

Perform Grow and *Breakout*

European Roadshow
Briefing Pack

Australia and New Zealand Banking Group Limited
July 2002

Outline

Perform

- Interim result highlights

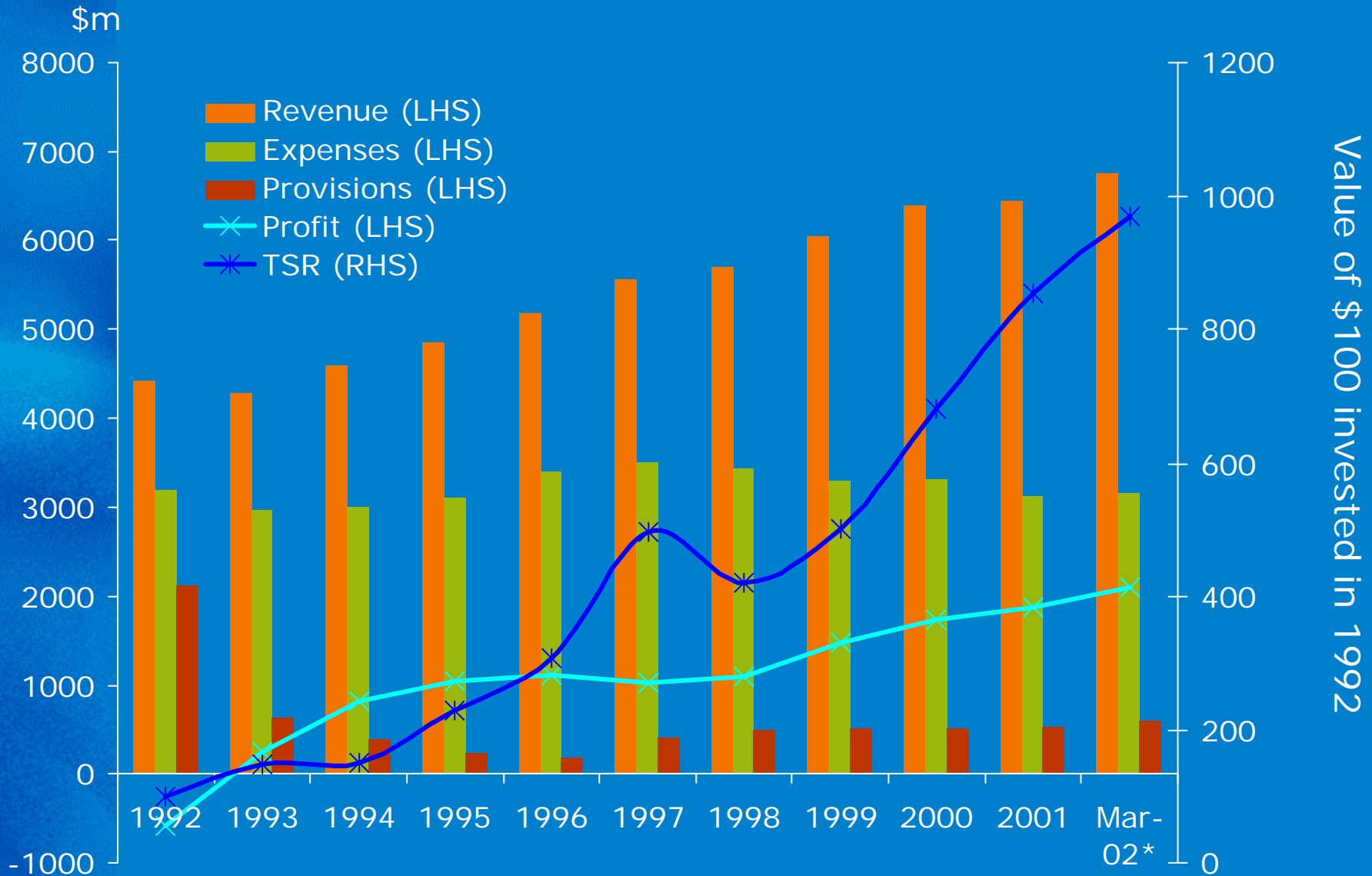
Grow

- Organic out-performance
- Portfolio reshaping
- Transformational moves

Breakout

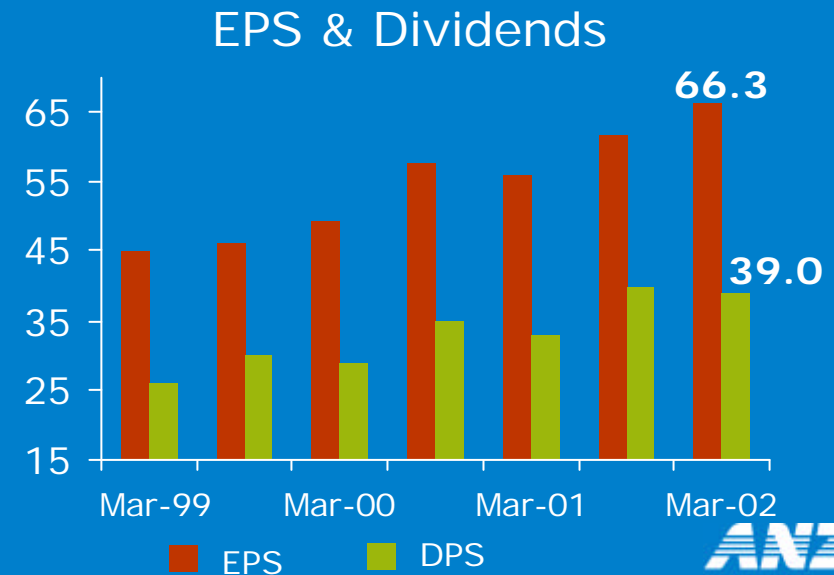
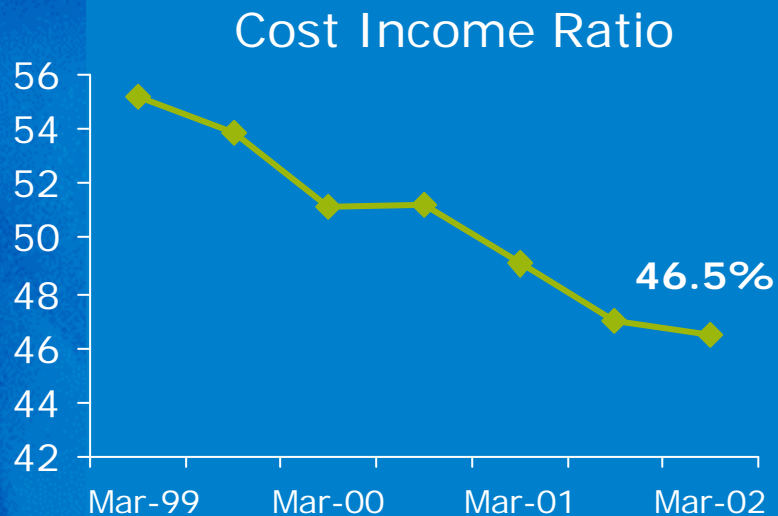
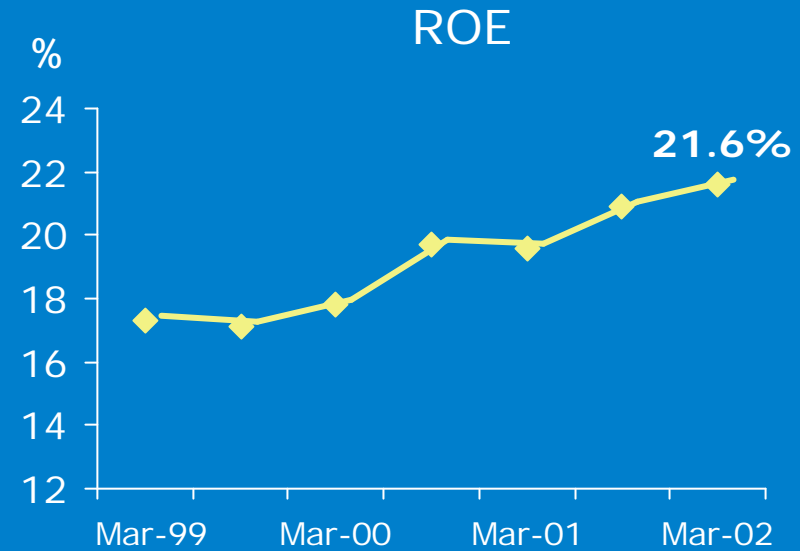
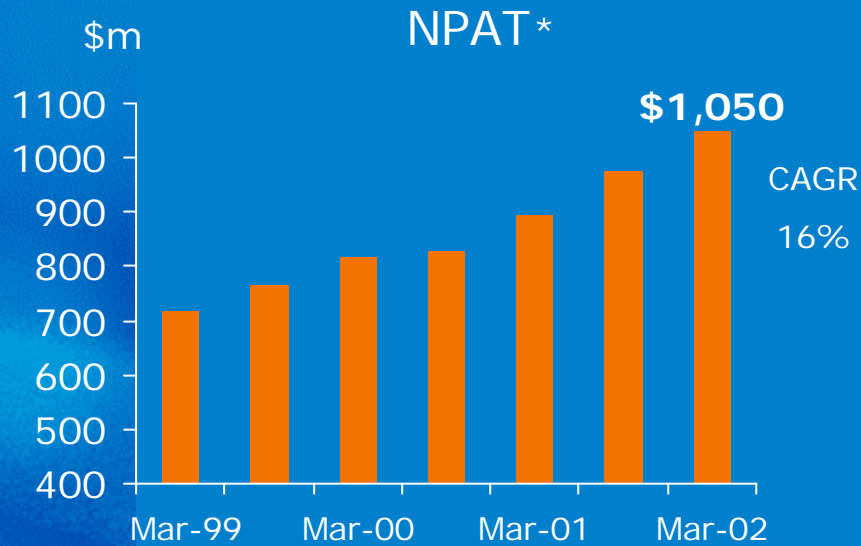
- Cultural change

Repositioning, then new momentum



* Mar-02 annualised

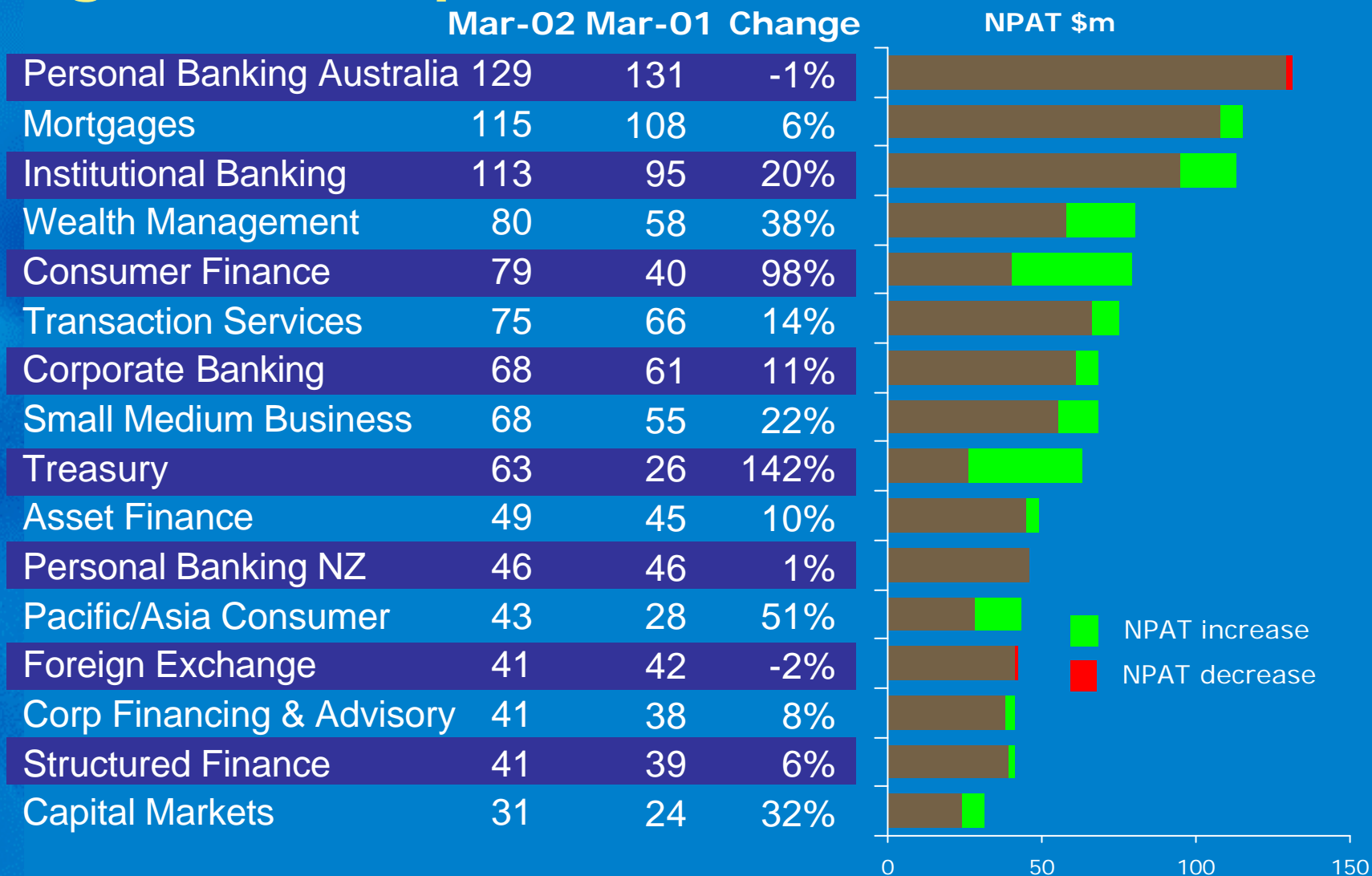
We are building a track record of delivering strong financial performance



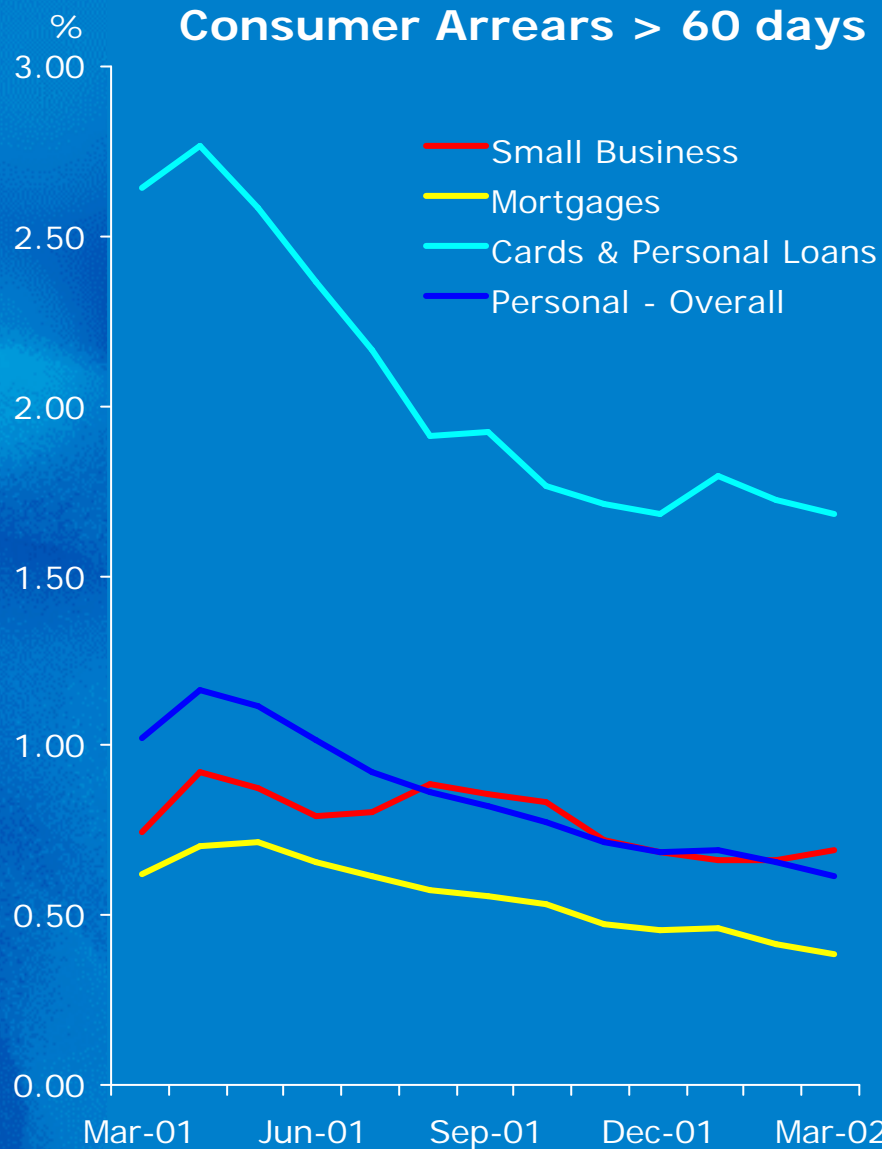
*Sep 00 – adjusted for discontinued businesses



