

Australia and New Zealand Banking Group Limited

Investor Presentation January 2002

Rick Sawers, Group Treasurer
Bruce Mathrick, Executive Treasurer, Group Funding
Ross Glasscock, Treasurer, Strategic Funding

1. **Group Overview**

2. Business and Strategic Overview

3. Financial/Operating Performance Overview

4. Term Debt Funding Strategy

5. Summary

6. Appendix

ANZ Group Overview

- One of the four major Australian banks
- Established 1835
- Full range financial service provider
- Distinctive specialist business strategy (16 separate businesses)
- Assets (as at FYE 2001) A\$185bn.
- Market Cap. (as at January 14, 2002) A\$25.6bn.
- Tier 1 Capital Ratio (as at FYE 2001) 7.5%
- Credit Ratings AA-/Aa3 (Stable)

Overview (as at FYE 2001)

	Year on year	Continuing business
• NPAT	A\$1,870m. + 7%	A\$1,882m. + 18%
• Revenue	A\$6,445m. - 15%	A\$6,434m. + 11%
• CTI	48.3% from 56.5%	48.4% from 51.8%
• Return on average ordinary equity :	20.2% from 19.3%	
• Return on average assets :	1.1%	
• Net interest average margin :	2.77% from 2.87%	

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The essence of our strategy

Specialise

- Building a portfolio of stand-out businesses with distinctive business leadership and a sustainable top 3 position that work as one ANZ

eTransform

- Embracing technology to drive radical change, boost productivity, accelerate innovation and dramatically improve service and value

Perform

- Ensuring “best in class” performance for shareholders, customers, staff and the community

Grow

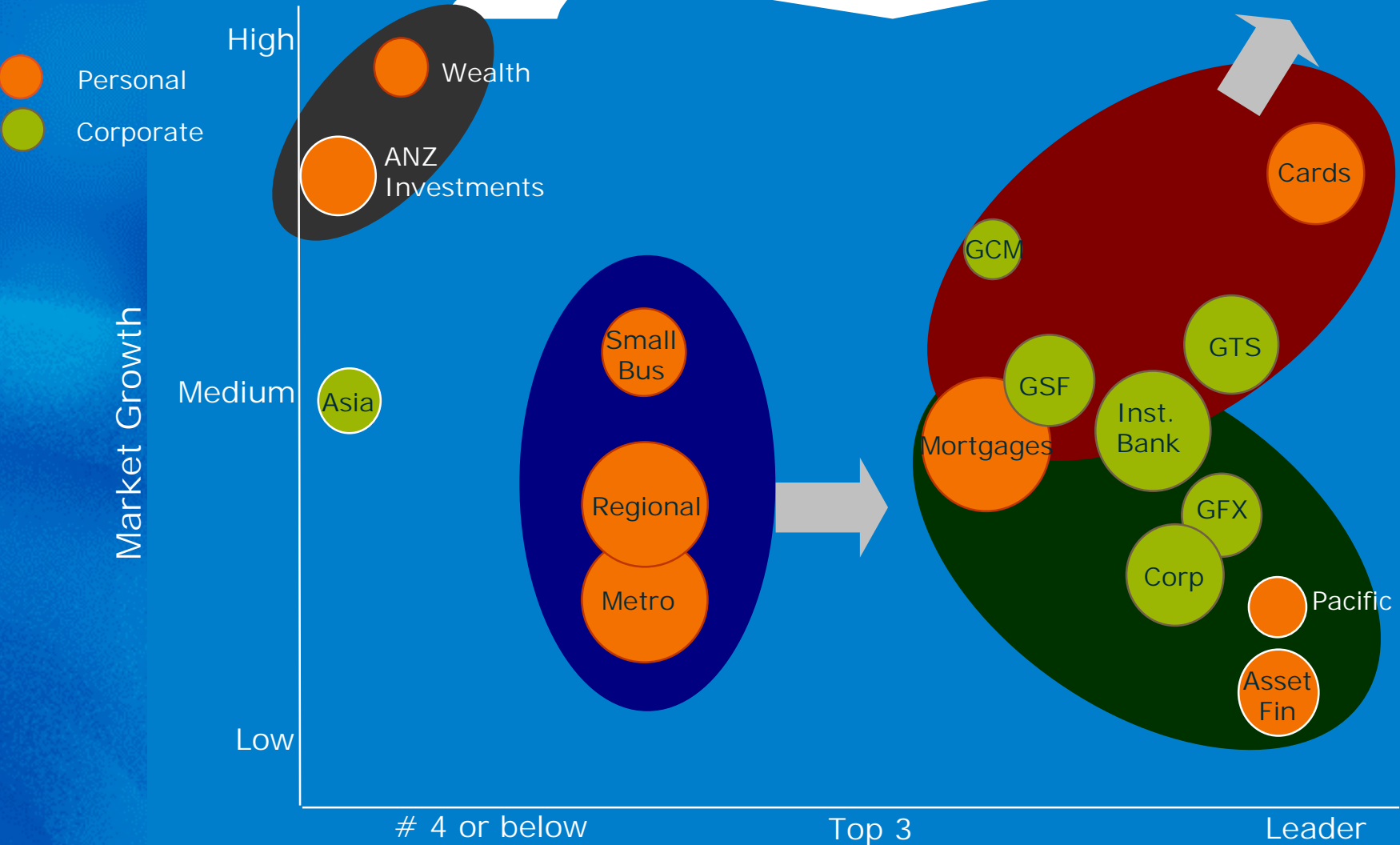
- Demonstrating strong growth momentum in core businesses and positioning ourselves in attractive new high growth categories

Breakout

- Being bold and different, a high performance culture with a human face, technological leadership and a strong domestic and regional strategic position

Businesses must achieve a top 3 position

ILLUSTRATIVE

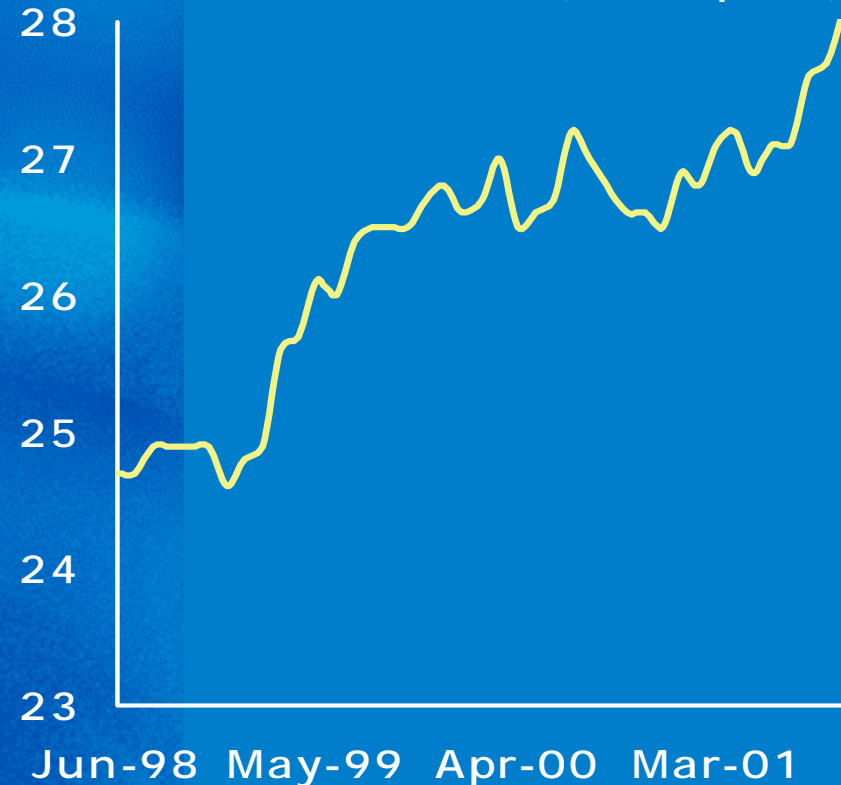


Note: Bubble size in proportion to 2001 NPAT

Market Position

Specialisation has driven the success of our product businesses

Market Share (Card Spend) *



*3 month moving average

Market Share (Mortgages)



Source: Economics @ ANZ

Building on strengths, eliminating weaknesses

Strengths

- Performance culture and cost management
- Specialisation – focus, execution, flexibility
- Leading positions in consumer product businesses and corporate
- Management –accountable, open, transparent
- EVA embedded throughout the organisation
- Capital

Weaknesses

- Wealth/Investment Management
- Underweight consumer franchise
- Underweight in small to medium business segment
- Limited retail funding
- Asia below critical mass
- Size in a global context

Funds management and life insurance joint venture with ING

- Memorandum of Understanding with ING to establish a joint venture in funds management and life insurance in Australia and New Zealand
- JV to be known as ING Australia Limited, owned 51% by ING and 49% by ANZ
- Equal say in decisions which impact strategic direction
- Business included in JV will be ING's Australian and New Zealand Funds Management and Life Insurance and ANZ Investments
- JV to supply funds management and insurance products to ANZ's corporate and personal businesses and will outsource investment management activities to ING Investment Management

Joint venture

- JV will create the fourth largest retail funds management business in Australia
- No additional capital raising
- Full details will be announced in early March 2002

Our top 10 priorities

- Build standout performance – lift the bar
- Continue to lower risk and improve sustainability
- Take all businesses into the Top 3
- Create a leading position in Wealth Management
- Restore customer & community faith
- Create a world class technology platform
- Continue to build a high performance breakout culture
- Do what we need to do and partner or outsource the rest
- Take what we do well into new markets
- Capture strategic opportunities in the weaker economy

Outlook – optimistic but cautious

- Good momentum in our business
- Economy in reasonable shape but greater uncertainty from external pressures
- Revenue growth more subdued until upturn
- Credit environment difficult but containable
- Approaching business cautiously – constraining costs and credit
- Selective investment in growth
- Focus on restoring customer/community faith
- Building on our distinctive strategy



