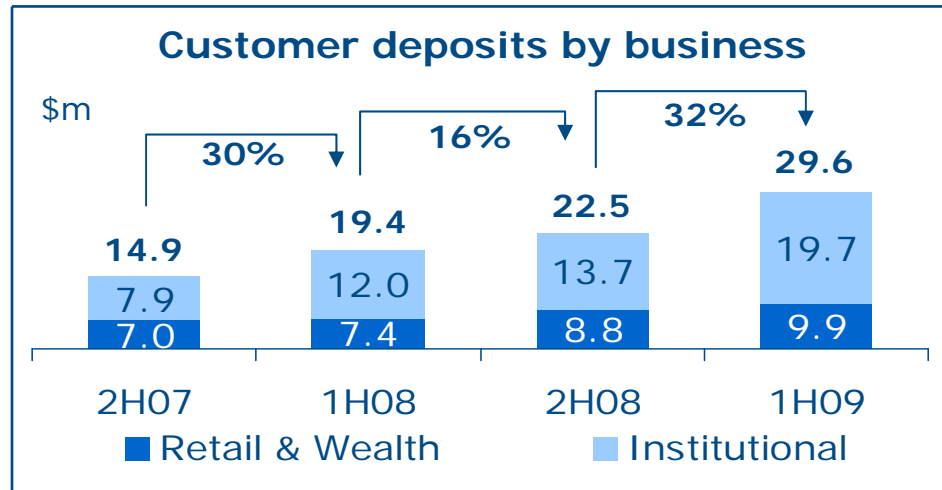
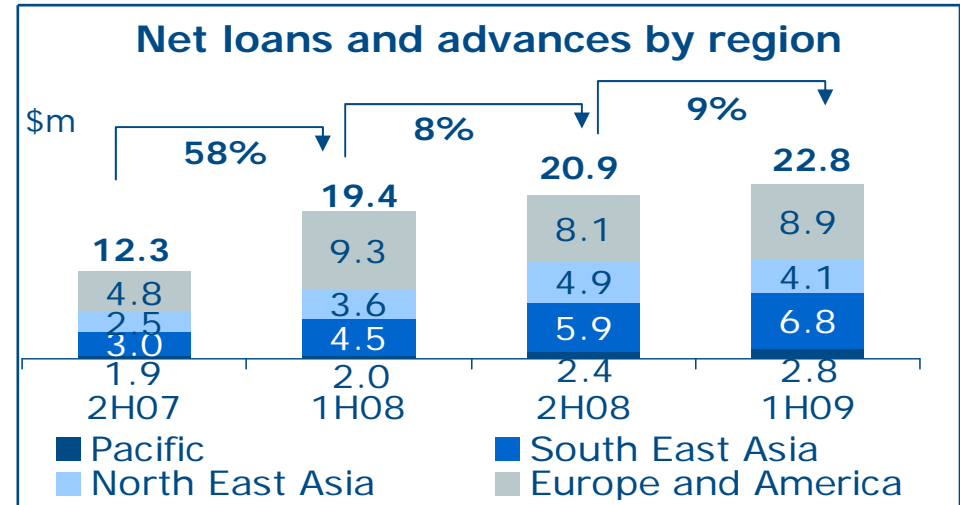
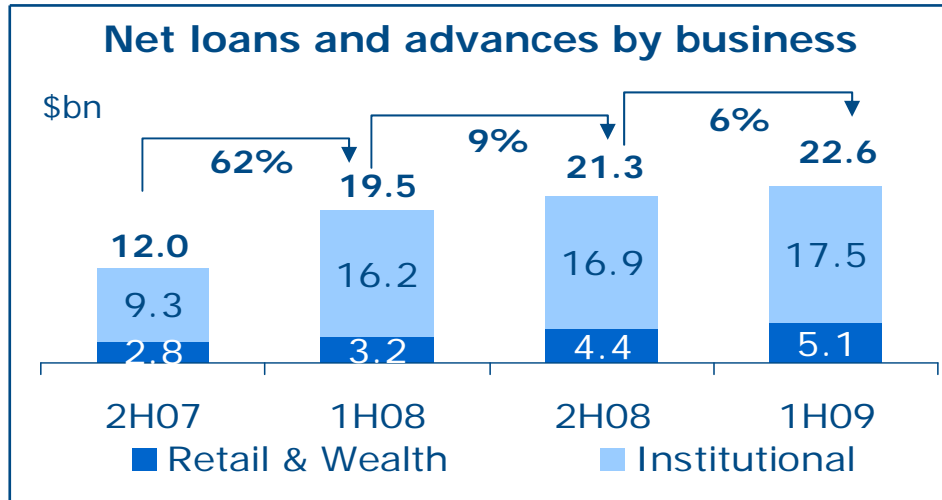