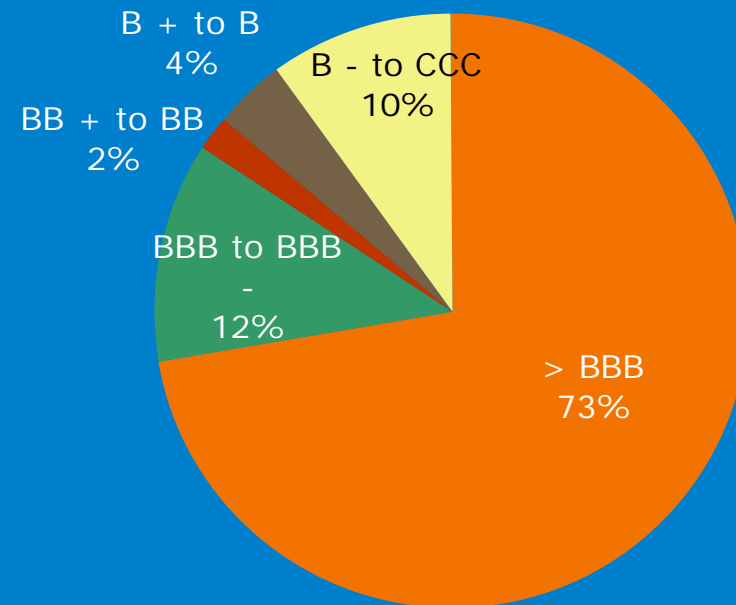
Most businesses recorded good profit growth on prior March half



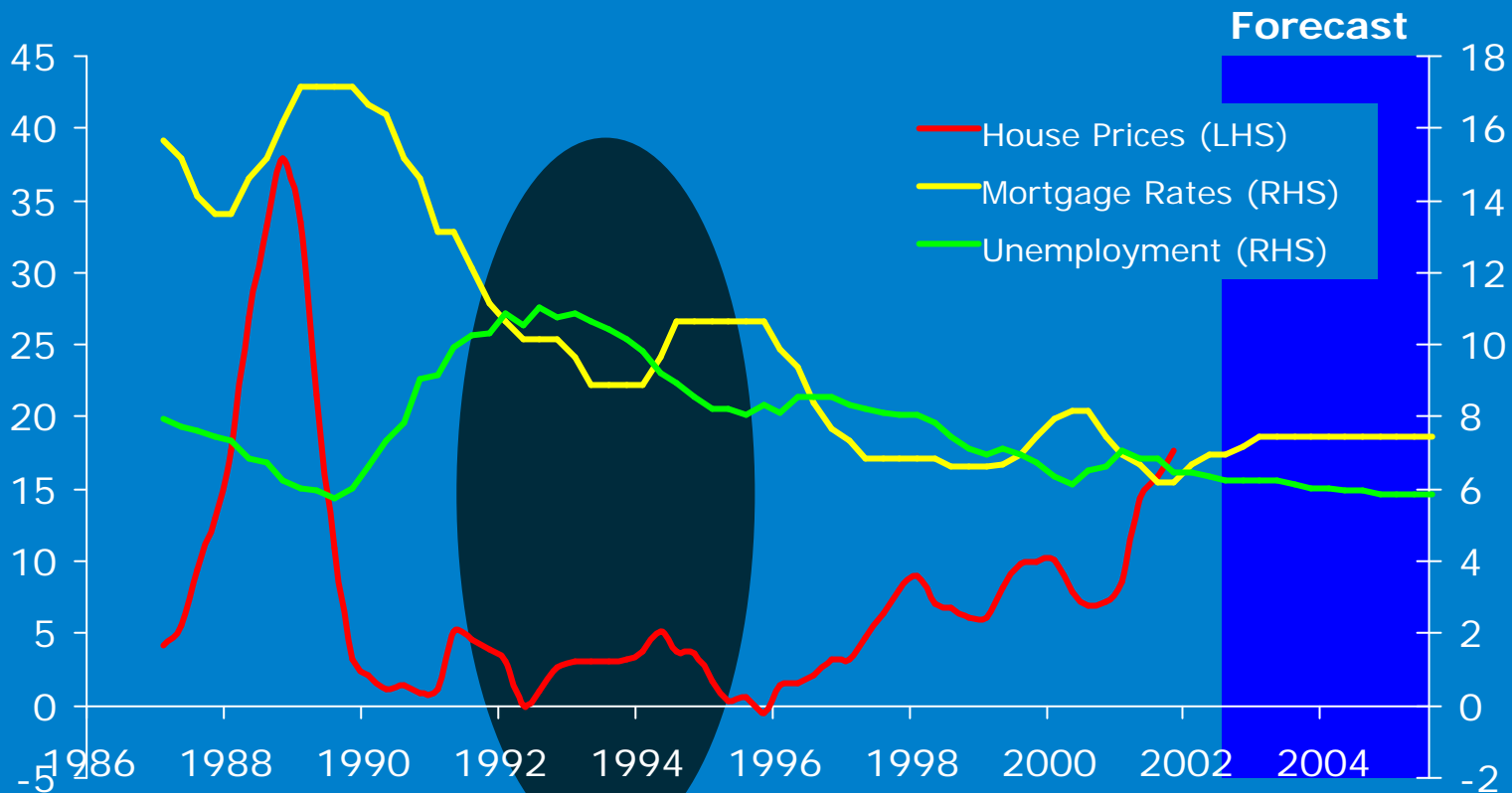
Consumer portfolio healthy, corporate portfolio impacted by fallen angels



March 2001 ratings for First Half 2002 new corporate non accrual loans



Housing – not expected to cause significant credit quality problems



Fitch : *"Unemployment growth is the strongest cause of default. Rising interest rates a second major stress"*

Historical mortgage loan loss rate 2-3 basis points

Our Growth Agenda

Our growth agenda – three drivers for sustainable growth

Organic out-performance

- Extend specialisation
- Grow customer numbers
- Increase share of wallet
- Drive productivity

Portfolio reshaping

- Invest in high growth areas
- Build specialist capabilities
- Exit weak positions
- Risk reduction

Transformational moves

- Step changes in positioning
- Creating new growth options
- Proactively shaping industry

Our targets

- Revenue growth materially higher than expense growth
- Take business units to sustainable leadership positions
- Build a range of strategic options

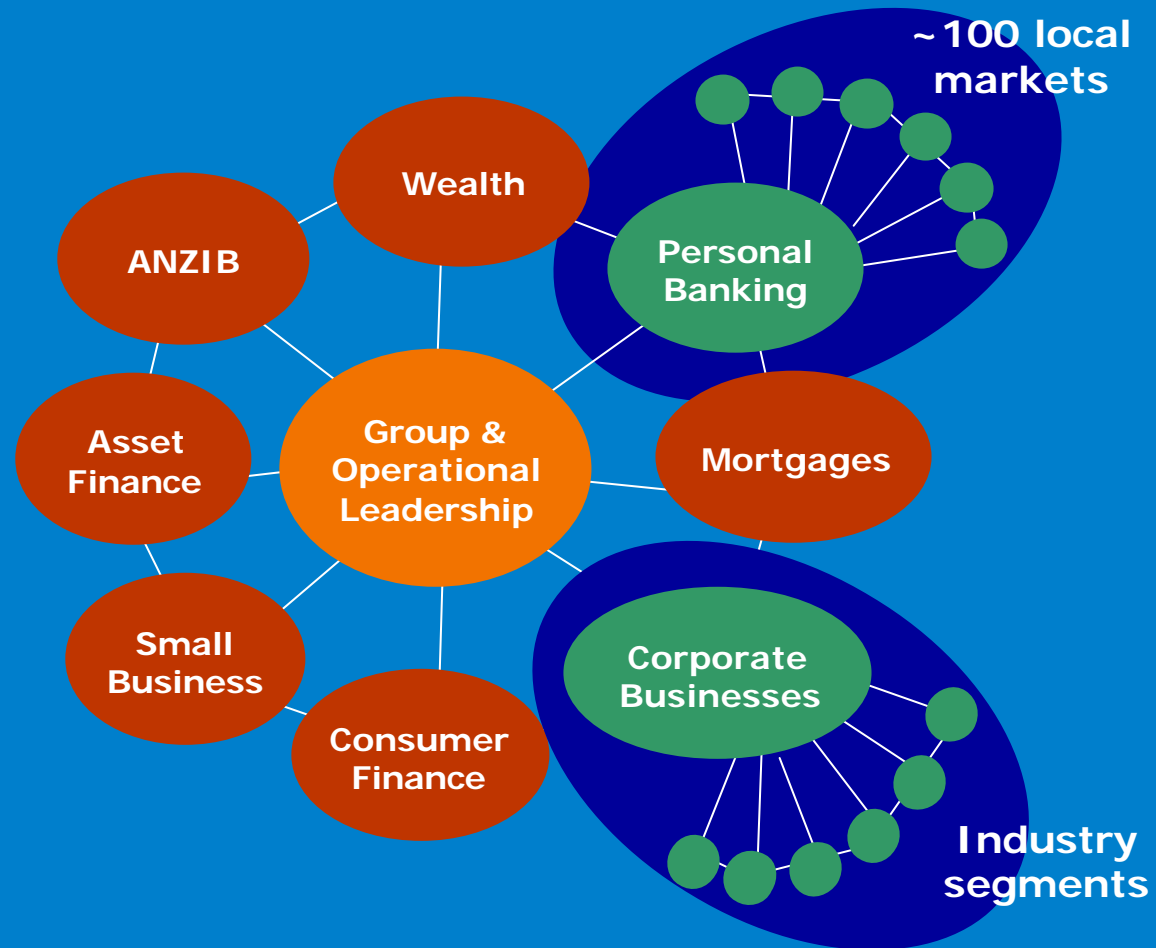
Taking specialisation deeper into the portfolio

Further specialisation will unleash substantial energy

- 200 businesses, 200+ terrific jobs
- Strategic corporate centre
- Flatter organisation, less bureaucracy



4 people between the CEO and the front line



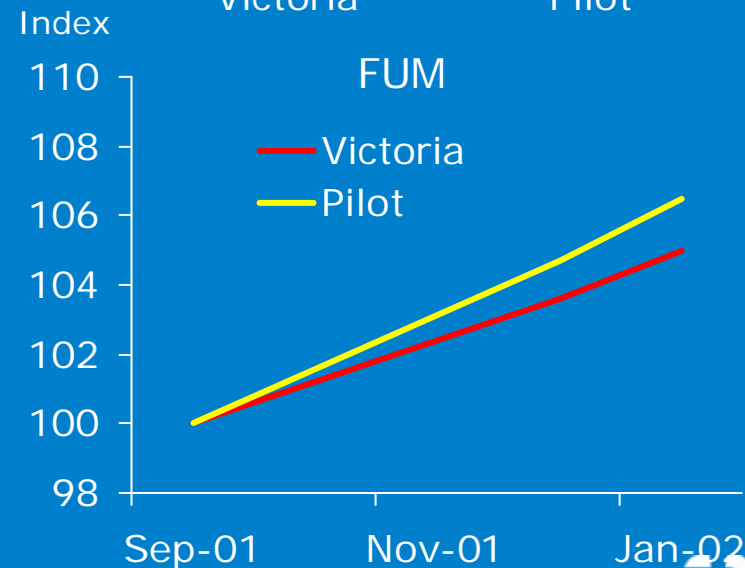
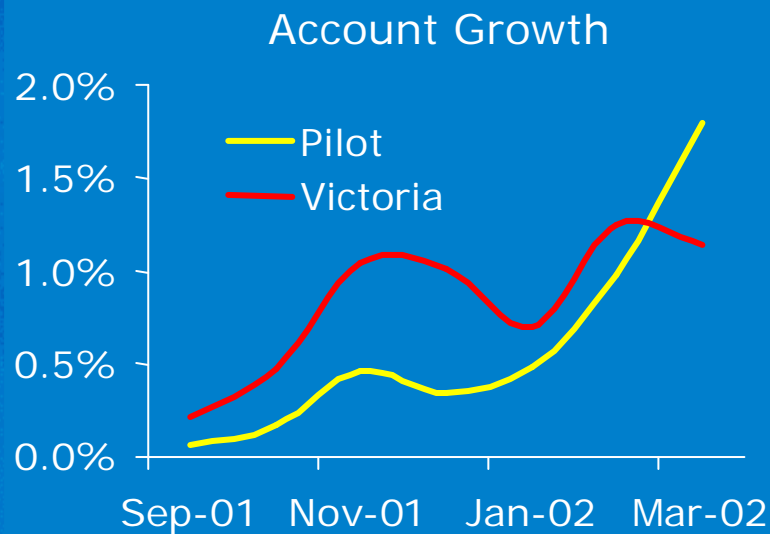
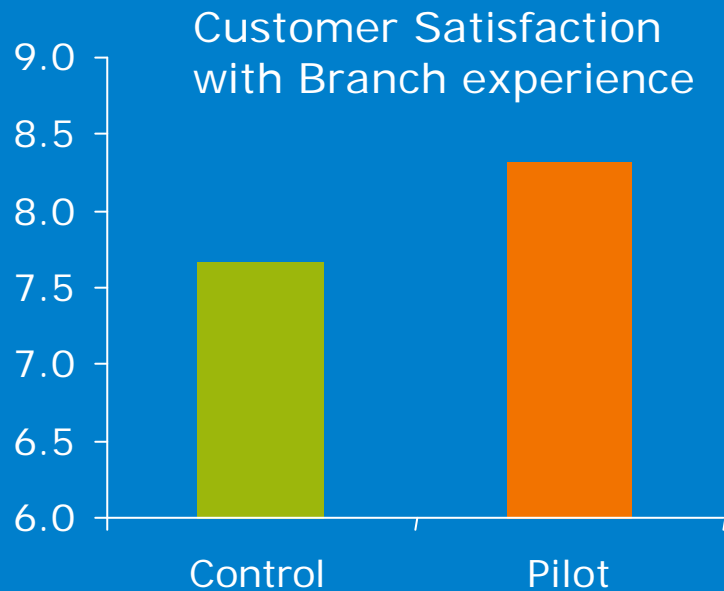
Transforming the personal customer experience

Taking Specialisation to the Frontline

- Approximately 100 local market-based businesses
- Local Market Managers - Local CEOs
- Create autonomy to set local strategies
- An ownership culture among staff – 'Think like a customer, act like an owner'

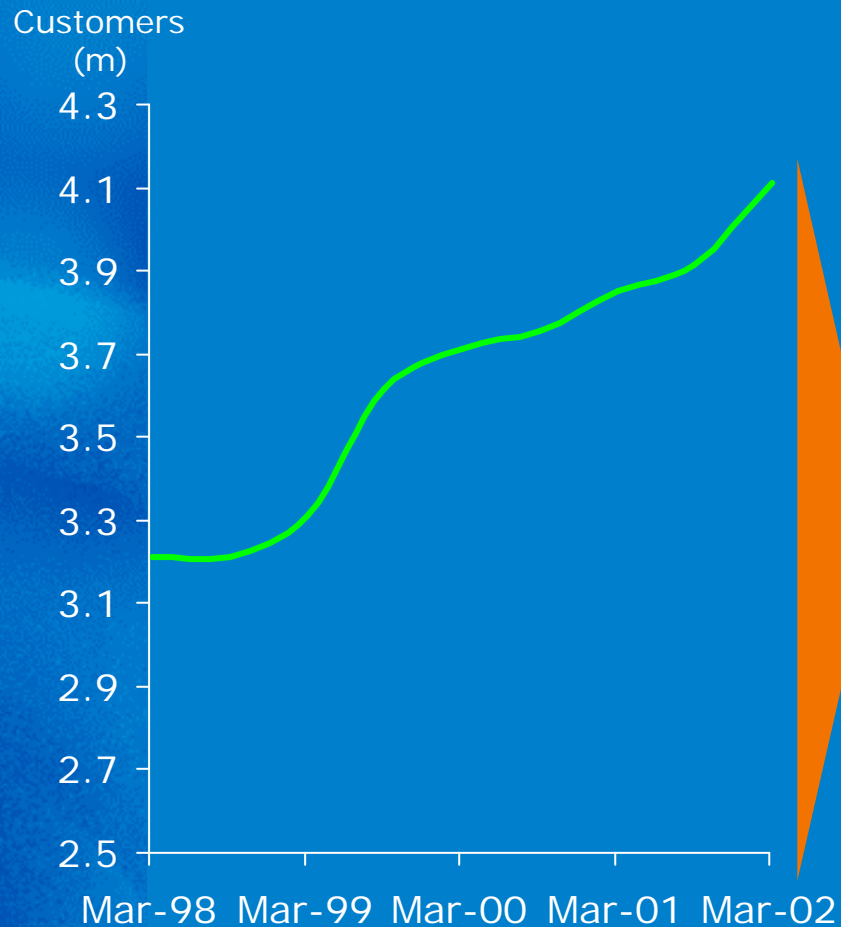


Encouraging results from Restoring Customer Faith pilot



Acquiring more customers...