Our targets are unchanged

EPS > 10%

ROE > 20%

Cost Income – mid 40's

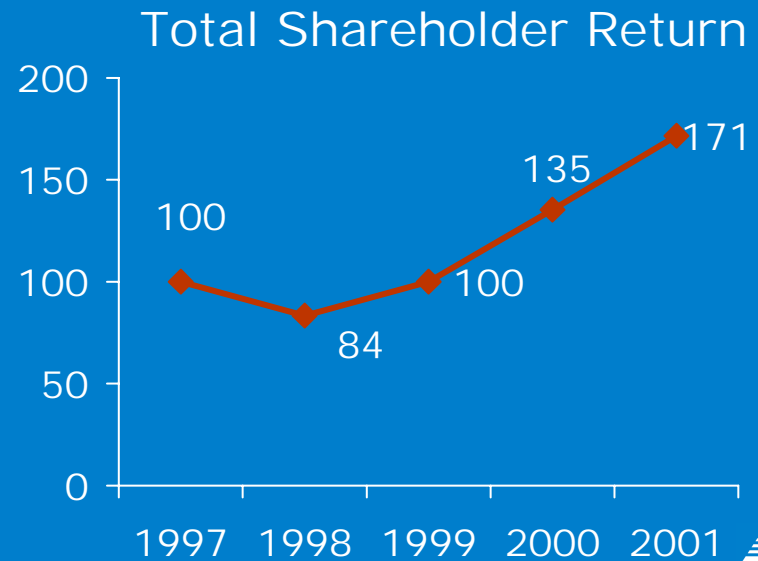
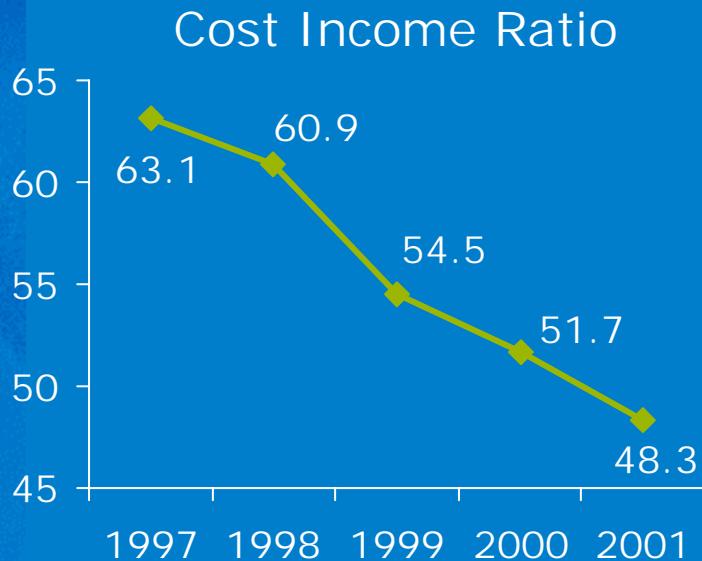
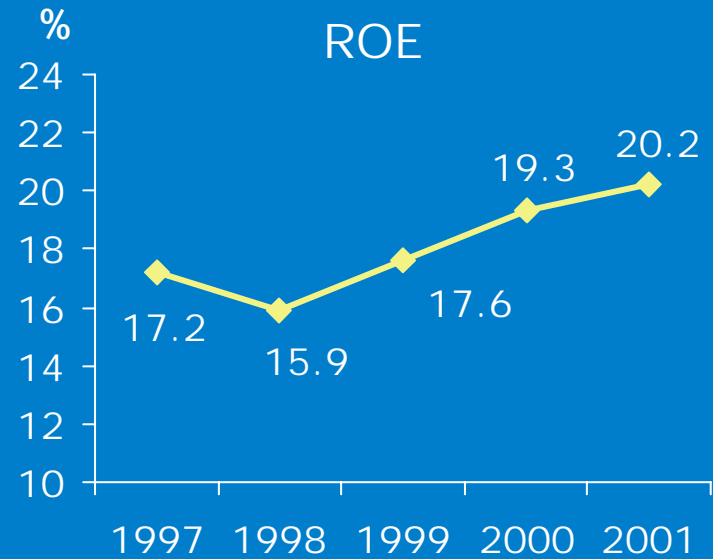
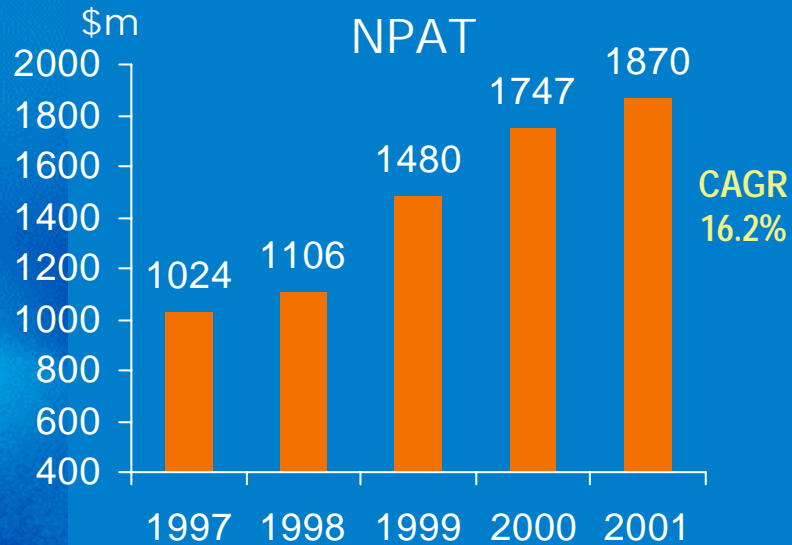
Inner Tier 1 – 6%

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We have delivered very strong financial performance

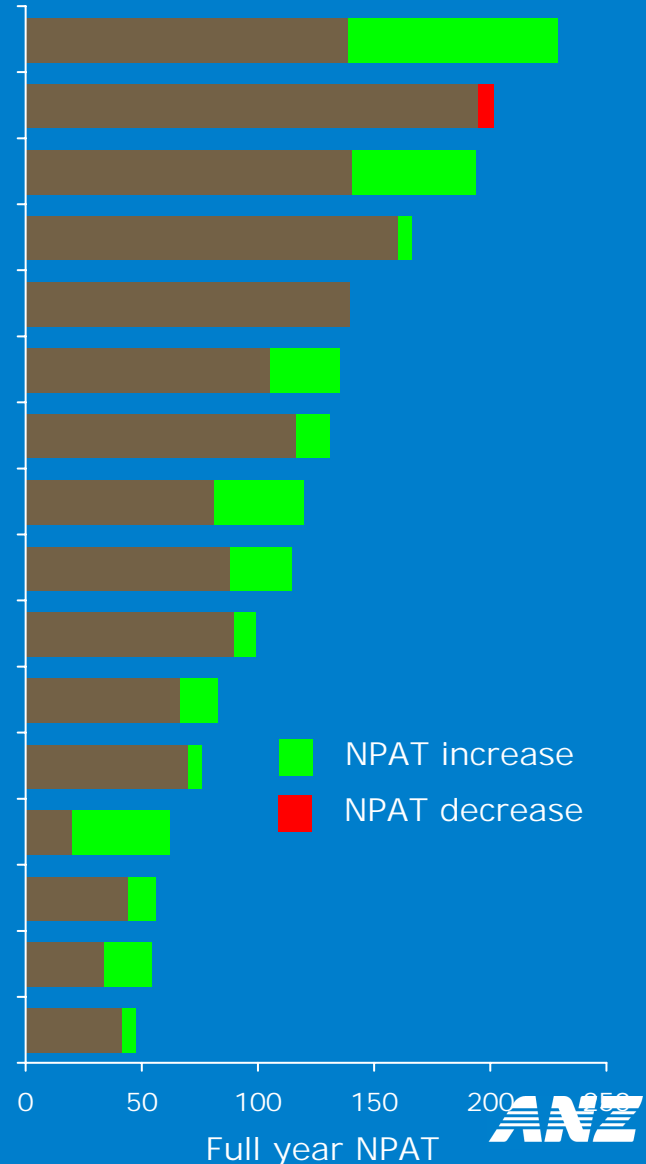
	Sep 99	Sep 00	Sep 01
Market Value (A\$bn)	16.0	20.0	23.8
Total Capital Adequacy Ratio	10.7%	10.2%	10.3%
Tier 1 Ratio	7.9%	7.4%	7.5%
Total Assets (A\$bn)	152.8	172.5	185.5
Net Impaired Assets as % of RWA	0.6%	0.6%	0.6%
Net Profit After Tax (A\$bn)	1.5	1.7	1.9
Cost to Income Ratio	54.5%	51.7%	48.3%
Return on Average Assets	1.0%	1.1%	1.1%
Return on Average Ordinary Equity	17.6%	19.3%	20.2%

We have delivered very strong financial performance



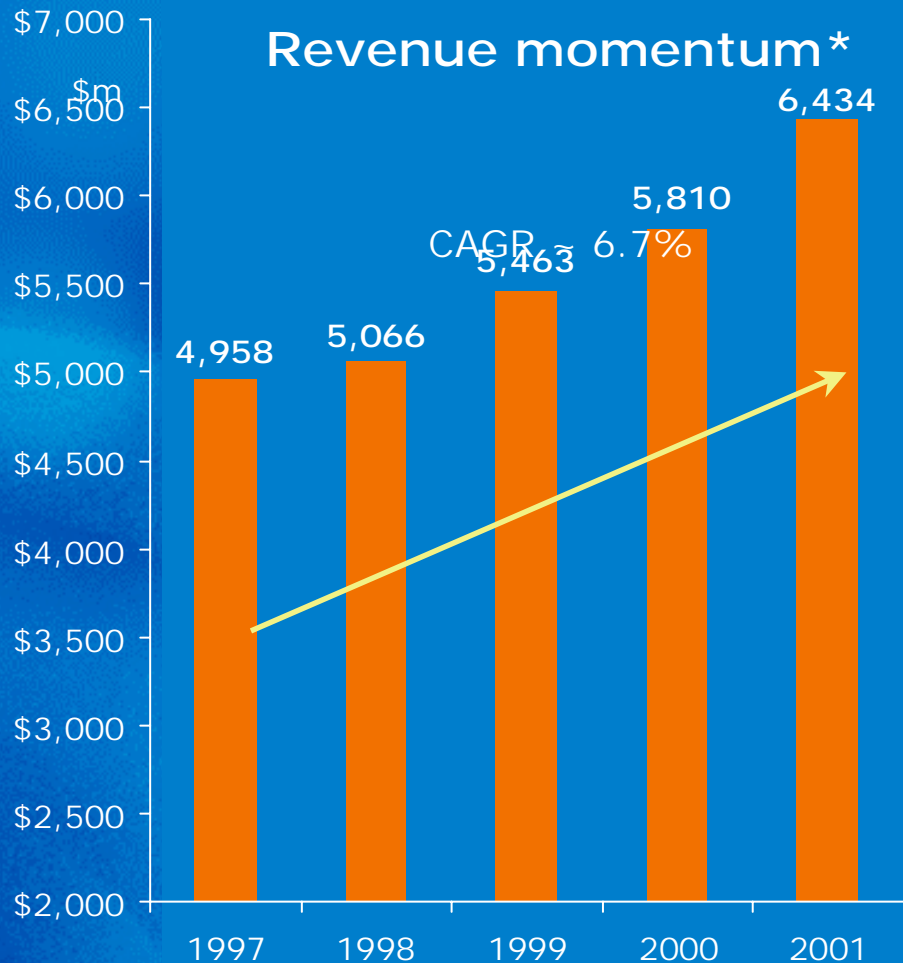
We have a diversified portfolio that is performing well

