Trading Update

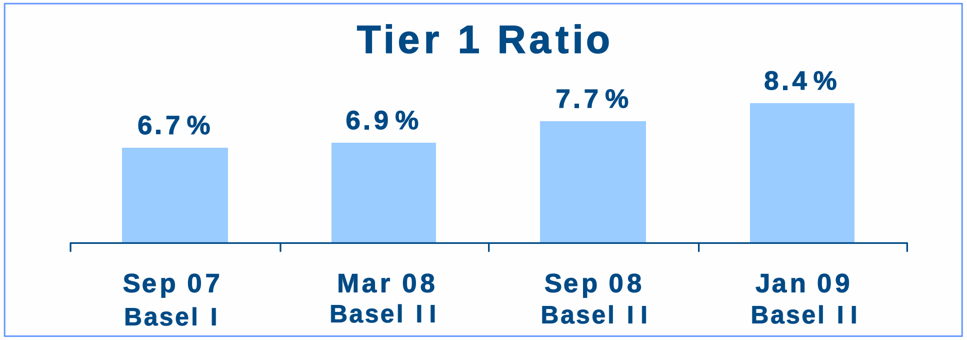
AUSTRALIA AND NEW ZEALAND
BANKING GROUP LIMITED

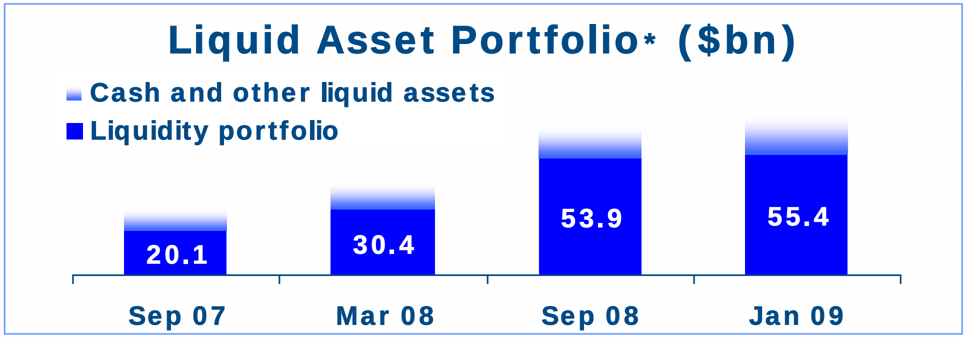
26 February 2009

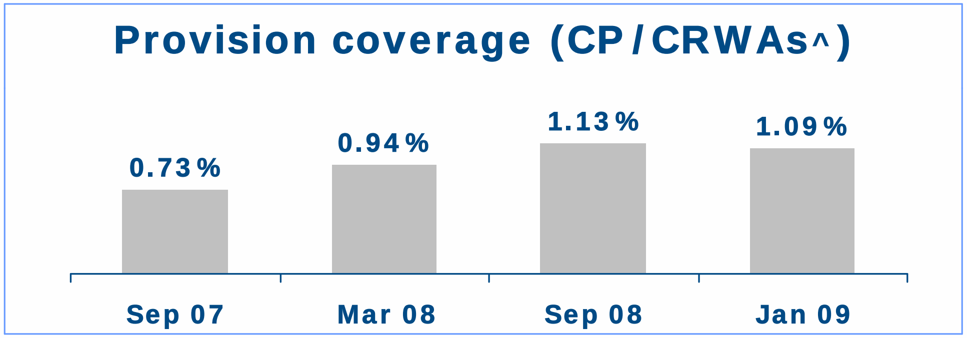
INVESTOR / ANALYSTS PACK

Underlying business performing well

- Underlying business performing well – cash earnings# for FY09 expected to be around FY08 levels despite difficult environment
- Asia Pacific division up strongly, good revenue# trends in Institutional driven by markets business, Australian income and margin trends positive
- Income# growth up 16% on pcp (FX adjusted), increased Group Net Interest Margin, expense growth up 14% (FX adjusted) on pcp largely driven by one off costs (5%), growth in Asia Pacific (4%) and remediation work in Institutional
- Roadmap set in early 2008 to strengthen the balance sheet via increased tier one capital, significant liquidity and adequate provisioning has positioned ANZ well to deal with the new market reality