## FTE Growth

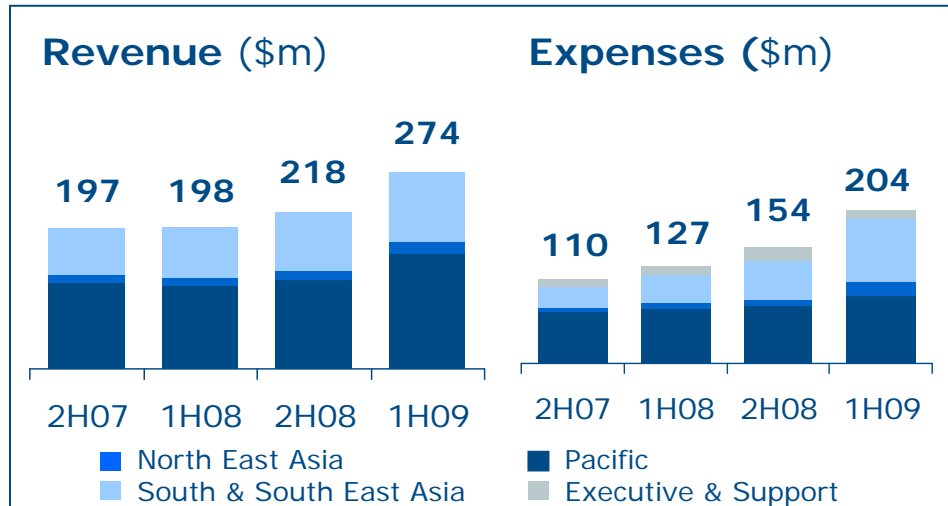




# APEA: Delivering on deposit lead strategy

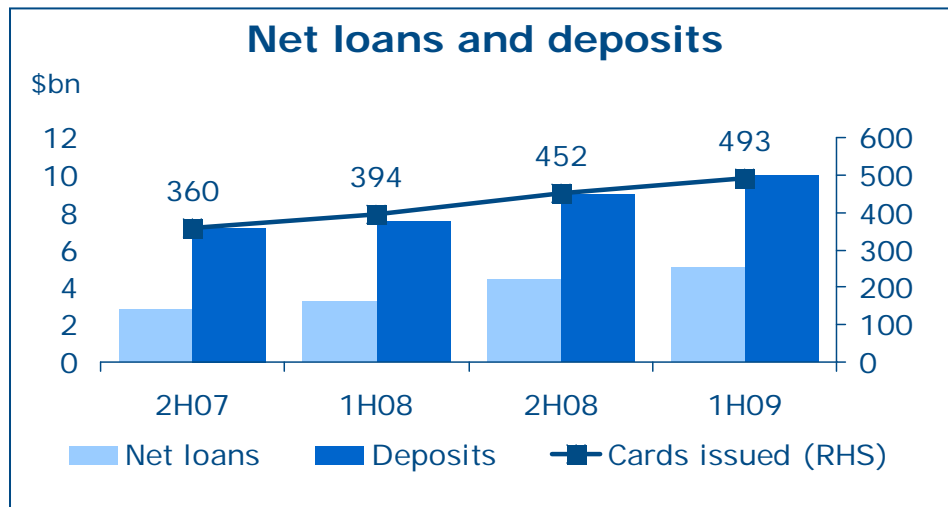


# APEA: Retail & Wealth businesses continue to invest in key strategic markets to position for longer-term growth



## Continued investments to build franchise

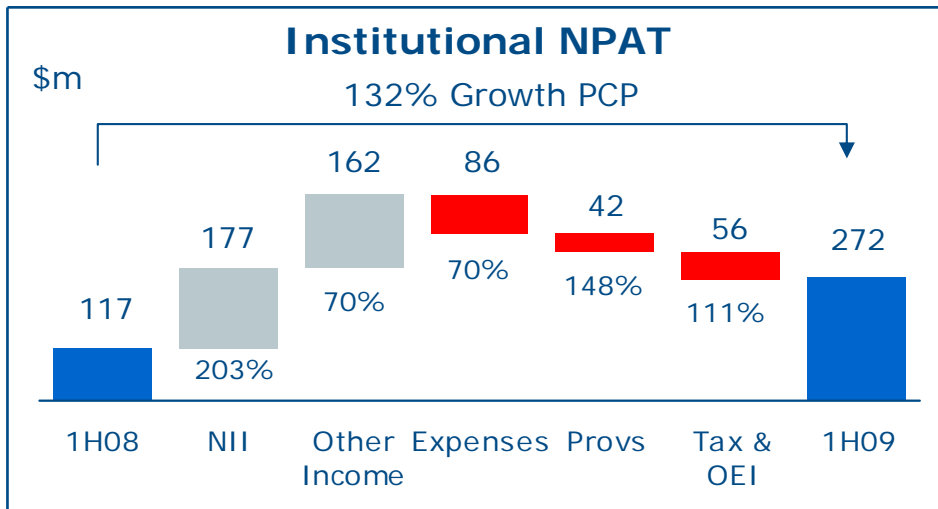
- Strong double-digit revenue growth
- Expense growth reflects required investment in Asia to build franchise for future
- Specific country focus in Indonesia, Vietnam and Greater China - branch and front line staff investments
- Alternative distribution channels being established in parallel - Internet and Mobile Phone Banking



## Solid loan growth backed by deposits

- Deposit growth strong reflecting flight to safety
- Solid loan growth given economic conditions
- Active de-risking of lending book
- Sustained growth in cards business, with key focus on quality customers

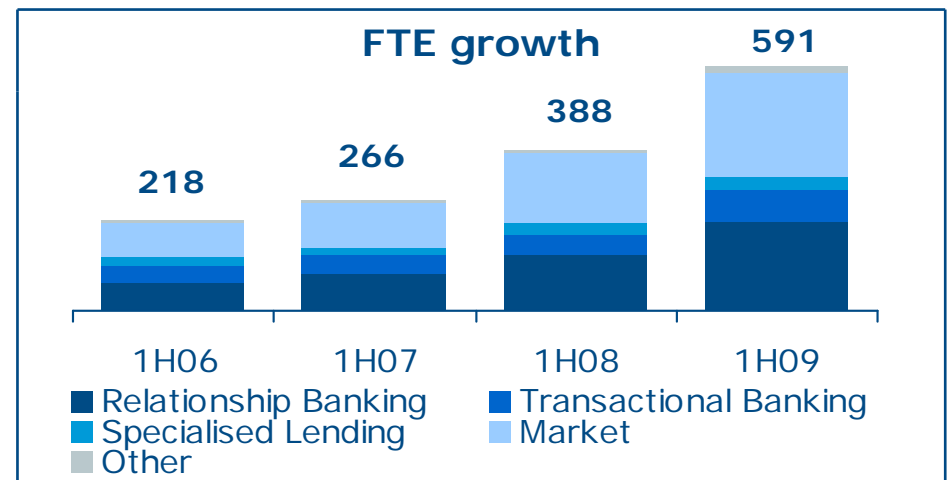
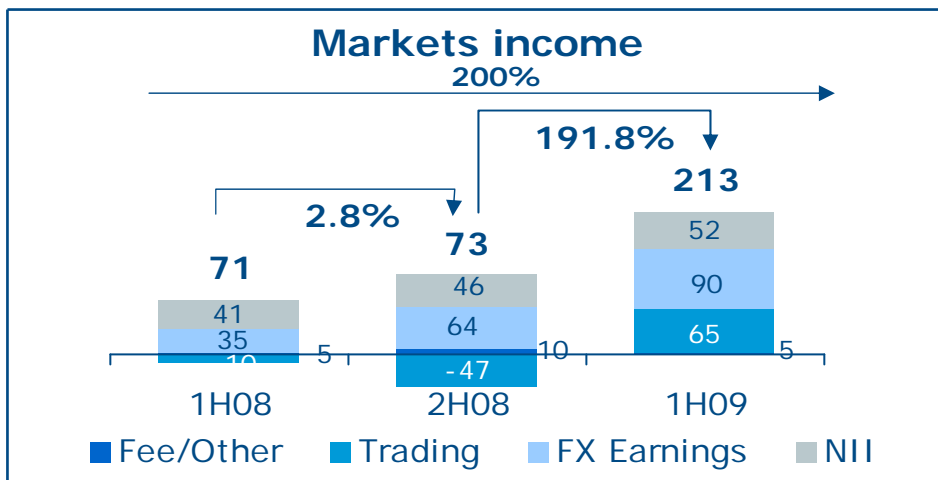
# APEA: Institutional doubling profit



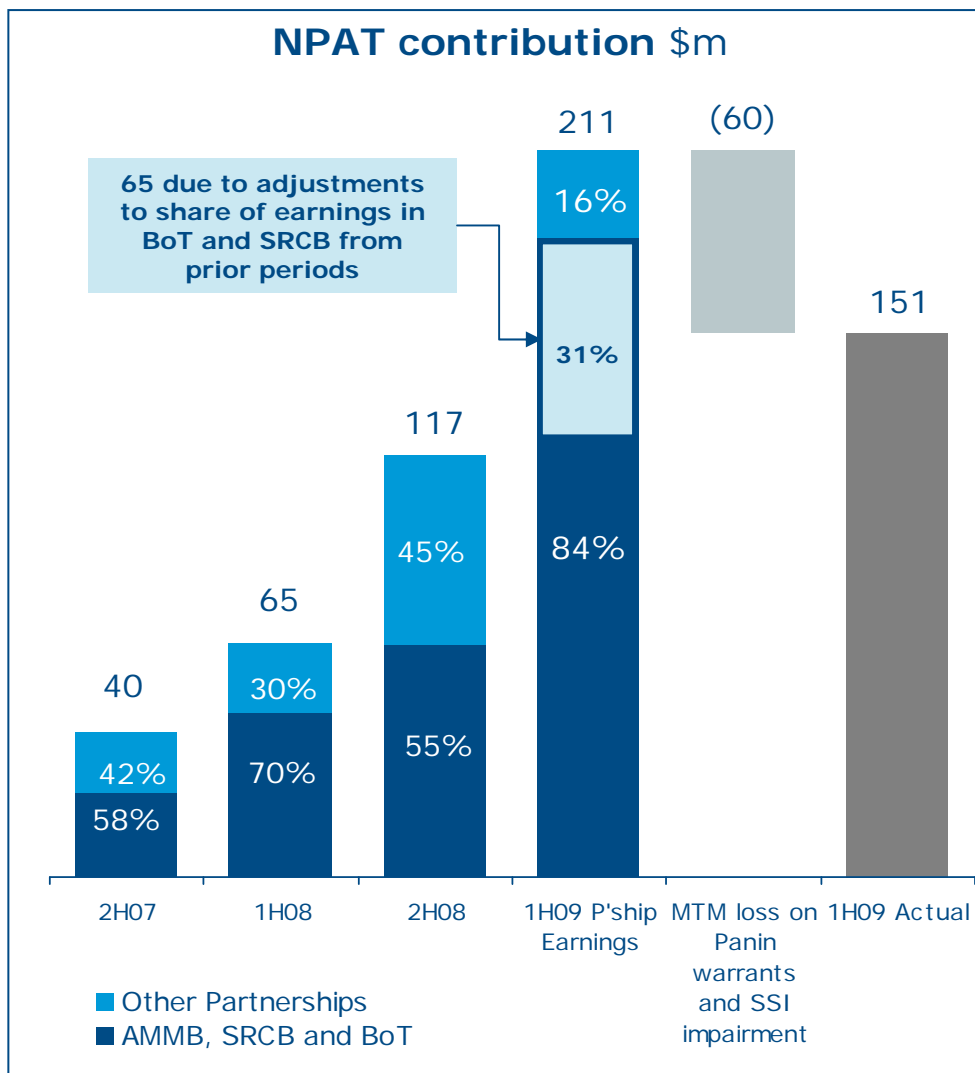
### More than doubled growth in profit

- Growth: Revenue up 107%; Expense up 70%; Creating Jaws of 37%
- Markets (sales & trading) being major revenue engine with revenue growth > 200%
- Expense well under control with significant investment in frontline Relationship Banking and Markets sales teams
- Provisioning level has been increased, in line with adverse economic environment