	2001	2000	Change
Mortgages	228	138	65%
Metrobanking	194	200	-3%
Institutional	194	141	38%
Regionalbanking	166	160	4%
Structured Finance	140	139	1%
Transaction Services	135	105	29%
Corporate Banking	131	117	12%
Cards	120	81	48%
Small Medium Business	115	88	31%
Asset Finance	99	90	10%
Foreign Exchange	83	66	26%
Investment Management	75	70	7%
Asia	63	19	232%
Wealth Management	56	44	27%
Capital Markets	54	34	59%
Pacific	47	41	15%

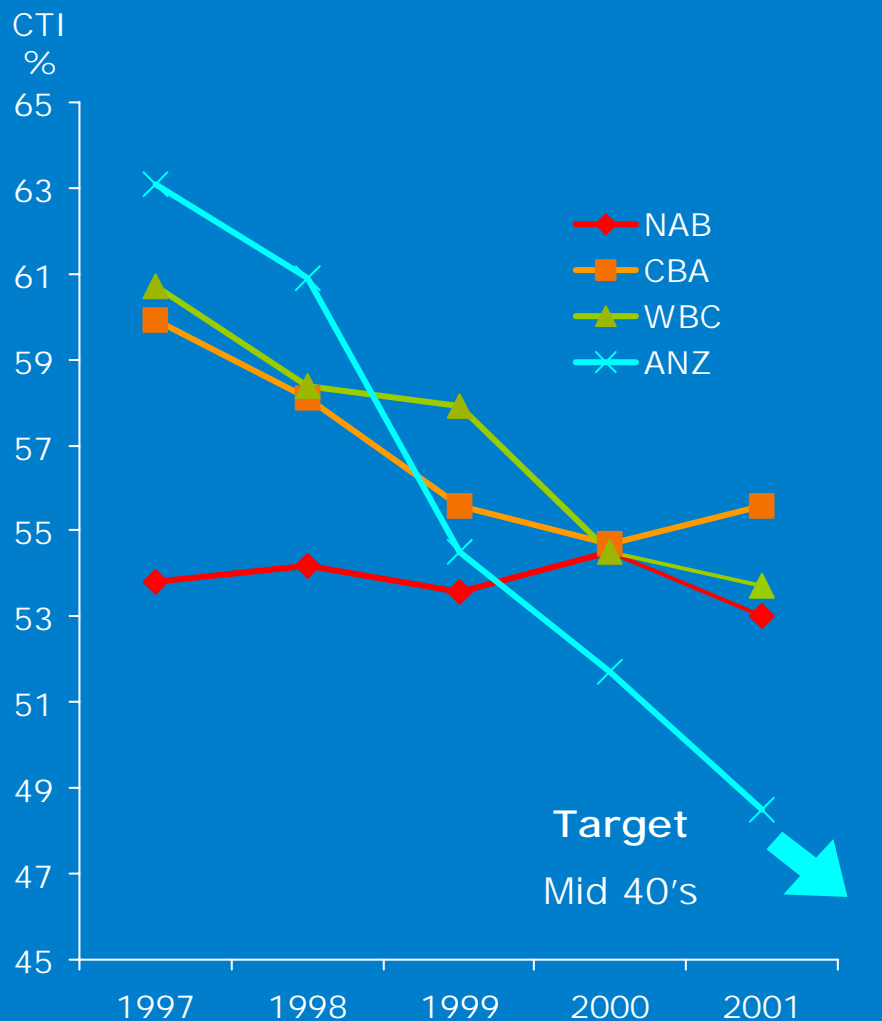


We have a strong track record of revenue growth and cost control

Revenue momentum*



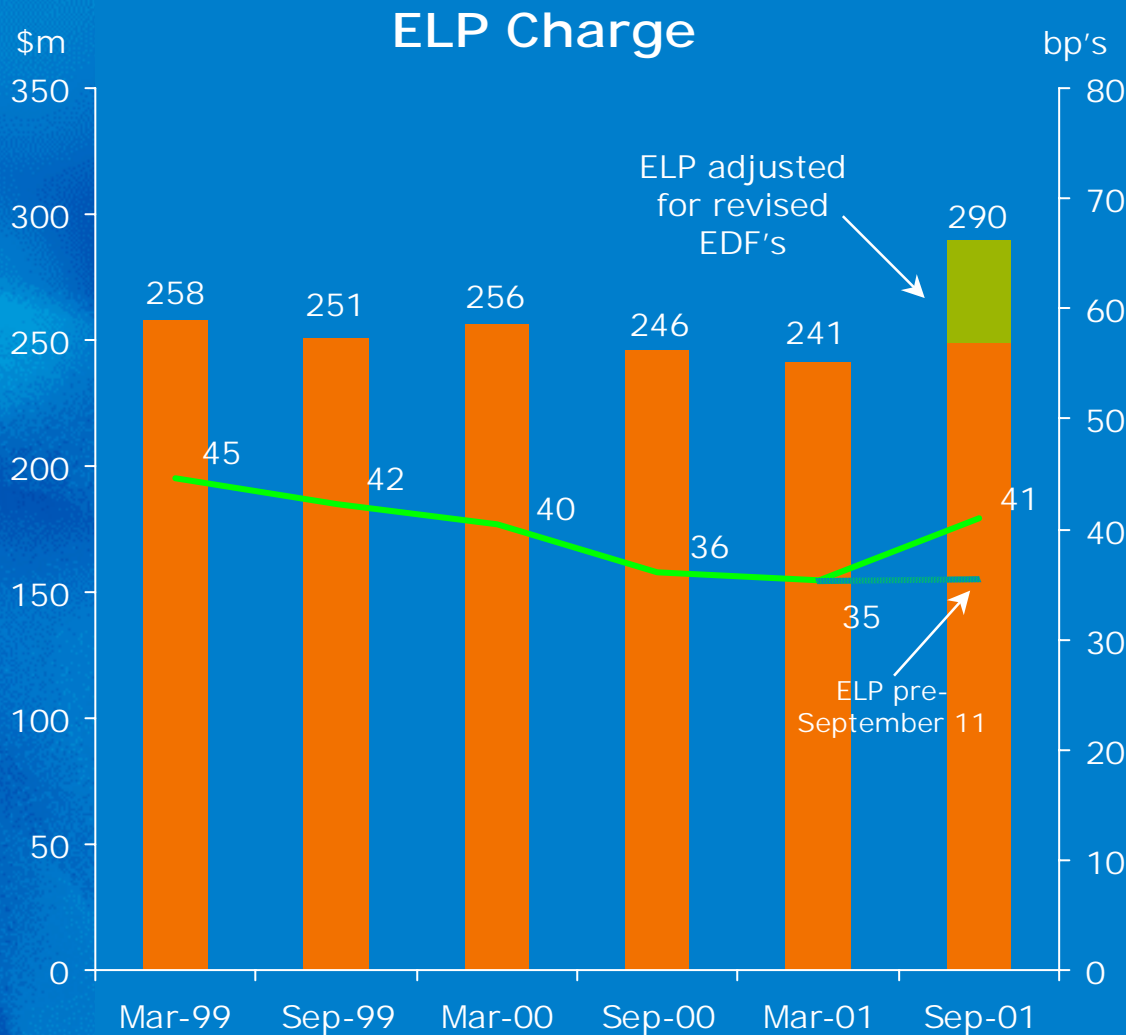
Cost leadership



* Continuing operations



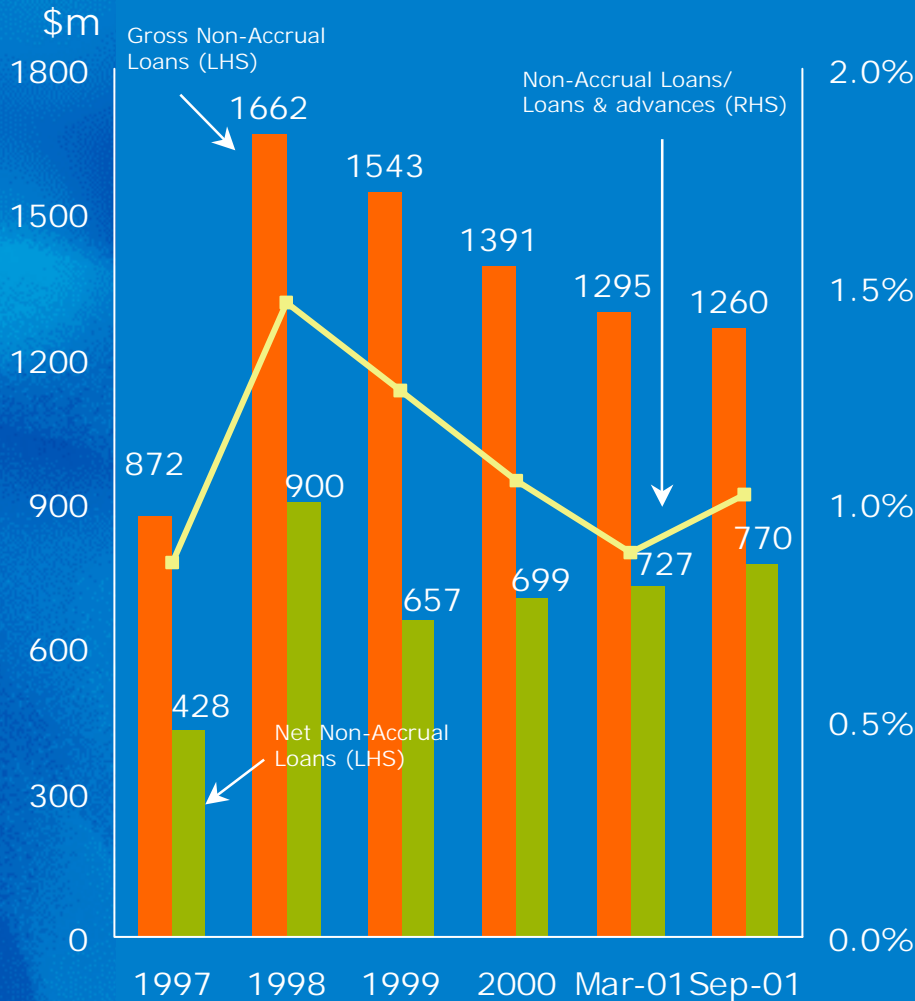
Provisioning charge reflects a prudent response to September 11