*Assets held for liquidity management purposes, including internal securitisation (March 08 and Sep 08 including post balance date, pre reporting date internal securitisation). The Group holds additional portfolios of liquid, trading and investment securities. ^ 2008 & 2009 RWAs calculated using Basel II methodology, prior period numbers reflect Basel I
#Adjusted for non-core items (i.e. significant items and non-core income arising from use of derivatives in economic hedges and fair value through profit and loss)

Australia & New Zealand volumes and margins

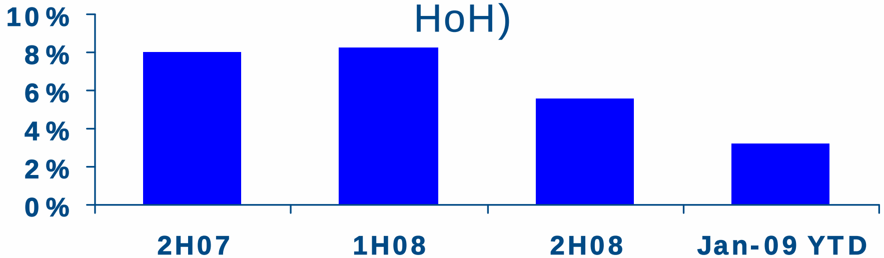
Australia* Overview

- Strong YTD customer deposit growth, with new customer deposits broadly in line with new lending
- Australia and Institutional divisions NIM benefiting from repricing, partially offset by increased deposit competition

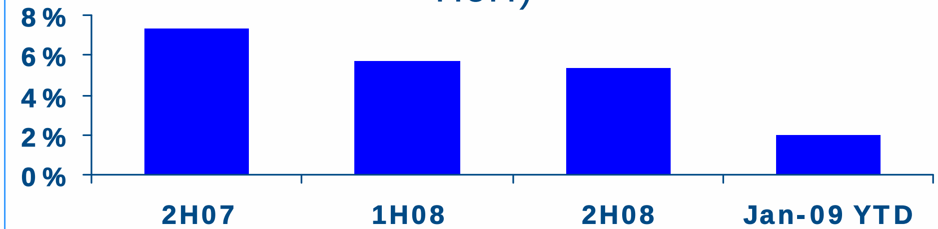
New Zealand* Overview

- Difficult conditions continue leading to a decline in growth in both lending and deposit volumes.
- Higher cost of funds, deposit competition and prepayments negatively impacting margins

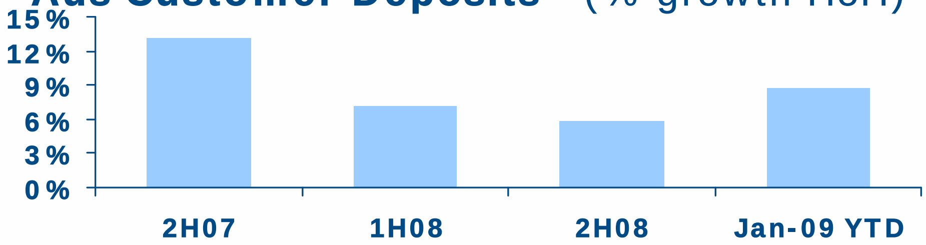
Aus Net Loans & Advances* (% growth HoH)



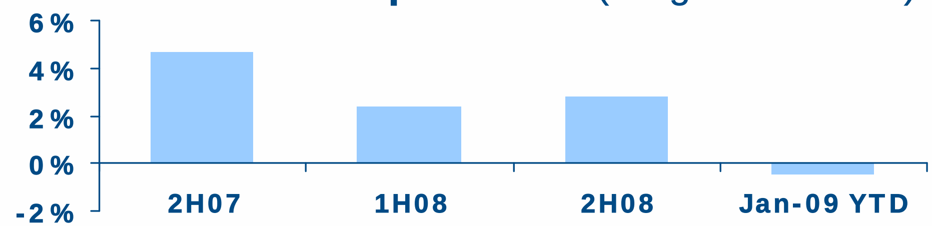
NZ Net Loans & Advances*^ (% growth HoH)