Initial product success has driven customer growth



- **Cards account for more than 50% of new customers**

Broadening sources of customer acquisition

- **Restoring Customer Faith delivering a distinctive experience for customers**
 - Reduce churn
 - Attract customers
- **Leveraging ING JV in Wealth**
- **Whilst enhancing leadership in Cards and regaining momentum in Mortgages**

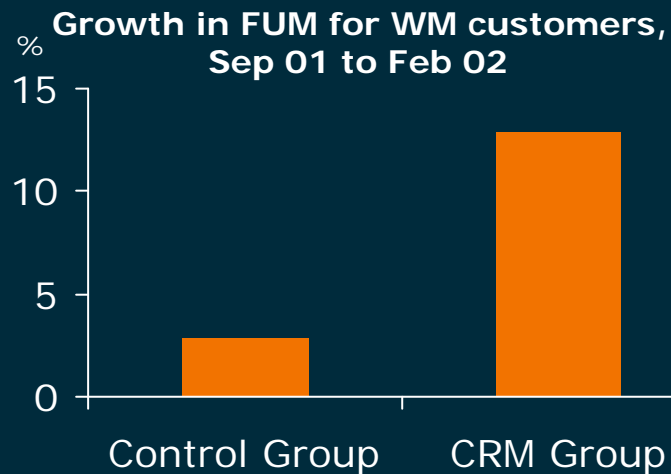
Target
1 million
new
customers

...and winning more business from each customer

Personal Businesses

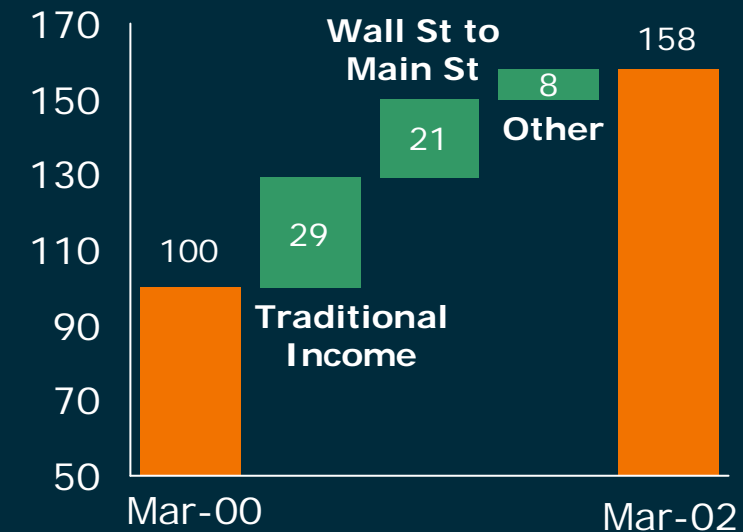
Leveraging CRM

Example



Corporate Businesses

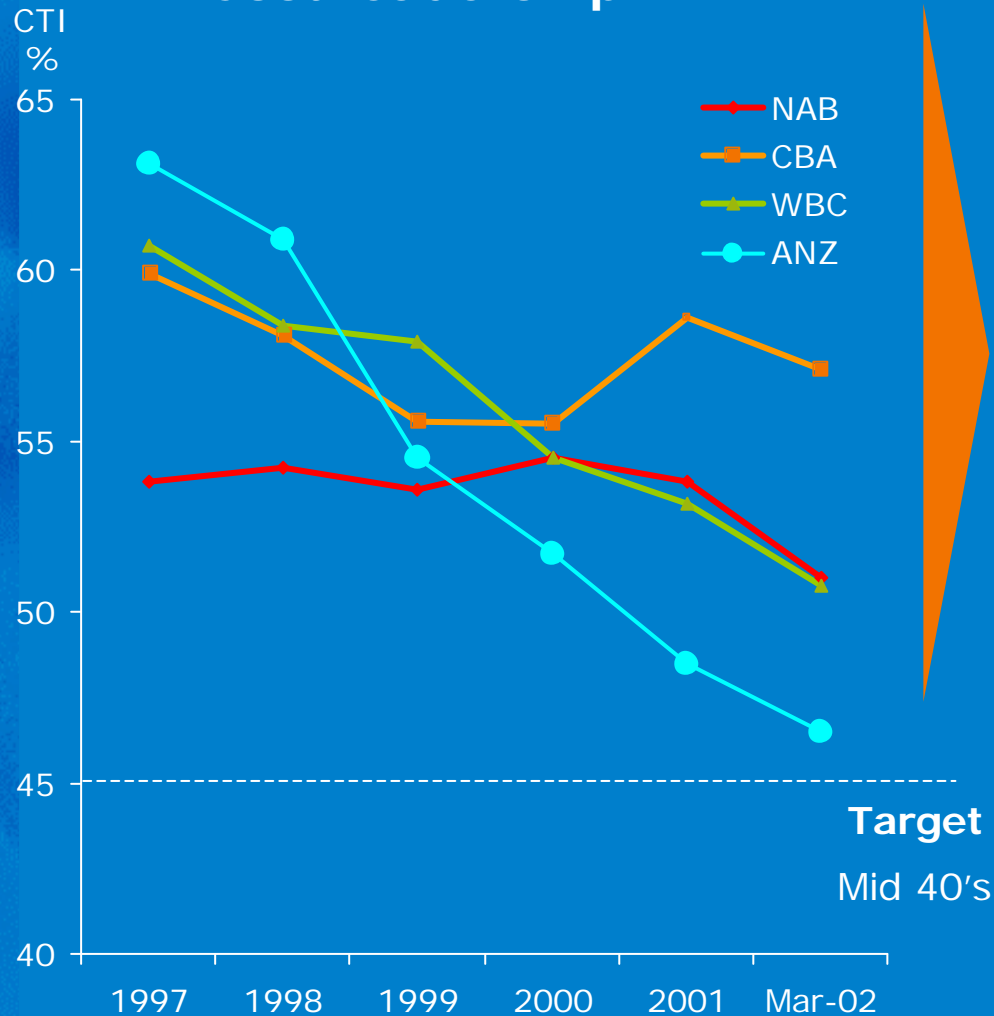
Wall Street to Main St*



- Extend our NIACC expertise into our personal businesses and small business
- Leverage our JV with ING to grow sales of wealth products
- Increasing sales force numbers and effectiveness

Continuous productivity improvement provides capacity to reinvest in growth

Cost leadership...



...with more to come

- Further expansion of straight through processing
- Re-engineering processes from a customer perspective
- Outsourcing or partnering with best practice providers

Our growth agenda – three drivers for sustainable growth

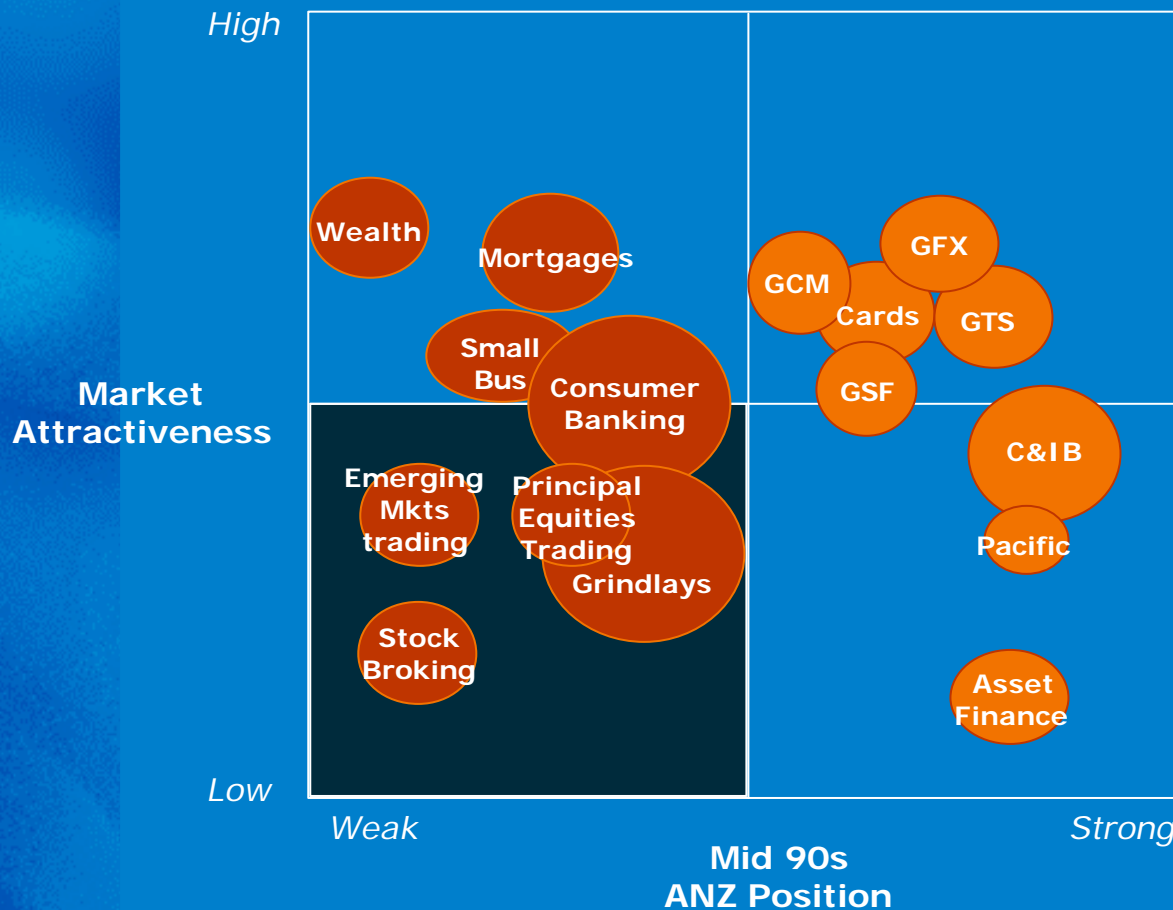
**Organic
out-performance**

**Portfolio
reshaping**

- Invest in high growth areas
- Build specialist capabilities
- Exit weak positions
- Risk reduction

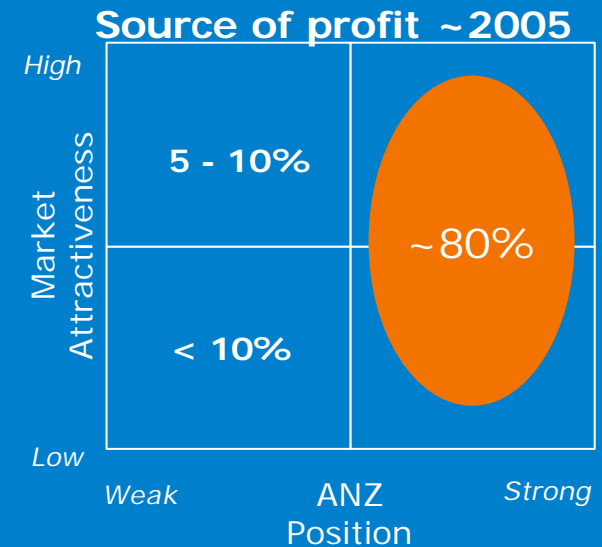
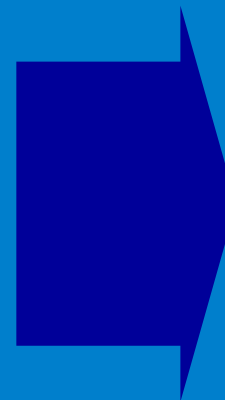
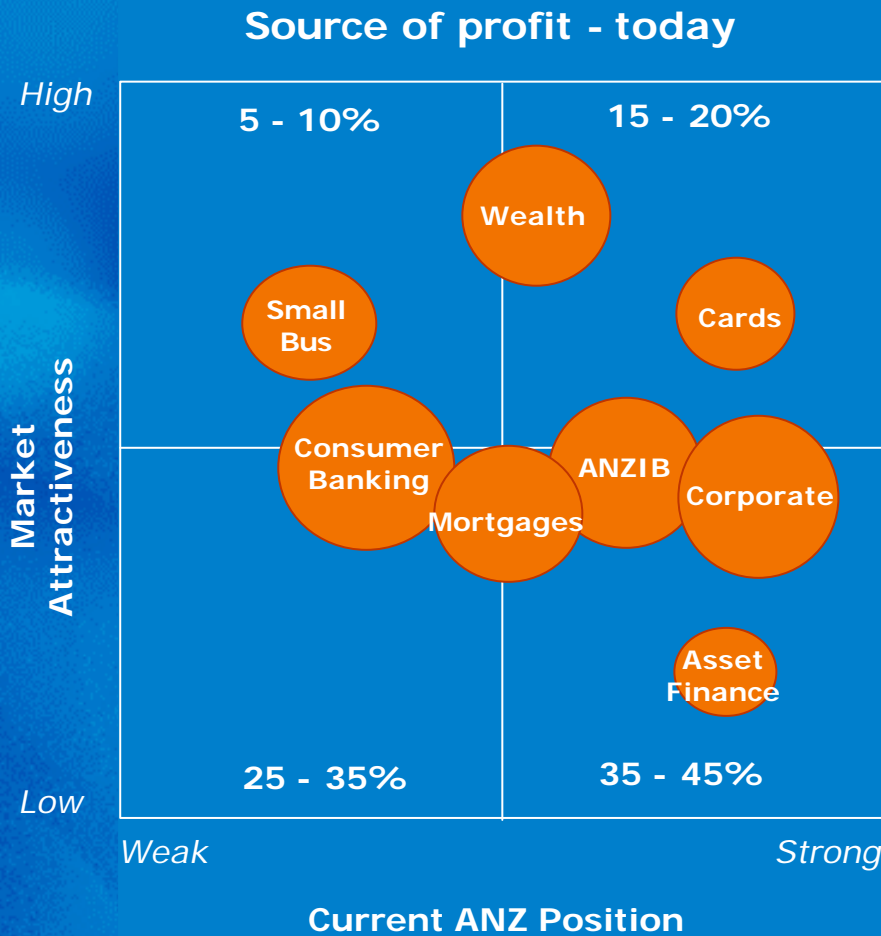
**Transformational
moves**

Historically, we had a number of weak positions...



- Earnings from volatile country markets
- Exposure to non-core business with limited capability
- Poor understanding of risk positions
- Poor capabilities in some core domestic markets
- Strong corporate business, resulting in portfolio being skewed toward corporate assets

...which we are dealing with to build an improved, more sustainable portfolio



Our JV with ING creates a unique strategic position in a high growth sector

Bringing together complementary strengths

ANZ

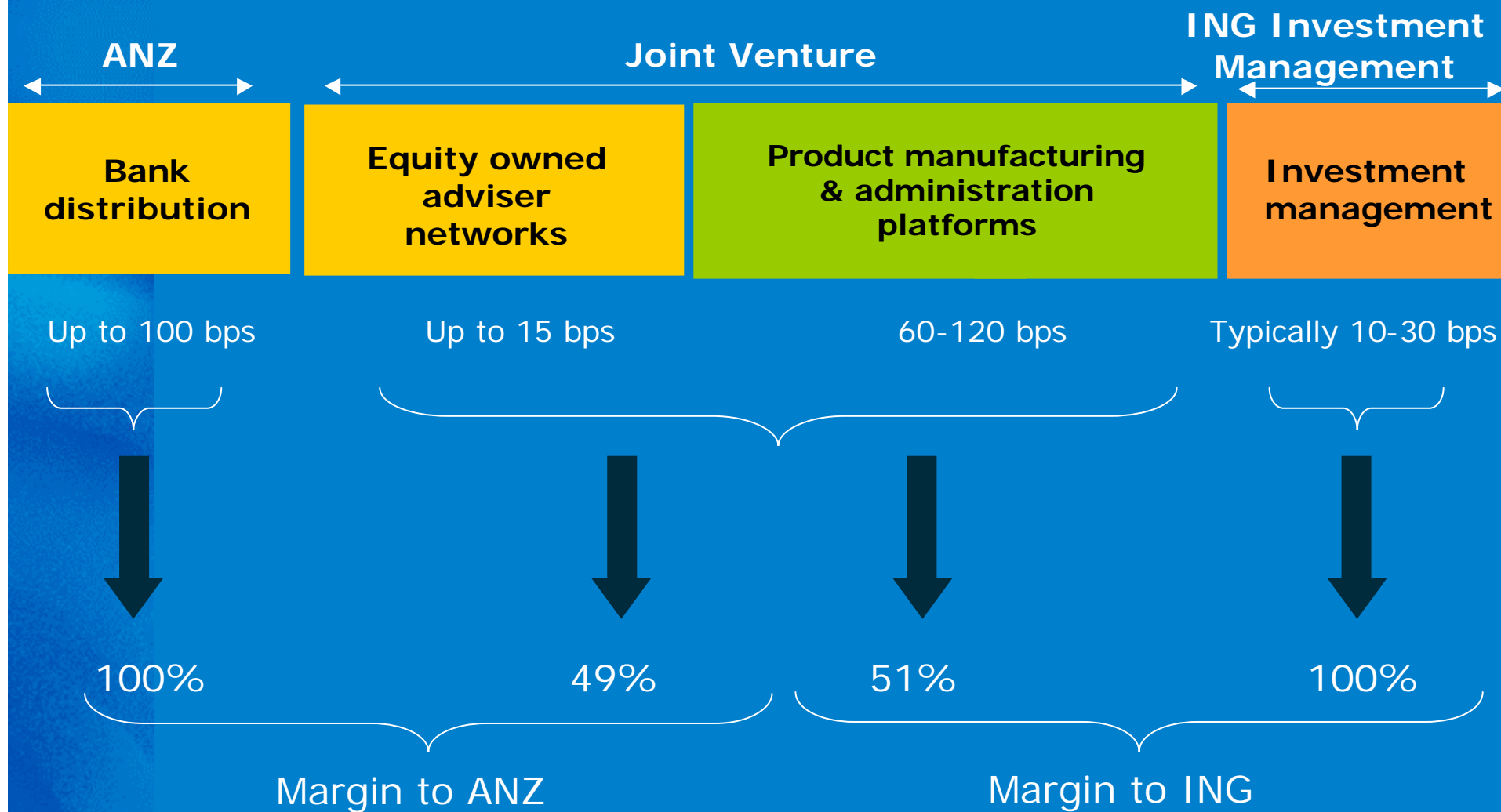
- Large distribution network
- High value customer base
- Untapped opportunity
- Specialist approach

ING

- Global capabilities
- Brand & investment strength
- Strong adviser networks
- Bancassurance, JV expertise

- Outstanding customer proposition
- Top 4 position in retail FUM
- Top 5 position in life insurance
- Strong platform for growth