- ELP charge automatically adjusts in line with changing risk profile of the book
- September 11 impact not yet reflected in Customer Credit Ratings
- Prudent to allow for potentially higher expected defaults in our provisioning
- ELP rate is a better reflection of likely 2002 levels

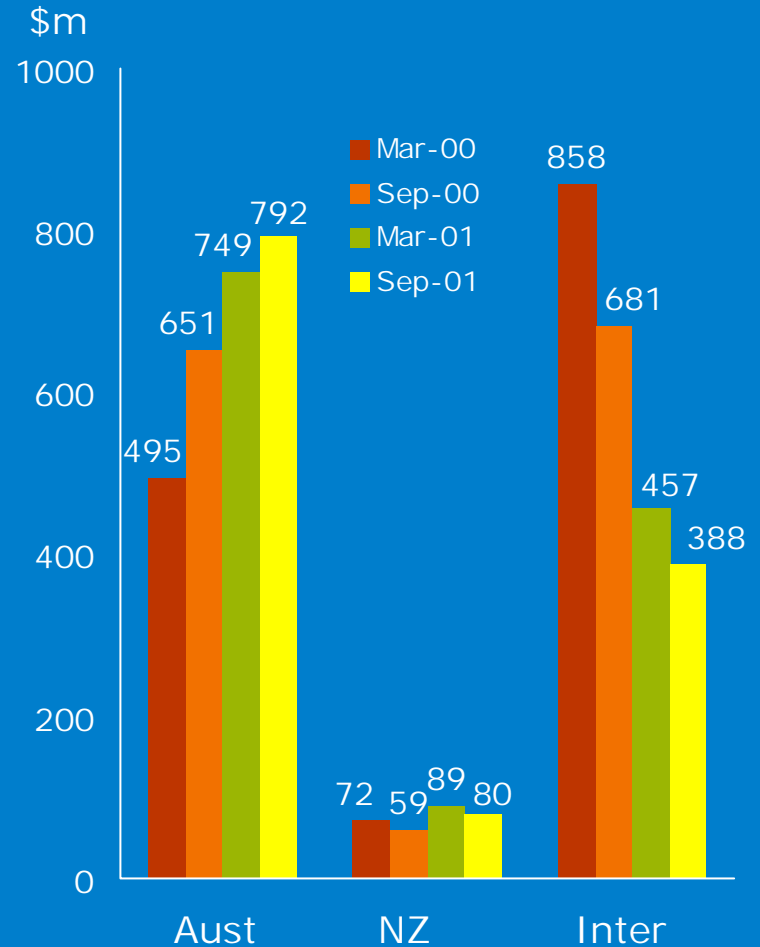
Gross non-accrual loans continue to fall, net non-accruals up 6% for the half

Historic

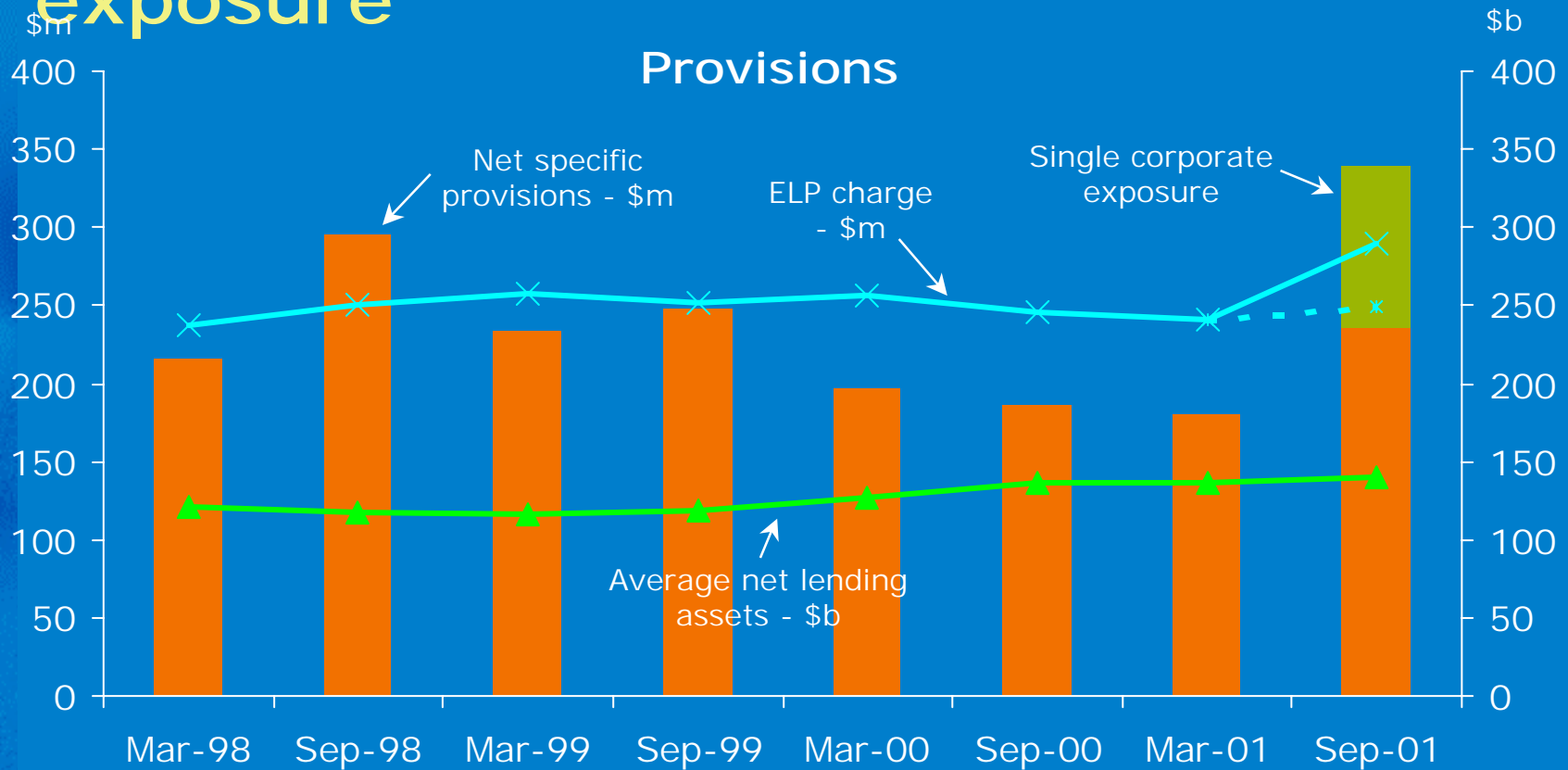


Geographic

Gross Non-Accrual Loans



Specific provisions are higher, primarily due to one corporate exposure

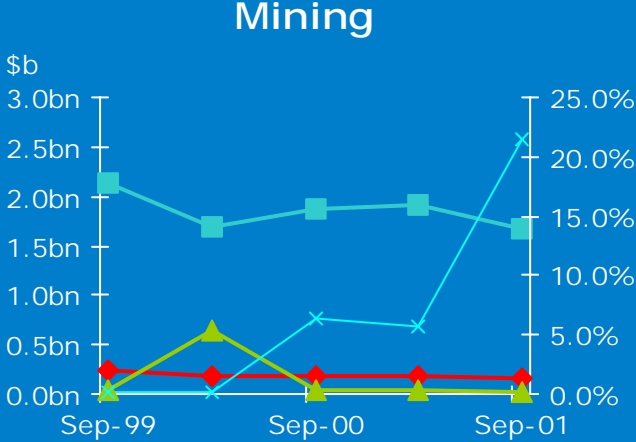
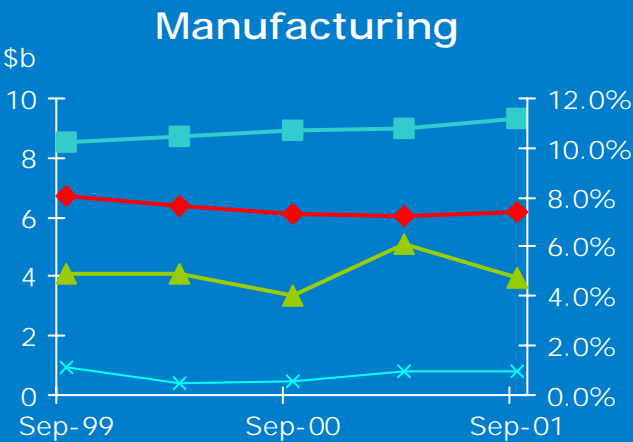
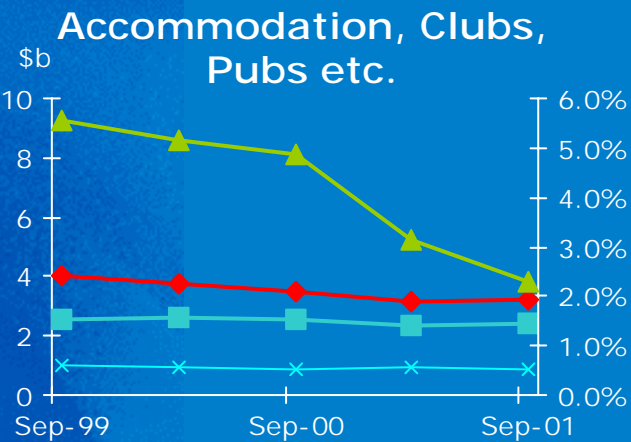
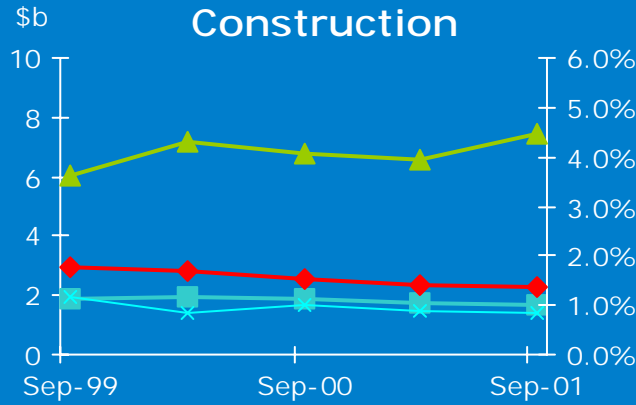
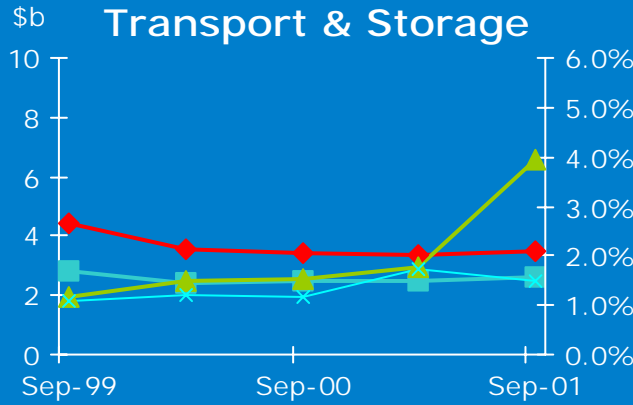