\$m



# APEA: Healthy contributions from Asia Partnerships even after negative accounting impact



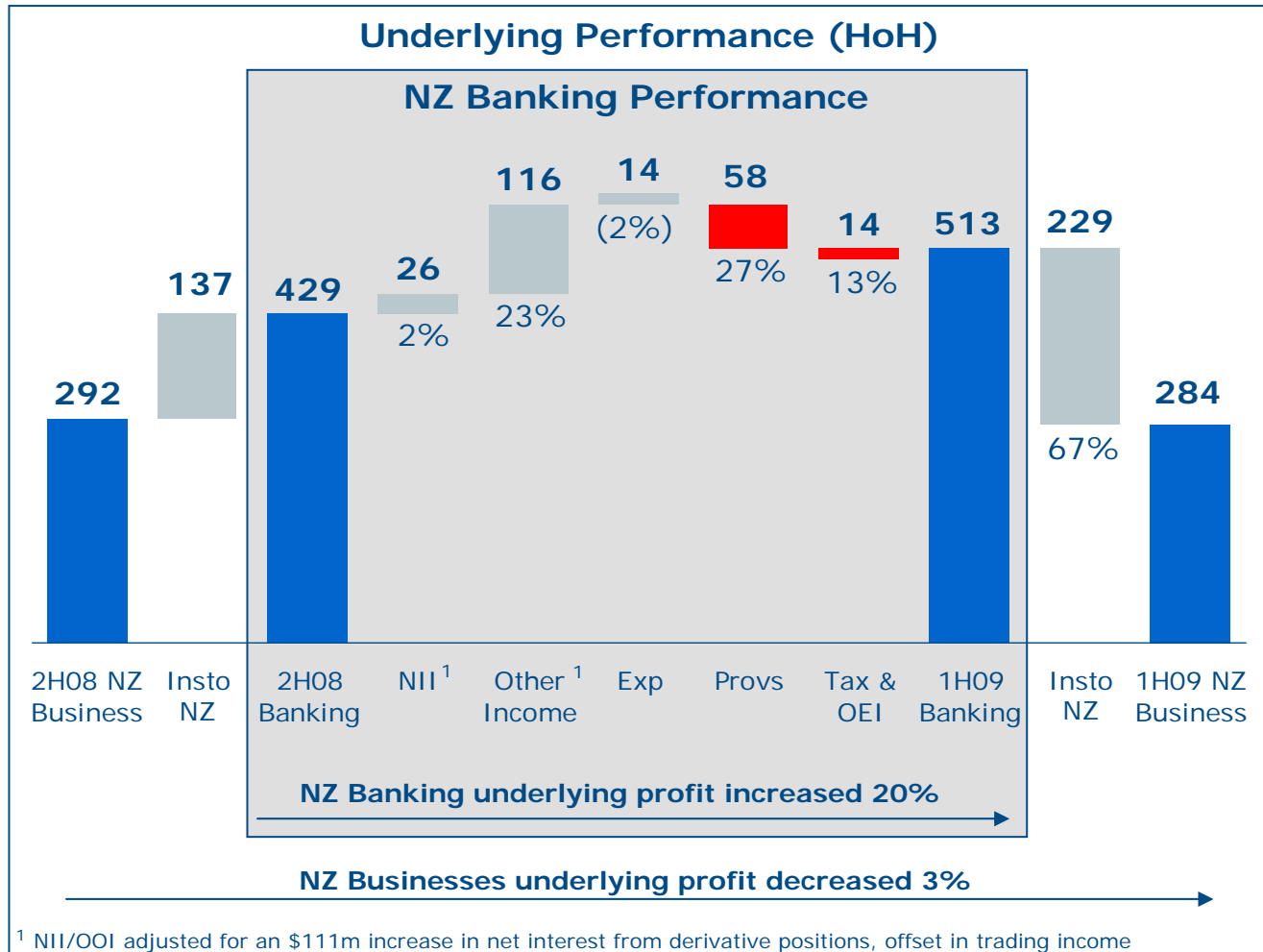
## Healthy profit contribution continued

- Continued growth in underlying results with higher contribution from equity accounted earnings (AMMB, SRCB and BoT in particular)
- Mark-to-market loss on Panin warrants recognised following share price decline, in line with bearish sentiment of equity markets worldwide
- All investments were reviewed in light of the deteriorating economic conditions and outlook, resulting in an impairment charge on SSI

## Fundamentals remain strong

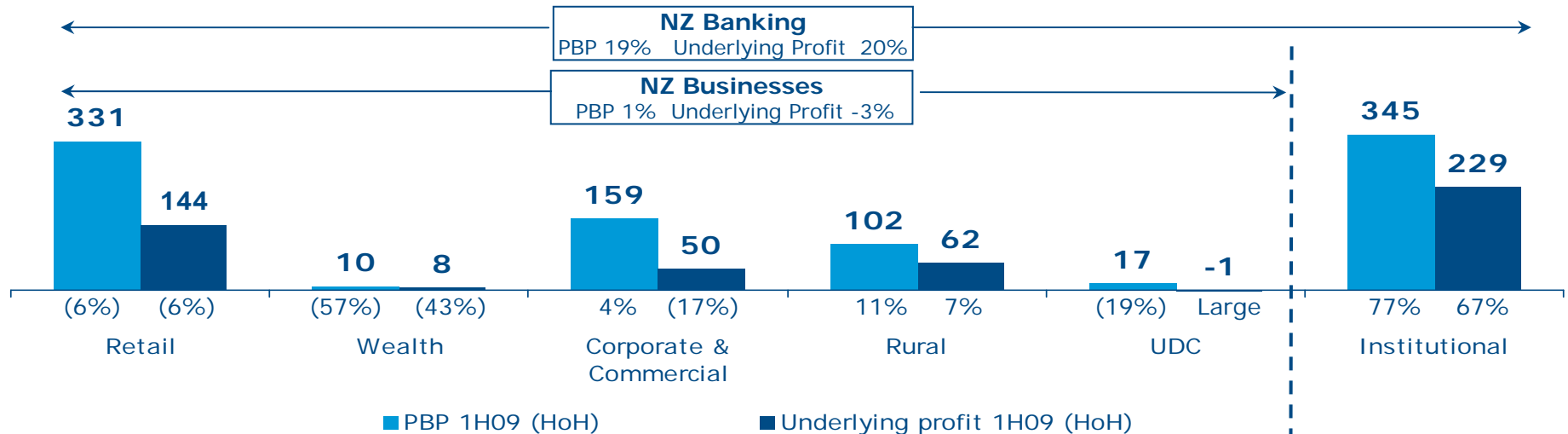
- Strong fundamental value seen in strategic assets
- Well-positioned to overcome headwinds from Global Financial Crisis and deliver on aspirations
- Continue to be committed to Partnerships for the long run, investing in expansion opportunities when they arise – for example, the acquisition of a further 8.4% of Panin in January 2009

# New Zealand: Strong underlying first half result despite continued domestic recession and slowing world economy



- NZ Banking underlying profit increased 20% over 2H08 with:
  - Global market opportunities enabling very strong results in Markets business
  - NZ Businesses impacted by domestic recession and global credit crisis
- Costs well managed in a low growth environment; Lean Six Sigma efficiencies, other transformation programs and focus on discretionary costs
- Growth on 1H08 was lower with the domestic recession increasing credit provisioning in 2H08 from very low levels

# New Zealand: Retail and Commercial businesses impacted by the domestic recession with Institutional taking opportunities from market volatility



## Retail and Wealth

- Credit crisis has impacted significantly, largely due to weaker housing market activity and increased competition for deposits
- Margin contraction reflects increased competition for deposits, higher wholesale funding costs and predominance of fixed rate lending
- Costs well managed (down 3% HoH)
- Credit provisions in line with 2H08 following shift from very low base

## Commercial

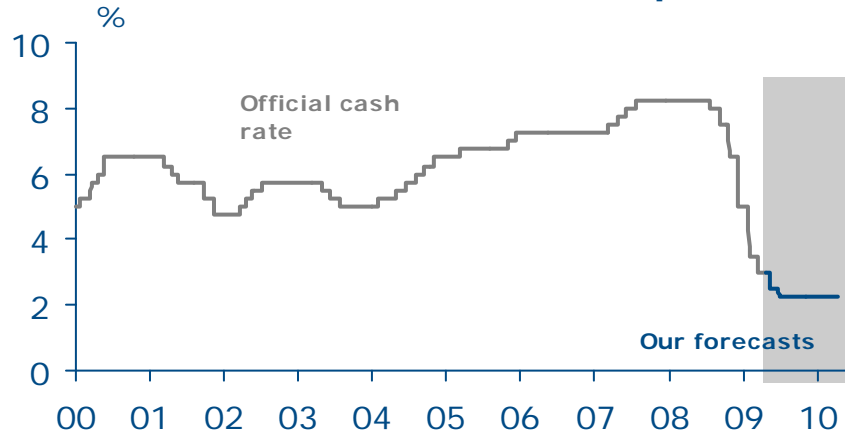
- Reasonable growth in profit before provisions; main contribution from the Rural business where balance sheet growth has remained strong
- The acquisition of a subsidiary as part of a debt restructure contributed to the overall performance
- Credit provisions increased significantly as the consumer led recession has spread into the business market