Sources of FM revenue to JV partners



Note: principle of arms length/market based pricing for all commissions

Margins are indicative only and vary by product



A Breakout Culture

Three critical enablers distinguish ANZ

Specialisation

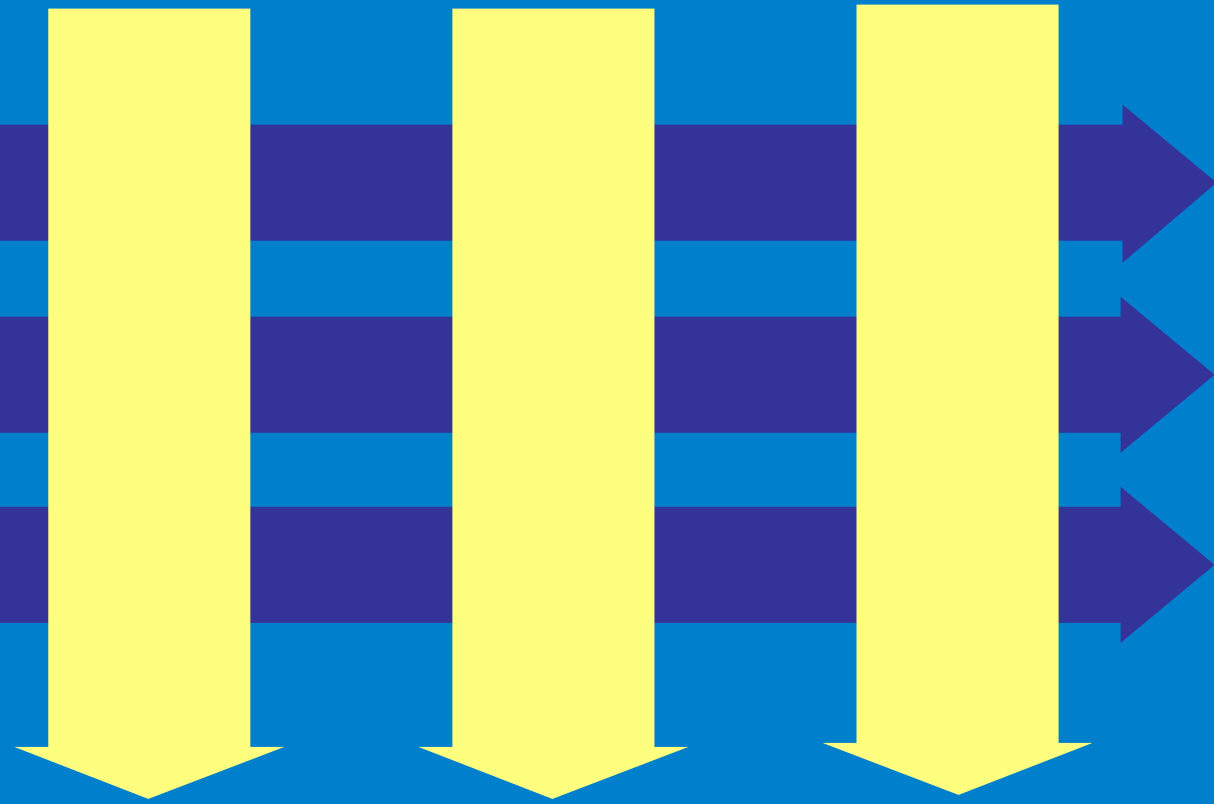
Execution

Breakout
Culture

Organic out-performance

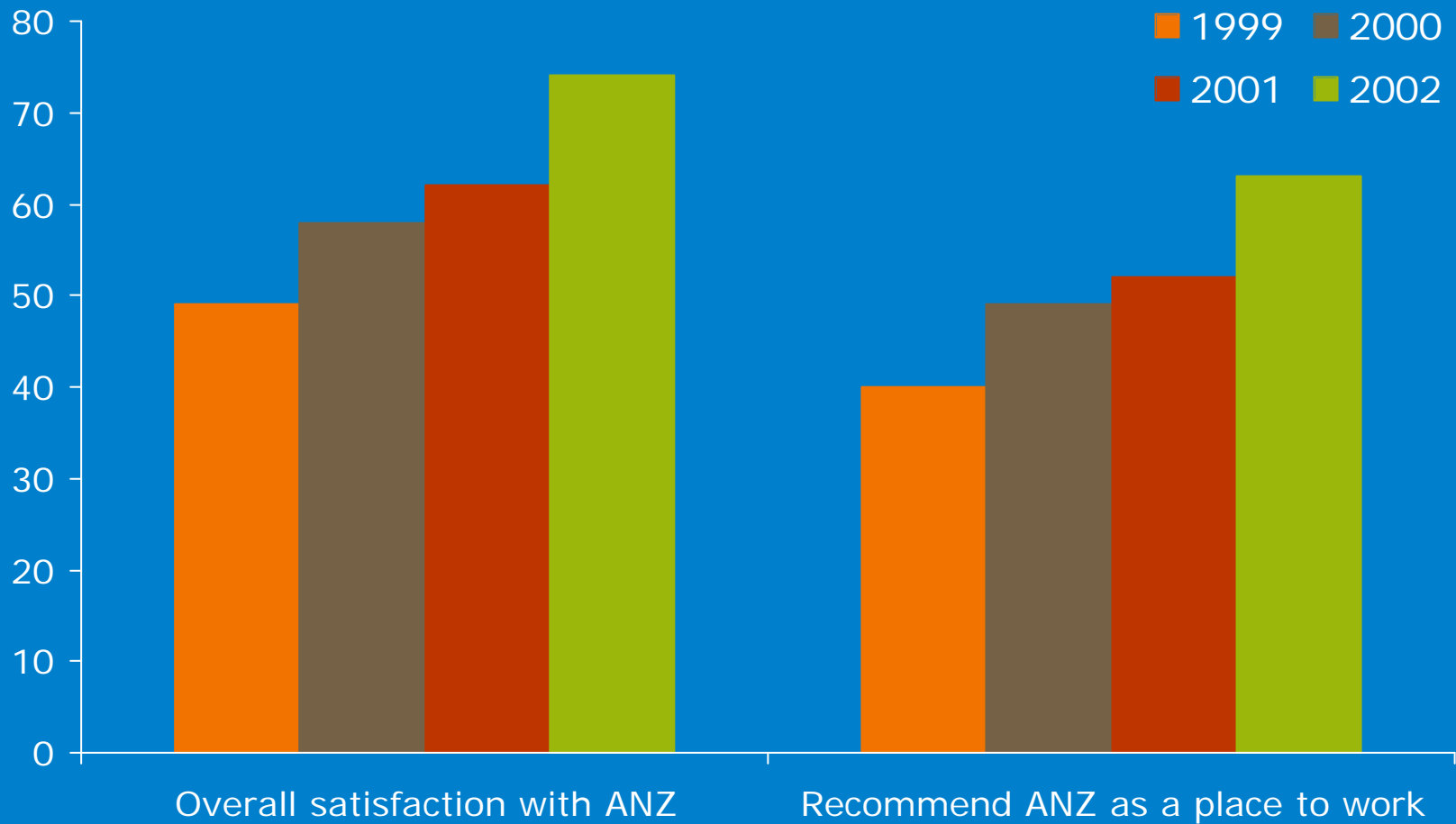
Portfolio reshaping

Transformational moves



Our people are engaged

Staff satisfaction survey



Strong governance

- 8 member board, with CEO only executive director
 - Non-executive directors are neither substantial suppliers or customers, or past ANZ executives
 - Non-executive Chairman
- Corporate governance policy in place dealing with audit conflicts
 - ANZ's auditor may not provide non-audit services, except in specific circumstances and following approval by the audit committee
- A history of market leading disclosure and transparency
- Executive remuneration biased towards long-term rewards
 - Bonuses principally in the form of deferred shares
 - Incentive to create long term, sustainable value

Overview

- Strong result in challenging environment
- Clear growth agenda
 - Organic out-performance
 - Portfolio reshaping
 - Transformational moves
- Distinctive strategy
 - Specialisation
 - Superior execution
 - Breakout culture
- Positive second half outlook

Targets affirmed

- EPS growth > 10%
- ROE > 20%
- CTI – mid 40's
- Maintain AA category



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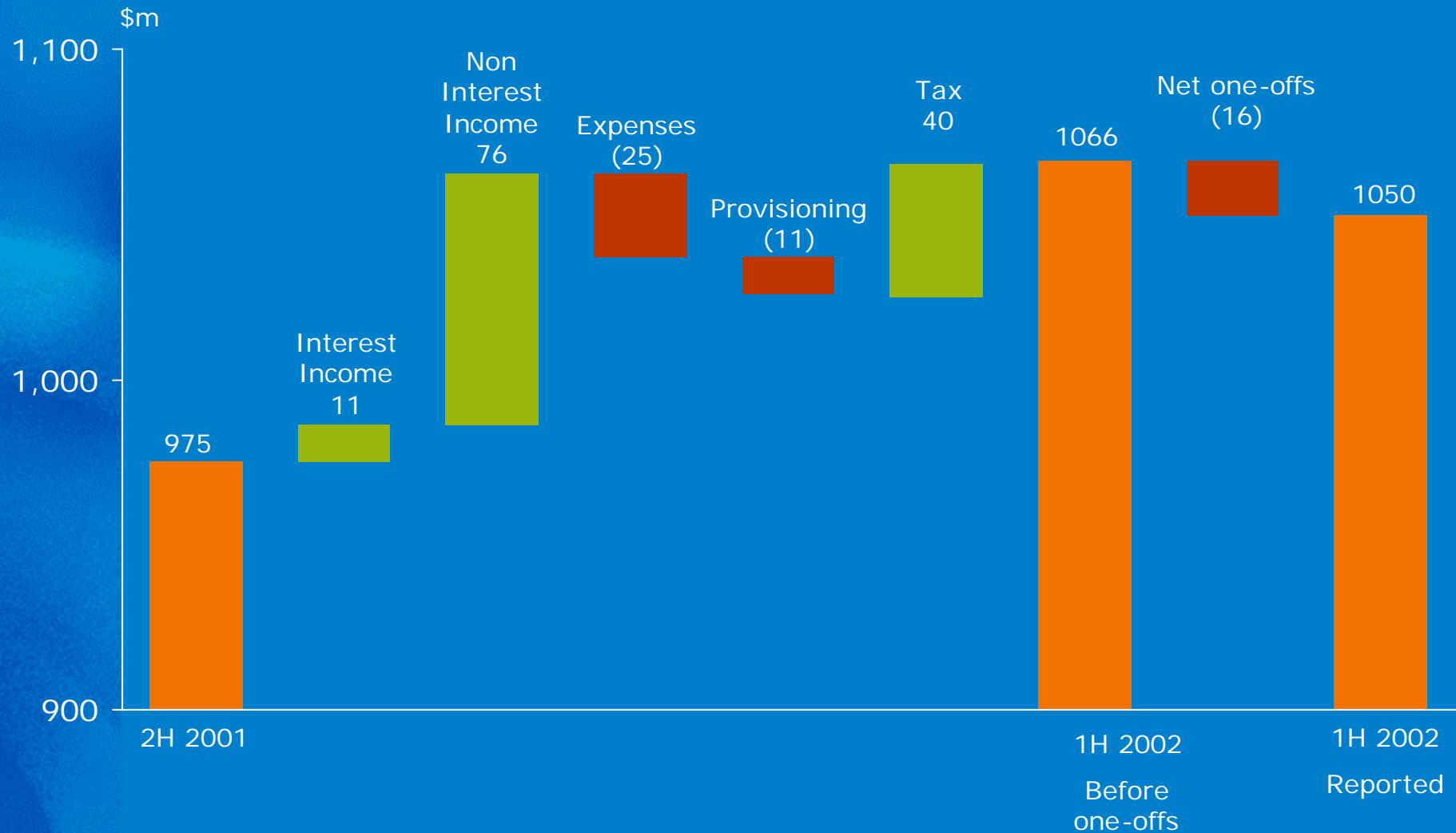
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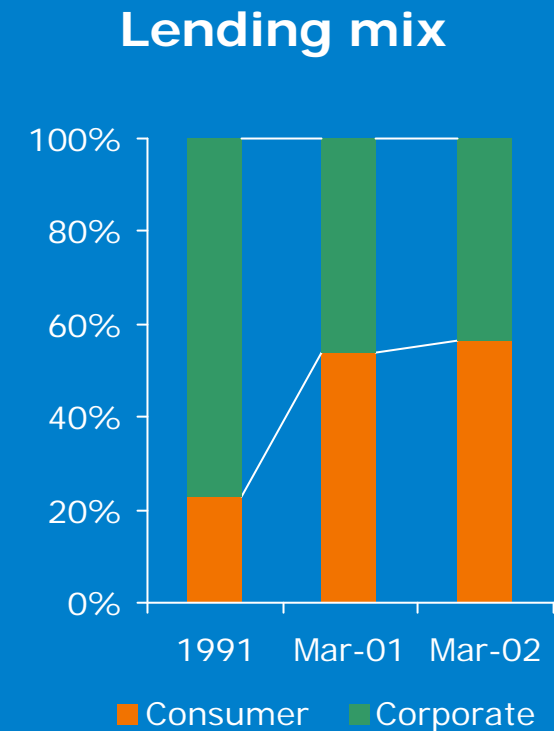
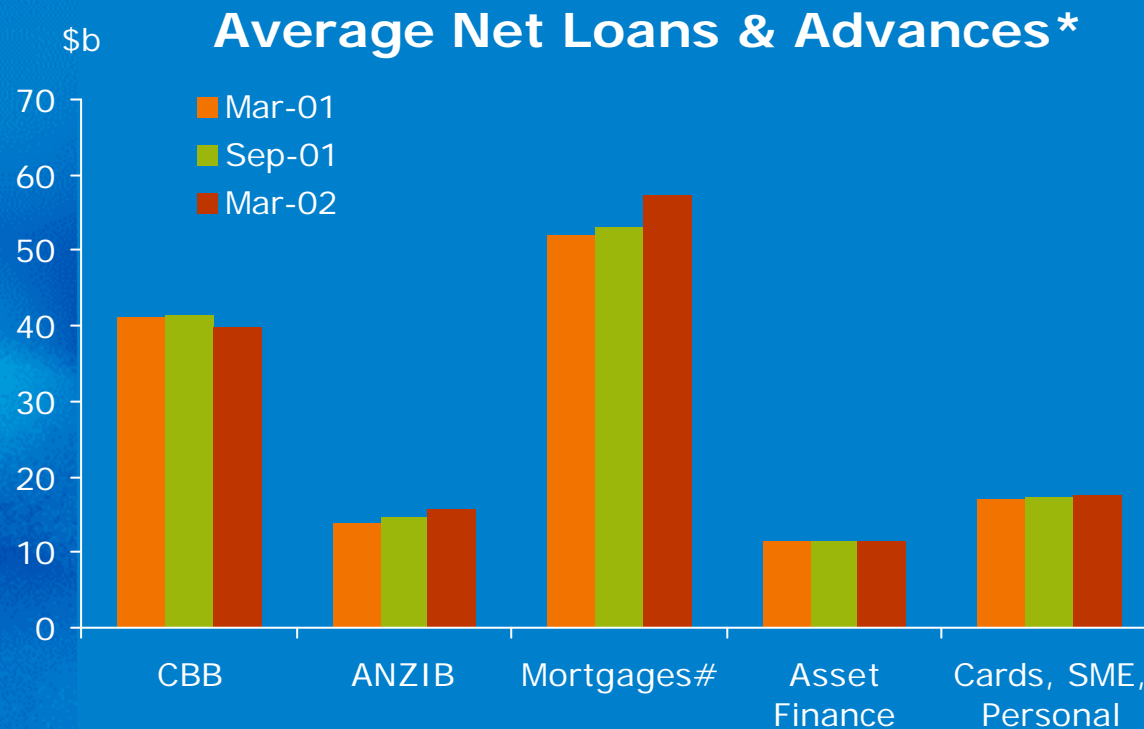


Additional Financial Information

A good result, driven by non-interest income



Mortgages continues to drive lending growth

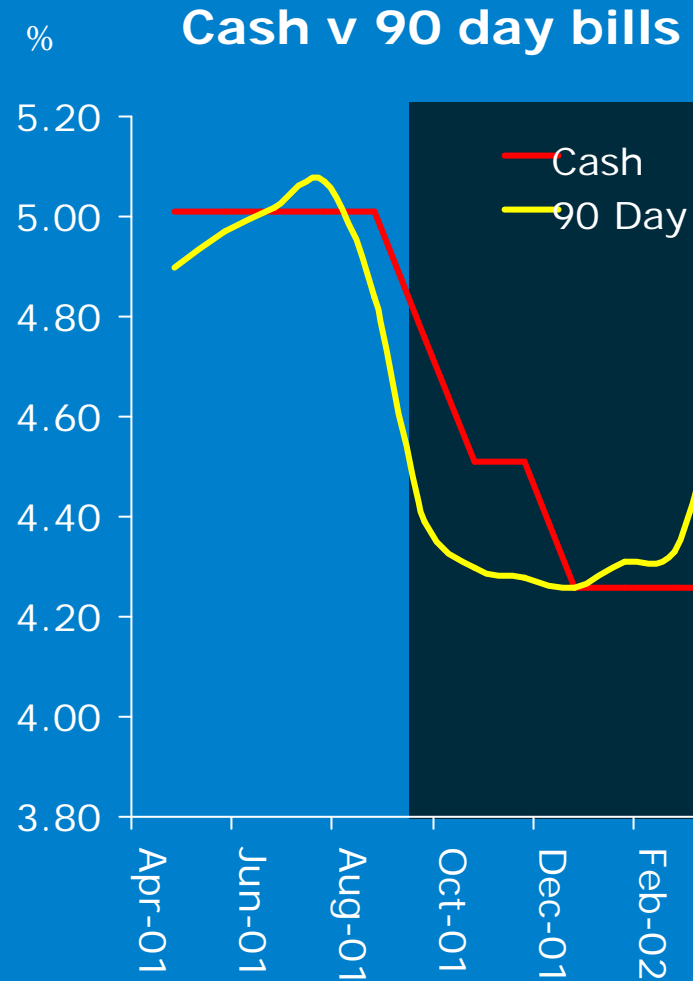


- No securitisation during half, reflecting healthy deposit growth
- Corporate will be given some additional capacity to grow balance sheet within domestic markets