- All known problems have been specifically provided for

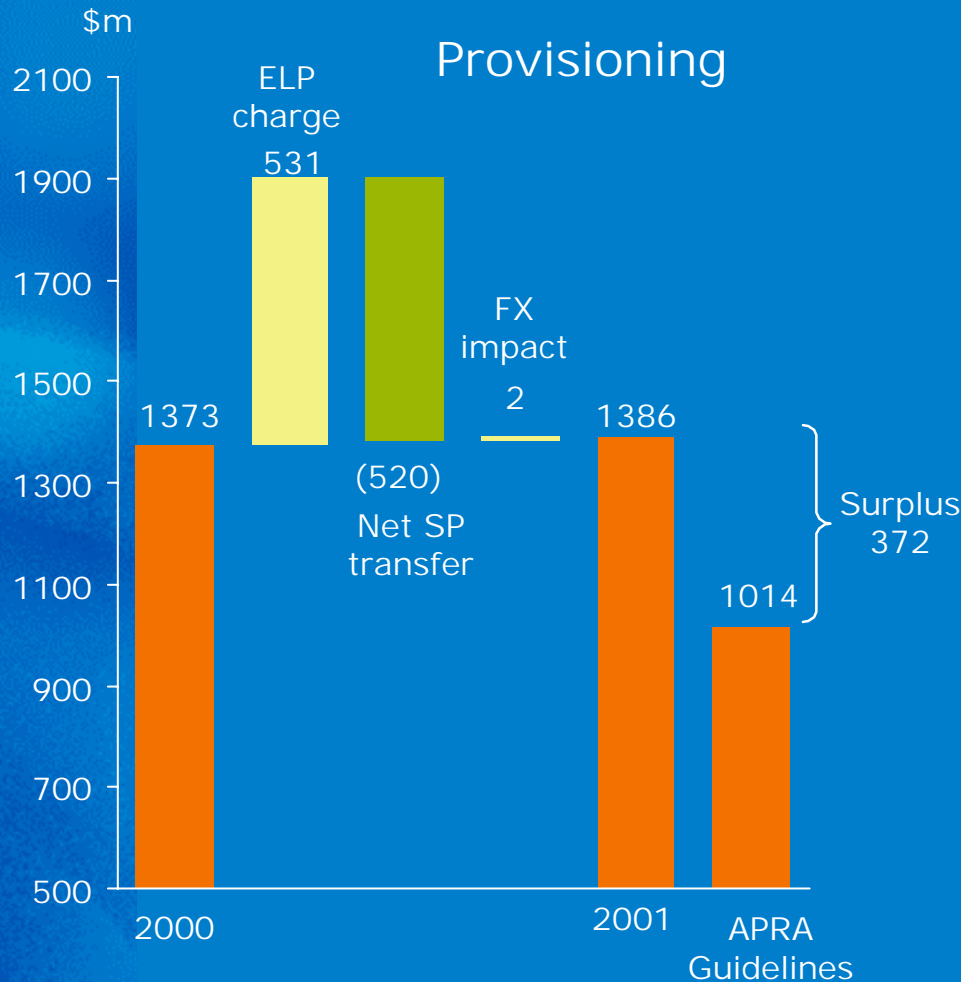
Industry exposures closely monitored

High risk sectors – Australia & NZ

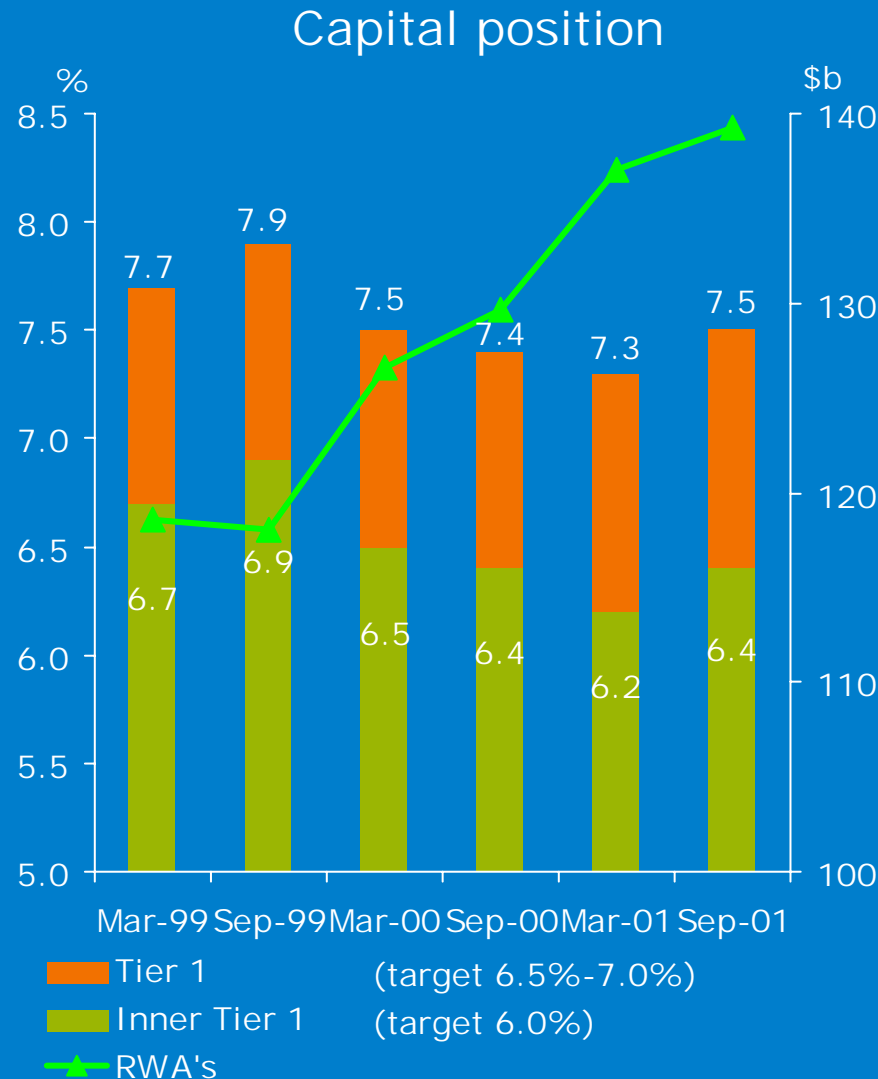
- Lending Assets (AUDm)
- ◆ % of Portfolio (RHS scale)
- ▲ % in CCR 7D-8G (RHS scale)
- ✕ % in CCR 9-10 (RHS scale)



Provisioning levels strong & capital management prudent



ELP - Economic Loss Provision
 SP - Specific Provision



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Term Debt Funding Strategy

- Maintain continued access to major international debt capital markets
- Pursue diversification by markets, investors, currency and structures
- Promote recognition of the ANZ's credit through debt investor presentations
- Periodic benchmark issues
- Building liquid yield curves

Term Debt Funding Objectives

- Term senior debt > than 1 year to fund a minimum of 15% term lending > than 1 year
- Maintain a prudent term liability portfolio - 1 to 5 year maturities with the aim of achieving a weighted average term of 3 years
- Focus on reverse enquiry MTNs
 - willingness to meet investor's specific needs
 - timely response
- 2001/2002 fiscal year
 - term senior debt funding requirement A\$4bn
 - securitisation
 - term subordinated debt

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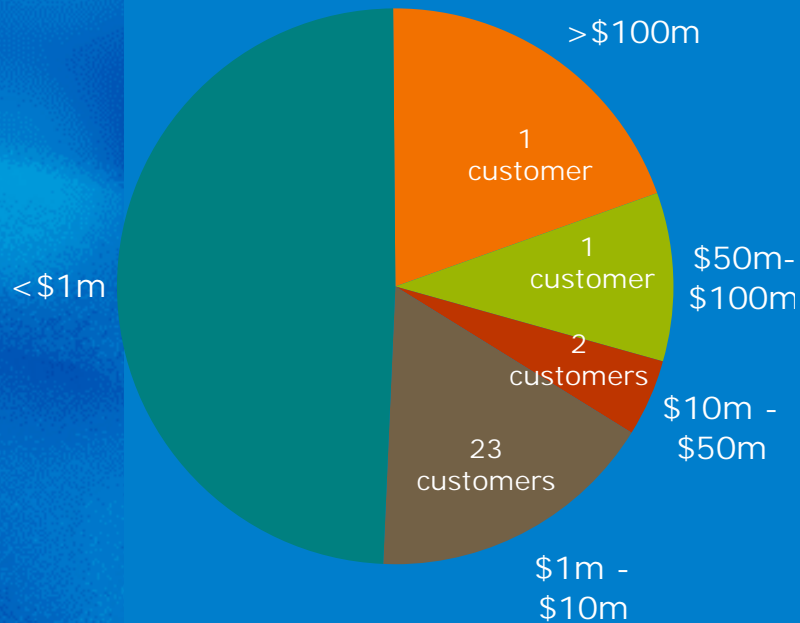
Summary

- ⇒ Commitment to AA status credit rating
- ⇒ Responsible capital management philosophy
- ⇒ Differentiated strategy to re-configure ANZ into a portfolio of 16 specialist businesses
- ⇒ Sound asset quality
- ⇒ Cost to income very low by global standards, target mid 40's.
- ⇒ Commitment to regular and disciplined wholesale term debt issuance