## Institutional

- Strong first half performance reflecting growth in customer revenue and an exceptional Markets trading performance
- Balance sheet well positioned (mismatch earnings)

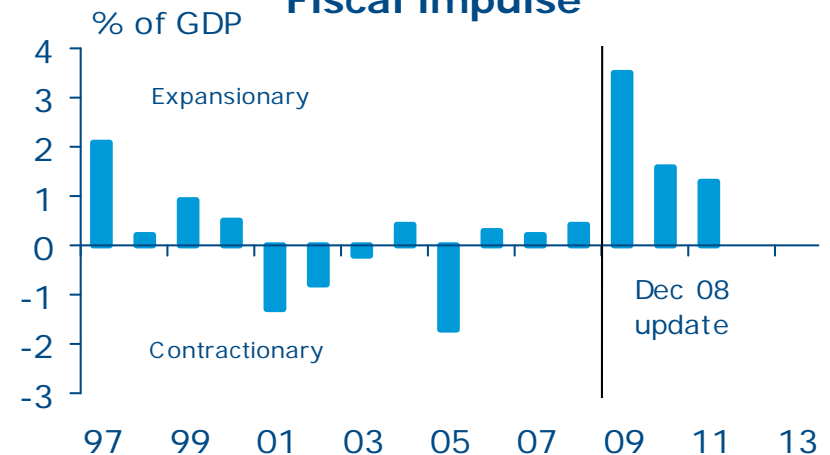
# New Zealand: Five quarters into the domestic recession with automatic stabilisers kicking in

## Further interest rate cuts expected



Source: RBNZ and ANZ National Forecasts

## Fiscal impulse



Source: NZ Treasury December 2008 Economic and Fiscal Update

## Benefits of lower NZD will help adjustment

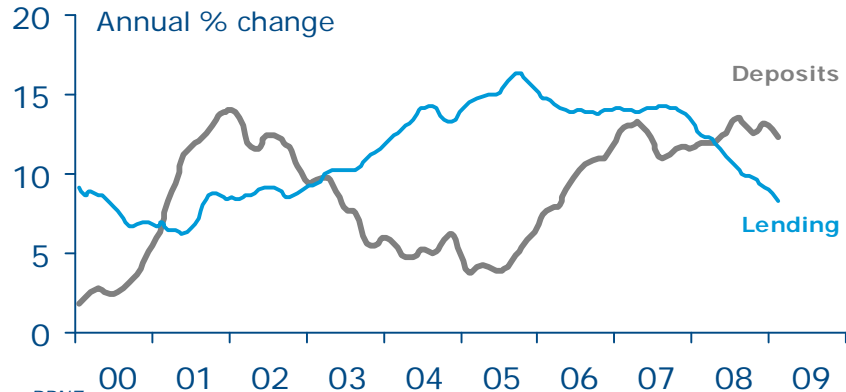


Source: Reuters and ANZ National Forecasts

- Significant interest rate reductions with delayed impact (fixed rate mortgages) and further cuts to come
- Fiscal policy has become more expansionary; further expansion will be limited by need to maintain sovereign rating
- A fall in the New Zealand dollar is an important part of re-orientating the economy towards export lead growth

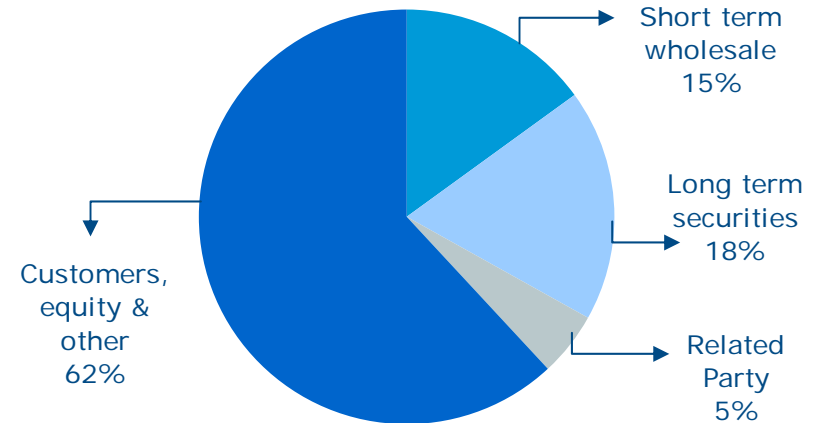
# New Zealand: System: consumer led rebalancing / ANZ National: well funded with diversified mix

## Slowdown has led to rebalancing of system growth in deposits and lending

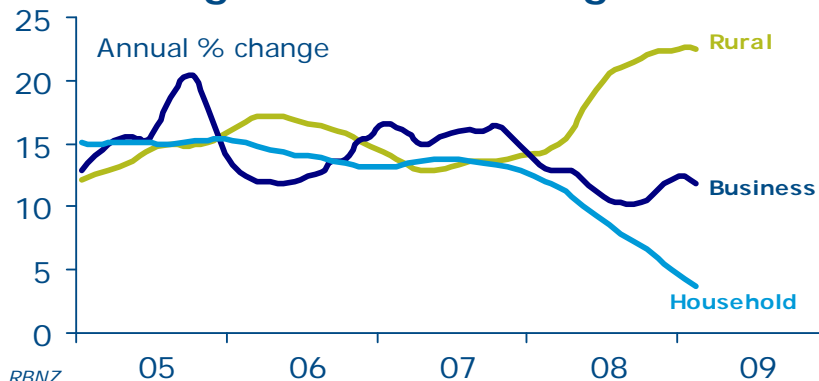


Source: RBNZ

## Strong liquidity and well funded



## Slowdown in system lending growth led by household sector: business and rural growth moderating



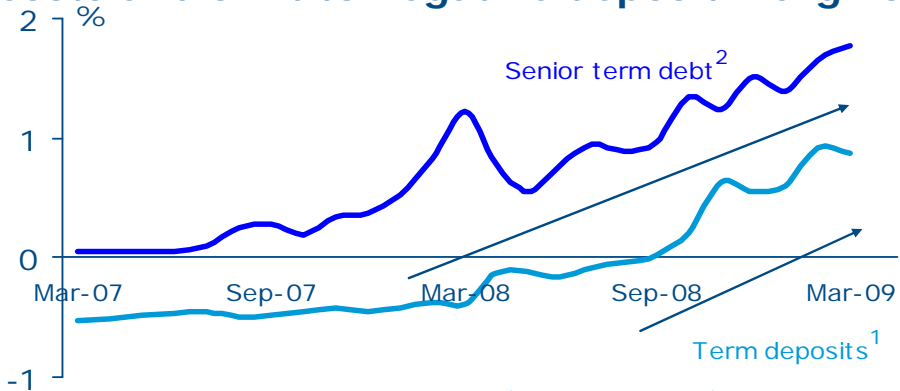
Source: RBNZ

- First NZ government guaranteed bond issue completed successfully in March (US\$1bn 3yr)
- NZ\$5bn of funding provided by transfer of mortgages to ANZ NZ Branch, with potential for more
- Strong liquidity: liquid assets and repo eligible RMBS capacity net NZ\$12.5bn at 31 March 2009
- Now focused on 2010 funding needs



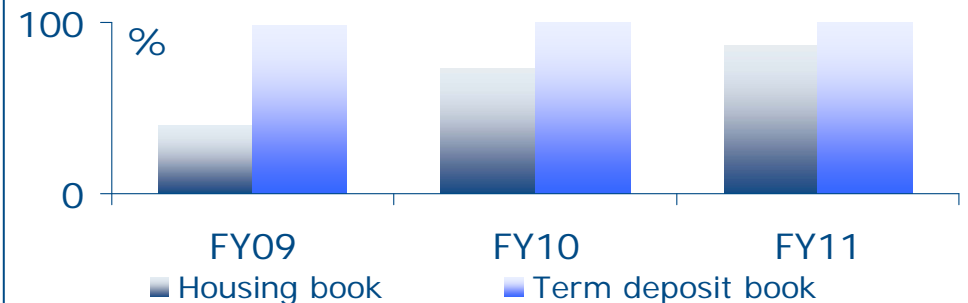
# New Zealand: Global credit crisis continues to impact most significantly on Retail revenue

## Retail impacted by higher wholesale funding costs and shift to negative deposit margins



## Due to the predominance of fixed rate mortgages in the lending book the benefit of mortgage re-pricing occurs over three years

