

AUSTRALIA & NEW ZEALAND BANKING GROUP LTD
Form 6-K
September 11, 2006

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 6-K

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

11 September 2006

Australia and New Zealand Banking Group Limited

ACN 005 357 522

(Translation of registrant's name into English)

Level 6, 100 Queen Street Melbourne Victoria 3000 Australia

(Address of principal executive offices)

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

Form 20-F: Form 40-F:

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

Yes: No:

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

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New Zealand Banking Group Limited and to be part thereof from the date on which this Report is filed, to the extent not superseded by documents or reports subsequently filed or furnished.

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

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Signatures

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

Australia and New Zealand Banking Group Limited

(Registrant)

By:

/s/ John Priestley
Company Secretary
(Signature)*

Date: 11 September 2006

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

**Australia and New Zealand
Banking Group Limited**

ABN 11 005 357 522

Consolidated Financial Report

Half Year
31 March 2006

CONSOLIDATED FINANCIAL REPORT

Half year ended 31 March 2006

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This Results Announcement has been prepared for Australia and New Zealand Banking Group Limited (the Company) together with its subsidiaries which are variously described as ANZ, Group, ANZ Group, us, we or our.

All amounts are in Australian dollars unless otherwise stated. The Company has a formally constituted Executive Committee of the Board of Directors. This report was approved by resolution of a Committee of the Board of Directors on 11 September 2006.

When used in this Results Announcement the words estimate, project, intend, anticipate, believe, expect, should and similar expressions, as they relate to its management, are intended to identify forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Such statements constitute forward-looking statements for the purposes of the United States Private Securities Litigation Reform Act of 1995. ANZ does not undertake any obligation to publicly release the result of any revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

HIGHLIGHTS

ANZ interim profit \$1,811 million

All figures compared to March 2005 half year unless otherwise indicated

Profit after tax

•	Statutory profit \$1,811 million	up 16%
•	Cash* profit \$1,731 million	up 10%
•	Cash* profit before provisions	up 10%

Earnings per share		
•	EPS 98.4 cents	up 18%
•	Cash* EPS 94.0 cents 1	up 10%

Dividend		
•	Interim dividend 56 cents	up 10%

Ratios		
•	Return on equity 20.9% (18.3%)	
•	Adjusted common equity ratio stable at 5.0% 2	

Business comment		
•	Earnings increased 16% in Personal Banking, record lead in customer satisfaction	
•	Earnings increased 14% in New Zealand and Institutional	
•	Continued frontline investment with 1,231 additional FTE	
•	Provision for credit impairment at cyclical low	
•	Growth and Transformation program on track	
	- Revenue* growth 8%	(target range 7% - 9%)
	- Cost-Income* ratio 45.8%	(1.0% improvement)

* Adjusted for AIFRS 2005 adjustments and non-core items (including significant items, ANZ National Bank incremental integration costs and AIFRS mark to market of certain hedge gains/losses). Refer pages 13 and 14 of enclosed report for a detailed reconciliation of GAAP figures to non GAAP cash figures. Refer page 11 for a discussion of why management believe measures of cash profit provide useful information to investors regarding ANZs financial condition and results of operations.

1. Refer page 22

2. Adjusted common equity is calculated as Tier 1 capital less preference shares at current rates and deductions from total capital. This measure is commonly used to assess the adequacy of common equity held. Refer page 31 for a reconciliation to Tier 1 capital

FINANCIAL HIGHLIGHTS

Net Profit

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	Half year Mar 06 \$M	Half year Sep 05 \$M	Half year Mar 05 \$M	Movt Mar 06 v. Sep 05 %	Movt Mar 06 v. Mar 05 %
Net interest income	3,368	2,953	2,865	14%	18%
Other operating income	1,595	1,861	1,717	-14%	-7%
Operating income	4,963	4,814	4,582	3%	8%
Operating expenses	(2,185)	(2,266)	(2,152)	-4%	2%
Profit before credit impairment and income tax	2,778	2,548	2,430	9%	14%
Provision for credit impairment	(224)	(296)	(284)	-24%	-21%
Profit before income tax	2,554	2,252	2,146	13%	19%
Income tax expense	(742)	(630)	(590)	18%	26%
Minority interest	(1)	(2)	(1)	-50%	0%
Net profit attributable to shareholders of the Company	1,811	1,620	1,555	12%	16%

Profit on a fully comparable AIFRS basis

Net profit attributable to shareholders of the company has been amended as follows to arrive at profit on a fully comparable AIFRS basis.