* Business Unit NLAs > \$10b, includes acceptances

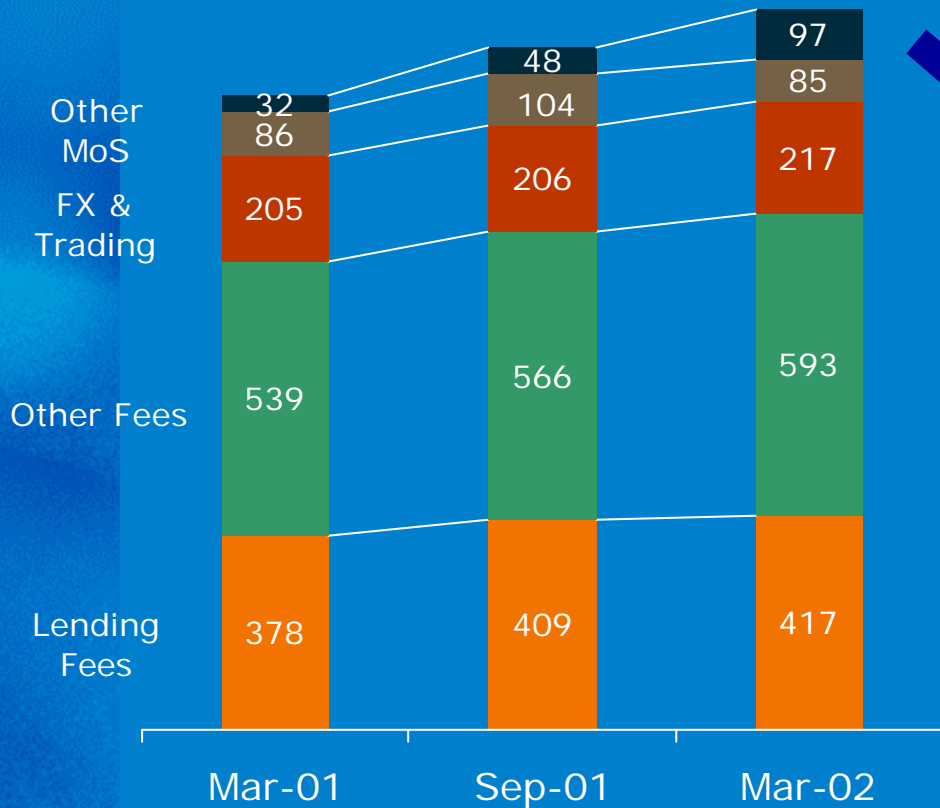
net of securitisation

Interest margins stable



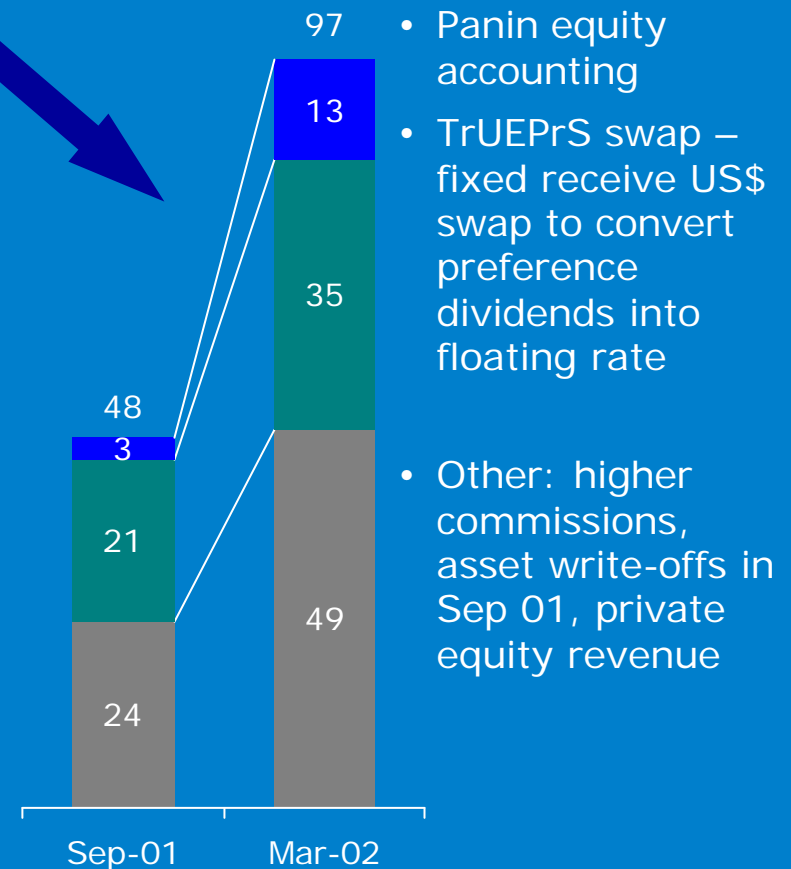
Income drivers – non interest income up 14 % on prior March half

Non-interest income



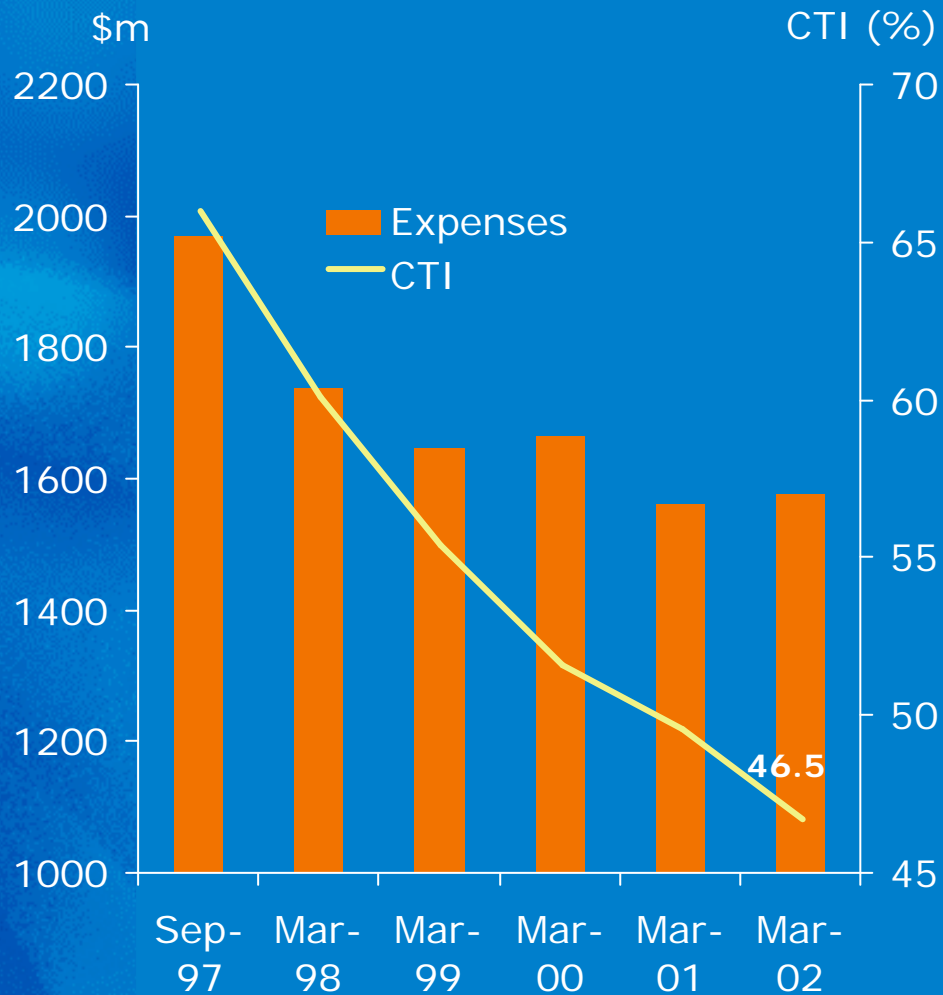
- Lending fee growth reflects ongoing focus on fee growth in corporate businesses
- Other fee income driven partly by volume related increase in card merchant fees

"Other" income



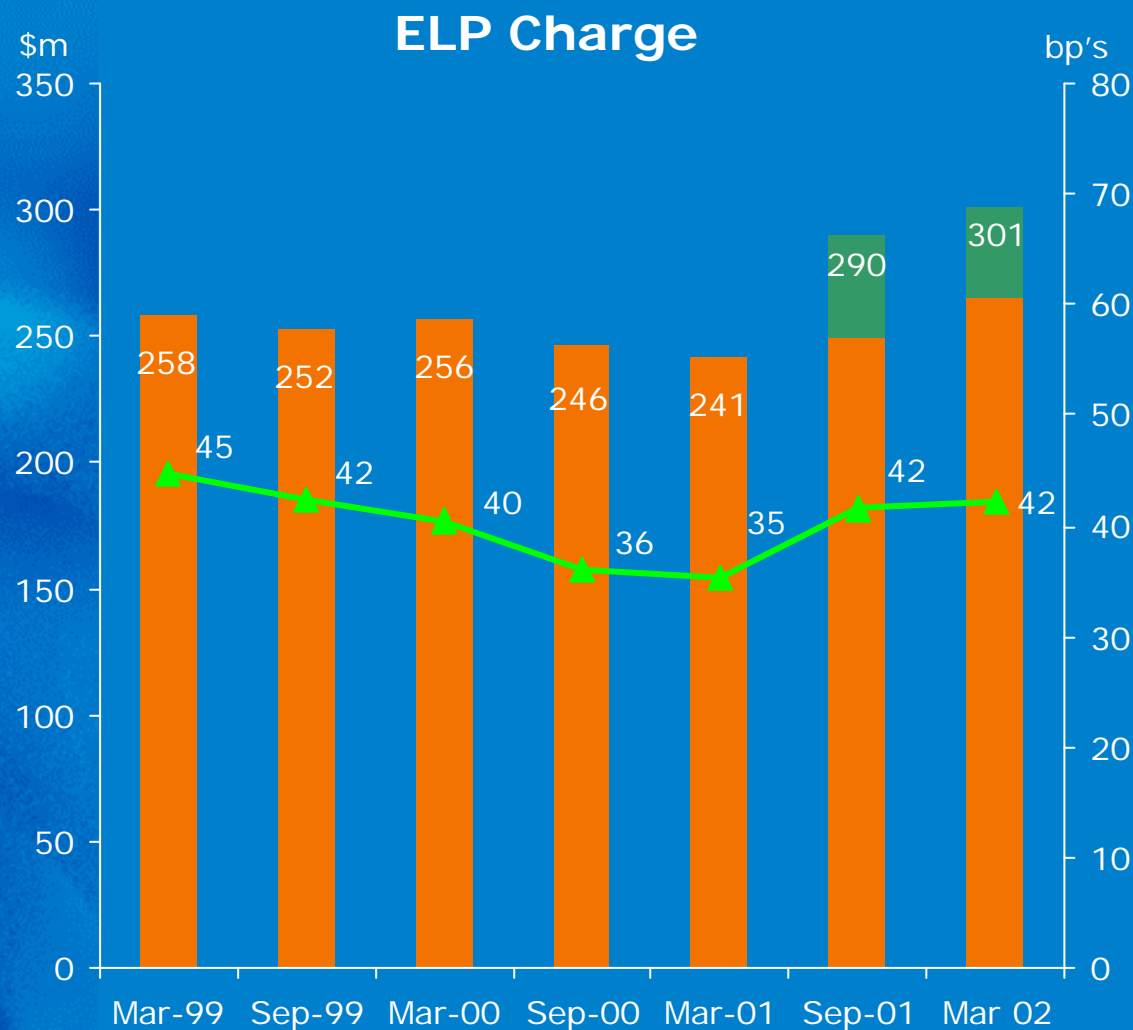
- Panin equity accounting
- TrUePrS swap – fixed receive US\$ swap to convert preference dividends into floating rate
- Other: higher commissions, asset write-offs in Sep 01, private equity revenue

Cost income ratio on track to meet target of mid 40's



- Reduction in Cost Income ratio driven by revenue growth **and** cost control
- Approximately \$68m of restructuring provision spent in half
- On track for mid 40's target

Provisioning charge reflects prudent management



- ELP charge adjusts in line with changing risk profile
- Prudent to allow for potentially higher expected defaults in our provisioning
- The ELP charge has been affected by the implementation of a new methodology which has enhanced our measurement of credit risk and recognises recent experience

Revised capital management targets

....following consideration of the impact of the ING JV, the increasing focus by ratings agencies on adjusted common equity (ACE) and APRA's proposed conglomerate changes:

Previous

- Target ratios: Inner Tier 1-6%, Tier 1-7%
- Book capital at least equal to economic capital
- Sufficient capital for AA category rating
- Comparable with competitors
- Reduced cost where possible

Revised

- ACE/RWA 5.25-5.75%
 - March 02 6.3%
 - March 02 ING JV proforma 5.7%
- Book capital at least equal to economic capital
- Sufficient capital for AA rating

ANZ's adjusted common equity to RWA in line with peer average



Notes

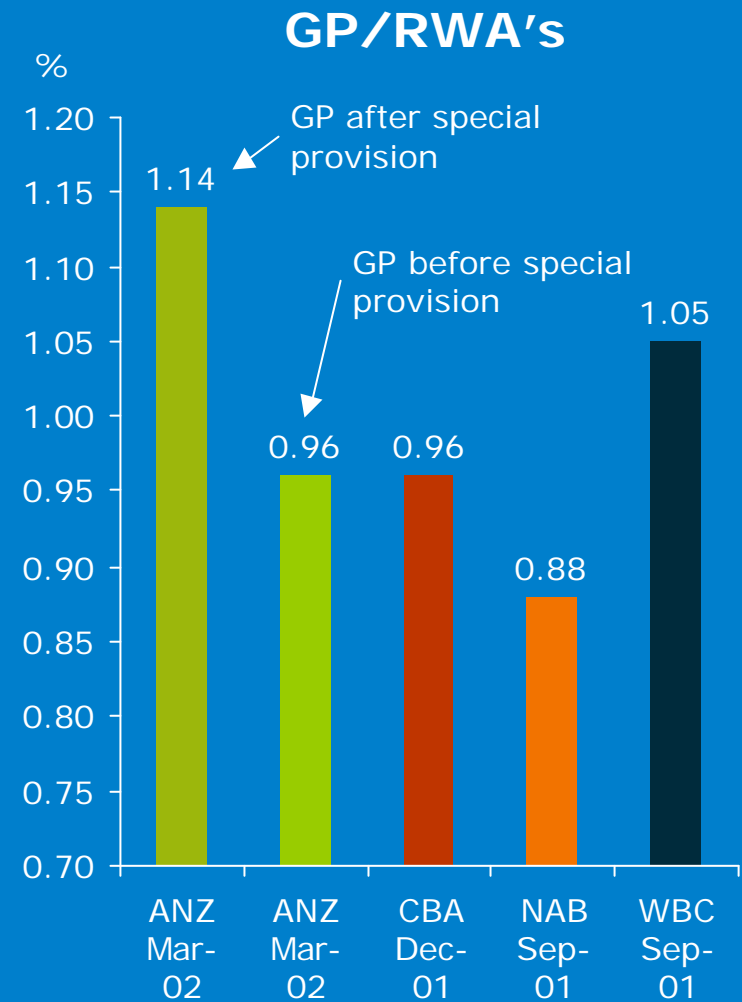
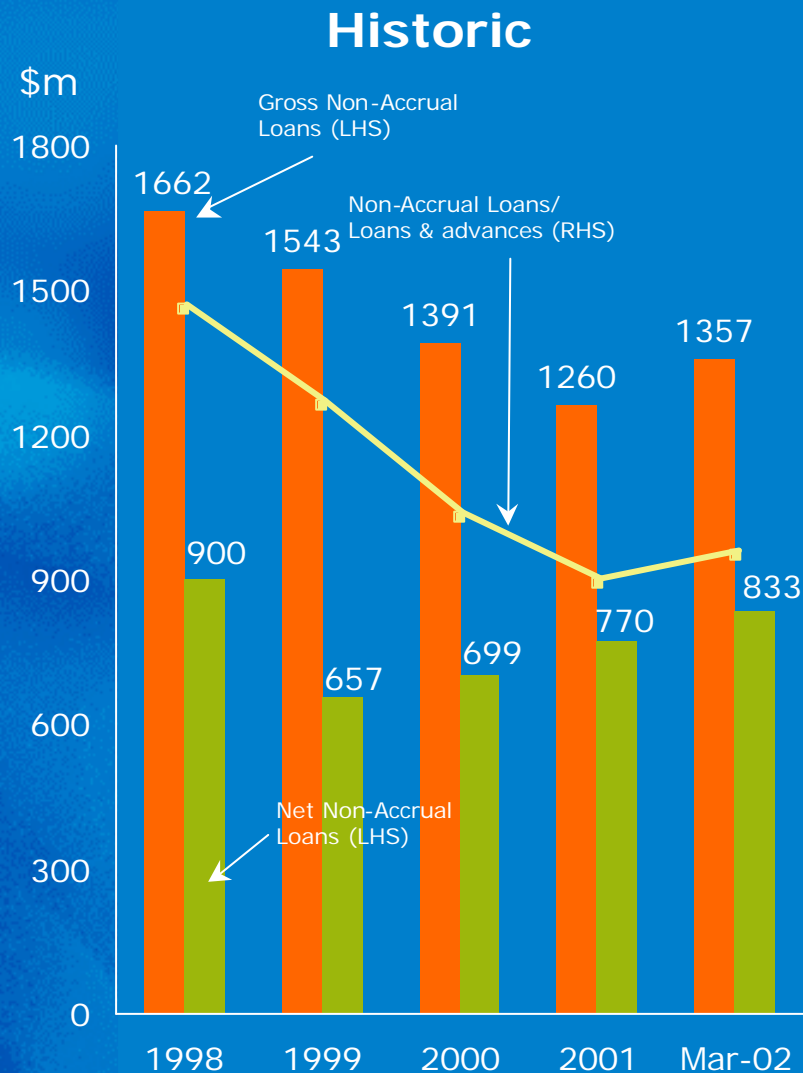
- Excludes mortgage servicing rights.
- Calculation excludes the fact that the Australian banks' GP/RWAs is approx. 40bp higher than the average of the UK and Canadian banks.