(% of book repriced)



Source: ANZ National internal estimates

- Lending volumes have remained flat, largely holding share in household deposits
- Government guarantee scheme favors the weaker and smaller deposit taking institutions and has created intense competition for deposits
- Lending book fully re-prices over three year period, liabilities re-price over single year, creating a delay in the pass through of higher wholesale funding costs
- Costs have been well managed

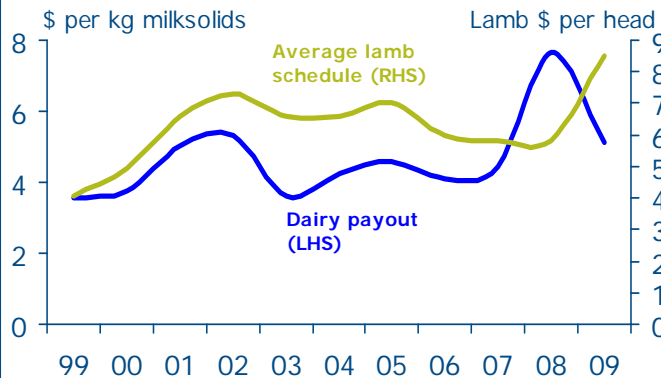
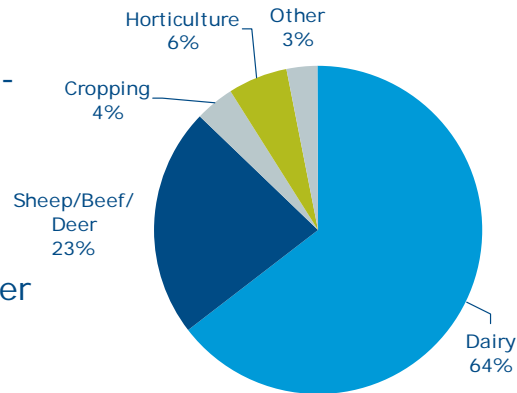
## Continued customer innovation



# New Zealand: Growth in the Commercial businesses driven mainly by Rural with strong balance sheet growth

## Medium term outlook for Rural sector remains steady

- Medium term outlook remains steady with business lending re-priced to reflect increased wholesale funding costs
- Commodity prices nearing the bottom with the currency and easing input prices helping buffer fall in product prices



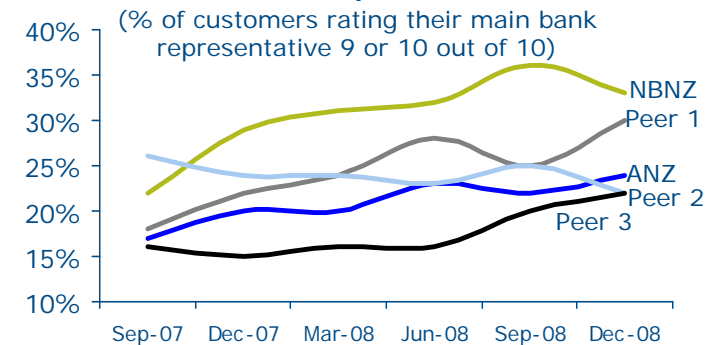
- Dairy payout has declined but remains the third highest payout. Sheep and beef prices recently recovered
- Costs have been well managed with cost to income ratio down 330bp on March 08

Source: milk solids – Fonterra

## Strengthening Commercial's market leading position

- Proactive engagement of the business community through Privately Owned Business Barometer and 'Take a day' customer forums
- UDC is leveraging changes in the finance sector to position themselves to become the #1 Finance Company
- Credit demand by business sector now showing signs of slowing; still an appetite to increase lending for good business opportunities
- Improving delivery of knowledge and expertise to our customers

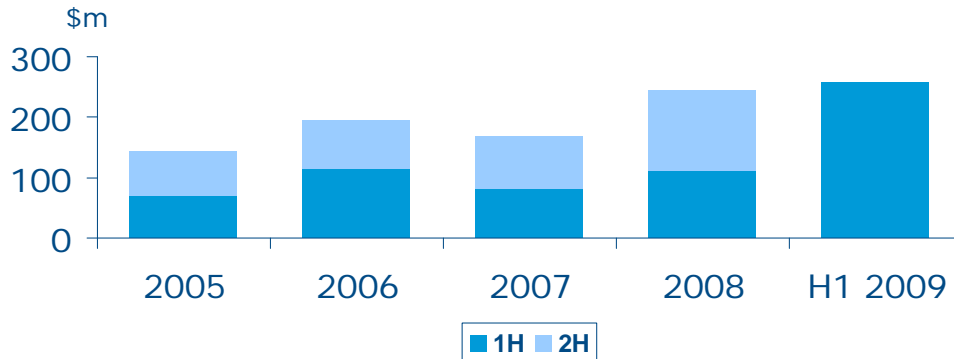
### Customer Recognition of Knowledge and Expertise



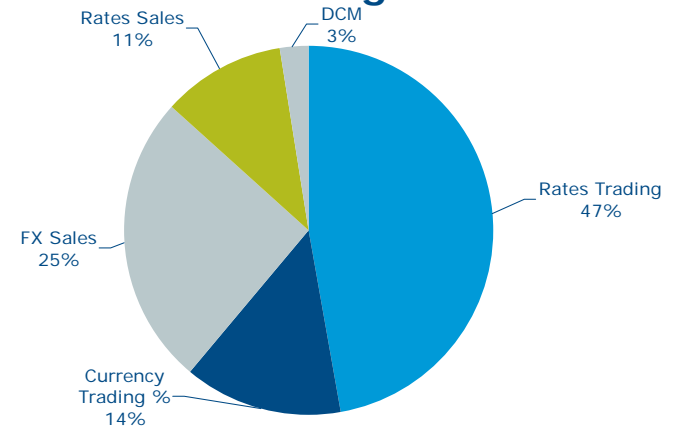
Source: TNSConversa

# New Zealand Institutional: strong performance reflecting growth in customer revenue and exceptional Markets trading

## Institutional result driven by strong Markets revenue...

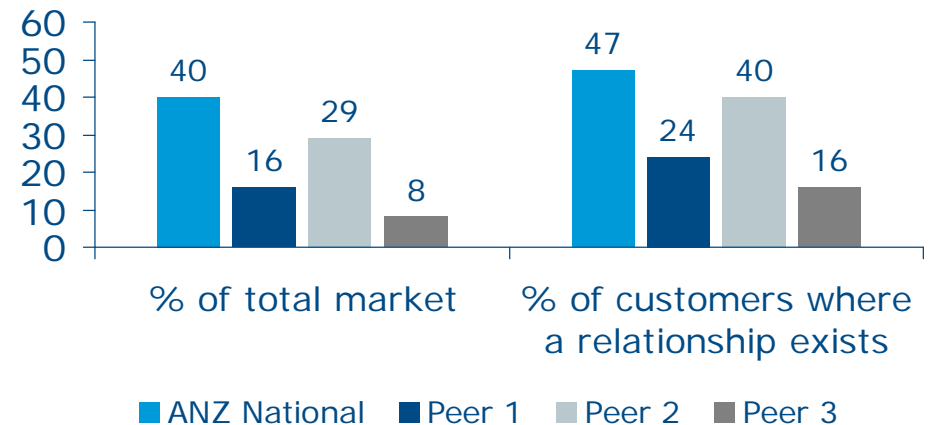


## ...with good mix from both customers and trading



- Total customer revenue margin increased through cross-selling and loan re-pricing
- Led the market in informing and assisting customers with access and diversification of funding
- Risks well managed with no individual provisions
- Balance sheet well positioned (mismatch earnings)

## Most trusted advisor



Source: Peter Lee Associates Large Corporate and Institutional Banking New Zealand Survey, 2008

# Institutional: repositioning as an integrated Trade, Cash and Financial Markets Flow business

## Clients

Two major client segments:

- Regional and global companies (FI and corporate)
- Local "core" corporates  
Building lead bank status, leveraging strong relationships

## Geographic

- Asia a major growth engine
- Australia focus on share of wallet and capital efficiency
- NZ maintaining a dominant position

## Product

- Particular focus on Trade, Cash and Financial Markets flow support by debt-capital markets
- Discontinuing 'strategic products' such as Private Equity and Alternative Assets
- Supported by a regional operating platform that is well-controlled, scaleable and repeatable