Aus Customer Deposits* (% growth HoH)

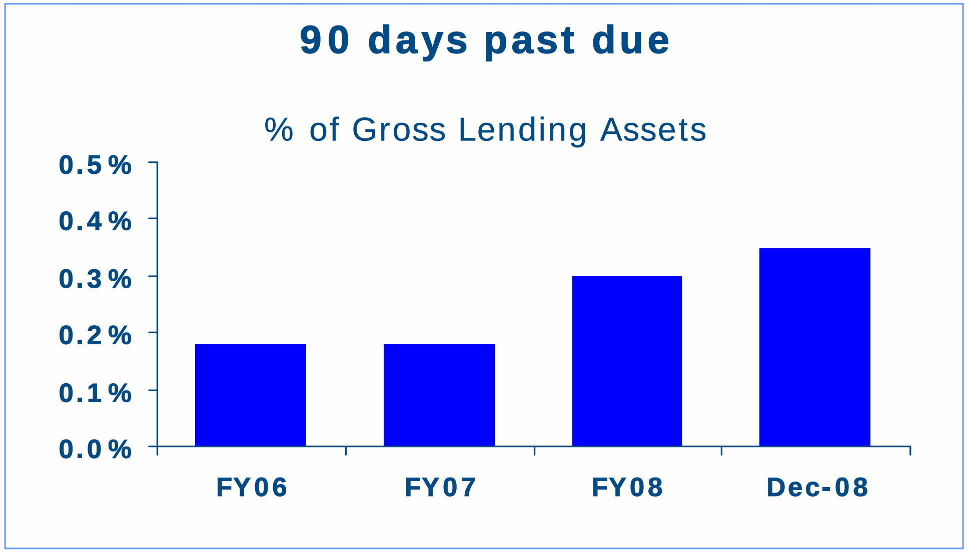


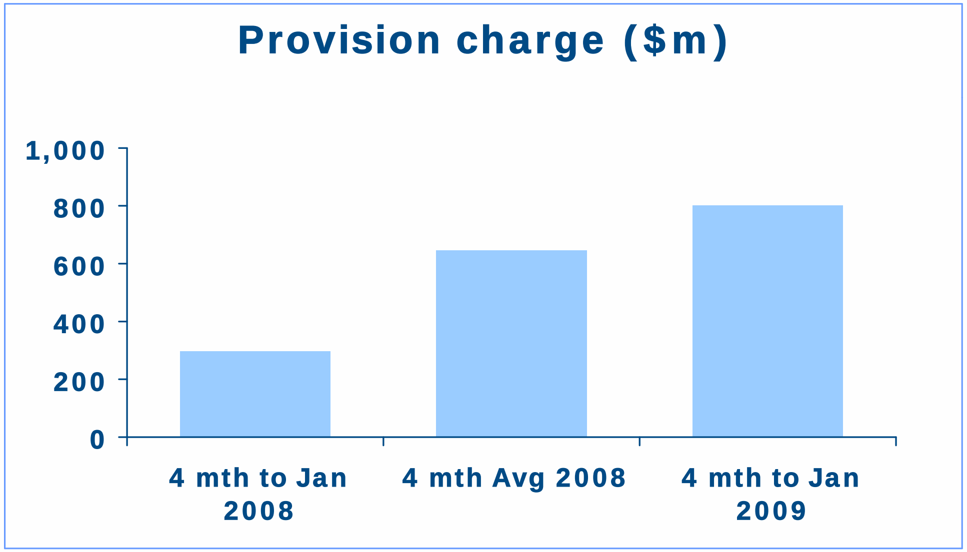
NZ Customer Deposits*^ (% growth HoH)