Outlook for second half

- Australian economy to perform relatively well with overseas markets coming off their recent weakness
- Loan demand is expected to remain reasonably subdued
- Rising interest rates likely to pressure net interest margins in Mortgages, partially offset with gains in Personal Banking
- Specific provisions expected to remain moderately high as we work through the economic cycle
- Cost growth rate lower than revenue growth rate with resultant improvement in cost-income ratio
- Second half outlook expected to be favourable notwithstanding very strong similar period last year

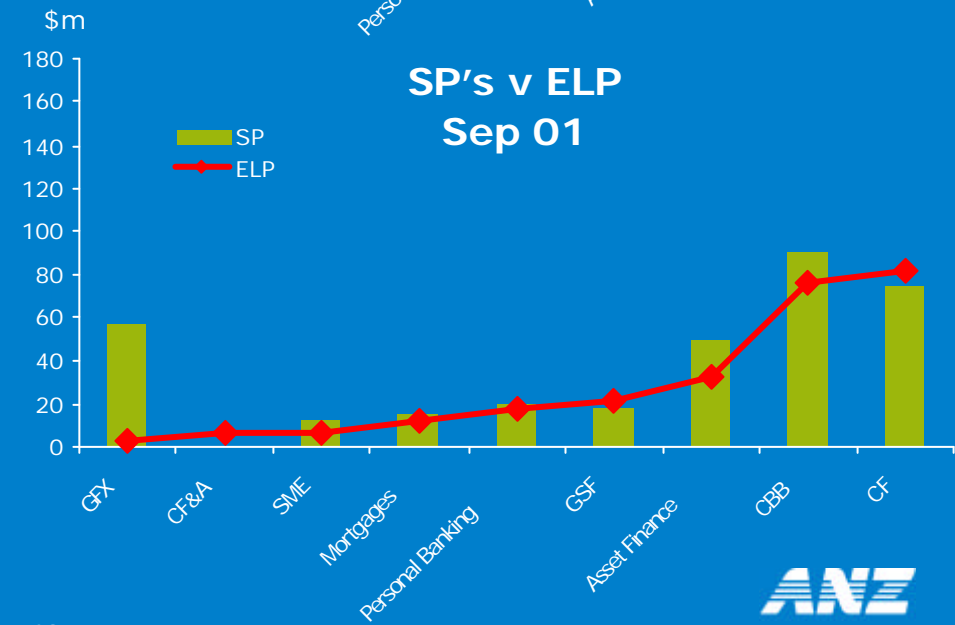
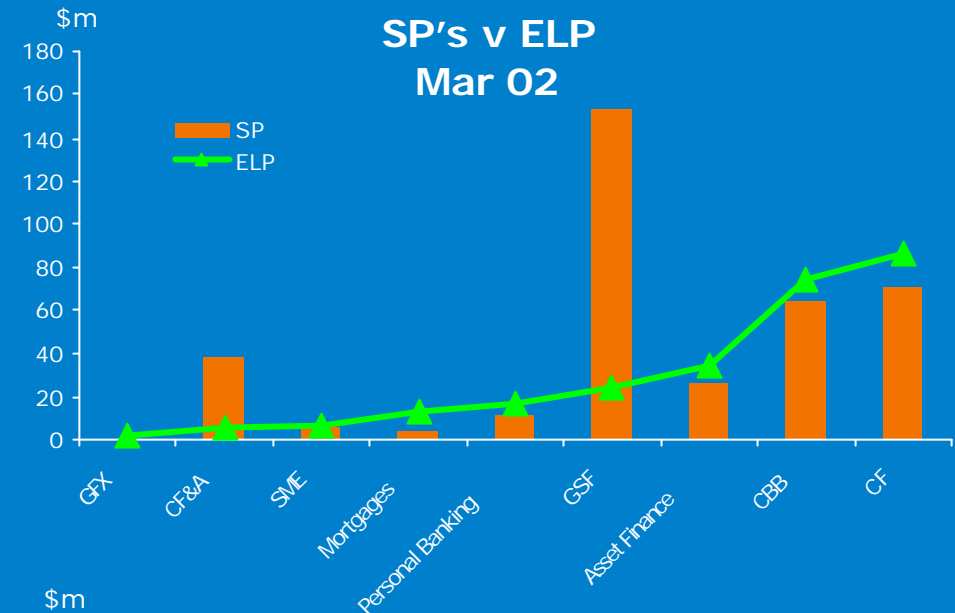
Additional Credit Quality Information

Overall credit quality position is sound

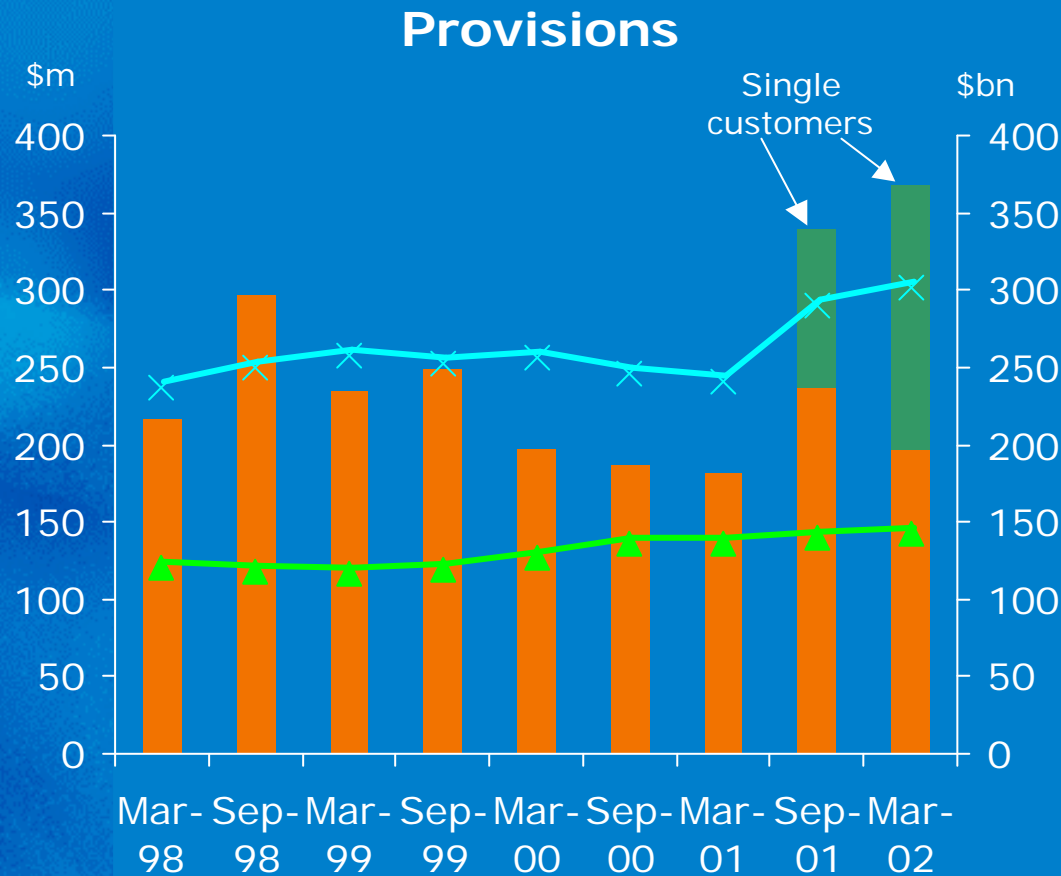


Specific provisions in most businesses lower than expected losses

Specific Provisions Mar 02 v Sep 01

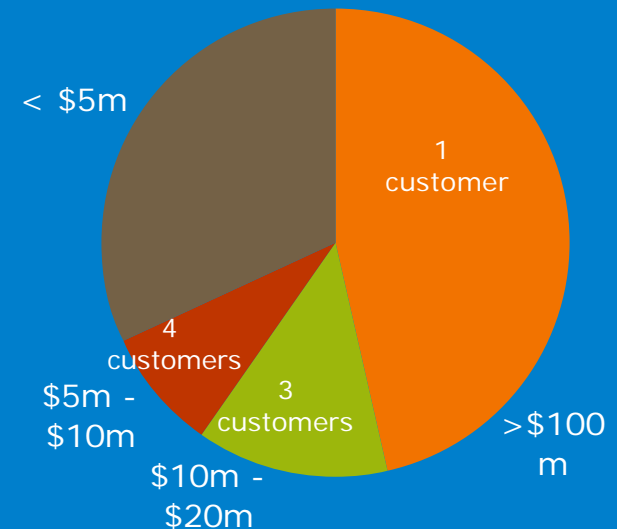


Specific provisions impacted by a single corporate collapse



■ Net specific provisions - \$m (LHS)
▲ Average net lending assets - \$bn (RHS)
✕ ELP charge - \$m (LHS)

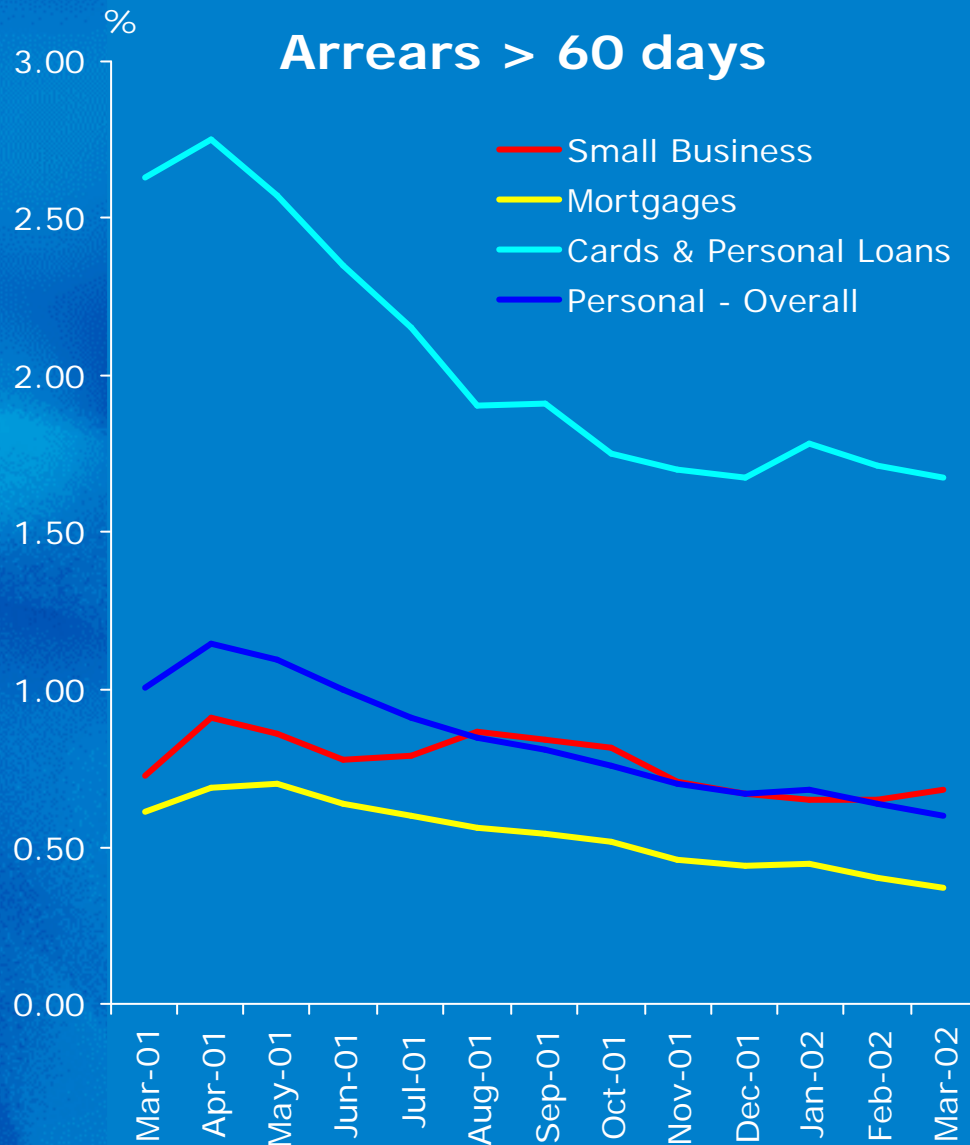
Mar-02 Specific Provisions by size



- Only 4 customers with specific provisions greater than \$10m
- Excluding Enron, specific provisions declined 42%



Consumer portfolio continues to improve

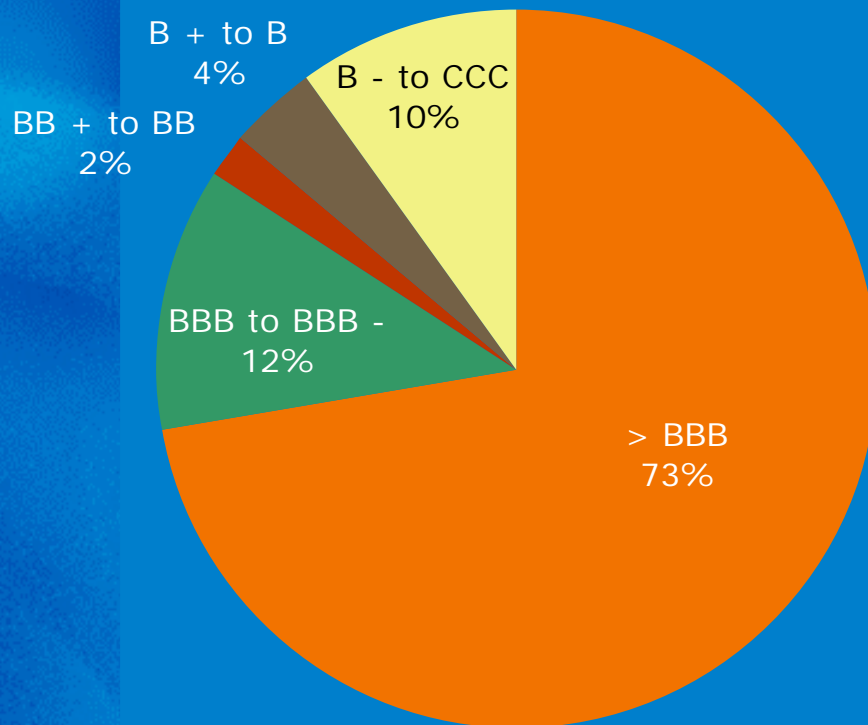


Delinquency levels have improved, driven by:

- Improved collections processes and procedures
- Continued focus on early identification and management of poor performing loans
- Interest rates remain low
- Stable employment and economic conditions

Fallen angels - 85% of new non-accruals were investment grade 12 months ago

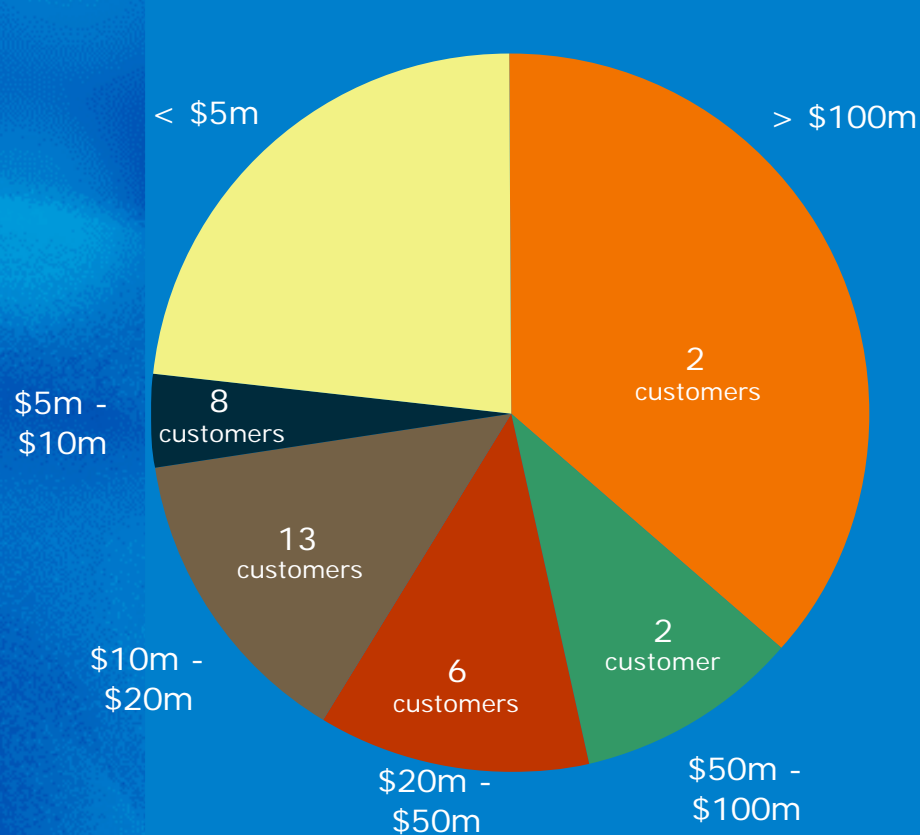
March 2001 ratings for First Half 2002 new corporate non accrual loans