## People

- A results-driven, international work-force connected across the regions

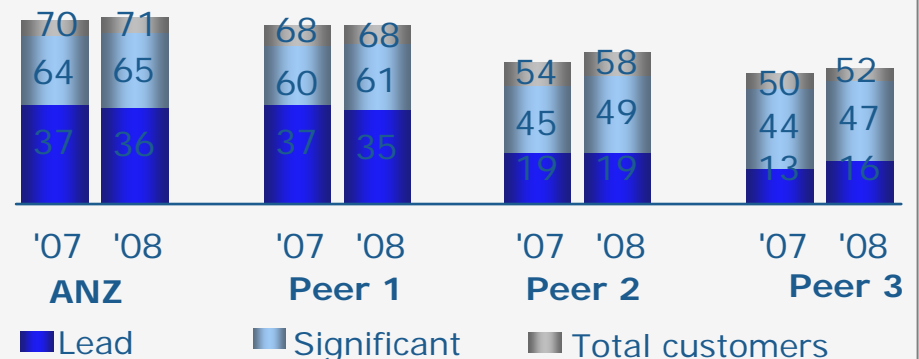
## Risk

- A risk culture built around strategy and client, owned across the business

## Leveraging strong customer relationships

No. 1 Relationship Bank status

Relationship Market Penetration<sup>1</sup> (%)



### Geography

*Core*  
Australia, New Zealand,  
Greater China, Vietnam,  
Malaysia, Indonesia,  
India

*Network/Hubs*  
Hong Kong, Taiwan,  
Singapore, Philippines,  
Japan

*Feeders*  
Europe, US

### Proposition

*Full core banking services*

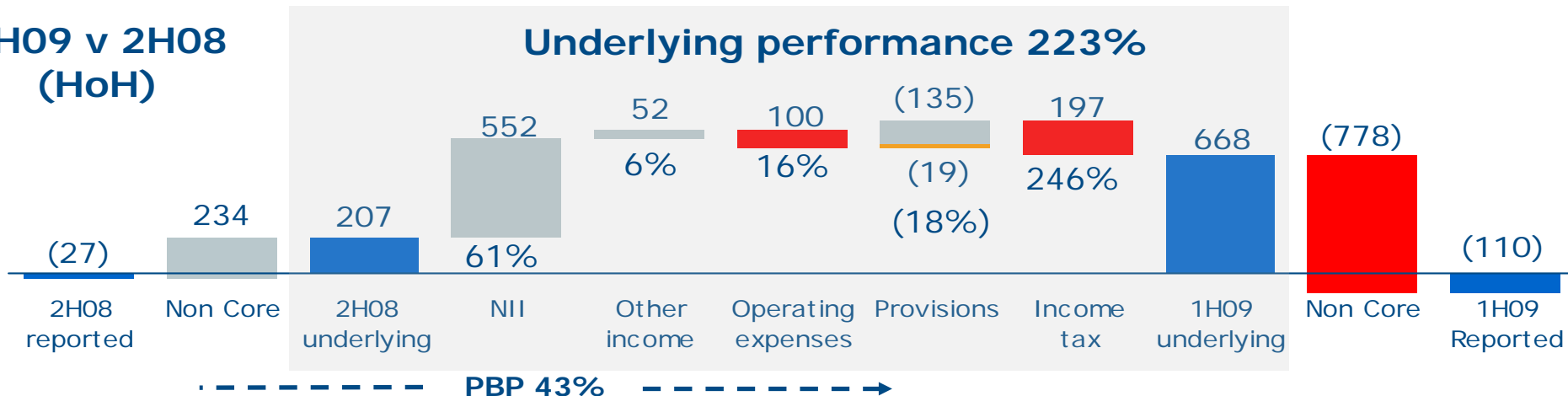
*Focus on markets, cash, trade, supply chain lending and distribution*

*Focus on markets, offshore cash, trade, supply chain lending and distribution*

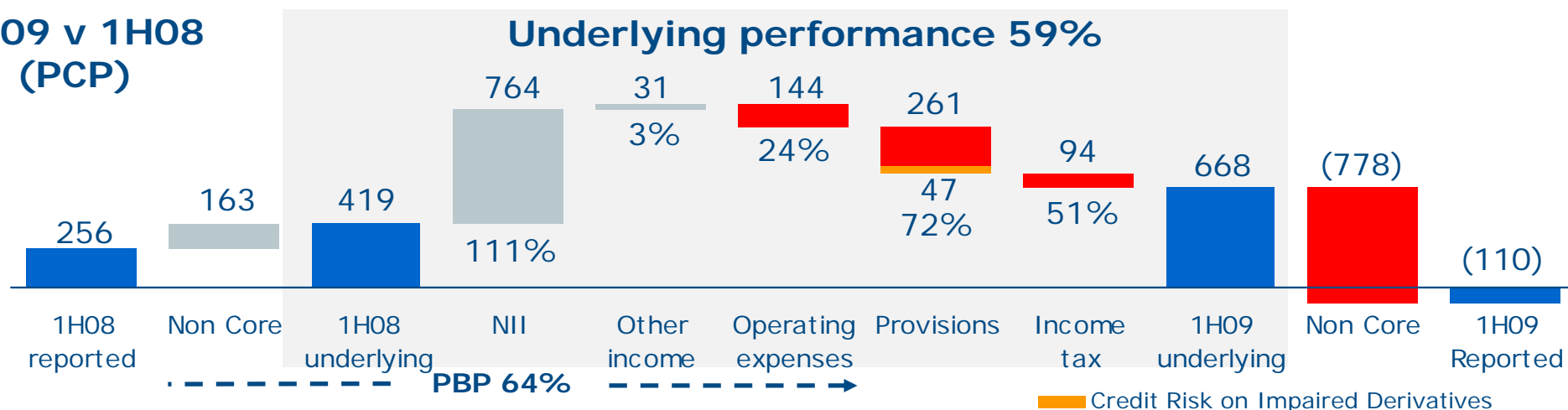
<sup>1</sup> Peter Lee & Associates 2008 Survey