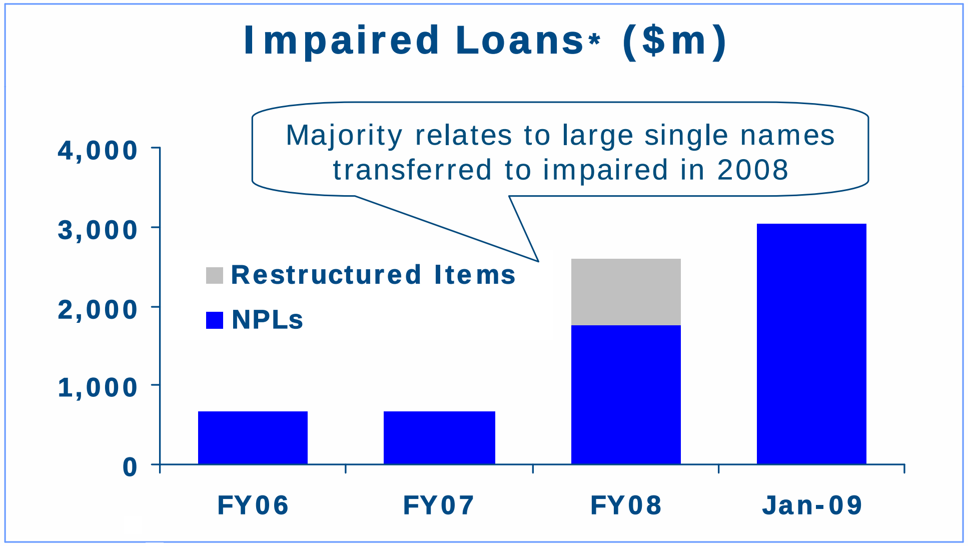


** Geographic basis, including Institutional, ^ FX adjusted*

Group portfolio



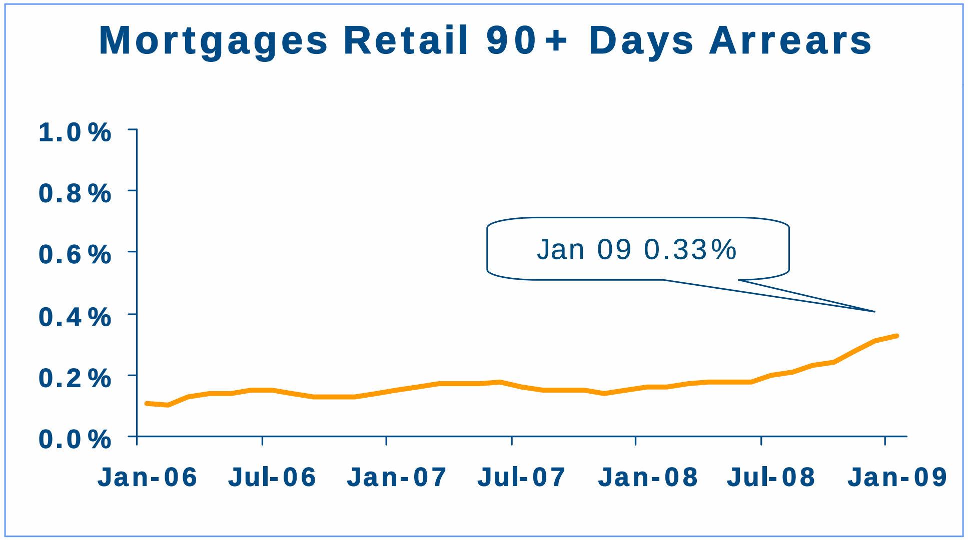


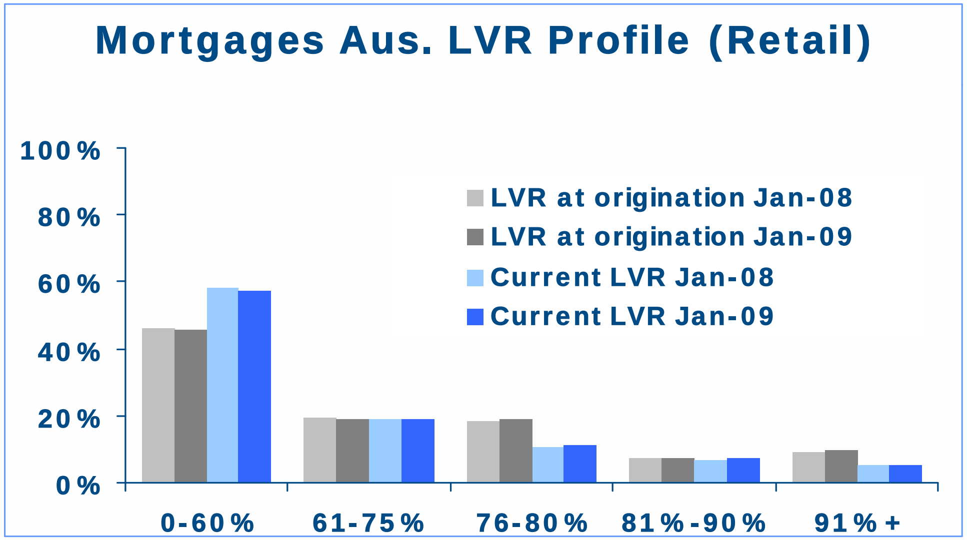


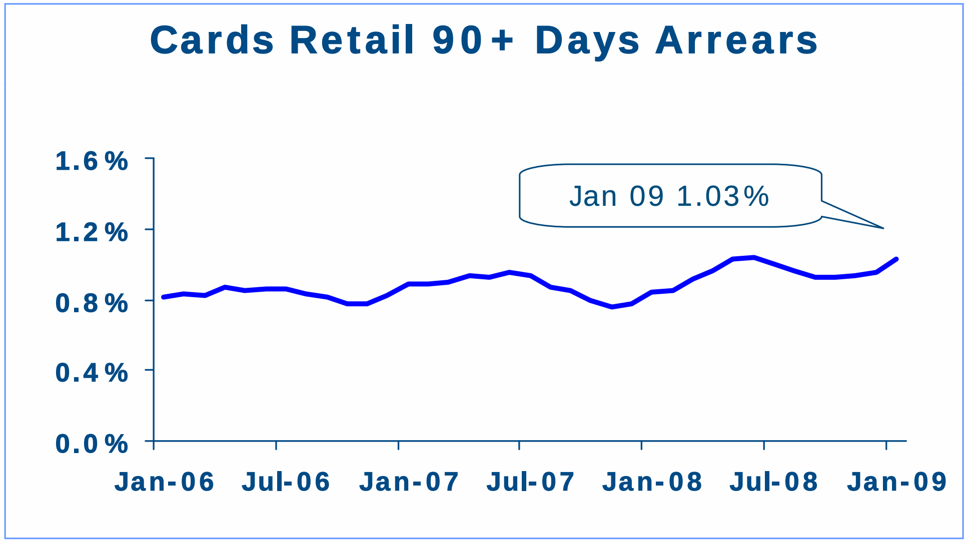
- Past due growth broadly spread, majority in the secured book
- Higher provision levels than 2008 but in line with market consensus of $2.4 to $2.5 billion
- Institutional credit losses tracking around 2008 levels with broader portfolio impacts as well as the impact from large single names
- Consumer provisions increasing principally in Consumer Finance and Esanda
- NZ provisions could approach double that of 2008 reflecting tougher economic conditions