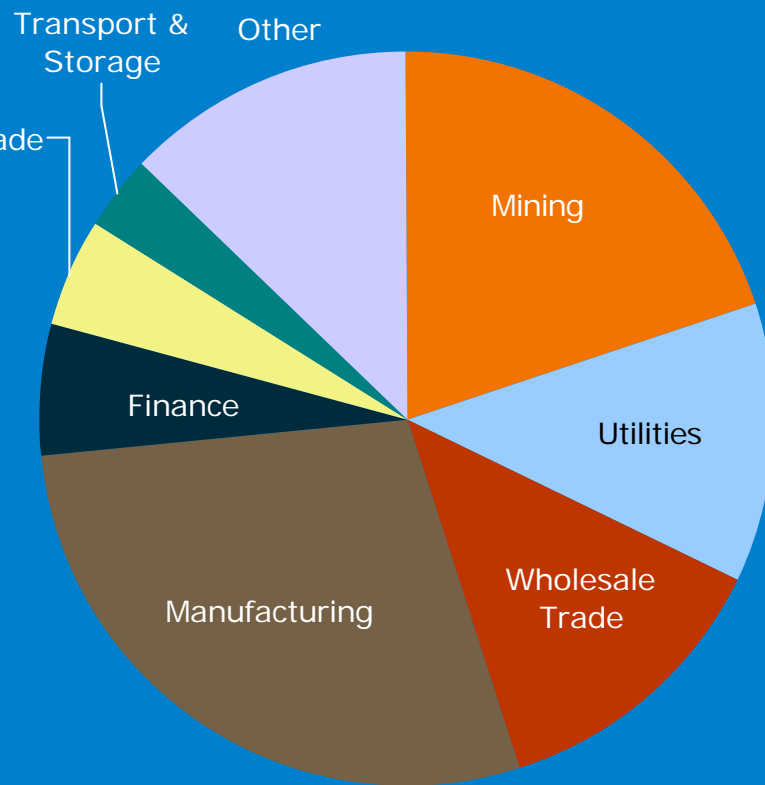
- Speed of collapse difficult to model
- We will continue to diversify the portfolio
- Single customer concentration limits reduced further
- Increased returns required on undrawn lines and off balance sheet commitments in EVA models

Three main problem loans - no industry wide factors apparent

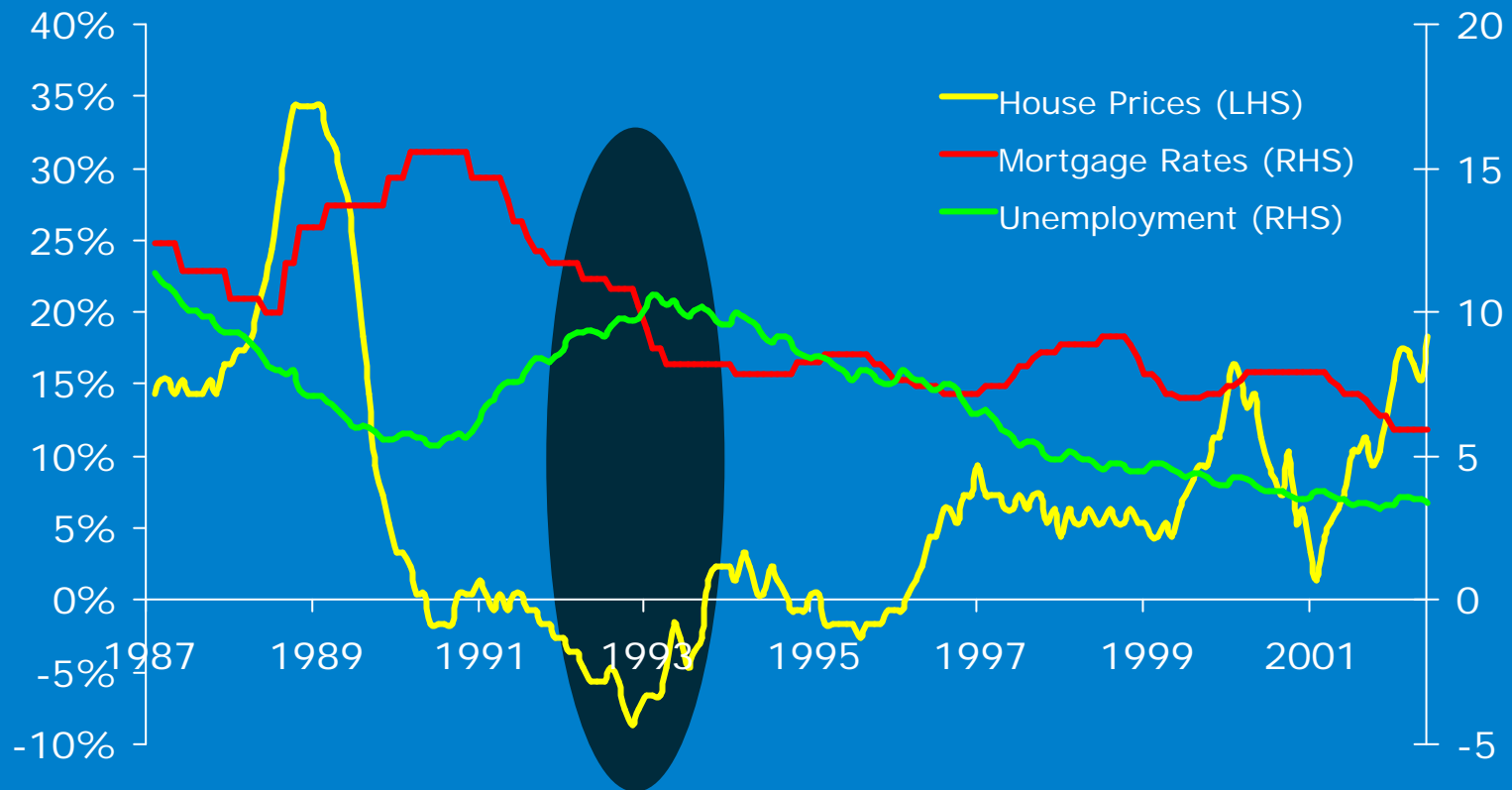
Non-accrual loans by size



Non-accrual loans by industry



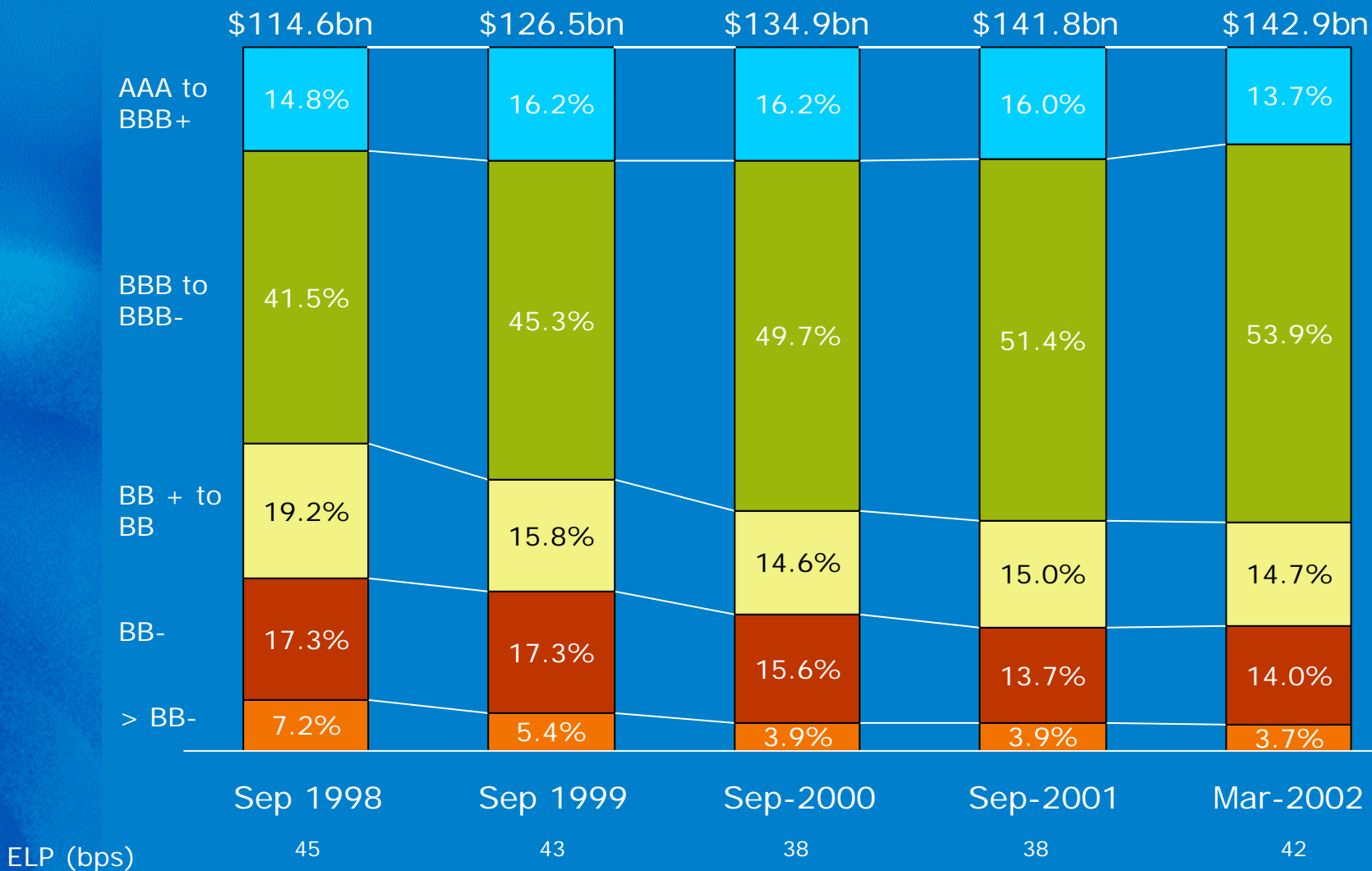
UK mortgage market



Fitch : *"Unemployment growth is the strongest cause of default. Rising interest rates a second major stress"*

Group risk grade profile remains strong

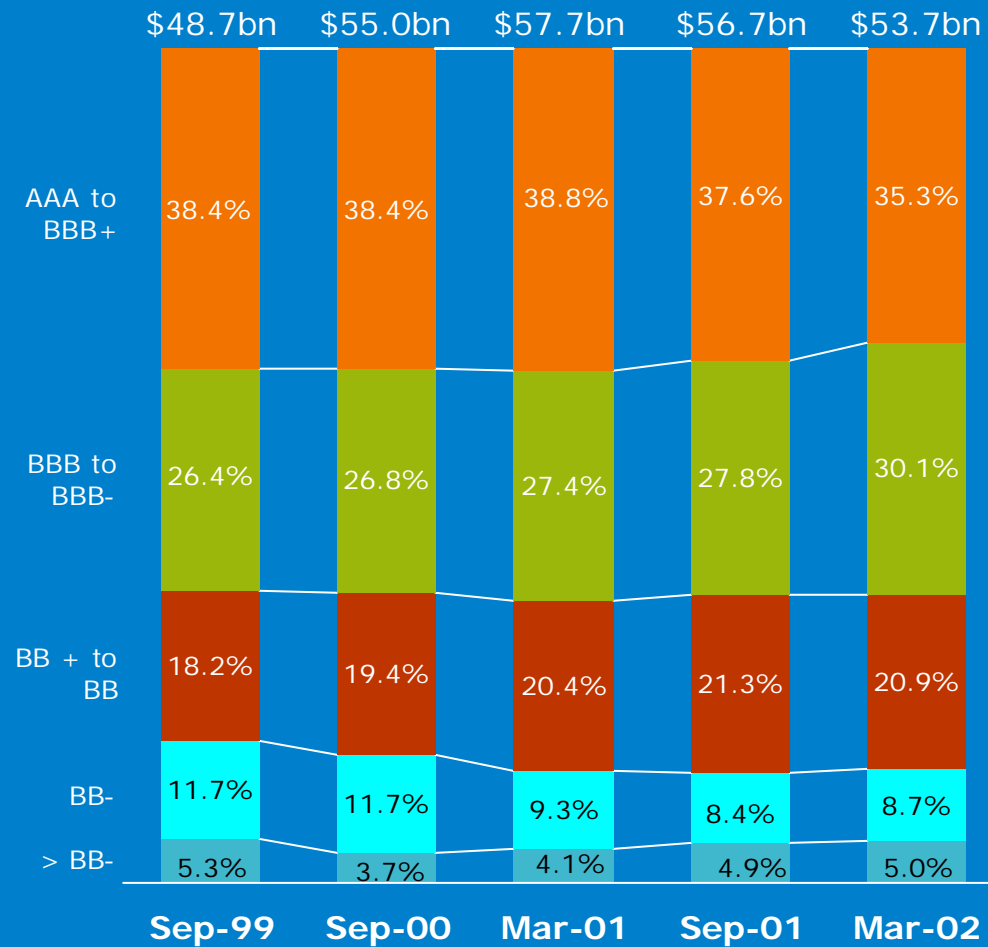
Gross Lending Assets



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

Risk profile of Corporate is within expectations and remains sound

Corporate risk grade profile

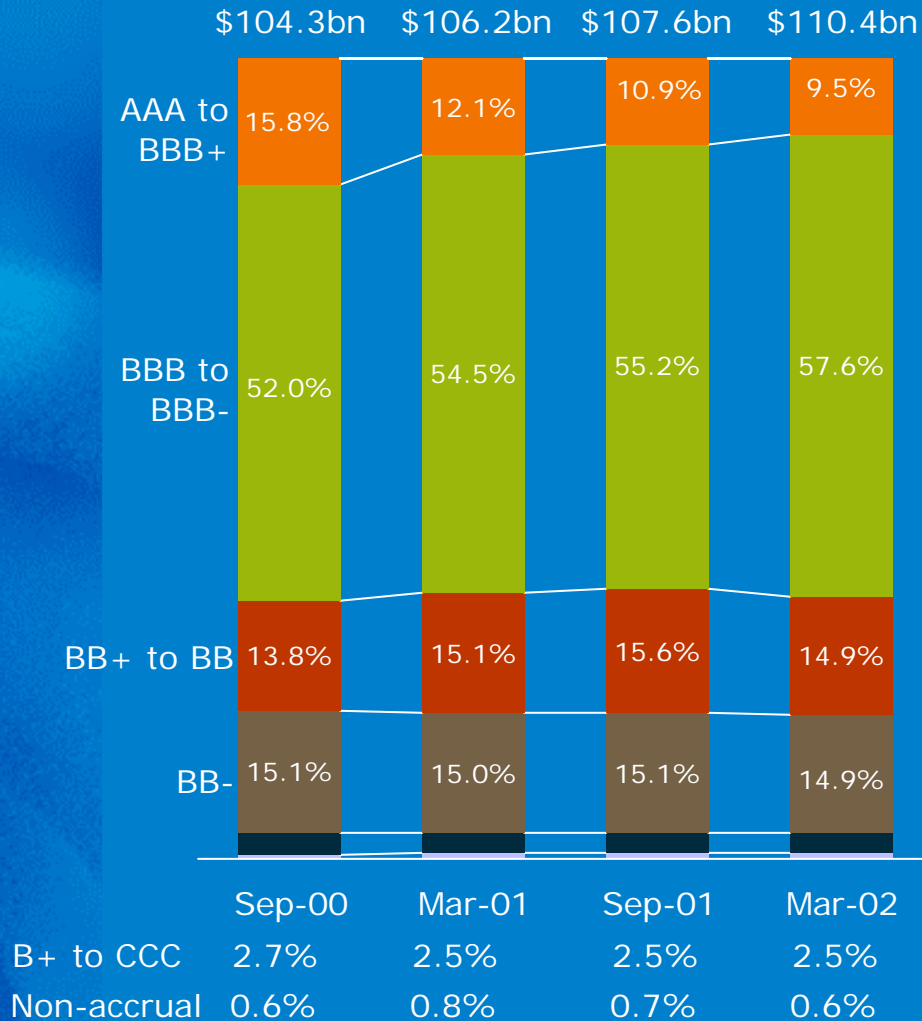


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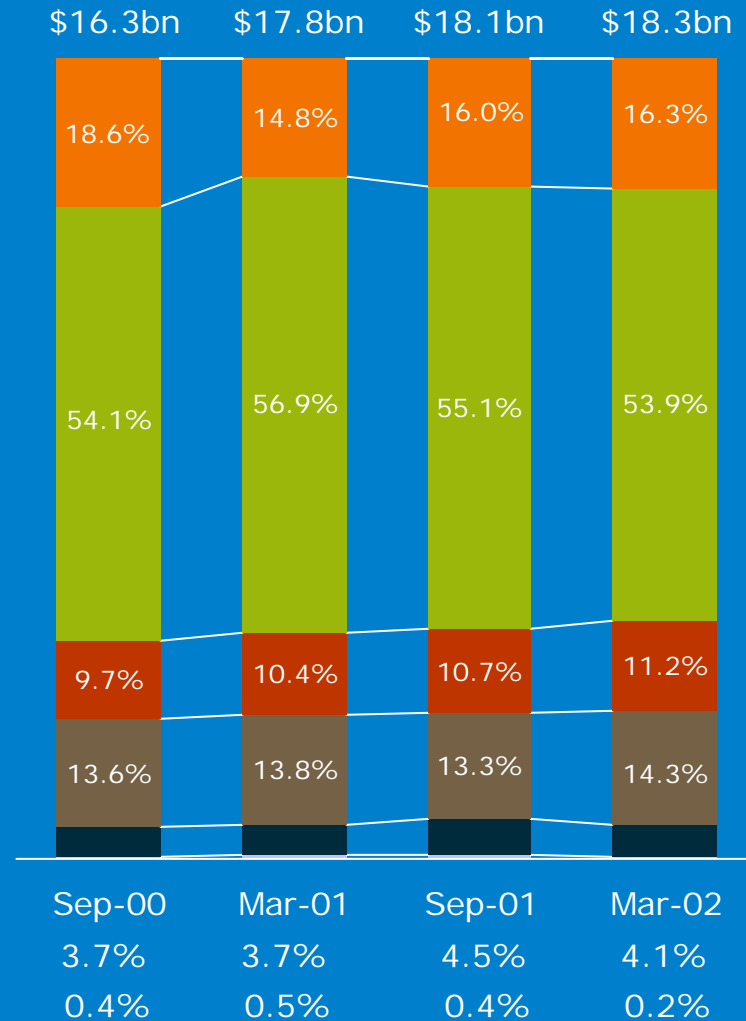