# Institutional: Strong underlying performance, offset by Non Continuing Businesses

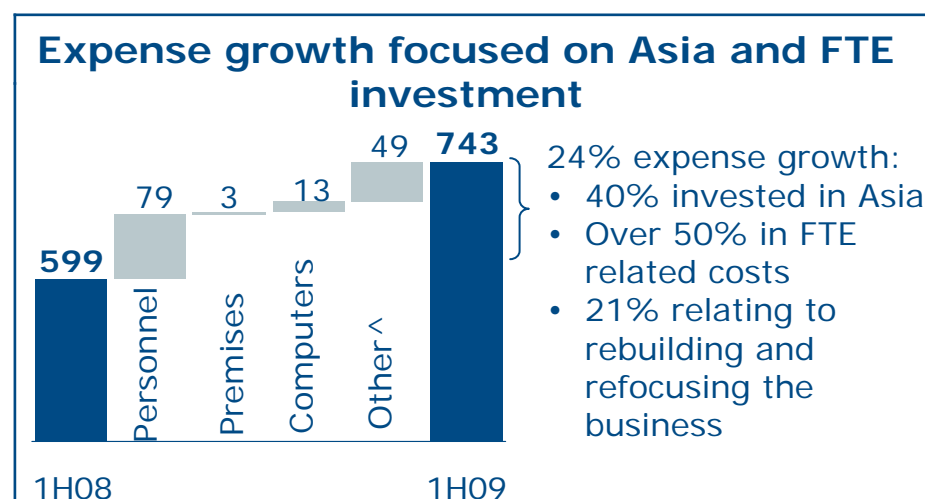
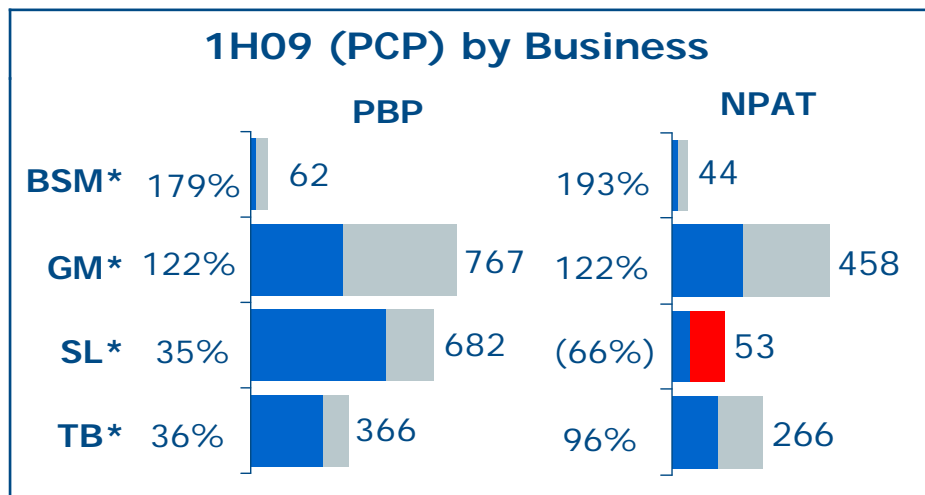
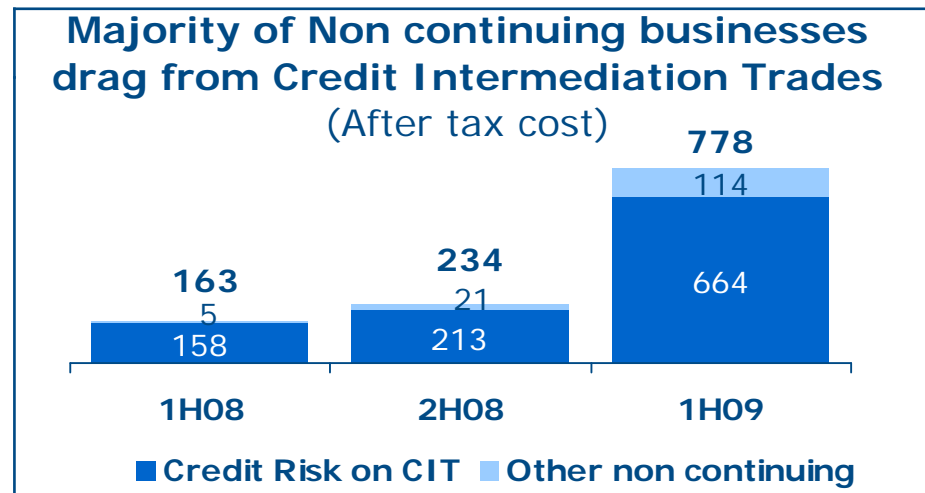
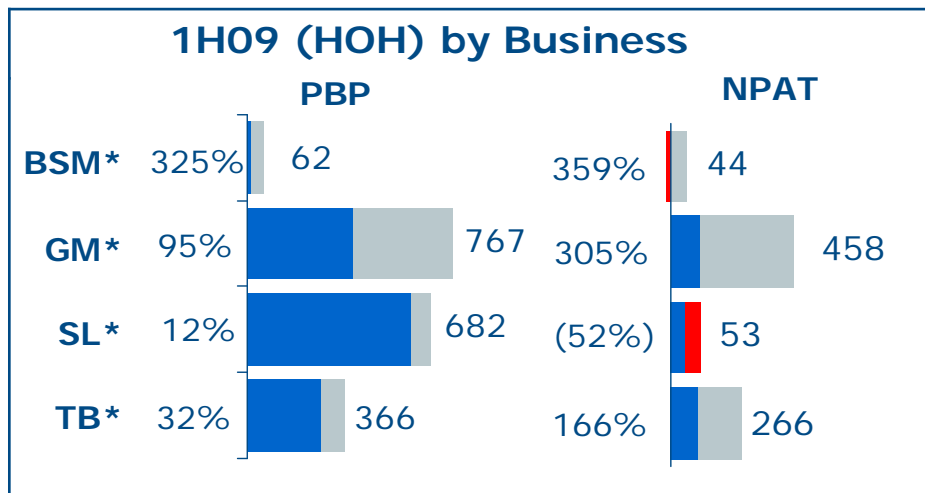
## 1H09 v 2H08 (HoH)



## 1H09 v 1H08 (PCP)

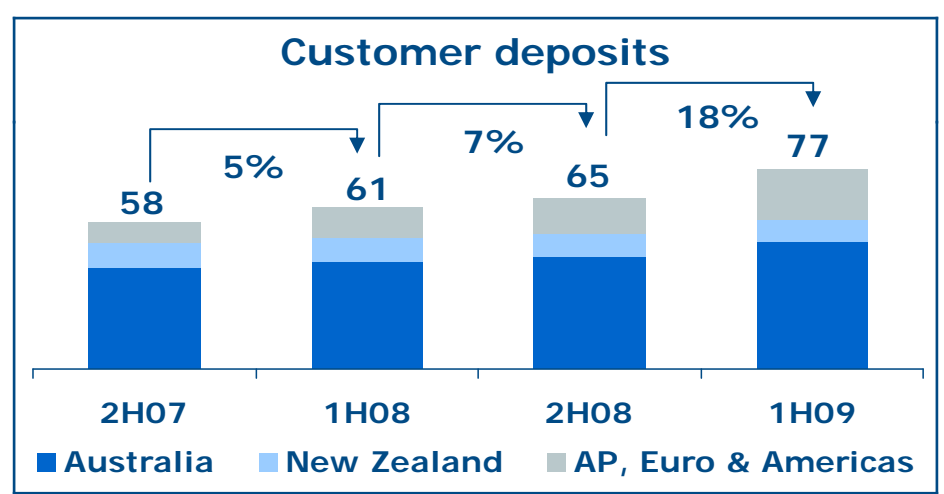
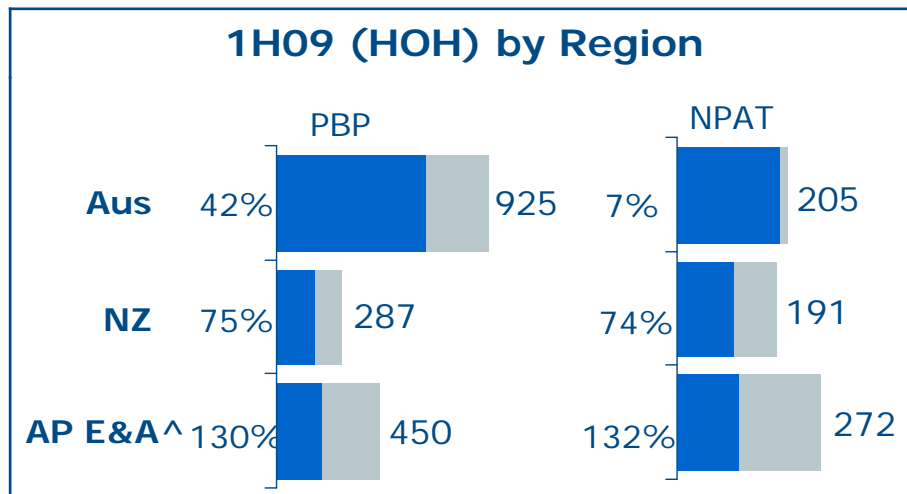
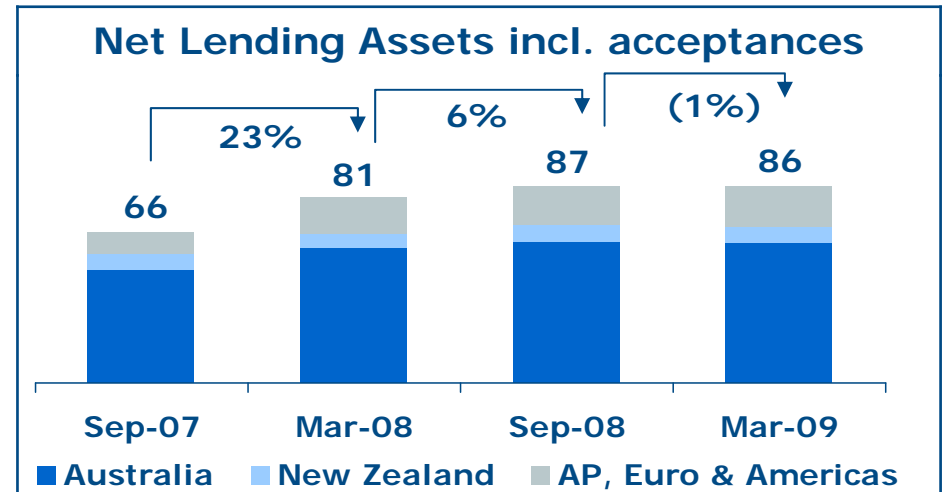
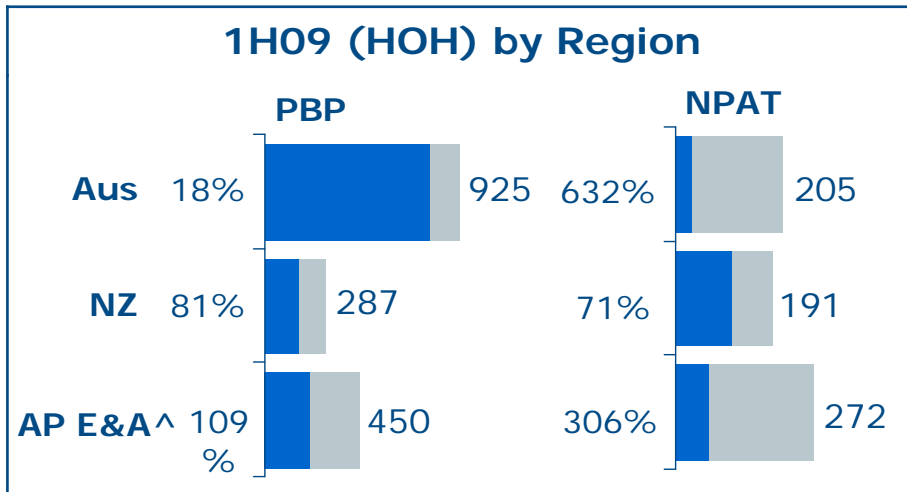