* Excludes unproductive facilities

Australian - Consumer portfolio



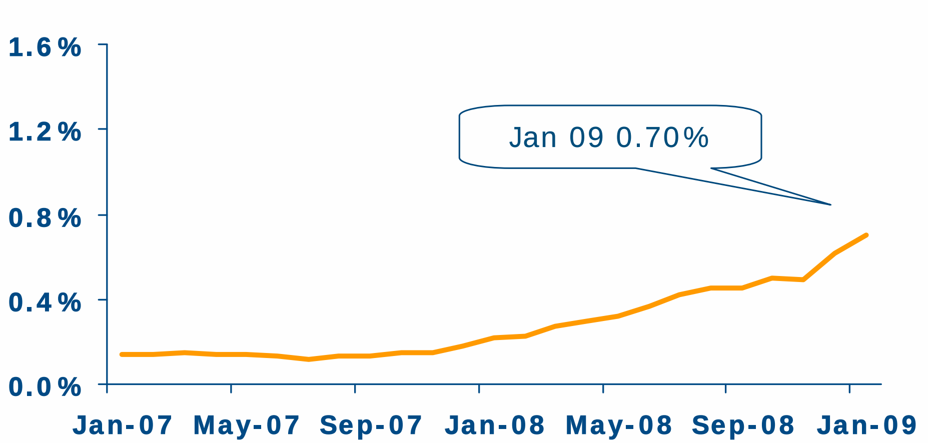




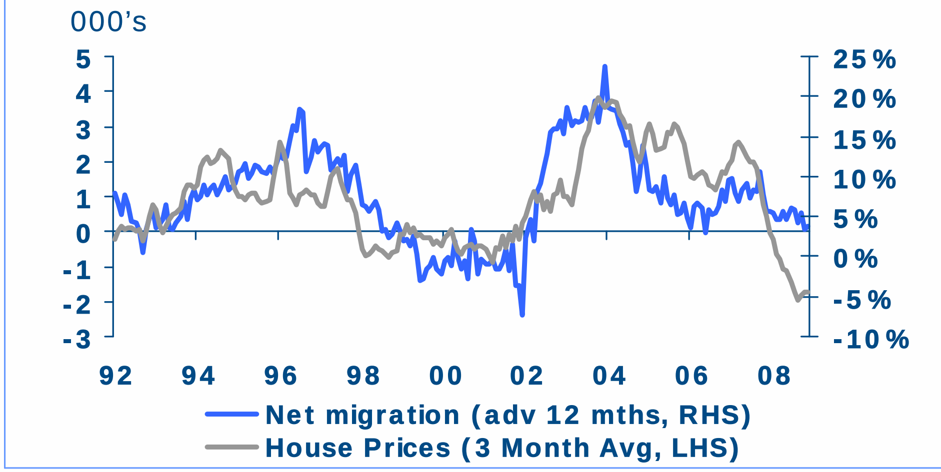
- Maximum Loan to valuation ratios for new applications reduced from 95% to 90% on the mortgage portfolio
- LoDoc80 product removed for new applications
- Both redraw and limit utilisations have continued to decrease over the past 4 months
- Since Sep 08 customers paying above minimum repayments have doubled to 74%
- Arrears levels continue to trend slightly upwards although remain below peer reported averages