The Australian and New Zealand risk profiles remain stable

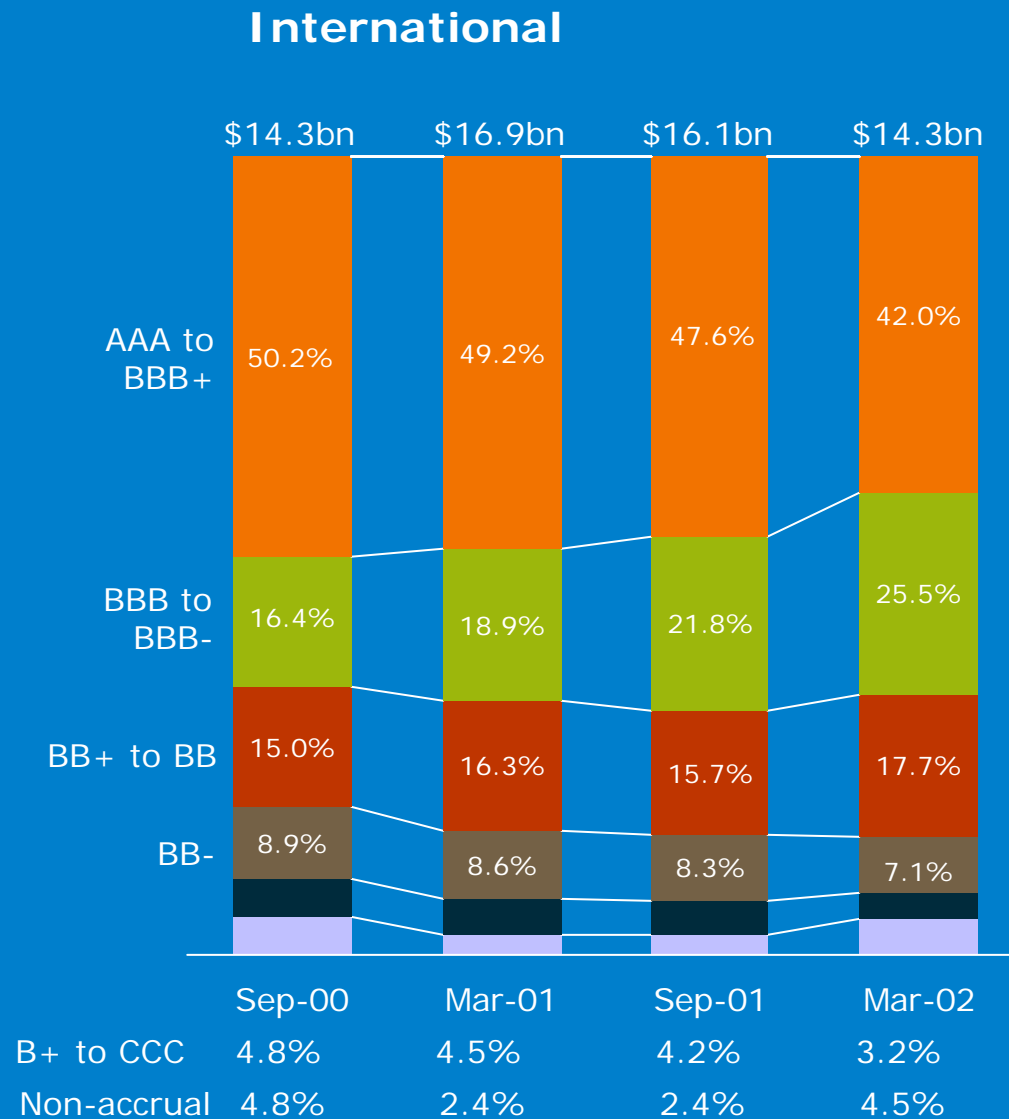
Australia



New Zealand



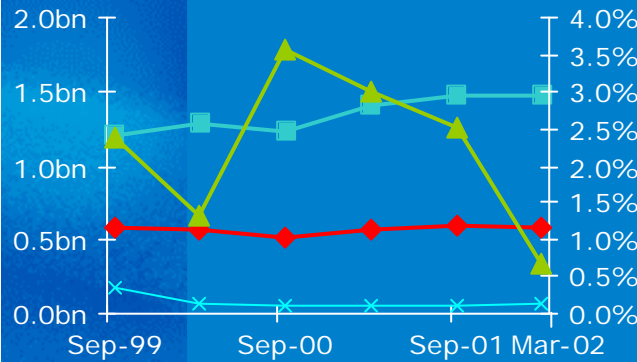
The International profile has been affected by a small number of large downgrades



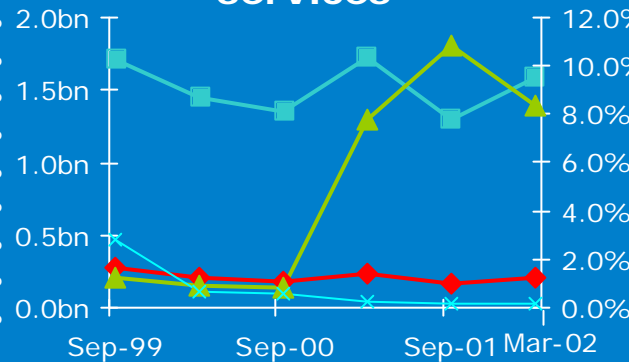
Industry exposures – Australia & NZ

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

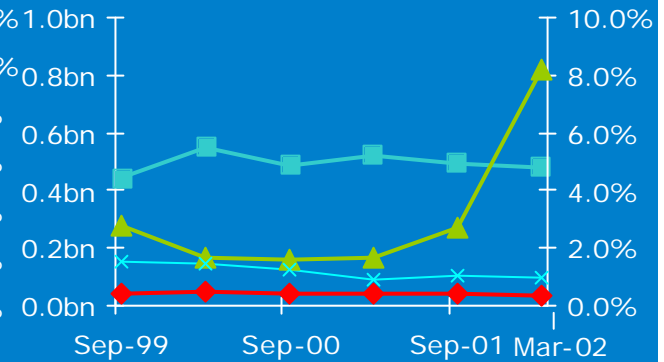
Health & Community Services



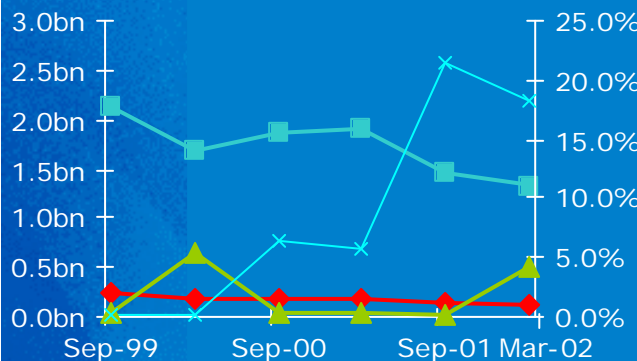
Cultural & Recreational services



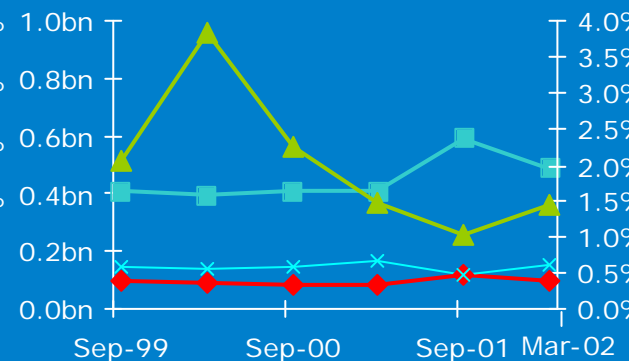
Forestry & Fishing



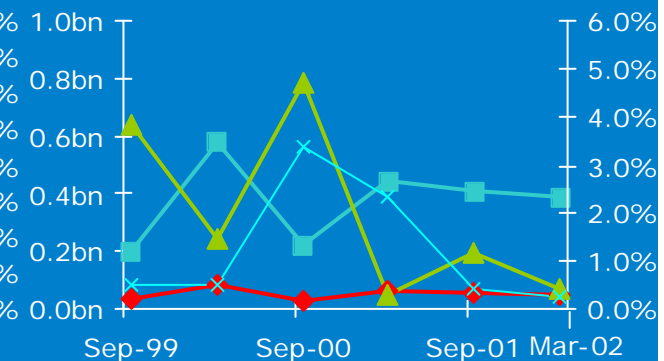
Mining



Personal & Other Services

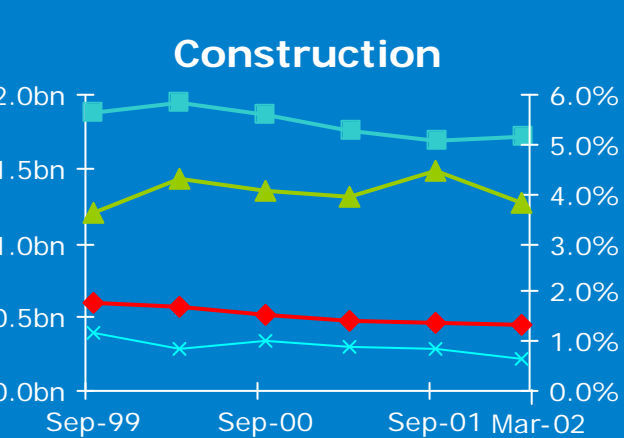
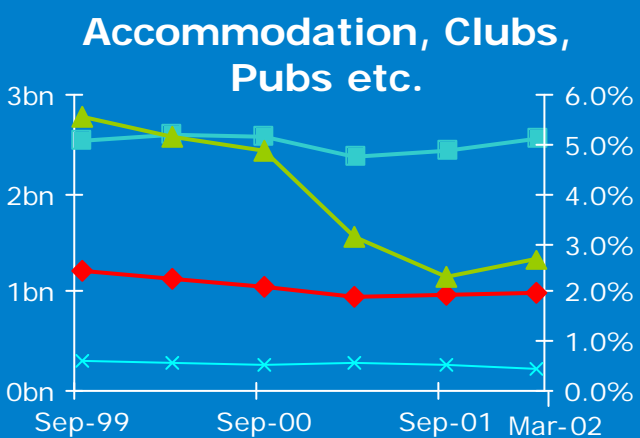
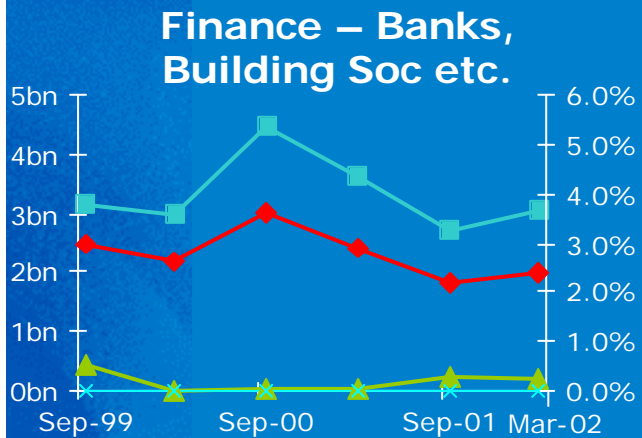
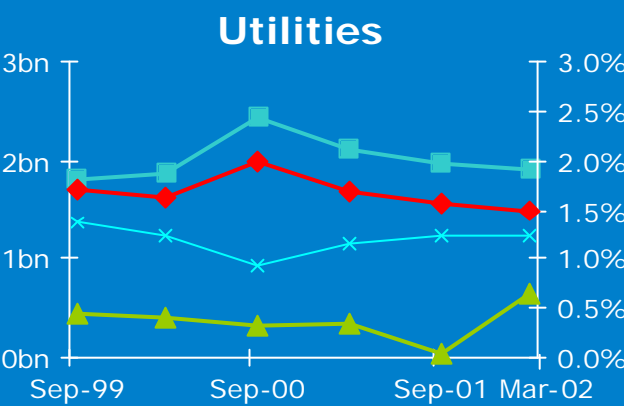
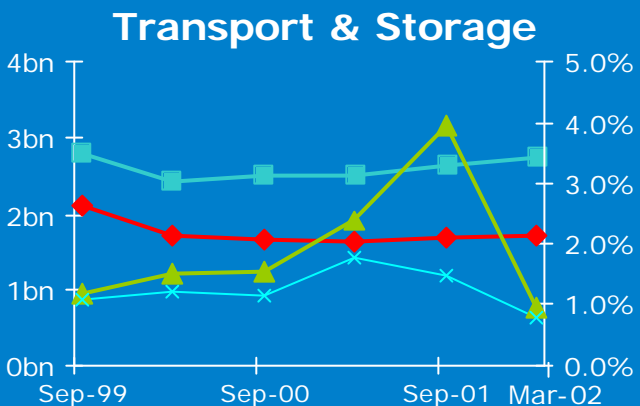
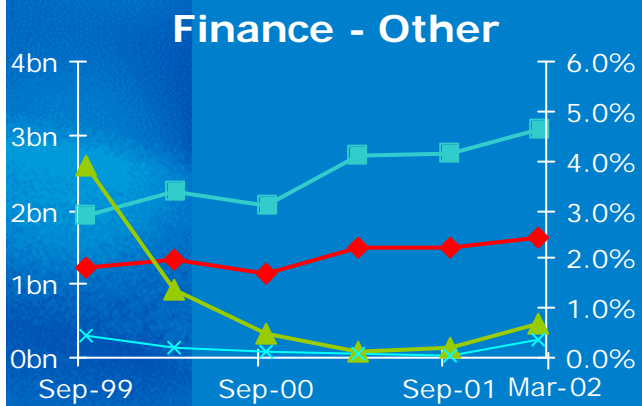


Communication Services



Industry exposures – Australia and NZ

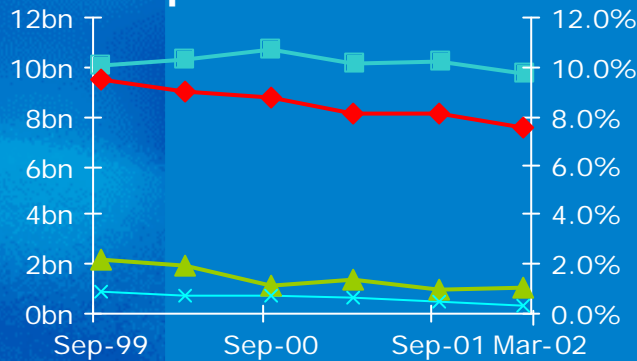
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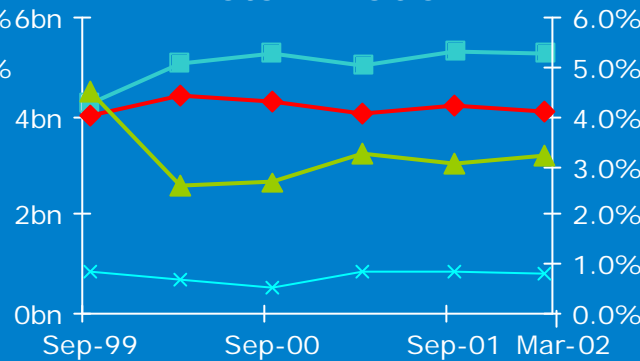
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- ▲ % in CCR 7D-8G (RHS scale)
- × % in CCR 9-10 (RHS scale)

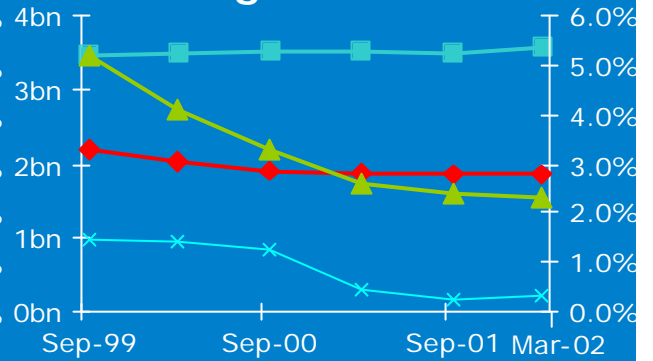
Real Estate Operators & Dev.



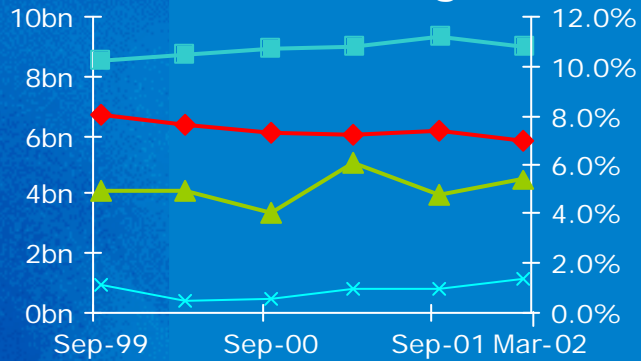
Retail Trade



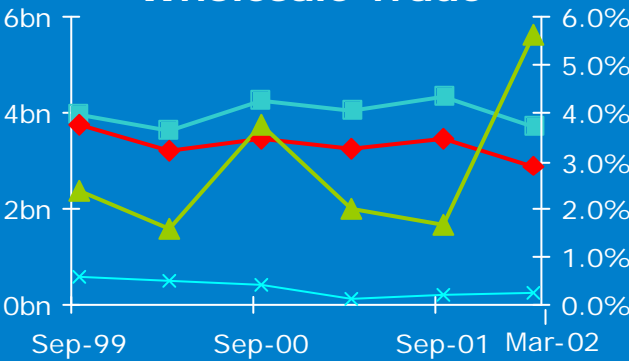
Agriculture



Manufacturing



Wholesale Trade



Business Services