# Institutional: All core businesses performing well, provisions mostly impacting Specialised Lending



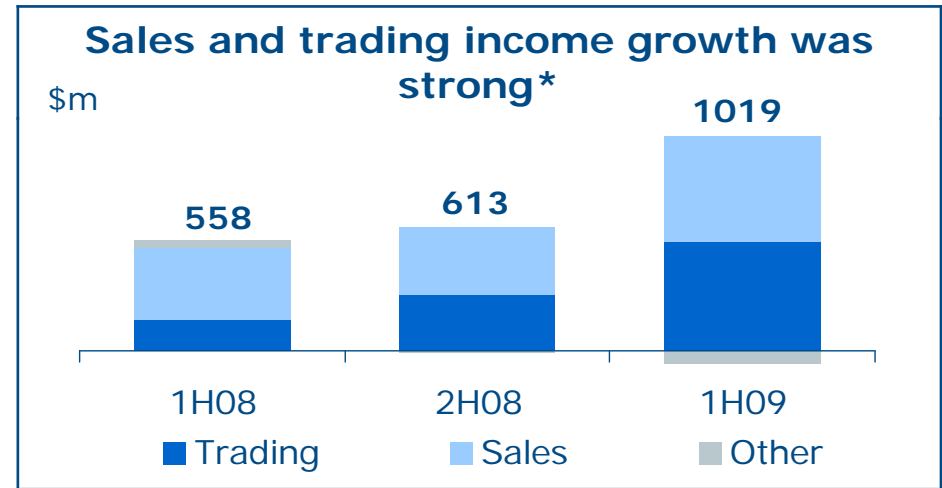
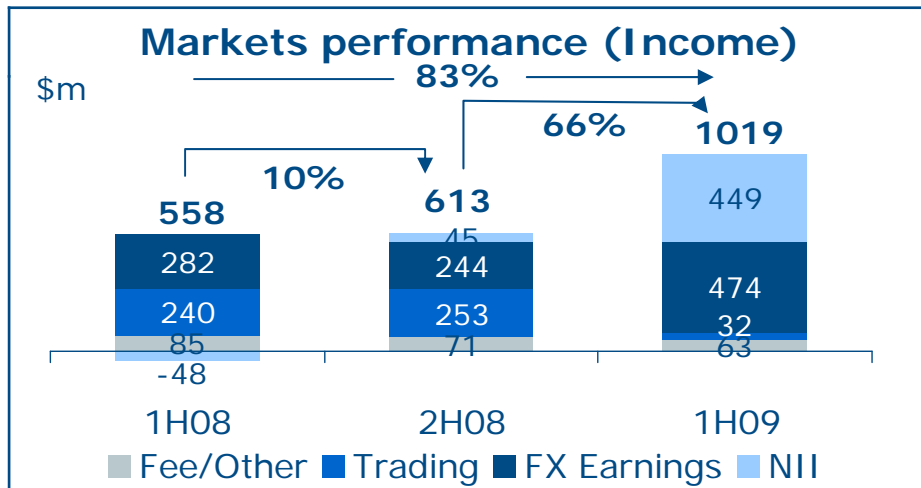
\*TB= Transactional Banking, SL = Specialised Lending, GM = Global Markets, BSM = Balance Sheet Management; ^other includes net inter business expenses

# Institutional: Growth strategy delivering results across the region



^ Asia Pacific, Europe and America

# Institutional: significant increase in Markets income benefiting from volatility across products and regions

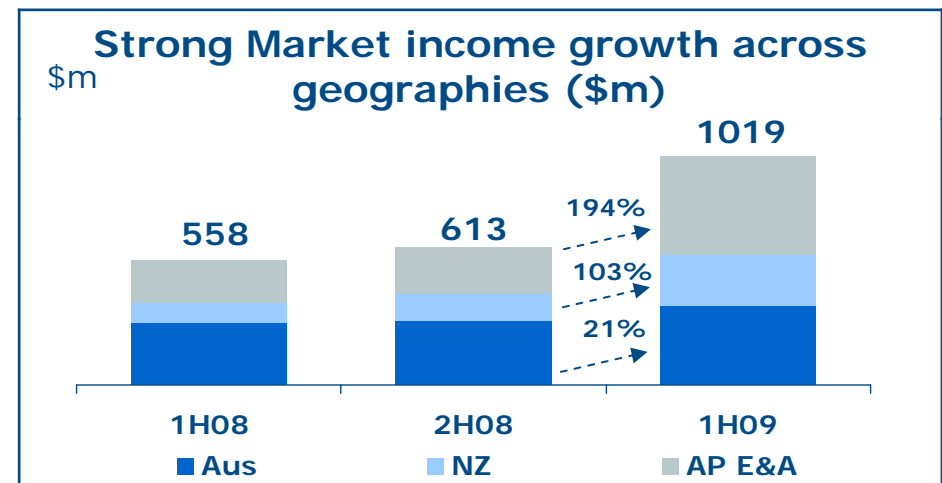


### Markets performance across the region

**Asia Pacific, Europe and Americas-** High volatility generating significant increase in trading revenue. Expansion in markets sales capability in both Hong Kong and Singapore supporting corporate sale growth.

**Australia –** Strong markets trading revenue, capital markets and corporate sales growth offset by balance sheet positioning

**New Zealand –** Strong trading and corporate sales revenue reflecting dominant market position.



\*Other includes IFRS accounting adjustments and Mark to Market op options





# 2009 Half Year Results

29 April 2009

## Additional Information

# Corporate Responsibility

## A long term commitment to responsible business practice

### Our Priorities

#### 1. Responsible products, services and decisions

We are delivering this through:

- Support for customers facing hardship
- Social and environmental lending policies for large clients
- New employee values and code of conduct

#### 2. Sustainable Development

We are delivering this through:

- Mobile payment service in rural Cambodia
- Banking services for remote Pacific communities
- Establishing a new rural bank in China

#### 3. Social and Financial Inclusion

We are delivering this through:

- Saver Plus savings and financial education program
- Disability Action Plan
- Indigenous employment
- Banking services for diverse communities

### ANZ is recognised as a domestic and International leader in corporate responsibility

- Assessed as the No.1 bank globally on the Dow Jones Sustainability Index for 2007 and 2008
- Member 2008 Carbon Disclosure Project's Leadership Index
- Recognised as Most Socially Responsible Bank in 2009 Money-Cannex Consumer Finance Awards
- Highest customer satisfaction rating of all major Australian banks

# Summary of forecasts: Australia and New Zealand

## Australia

2008 2009 2010 2011

GDP	3.0	-0.7	0.3	2.4
Inflation	4.2	2.0	2.5	2.6
Unemployment	4.2	6.3	8.2	8.3
Current A/C (% GDP)	-5.4	-2.7	-3.5	-4.0
Cash rate	7.00	2.50	2.00	4.00
10 year bonds	4.3	3.6	4.7	5.8
AUD/USD	0.79	0.63	0.58	0.65
AUD/NZD	1.18	1.24	1.22	1.25
Credit	10.0	3.2	3.3	4.5
- Housing	8.9	6.6	6.8	7.5
- Business	2.2	-4.0	4.1	5.4
- Other	13.2	0.3	-1.7	-0.1

## New Zealand

2008 2009 2010 2011

GDP	1.7	-2.8	0.8	4.8
Inflation	5.1	1.1	2.3	2.5
Unemployment	4.3	7.0	7.9	7.2
Current A/C (% GDP)	-8.7	-6.5	-5.4	-4.8
Cash rate	7.50	2.25	2.75	5.75
10 year bonds	5.7	4.0	5.5	6.5
AUD/USD	N/A	N/A	N/A	N/A
AUD/NZD	1.18	1.24	1.22	1.25
Credit	9.6	3.2	2.5	5.5
- Housing	6.8	1.5	2.3	5.3
- Business	14.1	5.7	2.7	5.8
- Other	4.1	0.6	2.6	4.8

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