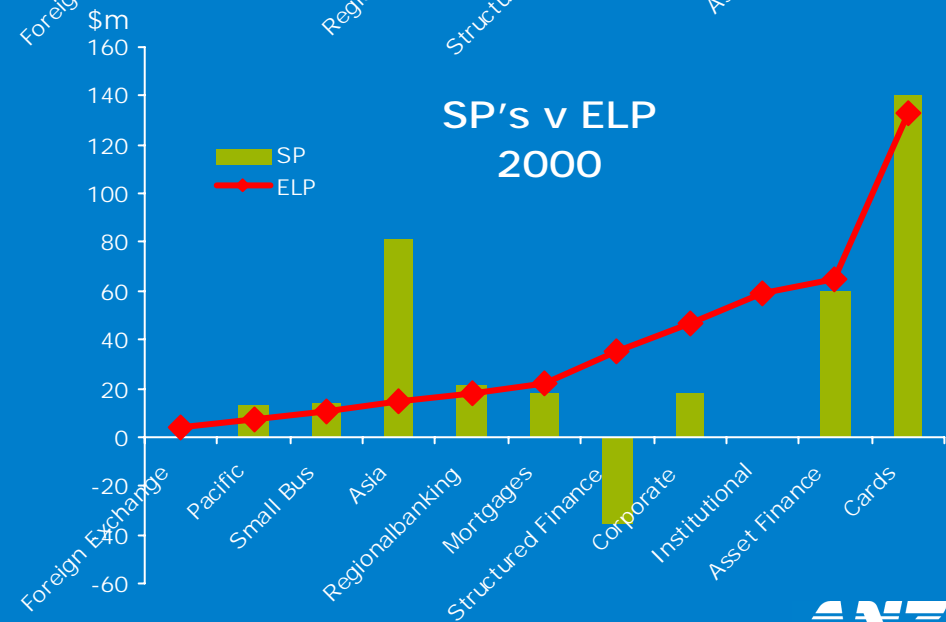
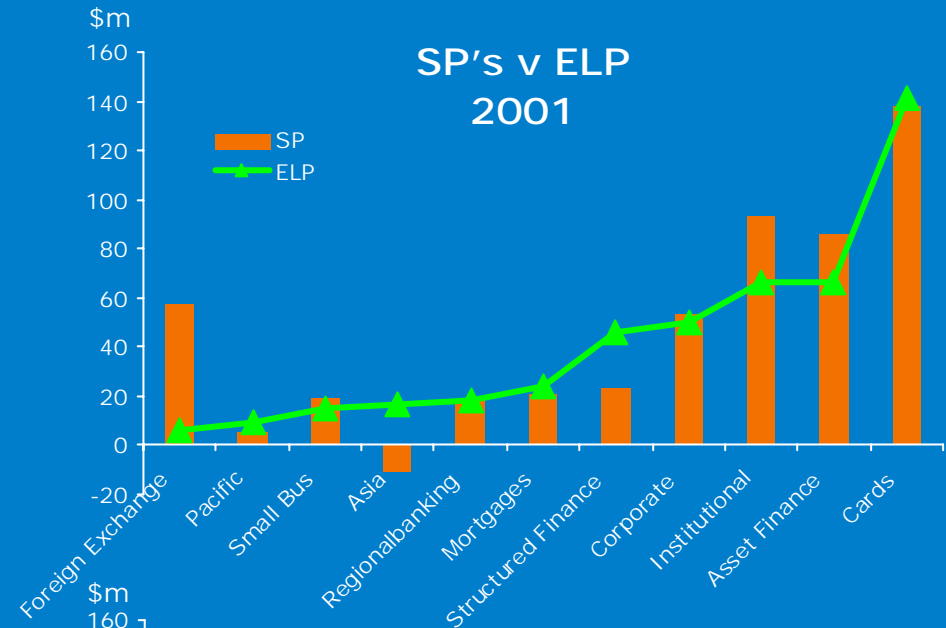
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Specific provisions dominated by a few large losses

Specific Provisions by size

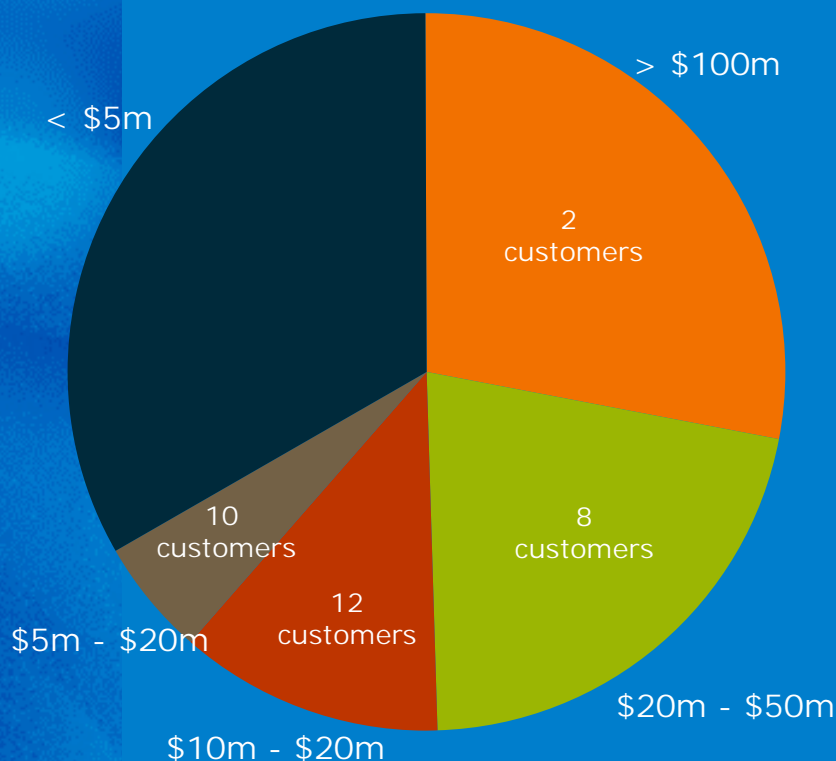


- Only 4 customers with specific provisions greater than \$10m

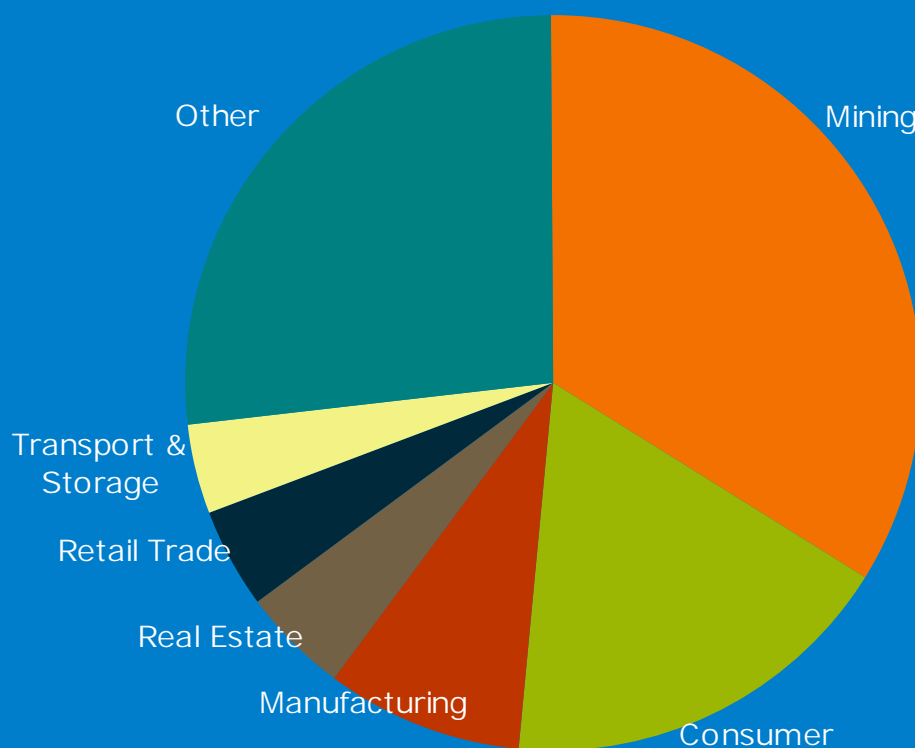


Problem loans are few, and with the exception of mining, not industry specific

Non-accrual loans by size



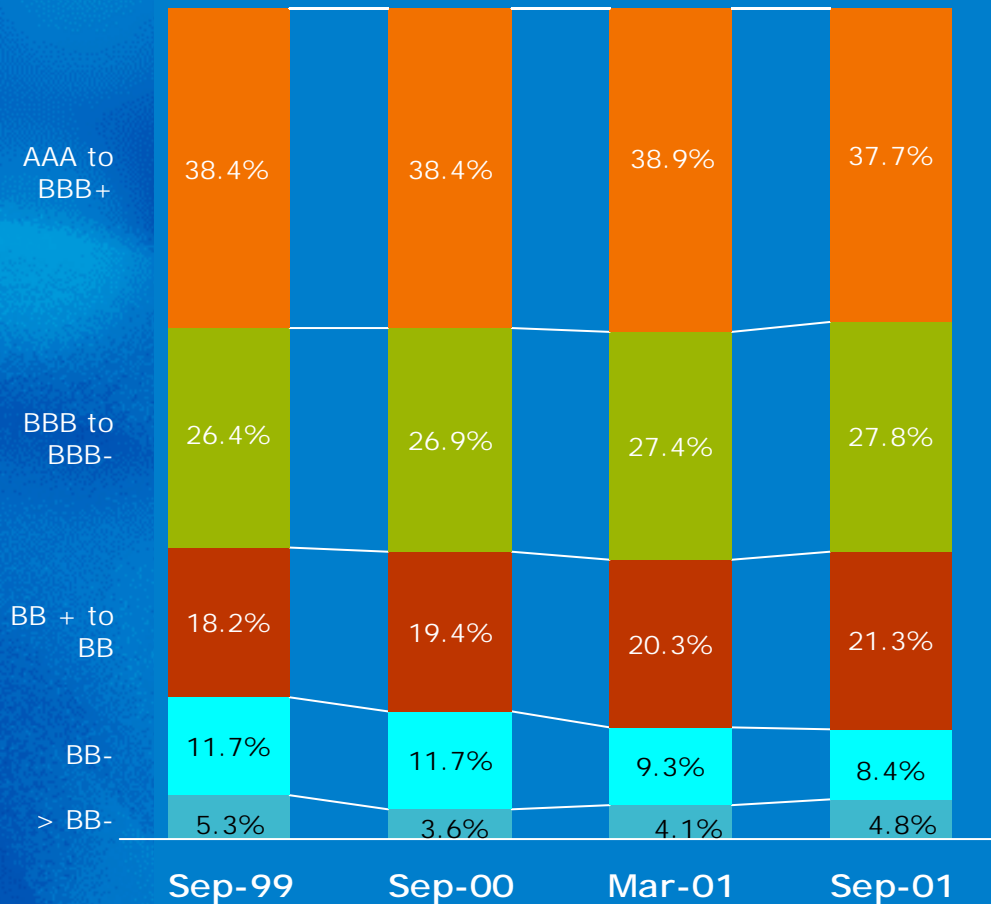
Non-accrual loans by industry*



- Two thirds of Mining non-accruals accounted for by one customer

Risk profile of the corporate book is within expectations and remains sound

Corporate risk grade profile
(based on lending assets)

