Media Release

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ANZ reports 2008 Profit of $3,319 million

Strong underlying performance offset by increased provisions

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

Full year profit

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

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

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

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

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

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

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

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

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

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

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

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

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

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

DIVISIONAL PERFORMANCE

Personal

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

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

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

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

Institutional

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

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

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

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

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

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

New Zealand Businesses (in NZD)

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

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

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

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

Asia Pacific

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

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

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

CAPITAL AND FUNDING

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

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

OUTLOOK

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

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

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

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