	Half year Mar 06 \$M	Half year Sep 05 \$M	Half year Mar 05 \$M	Movt Mar 06 v. Sep 05 %	Movt Mar 06 v. Mar 05 %
Net profit attributable to shareholders of the Company	1,811	1,620	1,555	12%	16%
AIFRS adjustments to bring prior periods onto a fully comparable basis ¹	N/A	(46)	15	n/a	n/a
Profit on a fully comparable AIFRS basis^{1,5}	1,811	1,574	1,570	15%	15%

Cash profit

Profit on a fully comparable AIFRS basis has been adjusted to exclude the following non-core items to arrive at cash profit. Throughout this document figures and ratios that are calculated on a cash basis have been shaded to distinguish them from figures calculated on a statutory AIFRS basis.

	Half year Mar 06 \$M	Half year Sep 05 \$M	Half year Mar 05 \$M	Movt Mar 06 v. Sep 05 %	Movt Mar 06 v. Mar 05 %
Profit on a fully comparable AIFRS basis¹	1,811	1,574	1,570	15%	15%
Non-core items					
<u>Significant items²</u>					
Gain on sale of NBNZ Life	-	14	-	n/a	n/a
Settlement of NBNZ warranty claims	14	-	-	n/a	n/a
Settlement of NHB insurance claim	79	-	-	n/a	n/a
Total significant items ²	93	14	-	large	n/a
Fair value hedge gains/losses ³	13	12	19	8%	-32%
NBNZ incremental integration costs after tax ^{2,4}	(26)	(35)	(17)	-26%	53%
Total non-core items	80	(9)	2	large	large
Cash profit^{6,7}	1,731	1,583	1,568	9%	10%

1. ANZ has reduced the September 2005 profit after tax by \$46 million (Mar 2005: \$15 million increase) to bring the result for that period to an AIFRS basis that is fully comparable with March 2006 figures (refer pages 11 to 14), allowing readers to see the impact on 2005 results of accounting standards that have only been applied from 1 October 2005. No adjustment has been made to retrospectively designate derivatives hedging the Group's funding on the basis of impracticability
2. In the March 2006 half ANZ has classified the \$113 million (\$79 million after tax) settlement of the National Housing Bank (NHB) insurance matter and the \$14 million after tax settlement of warranty claims on Lloyds TSB plc (tax on warranty settlement: \$nil) as significant items. In the September 2005 half ANZ classified \$14 million after tax profit on the sale of NBNZ life and funds management businesses as a significant item (tax on gain on sale of NBNZ life and funds management businesses: \$nil). ANZ excludes significant items to eliminate the distorting effect of one-off transactions on the results of its core business (refer page 11)
3. In the March 2006 half ANZ has classified \$13 million after tax profit (Sep 2005: \$12 million; Mar 2005 \$19 million) on derivatives entered into to manage interest rate and foreign exchange risk on funding instruments, not designated as accounting hedges, ineffective portions of cash flow hedges, profit or loss on disposal of investment securities, and fair value movement in bonds and notes designated at fair value as a non-core item. ANZ excludes volatility

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associated with fair value movements on these transactions to provide a better indication of the core business performance (tax on hedge gains/losses \$5 million (Sep 2005: \$5 million; Mar 2005: \$8 million))