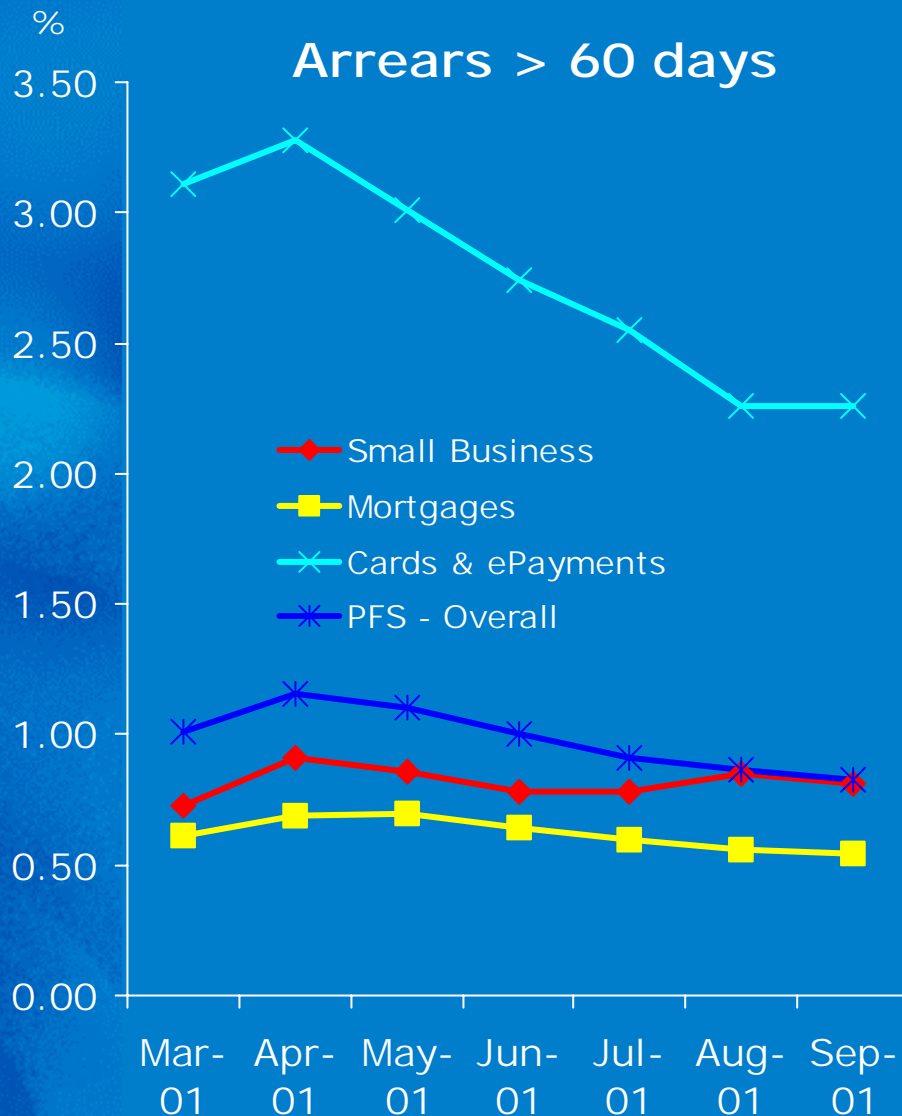


>BB- = B+ B, B-, CCC & non-accrual

Risk actively managed

- Economic deterioration not unexpected, and remedial plans well established
- All BB rated & high risk accounts reviewed regularly
- Large number of exits achieved on high risk accounts
- Freeze on net lending growth and exposure to new relationships BB- or worse

Consumer portfolio has improved



Delinquency levels have improved, driven by:

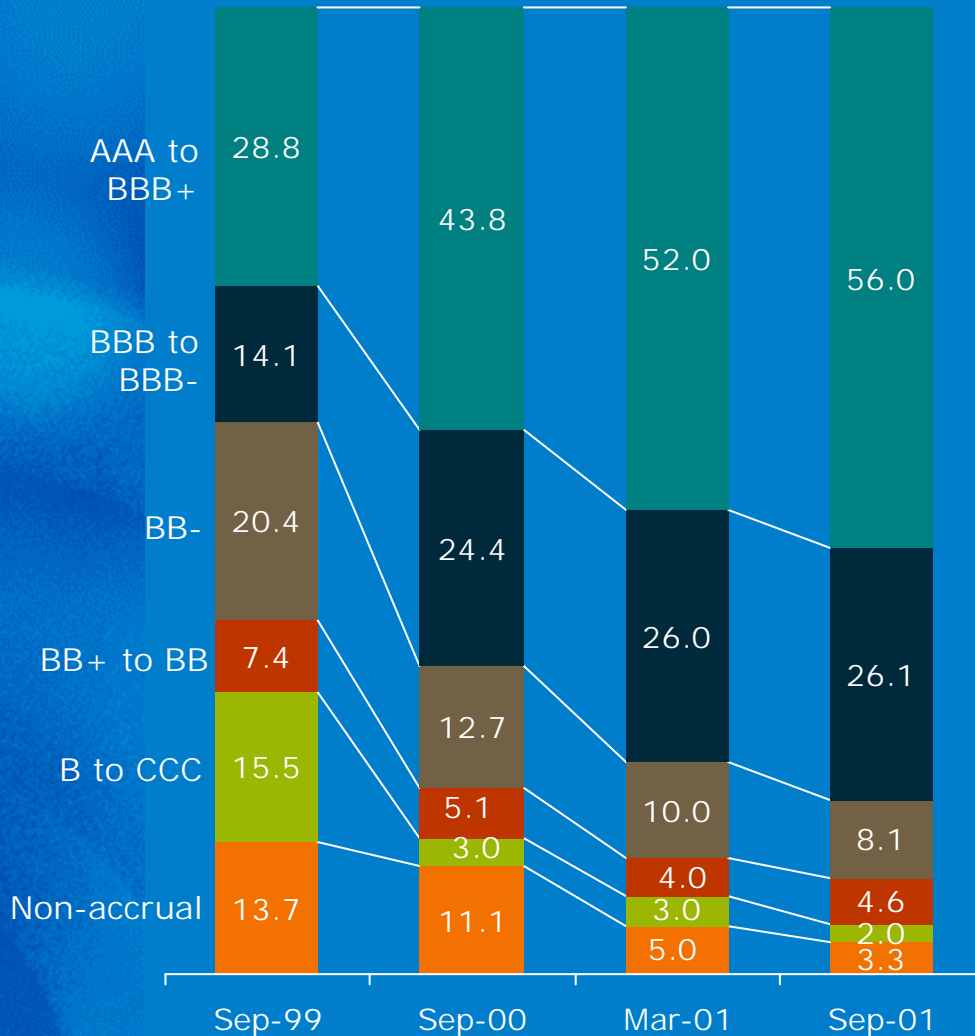
- improved collections processes
- low interest rates
- stable employment conditions (up to September)