New Zealand - Consumer portfolio

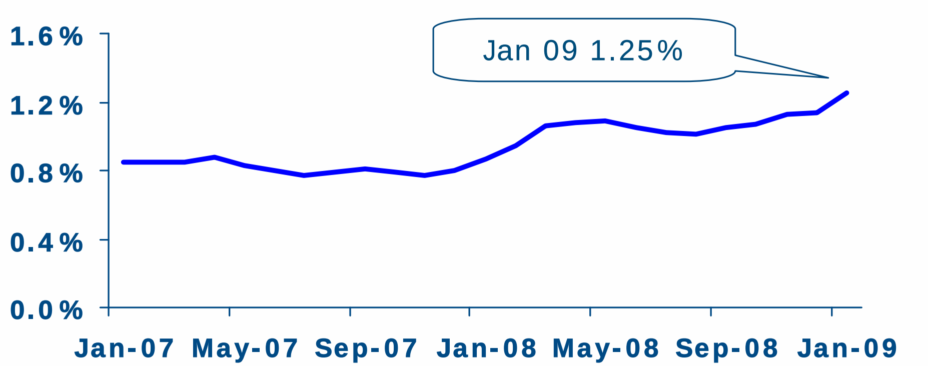
Mortgages Retail 90+ Days Arrears



Falling housing prices



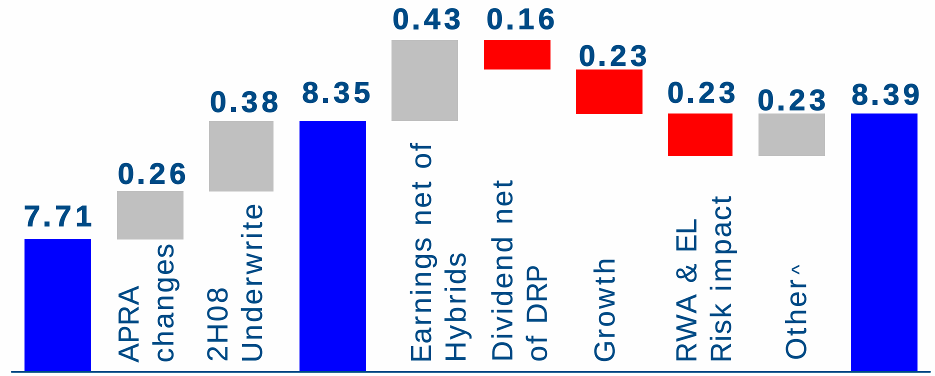
Cards Retail 90+ Days Arrears



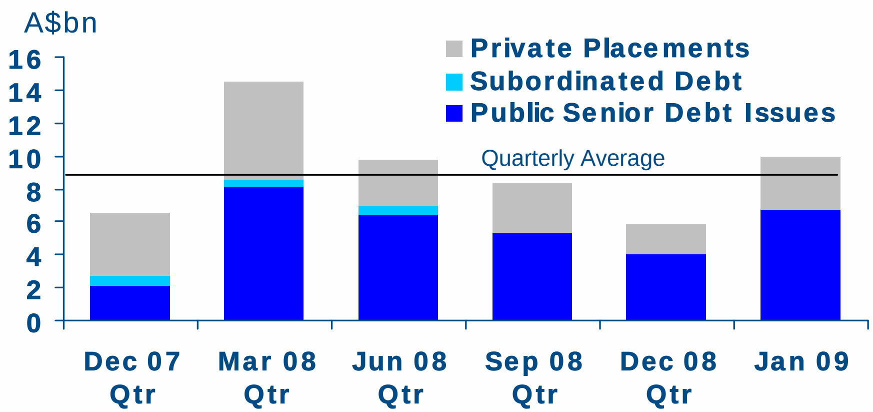
- Arrears continue to increase, more pronounced in the secured book
- Property values continue to track down; interest cuts and supply factors expected to be mitigants.
- Credit standards have been adjusted and arrears management resources increased to reflect the weakening economic environment.
- Proactive customer management program, includes specialist financial support and active calling for early identification of potential stress.

Capital and funding

Tier 1 Capital Ratio



Term wholesale funding



Well positioned to absorb losses

	Tier 1 proforma	Tier 1 +CP +IP#
ANZ	8.39%	9.57%
Domestic peers*	8.35%	9.22%
ANZ FSA	10.52%	12.03%

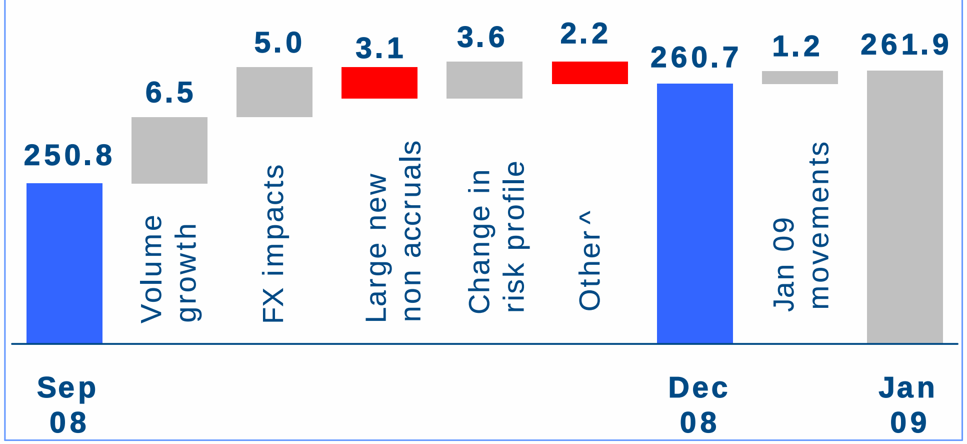
- Capital initiatives include a reduction of the anticipated dividend for 2009 to be determined when actual results are known but expected to be around 25% and continuing to pursue opportunities for hybrid equity.
- Term funding program has focused on consistent borrowing pattern despite market volatility and higher funding costs. 70% of 2009 term funding (>1yr) completed, average tenor new issuance 3.9 yrs.