4. *In the March 2006 half ANZ has incurred \$26 million after tax ANZ National Bank incremental integration costs (Sep 2005 half: \$35 million; Mar 2005 half: \$17 million). Tax on ANZ National Bank incremental integration costs is \$13 million (Sep 2005: \$18 million; Mar 2005: \$8 million). ANZ National Bank incremental integration costs are excluded to better reflect the core cost base and assist analysis of the cost base following completion of the integration (refer page 11)*
5. *Refer page 13 for a reconciliation of Profit on a fully comparable AIFRS basis to Net Profit*
6. *Refer page 14 for a reconciliation of Cash Profit to Net Profit*
7. *Refer page 11 for a discussion of why management believes measures of cash profit provide useful information to investors regarding ANZs financial condition and results of operations*

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FINANCIAL HIGHLIGHTS (continued)

Cash profit, cont d

Analysis of Cash1 profit by key line item:

	Half year Mar 06 \$M	Half year Sep 05 \$M	Half year Mar 05 \$M	Movt Mar 06 v. Sep 05 %	Movt Mar 06 v. Mar 05 %
Net interest income	3,368	3,231	3,140	4%	7%
Other operating income	1,563	1,528	1,407	2%	11%
Operating income	4,931	4,759	4,547	4%	8%
Operating expenses	(2,259)	(2,213)	(2,127)	2%	6%
Profit before credit impairment and income tax	2,672	2,546	2,420	5%	10%
Provision for credit impairment	(224)	(325)	(240)	-31%	-7%
Profit before income tax	2,448	2,221	2,180	10%	12%
Income tax expense	(716)	(636)	(611)	13%	17%
Minority interest	(1)	(2)	(1)	-50%	0%
Cash1 profit^{2,3}	1,731	1,583	1,568	9%	10%
Earnings per share					
	Half year Mar 06	Half year Sep 05	Half year Mar 05	Movt Mar 06 v. Sep 05 %	Movt Mar 06 v. Mar 05 %
Earnings per ordinary share (cents)					
Basic	98.4	86.3	83.2	14%	18%
Diluted	96.1	84.3	80.6	14%	19%
Cash1 (basic adjusted for non-core items) ^{3,4}	94.0	86.1	85.7	9%	10%

1. ANZ has reduced the September 2005 profit after tax by \$46 million (Mar 2005: \$15 million increase) to bring the result for that period to an AIFRS basis that is fully comparable with March 2006 figures (refer pages 11 to 14), allowing readers to see the impact on 2005 results of accounting standards that have only been applied from 1 October 2005. No adjustment has been made to retrospectively designate derivatives hedging the Group's funding on the basis of impracticability

In the March 2006 half ANZ has classified the \$113 million (\$79 million after tax) settlement of the NHB insurance matter and the \$14 million after tax settlement of warranty claims on Lloyds TSB plc (tax on warranty settlement: \$nil) as significant items. In the September 2005 half ANZ classified \$14 million after tax profit on the sale of NBNZ life and funds management businesses as a significant item (tax on gain on sale of NBNZ life and funds management businesses: \$nil). ANZ excludes significant items to eliminate the distorting effect of one-off transactions on the results of its core business (refer page 11)

In the March 2006 half ANZ has classified \$13 million after tax profit (Sep 2005: \$12 million; Mar 2005 \$19 million) on derivatives entered into to manage interest rate and foreign exchange risk on funding instruments, not designated as accounting hedges, ineffective portions of cash flow hedges, profit or loss on disposal of investment securities, and fair value movement in bonds and notes designated at fair value as a non-core item. ANZ excludes volatility associated with fair value movements on these transactions to provide a better indication of the core business performance (tax on hedge gains/losses \$5 million (Sep 2005: \$5 million; Mar 2005: \$8 million))

In the March 2006 half ANZ has incurred \$26 million after tax ANZ National Bank incremental integration costs (Sep 2005 half: \$35 million; Mar 2005 half: \$17 million). Tax on ANZ National Bank incremental integration costs is \$13 million (Sep 2005: \$18 million; Mar 2005: \$8 million). ANZ National Bank incremental integration costs are excluded to better reflect the core cost base and assist analysis of the cost base following completion of the integration (refer page 11)

2.