Closely monitoring in light of recent events

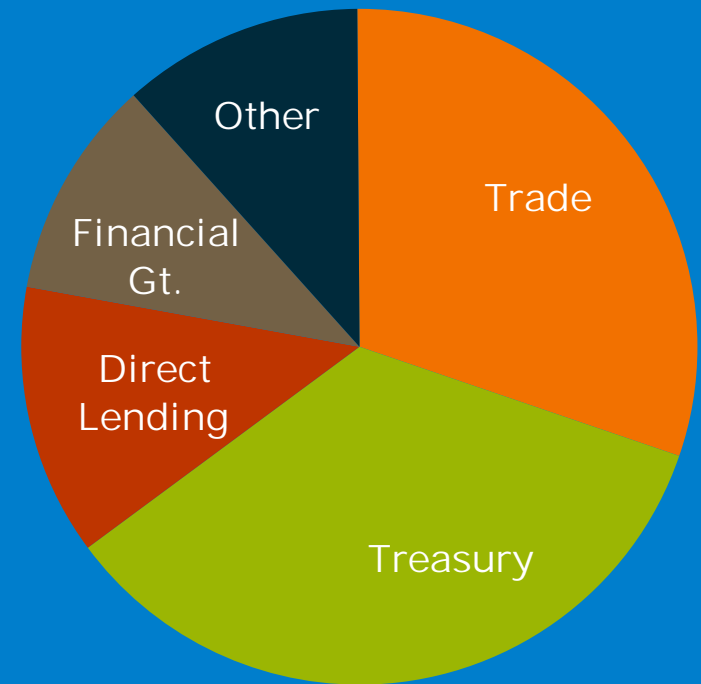
- Scorecards tightened

Asian risk profile has improved dramatically

Asian risk grade profile



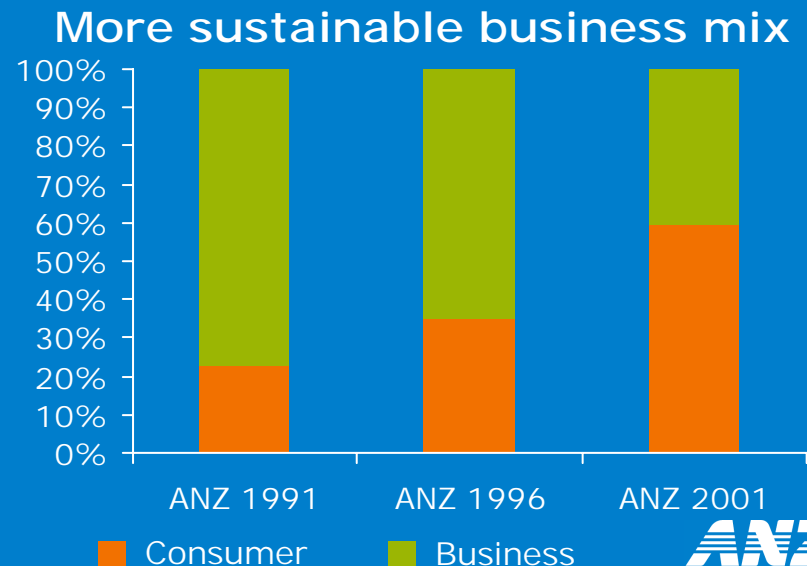
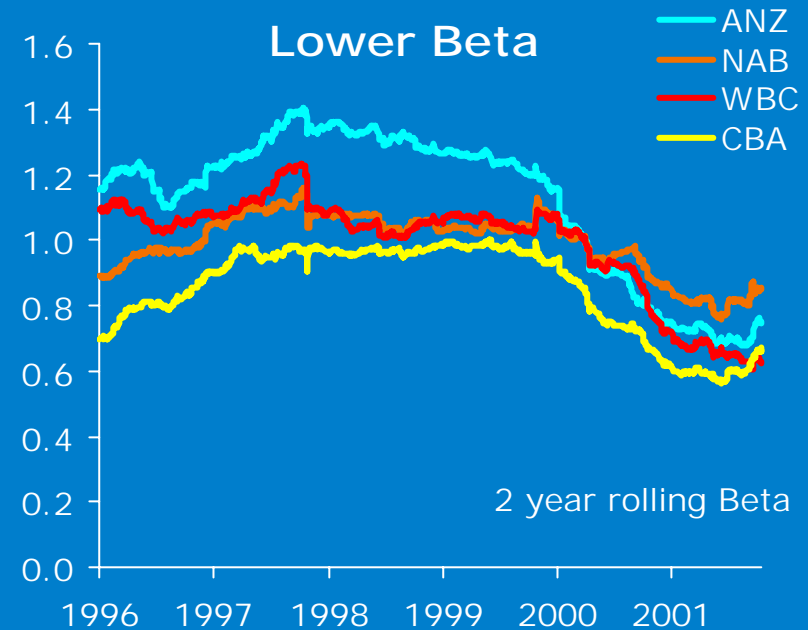
Exposure Profile - Asia



Lower risk, improved sustainability

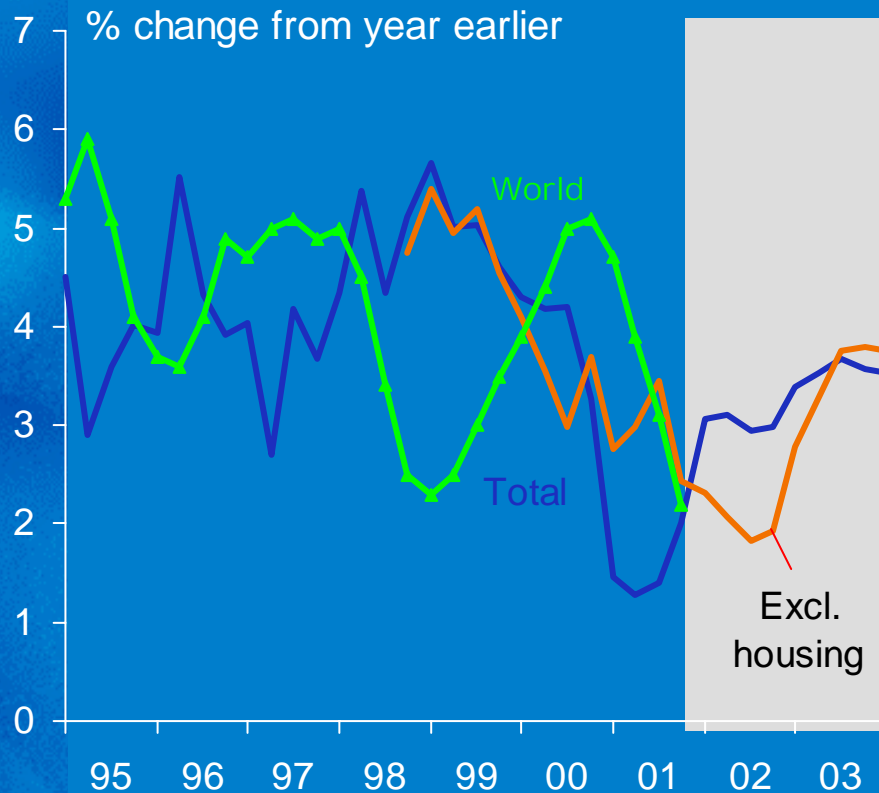
We have reduced risk

- sale of Grindlays
- exited emerging markets trading & retail stockbroking
- exited non-core Asian lending
- greater portfolio diversification
 - commercial property down from 24% in early 90's to 8% today
- early introduction of EVA/NIACC methodologies brings risk management to individual decisions
- lower reliance on corporate lending



Global economic slowdown already underway before September 11

Real GDP growth



- Australian economy has been counter-cyclically strong
- Outlook appears reasonable in isolation
- External issues are creating substantial uncertainty
- We are optimistic, but sensibly cautious

Sources: ABS; Economics@ANZ
National agencies; Eurostat; Datastream;

Strong focus on risk mitigation

Group

- Conservative financial leverage
- All known credit problems dealt with
- Additional ELP charge for expected portfolio deterioration

Personal

- 45 Business Unit specific initiatives including
 - Enhancing and tightening scorecards
 - Increased focus on early warning indicators
 - Move from quarterly to monthly reviews for customers exhibiting adverse behaviour

Corporate

- 12 core portfolio management initiatives in place prior to September 11
 - Reduction of single customer limits
- 14 new initiatives post September 11
 - eg establishment of exposure caps in high risk industries

Subs & International

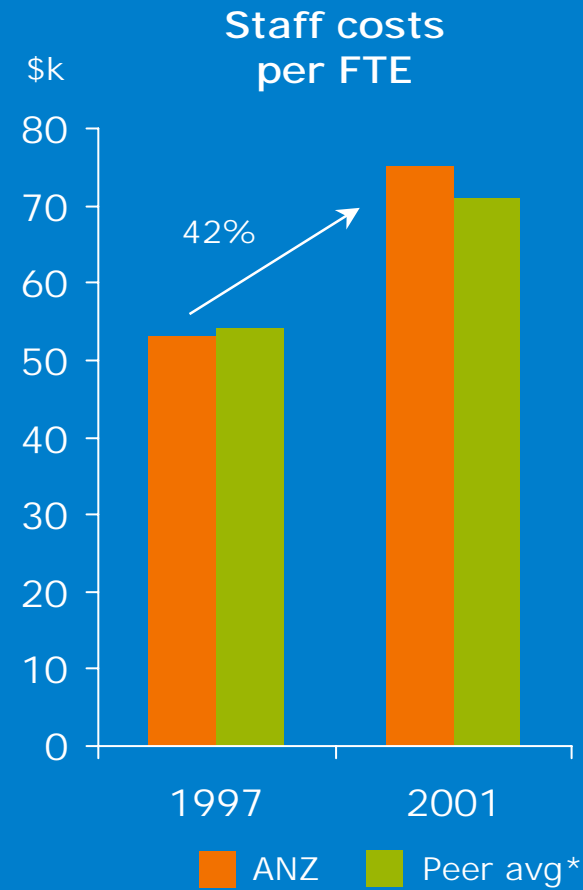
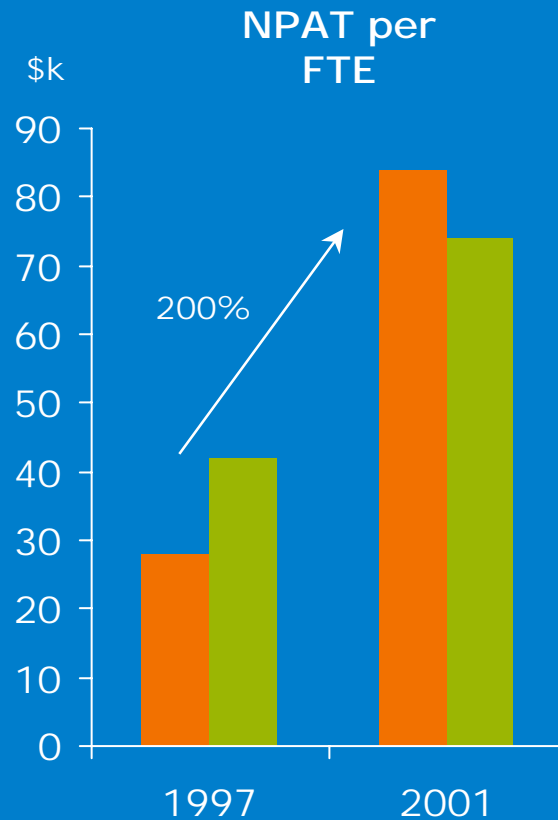
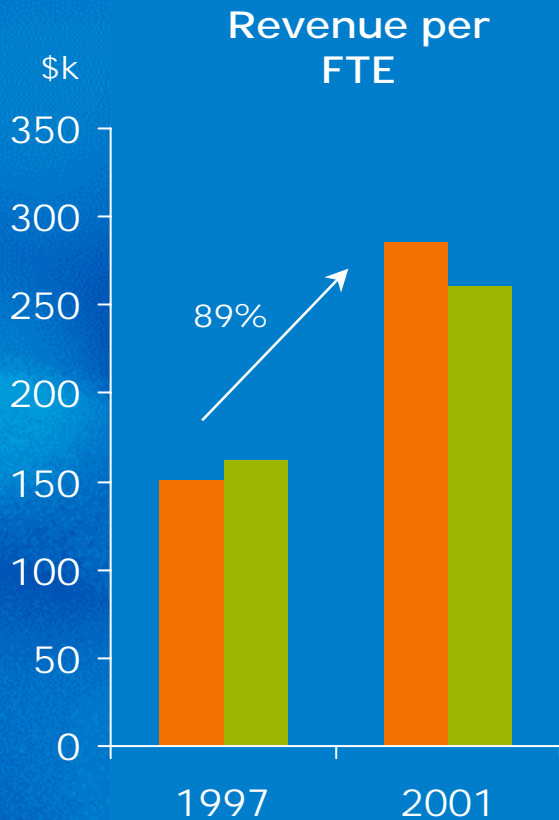
- 9 new initiatives post September 11, including
 - Enhancing and tightening scorecards
 - More regular reporting on sectors at risk
 - Careful monitoring of large drawdowns

Our people are increasingly engaged



- Built a strong management team
- Substantial improvement in staff satisfaction
- Staff satisfaction a key performance indicator for management

Developing a high performance culture



Staff option holders

- Sep 98 – 427 staff
- Sep 01 – 5831 staff

Staff shareholding

- Sep 98 – 534,000 shares
- Sep 01 – 11,063,000 shares
- 89% of staff now hold shares

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For further information visit

www.anz.com

or contact

Philip Gentry
Head of Investor Relations

ph: (613) 9273 4185 fax: (613) 9273 4091 e-mail: gentryp@anz.com