*Average of major Australian Bank peers; #CP plus IP balance, ^includes reclassifications of RWAs within categories, IRRBB movement (12bp impact) and FX

APS 330 Pillar 3 December quarterly disclosures

Credit RWAs $260,674m*	Increase of $9,924m (+3.9%) in Dec 08 qtr with 2.6% due to growth in portfolio, 2.0% for FX and 0.2% due to change in risk profile, with low growth as a result of transfer of large exposures to Eligible Provisions
Total RWAs $281,351m	Increased by $5,917m (+2.1%) largely from volume growth, FX and some deterioration in credit quality, notably in Corporate Asset Class (including several large corporate accounts), partly offset by reduction in IRRBB to zero#
Regulatory Credit exposures $566,124m	Total Credit Risk Exposure increased by $28,522m (+5.3%) largely due to derivative mark-to-market changes, FX and volume growth in mortgages
Impaired Loans / Facilities $3,267m	Impaired loans / facilities increased $594m largely from the Institutional Division, with an increase in the Australia Division mainly in Esanda
90+ days Past Due Loans $1,264m	90 Days past due increased by $204m, primarily from Australia Division's Mortgages portfolio with increased financial pressure and reduced exit options
Individual provision balance $901m	IP balance increased $226m, reflecting the deteriorating environment. Write-offs were mainly in Australia Consumer Finance, Esanda and Institutional

Credit RWA movements* ($bn)



Reg. Expected Loss & Eligible Provisions

	Sep-08	Dec-08	Jan-09
Basel EL Amount (incl IP)	3,052	4,181	4,325
Total Eligible Provisions			
GRCL (tax effected)	1,919	1,916	1,940
IP	799	879	948
Surplus/(Deficit) applies to Capital 50/50 Tier 1/ Tier 2	(334)	(1,386)	(1,437)
Movement in surplus / (Deficit)		315%	4%

** including securitisation, equity exposures and other assets, ^includes reclassifications of assets within categories*
 # due to the increase in embedded gains on Investment Term of Capital providing an offset to repricing and yield curve risk as measured by VaR

Calculation of Credit Risk on Derivatives charge for Credit Intermediation trades

ANZ's credit intermediation trades involved back to back sold and purchased protection in the form of CDS.

For accounting purposes, the CDS are marked to market which involves adjusting the value of the purchased protection for the counterparty risk of the provider. This is reported in the P&L as "Credit Risk on Derivatives".

In many ways it is similar to a collective provision for non defaulted exposures, or the individual provision where the provider of the purchased protection has defaulted. The key differences being the degree of estimation of the exposure and the need to use current market inputs because derivatives are at fair value.

- There are 8 counterparties (including ACA) providing "bought protection" to ANZ in relation to the intermediation trades.
- Two of these are CDPCs ("Credit Derivative Product Companies") and the remainder are monolines of which one (ACA) has defaulted. The CDPCs are currently rated AAA by S&P.
- The starting point for the calculation of the amount exposed to credit risk is the Mark-to-Market ('MTM') for the underlying credit intermediation trades. The MTM calculation estimates the current market value of the purchased and sold protection at a particular date on the underlying trades. This effectively becomes the current value of the credit risk if there was no purchased protection. Unlike a loan this is not a static number.
- The next step is to apply a probability of default to the bought protection counterparties. This is based on the market price of credit for the counterparty credit rating. This amount is adjusted to reflect expected recovery amounts.
- For monolines there are observable credit spreads. For CDPCs ANZ must use an internal model as there are no observable credit spreads.

Structured Credit intermediation trade

Collateralised issues / Credit protection intermediation activities

Counterparty rating	No.	Notional Principal Amount (USD m)	Mark to Market (USD m)	Credit Risk on Derivatives^ (USD m)
AAA / Aaa	4	8,871	1,396	724 (@ FY08 $425)
BB / B3	1	387	43	
BBB+ / A3	1	86	10	
CC / Caa1	1	286	42	
Defaulted Monoline	1	1,333	316	
Total Position to end January 09	8	10,963	1,806	724
			FY 2008 Credit Risk on Derivatives	USD 425m
			YTD 2009 Credit Risk on Derivatives	USD 299m

2009 YTD after tax charge #	AUD 370 m after tax

^ Credit Risk on derivatives is an adjustment to the MTM of derivatives, to reflect the credit rating of the counterparty, credit spreads and other factors.

includes movement in exchange rates net of hedging

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